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Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

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• (0905)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good morning, everyone. Welcome to meeting number 20 of the Standing Committee on Transport, Infrastructure and Communities. Orders of the day are, pursuant to Standing Order 108(2), a study of the recall of vehicles manufactured by the Toyota Motor Corporation.

Joining us again today, from Toyota Canada Inc., is Mr. Stephen Beatty, managing director, and from Toyota Motor Corporation, Minoru Tanaka, general manager, underbody design division.

Just for the information of committee members, Mr. Tanaka has a translator and we will have a bit of a delay between question and response. I would ask that members, if they want to preserve the most time for their questions, keep their questions as short as possible for the second translation.

I understand, Mr. Beatty, that you have an opening comment. Then we'll move to questions and answers.

Mr. Stephen Beatty (Managing Director, Toyota Canada Inc.): Thank you, Mr. Chairman.

Mr. Chairman, the committee has indicated that it wants to follow up on the matters that were discussed at the last hearing. You also requested the presence of someone with a technical understanding of the pedals used in Europe and Canada. For that reason, I'm joined here today by Mr. Minoru Tanaka.

Mr. Tanaka is a veteran body engineer who has been with Toyota since 1984. Since joining Toyota, he has focused his work on underbody design engineering, and currently he is general manager of the division that is responsible for design of these aspects of all Toyota, Scion, and Lexus models.

Also, since March 16, when we appeared before the committee, Toyota has made substantial progress towards completing the recalls that are the subject of your review. I'd like to take just a couple of minutes to update members on developments, and then Mr. Tanaka and I will answer any remaining questions you may have.

When Toyota was last here, I said that we were confident that a review of the facts in this case would bear out the conclusion that we had never put profit before the safety of our customers. We also confirmed that our customers, Parliament, and the general public could be assured that the remedies we offered were simple, robust, and above all, effective; in other words, that Toyota vehicles are both safe and long-lasting and that our customers can be confident that the

company stands behind the product and supports their needs long after they've left the showroom.

Several questions arose at the last committee hearing, and Toyota was asked to respond to those questions and to provide certain information items. This was a substantial body of work, but I can report that we have collected, translated, and provided the responses back to the committee. That has taken time, but hopefully members of the committee have received copies of that material.

Toyota holds the safety of its customers paramount. We believe we've taken appropriate steps to ensure that issues arising in the Canadian marketplace are investigated, assessed, and fixed. These are complex issues, with which all manufacturers are challenged.

We believe our response to these issues is in keeping with the actions of other members of the industry; however, we're striving to be an industry leader in this regard. We've tried to go above and beyond to ensure that Canadians retain confidence in our brand. That trust, of course, is central to the health of our business.

As a result, we've taken steps to ensure that repairs are carried out quickly and efficiently, with the least inconvenience to our customers; that regular updates are provided to regulators, the media, and the public about the progress of campaigns and other information related to them; and we've established and enhanced quality and safety structure and process, with Canadian representation. Finally, we continue to meet and, more significantly, aim to exceed the requirements of the Motor Vehicle Safety Act in addressing other issues as they arise.

It's fair to say that differences in vehicle architecture, climatic or other environmental conditions, issues of maintenance or wear and tear, as well as various human factors, make it difficult to infer that an issue encountered in one part of the world will necessarily translate to vehicles operated in a different region. But as for Canada, we had no reports of sticking pedals until late last fall.

We moved quickly to address the issue, and in addition to issuing the recall, Toyota suspended production and delivery of vehicles until a remedy could be delivered to the marketplace. We then undertook the most comprehensive and rapid rollout of a recall campaign in our history, and today completion stands at over 88%. We're encouraged by this result and we're aiming for 100% completion.

Now, we understand that public expectations are growing, and as we noted in our last appearance before committee, Toyota has committed to the creation of a new safety and quality structure in North America, with a greater role in safety determinations. Since that time, a chief quality officer has been appointed, committees established, and an independent advisory panel—including a senior Canadian representative—appointed. Also, our individual corporate entities across North America are all looking at our internal procedures to find potential areas for improvement.

Mr. Chairman, Mr. Tanaka and I look forward to your questions.

Thank you.

The Chair: Thank you.

Mr. Volpe, you have seven minutes.

Hon. Joseph Volpe (Eglinton—Lawrence, Lib.): Thank you.

I wonder if I could clarify some things before we begin.

The Chair: Sure.

Hon. Joseph Volpe: I think the committee had invited some members from the department to be sitting here. Are they here?

The Chair: We have members of Transport Canada with us, and if we need them or have questions of them, we'll invite them to the table.

Hon. Joseph Volpe: That's good. Thank you very much.

It may be that during the course of my interventions, one of my colleagues may substitute for me. I want to give you and committee members advance warning that we might be sharing some time, even though it won't be formalized. Is that fair enough?

The Chair: You bet.

Hon. Joseph Volpe: Can we begin?

The Chair: Begin.

Hon. Joseph Volpe: Thank you very much, Mr. Beatty and Mr. Tanaka.

Mr. Beatty, there's something you said a moment ago that causes me to look very seriously at some of these things.

I assume you're familiar with the Motor Vehicle Safety Act, section 10.

Mr. Stephen Beatty: In general, yes.

Hon. Joseph Volpe: I'll quote from it:

A company that manufactures, sells or imports any vehicle...shall, on becoming aware of a defect in the design, construction or functioning of the vehicle or equipment that affects or is likely to affect the safety of any person, cause notice of the defect to be given in the prescribed manner to

(a) the Minister....

And to drivers.

So in view of what you just said, when did Toyota become aware of the defect resulting in sticky pedals?

Mr. Stephen Beatty: Mr. Chairman, I was notified on January 20 that the determination had been made that a safety defect existed, and we moved immediately the following day to issue a notice of the defect.

● (0910)

Hon. Joseph Volpe: That's January 20, 2010?

Mr. Stephen Beatty: That's right.

Hon. Joseph Volpe: However, in a letter dated February 19, 2010, to the "Head of Recalls", defect investigations, Transport Canada—and it contains a comprehensive chronology of the recall process—you state that between March of 2007 and June of 2008 Toyota received reports of sticky pedals in the Tundra model. In that same letter, you say that the material of the friction lever, PA46, was "susceptible to humidity". Did you then issue a notice of defect to Transport Canada?

Mr. Stephen Beatty: No. The conclusion at the time from engineering was that it did not constitute a safety defect, but simply resulted in notchiness in the pedal.

Hon. Joseph Volpe: I realize that you chose to consider this to be a driveability issue and, as you say, unrelated to safety, an assumption or a conclusion that was later changed.

But in testimony to the committee on the date that you mentioned, March 18, the deputy minister of transport addressed the issue of... you'll recall that I asked about safety-related defects and the lack of a clear definition. There currently isn't one under the act. But she made reference to judicial decisions, and she did refer in that context to the department's guidelines for enforcement and compliance policy for defects.

Let me just refresh your memory on some of that. The guidelines also state:

A safety-related defect is generally one that is common to a group of vehicles...of the same design or manufacturer. These defects are likely to affect the safe operation of a vehicle...without providing any prior warning to the vehicle operator or user. Therefore, the defect poses a risk to the vehicle operator, occupants and others.

In its examples of safety-related defects, it clearly states, and I quote: "Accelerator controls that may break or stick".

Mr. Beatty, could you explain how, based on these guidelines, you would not have issued a notice of defect? How could you justify that?

Mr. Stephen Beatty: Well, again, the Motor Vehicle Safety Act and regulations provide not just the general guidelines but very specific guidelines with respect to testing of various vehicle components and so forth. Whenever we have complaints, those are reviewed against the provisions of the Motor Vehicle Safety Act and regulations.

Hon. Joseph Volpe: And you're saying that the department didn't ask you to do anything more than what you did?

Mr. Stephen Beatty: The determination of the safety defect within the terms of the Motor Vehicle Safety Act is something that, in the first case, left to the determination of the manufacturer; it's subject to review by the department.

Hon. Joseph Volpe: So because you chose to consider it a driveability issue, then you could put it over to one side as a safety-related defect.

Mr. Stephen Beatty: Because of the specific conditions that arose and the manner in which the vehicle performed.... I should mention that there has never been a reported case in Canada of a sticking pedal with that formulation of plastic. It relates to a high-temperature and high-humidity condition and we haven't observed it here.

Hon. Joseph Volpe: In that same letter back in February 2008, you indicated that Toyota had changed the material—to which you made reference—used in the friction lever to a PPS in order to address the deficiency. Am I right?

Mr. Stephen Beatty: That's correct.

Hon. Joseph Volpe: But then you started to receive complaints in December 2008, a few short months later, about pedals containing the new material. So you've already made the adjustment and you've put in new material, but you started to have problems anyway.

Then, in March of 2009, Toyota began the investigation in Europe that concluded the material was susceptible to moisture, causing the pedal to stick. So Toyota changed the pedal design to address this particular defect. Was a notice of defect issued to Transport Canada then?

• (0915)

Mr. Stephen Beatty: No.

Hon. Joseph Volpe: Why not?

Mr. Stephen Beatty: The pedals used in application in Europe at the time were considered to exhibit a problem that was predominantly in right-hand-drive vehicles of a particular size in certain operational conditions.

Hon. Joseph Volpe: Well, we'll come back to that in a moment, but in that same letter, you indicated that starting in October 2009 Toyota began investigating, in Canada and the U.S., reports of sticky pedals with the same friction lever, PPS, that Toyota investigated in Europe.

Now, those reports would not have been a mystery to Toyota, because they weren't a mystery to you. You've made reference to them. When these reports came to Toyota's attention, was a notice of defect issued to Transport Canada?

Mr. Stephen Beatty: Well, Mr. Volpe, let me just correct the preamble to the question. In fact, at that time, I didn't have knowledge of the earlier events with respect to any of the pedal investigations as they applied.

When the issue first arose in Canada—and if memory serves me correctly, we had five FTRs issued before the recall on January 21—the first of those incidents was something we couldn't replicate or reproduce. So the first case where we could confirm there was the sticking pedal condition arose at the end of November.

The Chair: Mr. Volpe, I have to move to Monsieur Laframboise.

Hon. Joseph Volpe: Thank you, Mr. Chair.

[Translation]

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Thank you very much, Mr. Chairman.

Gentlemen, I wish to thank you for being here with us.

What I am obviously interested in is understanding the way in which all of this works. The law requires that you file a notice of

defect. Indeed, as Mr. Volpe mentioned, when you become aware of a safety defect, you must give notice to Transport Canada. I know that there are timeframes.

My first question is for Mr. Tanaka.

Are you the person who receives the complaints or who supervises the assessments? What happens when a complaint is filed by Canada, the United States or a European country? Try and explain to me how this works.

[English]

Mr. Minoru Tanaka (General Manager, Under Body Design Division, Toyota Motor Corporation) (Interpretation): Yes. Let me answer. The complaints or claims from each region will be received by the dealer of that region. The technician in the region will conduct the hearing and the components will be recovered. If those components are recovered in Canada, they will be sent to CQE in L.A. or Cincinnati. Then they will be sent to CQE in Japan and engineers will take a look at them.

Are you asking how we receive those components or how we give feedback to each region?

[Translation]

Mr. Mario Laframboise: I wish to know how you provide feedback to each one of the regions and how long this can take.

[English]

Mr. Minoru Tanaka (Interpretation): As I mentioned earlier, the CQE of each region will send information to CQE in Japan, where engineers will take a look at the issue. The design department in the investigation will feed back the information to the CQE in each region. Beyond that, it's not my responsibility, so I don't know.

• (0920)

[Translation]

Mr. Mario Laframboise: Who decides to come out with a statement that it is a safety defect? Is it the customer quality engineering, or CQE, for each of the regions?

[English]

Mr. Minoru Tanaka (Interpretation): No. That determination is not made in each region. At least at that time, the determination was made in Japan.

[Translation]

Mr. Mario Laframboise: Mr. Tanaka, it is important for us that you understand the matter of the timeframe. In Canada, our impression was that approximately three months elapsed before the decision was made.

Mr. Beatty, you told us earlier that you put in place a new and improved quality structure. It remains that everything revolves around the timeframe. I know that your customers are satisfied. The most recent statistics show this. However, what is a concern to me is the length of time it took. How could this timeframe be shortened, in order to not have to wait three months after a defect has been detected? Are we going to have to continue to follow this lengthy process? We must deal with Japan. There is a whole process that involves the dealer, the CQE in Los Angeles, and then Japan. That takes time.

Do you have a new and quicker structure?

[English]

Mr. Stephen Beatty: Yes. Thank you.

We have put in place a new global quality and safety committee that is chaired by Mr. Akio Toyoda, the president of our company, and with that are regional safety and quality officers for each of the major areas of the world.

In North America, a chief quality officer has now been appointed. There are working committees that support him and Canadians are included on those committees. There is also an independent advisory committee with noted outside experts, including Roger Martin, a representative from Canada.

As for our vision of this, it of course takes a certain amount of time for technical investigation and determination to be made, but we want to ensure at all times that, if there is any lack of clarity, or a sense that there is a lack of speed in dealing with issues, or a lack of concern, we have people from the region who are represented within that decision-making structure and are able to help influence the outcome. That's a new program.

[Translation]

Mr. Mario Laframboise: You must report defects to Transport Canada. At first blush, we would tend to suggest that you be required to immediately relay all complaints, as soon as you receive them, to Transport Canada. However, that would mean that Transport Canada would have to possess the necessary capability to analyze all of the complaints for all manufacturers' vehicles, and not just those of Toyota. However, vehicles are becoming more and more complex, more and more sophisticated.

If you were required to directly feed to the Department of Transport all of the complaints that your customers submit to you, do you believe the department would be able to respond to them?

[English]

Mr. Stephen Beatty: I think it depends on the definition of a complaint. For example, anyone who brings his or her vehicle into a dealership may very well claim that in a particular driving condition they're feeling vibration, or feedback in the steering wheel, or whatever else. Those would be normal maintenance conditions, but they're all represented in our database as being a case or statement by the consumer about the vehicle.

We need to be able to understand what are routine issues that are just matters of maintenance or wear and tear versus something that is significant and a safety issue. So it's a definition that we need to work on.

[Translation]

The Chair: Thank you, Mr. Laframboise.

[English]

Mr. Bevington.

Mr. Dennis Bevington (Western Arctic, NDP): Thanks, Mr. Chair.

I thank the witnesses for appearing here today on this particular issue.

Just to understand better the relationship in North America of Toyota Canada, how is the ownership structured?

• (0925)

Mr. Stephen Beatty: Toyota Canada operates as an independent distributor. We're a fifty-fifty joint venture between Toyota Motor Corporation and Mitsui. Just for your background, Toyota Canada began as a company called Canadian Motor Industries. We were a multi-brand distributor that was set up as a Canadian company. We've evolved over time to solely represent Toyota.

Mr. Dennis Bevington: In your manufacturing process in Canada, much of it is for the joint market of North America? How many vehicles are we seeing deployed in Canada from your plants, and how many are deployed in the United States?

Mr. Stephen Beatty: I don't represent the manufacturing arm of the company—that's a separate entity—but if memory serves me correctly, current annual production is somewhere in the neighbourhood of 400,000 vehicles. In terms of product that would stay here in Canada, last year about 100,000 of the vehicles that we sold were built here in Canada. So roughly one quarter in any given year would stay here in Canada.

Mr. Dennis Bevington: And of the total sales in Canada?

Mr. Stephen Beatty: Just over half of our total sales last year were of Canadian-made vehicles.

Mr. Dennis Bevington: Now, we've heard talk of changes in U.S. regulation for vehicles. Will that impact on Canadian production?

Mr. Stephen Beatty: Absolutely. No matter what sort of regulation is implemented in the United States, because we share a common marketplace with vehicles moving back and forth between the two markets, U.S. regulatory changes will have an impact on the vehicles driven on Canadian roads.

Mr. Dennis Bevington: Are there many differences now between Canadian regulations and U.S. regulations?

Mr. Stephen Beatty: There are some. Also, there are some specific and unique Canadian safety regulations with respect to daytime running lamps, immobilizers, and some other specific equipment. But in general, I think the government has committed itself toward harmonization of regulations with the Americans.

Mr. Dennis Bevington: How do you see the issue in terms of Canadian customers versus U.S. customers when it comes to dealing with defects?

Mr. Stephen Beatty: I think that, one, there is seldom any lag in either direction across the border in terms of recall activity. Whether it's a recall initiated by us in Canada that affects U.S. product or a U.S. recall affecting our product, we move together to make sure that the recalls are conducted. We have systems in place that allow us to undertake recall activity on each other's products in the event that those vehicles are in the other's marketplace.

Specifically from the standpoint of our dealer network, I would say that my impression of our dealers has been that they've always gone above and beyond to provide extra levels of service to our customers when there's a recall situation. We recognize that it's very disruptive to our customers. They put in the extra hours and they do the extra work to make sure people are taken care of.

Mr. Dennis Bevington: Are you in a position to compare the relative services of Transport Canada with the U.S. equivalent in terms of their abilities, in terms of their substantial investment in vehicle safety? Can you give me an idea of how you see that?

Mr. Stephen Beatty: Obviously I don't deal with NHTSA on a day-to-day basis, so I can't speak to the nature of their operations. What I can tell you is that my impression from many of my dealings with the Transport Canada officials is that they are knowledgeable and very diligent.

There are some things that I think we do very well here in Canada, and I would say that as a distributor, let alone in reference to the work of the regulators. We are experts in matters related to cold weather operation of vehicles. We have engineering teams that are specifically dedicated to that work because we know that these are issues that arise in Canada in these conditions. I would say that the same is true for Transport Canada; it has its areas of strength relative to the U.S.

• (0930)

Mr. Dennis Bevington: Well, we've seen the complexity of Transport Canada's work vis-à-vis vehicle issues. We've seen some of the statistics there.

Would you say that Transport Canada has the resources to deal with the always complex automotive market, with the greater number of brands, with the types of changing technology? Do you feel that we're adequate in that regard?

Mr. Stephen Beatty: Even from the standpoint of an automotive distributor supporting our dealer network, obviously those technologies change all the time, and we have to regularly retrain our personnel to be able to support those vehicles. That said, one of the things that is happening is that, given the rise of electronics in vehicles, many of the systems are actually easier to check with various available tools.

As the nature of those systems and the technical challenges change, so too does the standard knowledge, and some of the old issues tend to go away. For example, I think the last time I was here I mentioned that in the past one of the things that was common across the auto industry was to experience binding of throttle cables. Because those cables don't exist anymore, that's an issue that has gone away as we've moved to new technology.

I think everyone in the industry is learning and changing their skill sets and the tools that we use to look at it. I've heard the department say they're of the view that they have the resources necessary for the job. Clearly, if the job changes, that's a separate question.

The Chair: Thank you, Mr. Bevington.

Ms. Brown.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you, Mr. Chair.

Good morning. Welcome back to our committee. Thank you for being here.

First of all, I'd like to thank you for the considerable amount of material you have provided the committee. It has made for a lot of reading, but thank you very much.

Mr. Beatty, I think what's apparent here is that our committee really is trying to figure out who knew what, when, where, and why, and, on a go-forward basis, how we resolve this. I'll get to that last question at the end.

In some of the documentation you have provided to us, there were questions asked previously about isolated reports of incidents; you say in the U.S. in July 2006, and in Estonia in August 2007. You said in response to another question that Toyota had identified 39 reports related to the sticky pedal phenomenon that were issued in Europe.

You've described the organizational structure in Canada. Can you tell us about the organizational structure in Europe? Is there any communication between the two? Would they share any of that information?

Mr. Stephen Beatty: I'm not intimately familiar with Europe; obviously, that's not part of my day-to-day role. But I can say in general that the organization in Europe is that you have many distributors operating at the local level on a national basis across Europe. There is a regional organization called Toyota Motor Europe that is responsible for the activities within the region. Then, like Canada, technical matters would go back to CQE in Japan for ultimate investigation and review.

As we talk about that type of engineering, engineering happens at various different points, obviously, and first in the design of the vehicle. In other words, have we considered the issues, and if we design to a specific performance parameter, then how does the vehicle perform in operation in the field? Also, there are the quality checks that you do at manufacturing. There are a number of different points where you intervene to deal with those issues.

But in general, the same process would apply in Europe as it does in Canada, which is that it starts with a vehicle identified at the dealership and escalates as the various parties are either able to resolve it or are looking for additional technical support.

Ms. Lois Brown: And that information would be shared with whom? Would it go back to Japan? Would Japan share that information with its North American counterparts?

Mr. Stephen Beatty: It would go back to Japan, and we would expect that where the information was relevant to product we put into the Canadian marketplace, it would be shared with us.

Ms. Lois Brown: On a go-forward basis, you said that you've established a new global safety quality committee. Could you describe to the committee what that looks like? What is its function? To whom does it report? In the future, how will that try to mitigate these problems we've seen?

• (0935)

Mr. Stephen Beatty: I think as we reported at the last committee meeting it was the intention of the company to establish a global committee chaired by Akio Toyoda, our president. That has been done. It's comprised of regional chief quality officers, and a chief quality officer has been appointed for North America. Below the chief quality officer is a North American task force that's responsible for looking at all issues of quality and safety. It meets on a regular basis to review issues and report them up through the chief quality officer.

In addition to that, in North America, we have an independent safety advisory committee that is looking at all of these issues and providing independent advice to the company to make sure there's nothing we're overlooking because of process inside the company or our approach to doing business. The objective is to ensure that we have the most information flow possible inside the company, so that if something appears to be significant it will be identified and shared.

Ms. Lois Brown: What would trigger a report to the investigation officer?

Mr. Stephen Beatty: For our chief quality officer, it would be anything that may be coming from the field, or that is identified in manufacturing, or that is generally captured by our operations across North America. So that would include Toyota Canada, but it would include the manufacturing facilities, our counterpart distributor in the United States, Toyota Motor Sales, and so forth.

Ms. Lois Brown: And will that initiate an alert to all dealerships?

Mr. Stephen Beatty: What it's intended to do is to make sure that if there is any delay, or if there hasn't been adequate consideration of some information that has been undertaken and then the normal process of identification of the problem would be triggered, it would come back, as it does today, through to Toyota Canada, and we would take one of several steps.

If it is a safety defect, obviously we would trigger a notice of defect and recall. If it's simply a question of the functioning of a part, then it might be a technical service bulletin or some other information to the dealers about how to deal with a specific issue in the vehicle. But the idea, again, is to get the maximum communication flow and ensure that nothing gets stuck anywhere in the system. Hopefully that translates into increased speed to market.

Ms. Lois Brown: How many reports would it take from a dealership or a variety of dealerships before it would raise a red flag to quality control?

Mr. Stephen Beatty: Again, I think that depends on the nature or quality of the information coming in from the field. Depending on how well documented the report is in the first place, you may or may not be able to actually replicate the condition that's being referred to.

That was one of the issues in the early stages of this campaign: it was very difficult to replicate the condition.

In other cases, you may have something that's very clear and you can work with immediately. We have some recent examples of that as well.

Ms. Lois Brown: You spoke earlier about humidity being a problem in some areas. Would you be able to take into consideration

the different geographical areas you're dealing with and would you be able to share that information back and forth?

Mr. Stephen Beatty: Yes. Again, that's one of the reasons for putting in that role of the chief quality officer on a regional basis. It's to make sure that those things that are characteristic or perhaps unique to a given region are being addressed.

As I explained at our last appearance, it's also why we put an engineering team on the ground in Canada during the winter months: precisely to look at those conditions that are unique to the Canadian marketplace. Arizona doesn't give me meaningful data against a Canadian driving situation in December. We need to have people close to the scene to be able to understand what's happening.

• (0940)

The Chair: Thank you.

Mr. Volpe.

Hon. Joseph Volpe: Thank you, Mr. Chairman.

I want to pick up where I left off, Mr. Beatty. I'm a little disturbed by some of the things you've said to my other colleagues as we've been going along, because it strikes me that you have been making some qualitative decisions, as you've been going along, about the material that's come to you.

You've made a decision about whether some things are routine or maintenance issues, and you knew what was going on. In fact, when I spoke to you a moment or two ago, I asked you, when those reports regarding the sticky pedals and the composition of the products that went to PPS, did you advise Transport Canada? You didn't get a chance to answer, so I'm going to ask you again. Did you advise Transport Canada of the notice of defect?

Mr. Stephen Beatty: Just to be clear, are we talking about the Tundra pedal?

Hon. Joseph Volpe: Right.

Mr. Stephen Beatty: Right. No, not at that time. We included it in our January 21 recall in order to ensure that anyone who was experiencing a condition that they might feel was related to the sticky pedal was covered by the same campaign.

Hon. Joseph Volpe: Yes, I appreciate that. You put that in your letter—again, the letter of February 19—and it strikes me that you're trying to cover your tracks. Because on January 21, you issued that notice of defect to Transport Canada dealing with the pedals, both the PA46 and PPS materials. Oddly—and this is what is disturbing—in committee testimony on March 16, you stated, and I quote you, “Our first case of a sticky pedal was in late October”. That was 2009. You said, “At the time we didn't know what it was”.

You can imagine.... I would be shocked that you would say that you “didn't know what it was”. So for three years, according to your letter, Toyota is dealing with this issue and you “didn't know what it was”, but you also indicated in the testimony that it was your responsibility—yours—to issue a recall notice the moment you became aware of a defect.

Now, Mr. Beatty, I don't understand. It would have taken you three years when at the beginning of my questioning I asked you whether you were aware of section 10 of the Motor Vehicle Safety Act, which holds the "company that manufactures, sells or imports any vehicle" and so on, responsible...? Why would it have taken you three years?

Mr. Stephen Beatty: Mr. Chairman, if we can back up the chronology for a moment, I think there are two issues here. One is the question of how safety determinations are made and on what basis. The other is with respect to the knowledge of Toyota Canada with respect to issues affecting vehicles in the Canadian marketplace.

In respect to the first issue, there is a specific process that is followed with respect to the determination of those issues, and ultimately it comes to a conclusion as to whether or not the safety defect exists. At that moment, I have absolutely the obligation to ensure that we take action if that determination has been made.

Hon. Joseph Volpe: No, really, with respect, Mr. Beatty, it talks about when you become aware, when the company becomes aware.

So there are two issues, to put that back to you. It's, one, whether you're complying with the guidelines and the act as per Transport Canada's observance of the act, so it's a question of leadership, whether Transport Canada's or yours; or it's the other, which is whether Toyota, essentially, the one that's responsible for the engineering and the design, is giving you the information about the vehicles you're selling on the North American market.

That's what it's about and you're telling me no on both accounts, that, you know, you became aware of it on January 20 because January 21 is when you issued the recall.

Mr. Stephen Beatty: That's right, because that's the time when a determination was made that the safety defect existed.

Hon. Joseph Volpe: That's a little too legalistic: "a determination was made". The act says when you become "aware"—

Mr. Stephen Beatty: Right.

Hon. Joseph Volpe: —and you became aware of that three years earlier.

Mr. Stephen Beatty: No, you become aware of it as a result of a process of scientific investigation into the issue and the determination that this condition exists and should be dealt with.

Hon. Joseph Volpe: With all due respect, you referred to Arizona, and Arizona's conditions are a lot better than the ones that you act for here. If there was a problem in Arizona, you should have expected a problem here in Canada.

You're asking this committee to think that climatic conditions in Canada are better than the ones in Arizona, and therefore you are going to make a determination—the word "determination"—about whether there is a safety defect that is contingent upon your scientific study, when your head office is already conducting such engineering studies worldwide...?

• (0945)

Mr. Stephen Beatty: I'm sorry, but you've lost me completely on that.

Hon. Joseph Volpe: I was afraid I would. And you lost me a little while ago when you were talking about becoming aware.

The Chair: I'm going to have to go to Monsieur Carrier.

Welcome.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

Welcome, gentlemen. I am making an unusual appearance at the Standing Committee on Transport, Infrastructure and Communities, because this is such an interesting subject.

Mr. Chairman, it was mentioned earlier that an official from the Department of Transport was available to answer our questions. Could we ask him to testify?

[*English*]

The Chair: Mr. McDonald?

Gerard McDonald is the associate assistant deputy minister of safety and security. He's been with us before.

Monsieur Carrier has—

[*Translation*]

Mr. Robert Carrier: Mr. Donald?

[*English*]

The Chair: McDonald—I'm sorry.

[*Translation*]

Mr. Robert Carrier: Mr. McDonald, I have a few questions. Since the beginning of the incidents at Toyota, have you obtained additional information that answers the questions you surely had? Did you get full cooperation and sufficient information from the company?

[*English*]

Mr. Gerard McDonald (Associate Assistant Deputy Minister, Safety and Security, Department of Transport): Mr. Chair, since this information came to light, we have had numerous meetings with Toyota. Obviously we've been following all deliberations quite closely, both here and in the U.S., and as a result of certain statements made by NHTSA, by Toyota in the U.S., and by Toyota here, we have asked both Toyota Canada and Toyota Motor Manufacturing Canada for additional data and information on what they knew and when.

I'm pleased to say that both entities have been quite cooperative with us. We have received over 9,000 pages of documentation from these two companies, which we have, for the most part, analyzed and reviewed. At this point, that is essentially where we're at.

[*Translation*]

Mr. Robert Carrier: Thank you.

You now have additional information to consider. But you have to recognize that this is after the fact, after a problem arose. The complaint of many of our constituents is that we deal with problems only after they have occurred. Having reviewed the issue, have you come up with any recommendations or suggestions to improve your procedures, in order to prevent such a situation from happening again?

We're talking a lot about Toyota Corporation at the present time, but in a globalized world, we obviously have to deal with many businesses that have their headquarters abroad. What is important to us is to have a government which, through its department, will adequately ensure the safety of its citizens.

Have you reached any conclusions about ways to improve your operations that you will be recommending?

[English]

Mr. Gerard McDonald: Certainly, Mr. Chair, we're looking at how this situation has evolved. We are obviously monitoring closely the deliberations of this committee. Our minister has stated that we would seriously consider any recommendations put forth by this committee on how to improve the Motor Vehicle Safety Act in light of what has transpired with this particular instance.

We're also looking at Mr. Volpe's PEDAL act, which he has tabled in the House, as to how that might help us deliver on our mandate. As well, we're undertaking a review of the Motor Vehicle Safety Act to determine whether or not any changes are needed to improve the safety of motor vehicles in Canada.

• (0950)

[Translation]

Mr. Robert Carrier: Among the changes that you are contemplating, do you believe you should be informed better or sooner of all complaints from all vehicle users and owners rather than having to wait for each manufacturer to determine that there is a design problem that needs to be corrected? Would you like to be more proactive and analyze yourselves all the complaints that are made—without necessarily reacting to each one—in order to be able to do a review and determine according to probability figures whether there is indeed a problem, without having to wait for action by each of the companies?

[English]

Mr. Gerard McDonald: I would point out, Mr. Chair, that currently we do react to any complaints we receive from the Canadian public. As we testified earlier to the committee, we receive about 1,200 complaints a year with respect to motor vehicle issues, and we investigate each of those complaints.

Certainly, the more information you have, the better determination you can make. It's a question of capability. If we were to go to a system in which all complaints had to be reported to Transport Canada, that would obviously increase greatly the number of issues we would have to deal with, and there would be a resource consideration as to how to deal with that information.

I would note that in the United States, they do have a system in which all of these complaints must be brought forward. In this particular instance, it seems that NHTSA was no better at determining this particular problem than we were.

[Translation]

The Chair: Thank you, Mr. Carrier.

Mr. Robert Carrier: Oh, that is it already? Thank you.

[English]

The Chair: We'll go to Mr. Watson.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair.

I thank our witnesses for returning to committee.

Of course, you were here a few months ago, and at that time, we were able to establish that Toyota knew about its problem in Canada with the CTS gas pedal before it issued a recall. Transport Canada officials are now investigating a possible violation of the Motor Vehicle Safety Act.

Mr. Beatty, I was sort of taken by your response to a question from Mr. Laframboise. You said that it depends on what the definition of a complaint is. I don't know about you, but I was reminded of former President Clinton when they got to the most incriminating question, and he said that it all depended on what the definition of "is" was.

I'm not taking a lot of comfort here. There's a bit of hairsplitting going on. I think what I see in the e-mails that have been provided to us is a pattern of doing the minimum with respect to safety recalls.

On the Prius braking system problem, in an e-mail on February 4, 2010, you asked what Transport Canada's expectation of Toyota Canada was, as if the issuance of a recall relies on Transport Canada rather than on Toyota Canada.

In the 2009 Matrix, there was a rear-seat cushion problem. Transport Canada officials raised the question of whether it had an impact on child safety seats. You asked whether that wasn't a quality issue rather than a safety issue.

In an e-mail on November 27, 2009 from someone at Toyota—I don't know who, as you guys blocked out who was responsible for sending these—you actually stated that you wanted a Transport Canada investigation on the 2009 Venza issue not conducted at a dealership, but at your head office, given the high profile of this investigation. Maybe it all depends on what the definition of "safety" is at Toyota. I'm a little concerned.

Let me ask a question of you on technical service bulletins and dealer service bulletins. You raised that issue. What is the difference between issuing a technical service bulletin versus issuing a notice of defect for recall? What determination does Toyota make in the difference between those two? It really does depend on what the definition of safety is. Mr. Beatty, what's the difference?

• (0955)

Mr. Stephen Beatty: Thank you.

I guess the point I was trying to make earlier—and if I didn't, let me go back and clarify the record—is that if I look, for example, at the contacts we've had, simply with our customer interaction centre during the first part of this year, January through April, there are over 50,000. Each and every one of those opens up as a case, but in some cases, they are simply a request for a brochure and have nothing to do with anything else. What I'm saying with respect to the definition of a complaint is that anyone....

Mr. Jeff Watson: I'm not asking that. I'm asking what the difference is between issuing a technical service bulletin and issuing a notice of defect. I'm not asking you what a complaint is.

Mr. Stephen Beatty: We began with the issue of a complaint and I just wanted to be clear that in our view—

Mr. Jeff Watson: I'd like my question answered, not Mr. Laframboise's, please.

Mr. Stephen Beatty: Yes, and hopefully I can do both.

Mr. Jeff Watson: I'd like you to answer mine.

Mr. Stephen Beatty: The issue with respect to safety, I think, is pretty clearly spelled out with respect to the Motor Vehicle Safety Act. I believe that the deputy minister, for example, has expressed in writing the government's understanding of that definition. The point is that we may very well issue technical service bulletins that have nothing at all to do with a safety feature of the vehicle; they relate to any number of aspects of the servicing of the car.

Mr. Jeff Watson: Has a Toyota technical service bulletin ever later become an issue under a safety recall?

Mr. Stephen Beatty: It's possible that as additional data becomes available, a determination is made that in fact it's a safety issue rather than a routine service—

Mr. Jeff Watson: In the United States, technical service bulletins filed with NHTSA in 2008 and 2009 with respect to the floor mats later became the same models under consideration for recall.... The advantage, of course, to issuing a dealer service bulletin is that it shifts the cost to the consumer rather than to Toyota Canada for doing the repair.

But I guess the question I really want to ask is if Toyota...well, you've confirmed that some of them may have become safety recalls later. Has Toyota ever used the dealer service bulletin to delay reporting serious safety defects from Transport Canada?

Mr. Stephen Beatty: I'm not aware of any such thing ever happening.

Mr. Jeff Watson: You're not aware of anything.

Are you aware of any of your suppliers—

The Chair: Thank you. I have to—

Mr. Jeff Watson: Oh, Mr. Chair—

The Chair: Ms. Crombie.

Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.): Thank you, Mr. Chairman.

Mr. Beatty, in sworn testimony before this committee on March 16, 2010, Mr. Ray Tanguay, president of Toyota Motor Manufacturing Canada Inc., stated that prior to issuing the recall on the defective accelerator pedals on January 21, 2010, Toyota was working with the pedal manufacturer, CTS, to redesign that pedal.

Do you recall that statement?

Mr. Stephen Beatty: Yes.

Mrs. Bonnie Crombie: Okay. He couldn't recall the exact date that he became aware of the defect in the pedal design, but he did say that it was around the end of the year. Well, clearly around the end of the year isn't January 21, 2010, so as the person responsible for operations at Toyota Canada, were you surprised to hear the admission by Mr. Tanguay?

Mr. Stephen Beatty: No. I think that when you look at the operations of a manufacturing company, what happens at the level of the manufacturing plant is that they will be notified of a pending

change of production. That's their role: to assemble vehicles. The other engineering issues are dealt with elsewhere.

Mrs. Bonnie Crombie: As the person responsible for operations at Toyota Canada, you have to take responsibility for the engineering design and the specs that you provide, too, and that are manufactured by your contractors such as CTS. Is that correct?

Mr. Stephen Beatty: Toyota Motor Corporation does. Yes.

Mrs. Bonnie Crombie: Thank you.

Now, are you familiar with a press release issued by the U.S. Transportation Secretary, Ray LaHood, on Monday, April 5, 2010, entitled "Secretary LaHood Announces DOT Seeking Maximum Civil Penalty from Toyota"?

Mr. Stephen Beatty: Yes, in general.

Mrs. Bonnie Crombie: In that press release, it states that the National Highway Traffic Safety Administration, NHTSA:

...learned through documents obtained from Toyota that the company knew of the sticky pedal defect since at least September 29, 2009. That day, Toyota issued repair procedures to their distributors in 31 European countries and Canada to address complaints of sticky accelerator pedals, sudden increases in engine RPM, and sudden vehicle acceleration. The documents also show that Toyota was aware that consumers in the United States were experiencing the same problems.

You are aware that the U.S. government fined Toyota a record almost \$16.4 million for failing to give notice of the defect. Are you also aware that Toyota paid that fine rather than contest it? And why?

• (1000)

Mr. Stephen Beatty: Yes, although Toyota in the United States indicated that it did not believe it was in violation of legislation. Beyond that, I'm afraid that I can't tell you very much. I'm not familiar with the provisions of the U.S. law.

The one thing I would like to point out, however, is that Secretary LaHood's press release was wrong. It made reference to the TI having been received in Canada. That was never the case. We pointed that out in a subsequent message to Mr. LaHood.

I don't know how to explain that, other than to say that sometimes when information crosses borders, wrong material crops up. In this case, the reference to Canada having received the TI was simply incorrect.

Mrs. Bonnie Crombie: But you do have a system in place to do that, haven't you?

Mr. Stephen Beatty: I wouldn't ordinarily receive the technical information directed at European distributors.

Mrs. Bonnie Crombie: I think there's an overwhelming amount of evidence here, which, I'll remind you, was based on documents that were sent to Canada, so how can you say that Toyota did not break the law here? There is evidence that proves Toyota knew at least three months ahead, before you issued a recall. Why didn't you come to the minister with that information? Why the cover-up?

Mr. Stephen Beatty: One, there was no cover-up.

Two, as I just mentioned with respect to the reference to the TI that wasn't received in Canada, the first cases we had were the subject of a field technical report in October, but we couldn't replicate the condition. We didn't know what it was.

That material was provided to engineering for a review. The first case we had that we could replicate—in other words, we could confirm that something was happening—was in late November. I think we moved as diligently as we possibly could to identify those issues and move to recall.

Mrs. Bonnie Crombie: Thank you.

Just quickly to Mr. McDonald, in the 9,000 pages of documentation that Toyota Canada finally provided, is there any new information, anything relevant that you've gleaned?

I'd also like to know from Mr. Beatty why it took so long. Also, why wasn't that information provided to Transport Canada sooner and why wasn't it presented to the committee as well, in a more timely way?

Mr. Gerard McDonald: Certainly to date we have not found anything new with respect to the sticky accelerator issue. But as I indicated earlier, we're still analyzing some of those documents, and we expect to be receiving some further documentation as well.

The Chair: Thank you.

Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for coming here today and providing follow-up information.

Obviously there is a lot of information: I received three CDs in my office yesterday. It took 20 minutes to open the CDs just to get at the documents; there are some 58 documents, I understand, with 221 pages in total. Quite frankly, I will be reserving my opportunity to call you back as witnesses to answer questions from those documents.

Originally, I did receive a letter from Toyota Canada in relation to a request I made for pedals...in particular, at a committee meeting, I asked whether or not the defects that we're talking about in Canada—the pedal assembly and the material utilized—were the same as what was found to be defective in Europe. The answer to that in the first letter was a wiggle letter, quite frankly, as we call them in law; it didn't answer my question. I was very disappointed with that. I want to put on the record how disappointed I was with that answer by Toyota Canada.

Certainly, the response that I received just recently, on May 31, 2010, in a letter from Toyota Canada answering those questions in more detail, is quite frankly what I would have expected from a professional organization in the first place, and it indicated that in essence the material used in Canada resulting in the sticky pedal phenomenon was the same as that used in Ireland and the United Kingdom.

I understand that you have indicated you feel everything was done, in particular in relation to the notice period, but I would argue that point. I do not believe adequate notice was given for me personally. In this particular case, you had notice a year before. I'd like to talk about that first.

What recall mechanisms, professional notices, technical service bulletins, etc., would have changed hands among Toyota Europe,

Toyota Canada, or Toyota United States? Because, in essence, Toyota International—I suppose I could utilize that—owns a percentage of everything; it in fact owns Toyota Europe and Toyota U.S. and owns 50% of Toyota Canada. So what was exchanged between Toyota Europe and Toyota Canada or other branches in Toyota? Because certainly, I would suggest, you should have notice of that.

•(1005)

Mr. Stephen Beatty: I can't speak to what may have been transmitted between Europe and any other part of the world.

With respect to Europe and Canada, there was no direct communication on this issue. I might say that as Toyota Europe was looking at it, they were looking specifically at two models, the Aygo and the Yaris. While the Yaris is sold here, it is sold with a different design of pedal by a different manufacturer, so it's not covered by it at all. The Aygo is not sold outside of Europe.

Mr. Brian Jean: I understand the pedal assembly is made of the same manufactured polymer, is it not? And in fact, it's the same assembly except that one is right-hand drive and one is left-hand...?

Mr. Stephen Beatty: No. Allow me to just break up the question so that we can be clear about this. As a general rule, ultimately all of the pedals that were recalled used the same polymer and are of the same general design. The vehicles that were being reviewed in the European case were not the same.

Mr. Brian Jean: I understand, but they were of the same general design and the same material, so to me, bingo: ding, ding, ding, bells go off, we have a problem.

A year later—a year later—you give notice to the regulator in Canada that there may be a problem with it, after an additional three months of confirmation.

Now, Mr. Beatty, I am not satisfied with that. We'll see whether or not the regulator is satisfied with it.

Do you have a mother?

Mr. Stephen Beatty: Absolutely.

Mr. Brian Jean: As we all do. My mother taught me how to drive some 30 years ago. Today, she's not quite what she was 30 years ago when she taught me how to drive; she's 68 years old and her ability to react is not quite what mine was or what hers was 30 years ago.

She does not drive a Toyota, but I will tell you this: if I found out that she was driving for three months with equipment that could only be described as malfunctioning or having a possibility of malfunctioning, I would be very upset. I've heard from many Canadians that they are very upset, so I hope Toyota takes that to heart and does something differently.

Speaking of which, what could we do differently as a committee here today? What could we do differently in the future to make sure that the notice period shrinks considerably?

Mr. Stephen Beatty: What I think it comes down to, on the part both of companies and of the government, is to put as many technical resources as we can on the identification of those problems and on determining whether or not a safety defect actually exists.

Mr. Brian Jean: Mr. Beatty, because I'm limited in my questions, I would ask that you provide to us, through the committee, some suggestions you may have in relation to regulation, legislation, and how we could shorten that notice period, because, quite frankly, it's not adequate.

But I do have one final question on your document dated May 31, 2010. You have at the top of the document "privileged and confidential attorney work product": does this mean that you're trying to provide to us documents that are protected by solicitor-client privilege?

Mr. Stephen Beatty: Well, obviously when we've provided it to you, we've waived that.

Mr. Brian Jean: All right. Well, you do have that in the top corner. I'm just curious. This document was provided for us and it's in there: what is the intention of that?

Mr. Stephen Beatty: It's in its drafting stages. It is what it is, which is—

Mr. Brian Jean: It's not a draft, though, right now?

Mr. Stephen Beatty: No. It's—

Mr. Brian Jean: What's the intention of that in the top left corner?

Mr. Stephen Beatty: There's none at this point. It's waived.

The Chair: Thank you.

Mr. Volpe, you have five minutes.

Hon. Joseph Volpe: Thank you very much.

I'd like to come back to this issue about responsibility, because it seems to me, Mr. Beatty, that Toyota Canada has shirked its responsibility of showing some leadership and providing a service to its consumers, as per Mr. Jean's example of his mom.

I'm wondering whether you have compromised the ability of Transport Canada to provide the regulatory responsibility as well. I'll ask Mr. McDonald that in a moment, too, but you came before this committee on the March 16, and in the process of explaining in your testimony the recall process, you took credit for, to use your words, providing a "unique Canadian safety recall on the all-weather floor mat in the newly introduced Toyota Venza".

Do you recall when that recall was issued?

• (1010)

Mr. Stephen Beatty: Absolutely. Transport Canada was notified on November 26.

Hon. Joseph Volpe: You indicated when you initiated this that you were taking this great responsibility, but e-mails that were provided to the committee—by the way, I share Mr. Jean's view that we didn't get all the information we asked for—showed that on October 2, the head of recalls at Transport Canada, Mr. Nigel Mortimer, wrote to Toyota expressing concern that the Venza model was not included in that September recall. That was October 2. He stated that Transport Canada had two cases involving the Venza, and he demanded that Toyota address these concerns immediately.

So here's what happened. You've documented everything in your letter.

On October 7, Toyota issued further recalls, but not for the Venza. Mr. Mortimer wrote to Toyota again and said, "We remain concerned with your current exclusion of the Venza and trust that this will be included in the near future".

A month later, Transport Canada sent another letter to Toyota, again asking that the Venza be included in the recall. Five weeks later, after November, and in fact, on December 17, a full 11 weeks after being asked to address these concerns immediately, Toyota issued a recall. I'm just wondering if I should be left with the impression, or if the question is, that this is how Toyota always operates, even when under scrutiny.

Mr. Stephen Beatty: Let's go back to that chronology for a second. At the beginning of October, both Toyota and Transport Canada were looking at certain field reports and trying to make some determination as to what was happening in respect of Venza. The first cases we had, including the Transport Canada cases, indicated stacking of aftermarket—in other words, non-Toyota—floor mats interfering with pedals in the cars.

We were trying to understand what that meant in connection with the other broader issue of the U.S. all-weather floor mat case that was going on. We combined the work on the review of all of our floor mats. That's why, on November 25 in our meeting with Transport, we reported on all of the mats together and—

Hon. Joseph Volpe: Mr. Beatty, I'm sorry—

Mr. Stephen Beatty: —and had the statement the following day.

Hon. Joseph Volpe: Yes, I know, but that just isn't good enough. We read through those e-mails, some of the reports by your field investigators and Transport Canada's field investigators, and they dismissed that as just a lot of crock. That's all it is. In fact, some of those e-mails, if they're read out publicly, would embarrass anybody and would embarrass everybody.

But the issue is not so much that you had to wait for this or for that; it's that you took 11 weeks after Transport Canada, the regulator, demanded that you act—11 weeks. They had information and you wouldn't act on it.

It boggles the mind that Transport Canada didn't immediately act the way the minister said he would, i.e. launch investigations, yet you admit that you knew all of these things and you wouldn't do anything about it for 11 weeks. That's three months of people driving under dangerous conditions.

How can you look at yourself in the mirror and say it's okay for me to let people drive with a defective vehicle for three months while I make up my mind that this isn't a routine or maintenance procedure and that in fact it is a safety-related defect?

There he is, right there, Mr. McDonald from Transport Canada, who's telling you, "Wake up".

Mr. Stephen Beatty: Mr. Chairman, I think if you were to review those documents you'd also notice that the documents explicitly state that there wasn't a defect in the vehicle. There was one set of rubber floor mats in Venza that were out of specification, which we were able to determine and we took action about that. We did that in the period from the beginning of October to our meeting with Transport Canada in November—

Hon. Joseph Volpe: Don't insist, Mr. Beatty: your field investigators in the United States and in Canada, transport field investigators in the United States and in Canada, were saying "this is a crock". In fact, one field investigator, whose name is wiped out, said, here I am, this height, this weight, this size, I have both of my feet on the brake and I can't do this.

It has nothing to do with floor mats. It has everything to do with shirking responsibility. It has everything to do with avoiding your own leadership on your products and it—

• (1015)

The Chair: Thank you, Mr. Volpe.

Monsieur Laframboise.

[*Translation*]

Mr. Mario Laframboise: Thank you, Mr. Chairman.

My question is directed to Mr. Tanaka.

You mentioned earlier that the decision to issue a recall about the gas pedal defect was made in Japan. Your research centre is in Japan. The decision was made in Japan, but where was the research done and what was the process followed? There had been complaints from Canada, the United States, Europe. You put them together and then a more extensive analysis was done in Japan, am I right?

[*English*]

Mr. Minoru Tanaka (Interpretation): Yes, in Japan.

[*Translation*]

Mr. Mario Laframboise: Is your best performing research centre in Japan?

[*English*]

Mr. Minoru Tanaka (Interpretation): Yes.

[*Translation*]

Mr. Mario Laframboise: So, Mr. McDonald, there has been a series of complaints in Canada, in the United States and in Europe. That makes it complex.

I always return to how we can ensure that this will not reoccur. As my colleague Mr. Carrier said earlier, we might have to rethink a number of things.

Presently, you receive complaints about manufacturing defects. The act compels manufacturers to give you notice of defects. You receive complaints from consumers but the majority are made to the dealers and the companies themselves. They are required, when they become aware of a defect, to notify you and to do a follow-up.

As we have seen, the gas pedal issue is complex. These are new technologies. If we were to decide that complaints must be transmitted to Transport Canada at the same time as they are received, say, at the headquarters of Toyota in Japan, would we have the equipment and technology required to deal with them? Would it be too complex? Could you explain how we could improve this process?

[*English*]

Mr. Gerard McDonald: There's no doubt that it's a complex system. You have to understand that we're dealing with something

on the order of 5,000 vehicle manufacturers and importers in Canada. To think that Transport Canada would have complete oversight over every aspect of every vehicle brought into this country is probably not realistic. We definitely have to work in concert with the manufacturers, the importers, and the distributors, working together to find any safety defects that may exist.

Are there different ways to do it? Should the federal government have a greater amount of oversight? I think these are all considerations we may want to look at, but obviously this would not be without certain resource implications depending on what level of intervention we would like the federal government to have.

[*Translation*]

Mr. Mario Laframboise: You said earlier that in the United States complaints have to be reported to the regulatory authority but that they nevertheless were no better at determining the problem than we were. This is what you said, did you not?

[*English*]

Mr. Gerard McDonald: No. I'll clarify that a bit. In the United States, they have an act called the TREAD act, I believe. What it requires is that manufacturers report defects to NHTSA, whether they occur in the United States or anywhere else in the world. That's a provision we do not have in our law. They've had that provision for some time.

As I understand it, one of the problems NHTSA has is that they have more information than they can realistically analyze and deal with. As to whether or not they had any particular information about the sticky accelerator in Toyota, I really can't comment on that. But obviously they do receive a lot more information than we would, and their concern is how to deal with all that information.

[*Translation*]

Mr. Mario Laframboise: Mr. Beatty, you understand that in our view, the notice period after the existence of a defect was determined was too long. Obviously, I have to trust Toyota, which implemented what you call a new quality structure. The gas pedal issue required a deeper analysis, which was done in Japan, as Mr. Tanaka told us. This is how the existence of a defect was determined.

Will your new structure make you more effective in this regard?

• (1020)

[*English*]

Mr. Stephen Beatty: I'm certainly hopeful of that. We're undertaking these improvements and we've asked for outside experts to provide us with advice, too, about how we can make further improvements to what we do. We're trying to leave nothing about our current process unchallenged inside the company and to look at it and make determinations about how to proceed.

Again, as I've said, technical issues are complex. They take some time to resolve, but for the sake of our own customers, we want to make sure people have confidence in their vehicles. We need, as much as legislators do, to ensure that this information is coming forward, that action is being taken, and that our customers can be confident.

[Translation]

Mr. Mario Laframboise: Is your research centre in Canada as capable as that in Japan?

[English]

Mr. Stephen Beatty: We perform certain types of research activities here in Canada. We have a cold research centre in Timmins, Ontario. We have engineering teams on the ground for winter field inspection purposes. There is a technical centre for North America in Michigan, and Canadians work at that centre as well. There is a growing technical presence here in North America.

[Translation]

The Chair: Thank you, Mr. Laframboise.

[English]

Mr. Bevington.

Mr. Dennis Bevington: Thank you, Mr. Chair.

I'm interested as well in seeing how we can make a difference moving forward. Could you clarify for us how you see Toyota Canada will act in the future on defect identification? In a very clear fashion, I'd like to hear that from you.

Mr. Stephen Beatty: Thank you.

There are a number of things, as I said at the last committee hearing, that Toyota Canada has been leading in and has contributed back to the global Toyota organization, including our early detection and early response activities.

All data on service operations at the dealership level are shared with Toyota Canada. We run computer algorithms to look for anything unusual in service activity that would give us a hint that there might be a technical problem, whether it's a safety-related defect or something else.

But above and beyond that, clearly we've been increasing staff. We have been taking up our role with respect to the task force committees and to ensure that we're a part of this North American regional activity, as well as maintaining our pre-existing relationship with Japan. I think the more you can have technical and engineering staff speaking to each other on a wide range of issues, the faster this information is going to come to the fore.

In addition to that, as we undertook, we have provided to Transport Canada EDR readout tools. There are now four sets of EDR readout tools in the possession of Transport Canada, which we hope will make it easier for the regulator, in this case, to understand the data that's coming out of our cars.

This is, in many respects, as Mr. McDonald has already acknowledged, an iterative approach. There are some things that the regulator will raise with us; there are some things we'll raise with the regulator. But in both cases, we will undertake to act as quickly as humanly possible to deal with any issues that arise.

Mr. Dennis Bevington: Mr. McDonald, in what you've heard from Toyota, and given your relationship with Toyota, how would you describe Toyota in comparison to other car companies in Canada when it comes to these particular issues?

Mr. Gerard McDonald: We have a relationship with Toyota similar to those with other manufacturers in the country. Whenever a safety-related defect is either found by us or brought to our attention, there is always a certain amount of give and take. We would always like action sooner rather than later, but it is an iterative process.

• (1025)

Mr. Dennis Bevington: You say there are 5,000 companies involved in this pursuit of car excellence. Within your department, how do you handle the actual analysis and ensuring that each company or even the major companies are using best practices in this regard?

Do you have a process by which you analyze what's coming back from these companies? Do you have a process that allows you to identify that a particular company is acting correctly within what you consider to be best practices?

Mr. Gerard McDonald: I'm assuming that you're talking about best practices with respect to the notification of safety defects. Essentially, the way we—

Mr. Dennis Bevington: And also the provision of information and the incident reports, all of those things that make up the relationship that you need to have with these manufacturers.

Mr. Gerard McDonald: That's fair enough.

We deal with it in a two-pronged way, essentially. As you are aware, there are certain complaints that are brought to our attention and we deal with those ourselves. We'll analyze each of those complaints to make a determination about what it may involve and whether or not there's a safety issue that we should be following up on.

We also hold meetings with the major manufacturers and their associations on a regular basis to become aware of any issues they may be dealing with. They will initiate meetings at their own behest as well, if they are aware of a particular issue that we may not be aware of. That would usually start the process of deliberation as to whether or not what we're talking about is a safety-related defect and how we're dealing with it.

Mr. Dennis Bevington: So among all these manufacturers, you don't have a best practices code that you can apply to them...? Sure, with the major manufacturers, you probably have an established relationship whereby you can identify over a course of time that they're proceeding in a fashion you're comfortable with or in which the expectation is there. But what about all the new companies that are coming on stream and bringing cars into Canada? How do you deal with them? You haven't seen an increase in your staff to work with that expansion. How is this happening?

Mr. Gerard McDonald: As I said, we don't have a particular code of best practices per se. The manufacturers, importers, and distributors are guided by the Motor Vehicle Safety Act, and it's their obligation, if they become aware of a safety-related defect, to advise us of such.

The Chair: Thank you.

Mr. Watson.

Mr. Jeff Watson: Thank you, Mr. Chair.

Of course, Toyota Europe wouldn't have shared the sticky pedal report with Toyota Canada, because, like Toyota Canada, it's a sales and marketing wing of the company in Japan. There's also a manufacturing wing in each of these countries—Canada, U.S., and Europe as well—but it's Toyota Japan that is the nerve centre, if you will, that makes the decisions.

Did they ultimately share that report with Toyota Canada? If so, when?

Mr. Stephen Beatty: The answer is that we received a copy of the TI in response to a request from Transport Canada for the TI following the NHTSA press release.

Mr. Jeff Watson: When was that?

Mr. Stephen Beatty: I'd have to confirm the specific date.

Mr. Jeff Watson: Okay.

Who ultimately made the decision to serve notice of defect here in Canada with respect to the MVSA? Was that decision made in Japan or was it made by the Toyota Canada sales and marketing wing?

Mr. Stephen Beatty: It's a combined process.

Mr. Jeff Watson: Right. They reviewed your homework. They ultimately made the decision, though, correct?

Mr. Stephen Beatty: So once they make the determination of the safety defect, then we have a role and responsibility we need to carry out.

Mr. Jeff Watson: It seems to me, Mr. Chair, that if we're looking at improving the way things work here, perhaps Transport Canada's direct relationship needs to be with Toyota Japan rather than with the sales and marketing wing here in Canada. That may be one particular suggestion.

I have another question for you. Are you aware of any of your suppliers in Canada issuing direction from their own legal counsel to preserve any documents, e-mails, or other such evidence or correspondence that could point to a Toyota violation of the Motor Vehicle Safety Act or concealment of such from Transport Canada or otherwise exonerate that supplier from such violation or concealment?

I'm aware of one. I don't know if you are.

• (1030)

Mr. Stephen Beatty: If we're talking about suppliers to manufacturing, again, I don't have contact with them, so I'm not aware of that communication.

Mr. Jeff Watson: Here is another miscellaneous question.

Has any direction been given or any understanding of any kind subtly conveyed by either Toyota Motor Manufacturing or Toyota Canada to destroy any documents or e-mails or other such evidence or internal correspondence that could point to a Motor Vehicle Safety Act violation or concealment of such from the minister or regulators at Transport Canada?

Mr. Stephen Beatty: No. There's certainly no instruction to do that.

Mr. Jeff Watson: Okay.

In a September meeting last year with Transport Canada officials, you.... I'm referring to an e-mail that was sent from Toyota Canada to Transport Canada, where you were, I think, commending or thanking Transport Canada for the meeting and the information on Transport Canada's work and processes. Was that vital so that you could figure out how to better game the system, Mr. Beatty?

Mr. Stephen Beatty: No. In fact, that meeting was established for the purposes of introducing the entire regulatory staff at Toyota Canada to the Transport Canada officials, with a view to ensuring that there was a full flow of communication on a regular basis between the company and Transport Canada.

Mr. Jeff Watson: Mr. Chair, if there is any time left, I'll offer it to Mr. Jean.

The Chair: There is a minute and a half.

Mr. Brian Jean: So what you're telling us today, Mr. Beatty, is that Toyota Canada had no notice of the Europe issue until after January 21 of this year?

Mr. Stephen Beatty: No, that's not true. What I said was that we had not received the TI.

Mr. Brian Jean: Okay. I'm not interested in a TI.

Mr. Stephen Beatty: Okay. So—

Mr. Brian Jean: I'm interested in when you had notice of the Europe issue here at Toyota Canada, because remember, Toyota Europe owns 50% of Toyota Canada, do they not? The company that owns Toyota Europe owns 50% of Toyota Canada—

Mr. Stephen Beatty: Toyota—

Mr. Brian Jean: That's a pretty significant investment for them.

Mr. Stephen Beatty: Right. So the answer to the question is that we became aware of the situation in Europe with the documentation that we were provided in support of the regulatory filing in Canada.

Mr. Brian Jean: When?

Mr. Stephen Beatty: In January.

Mr. Brian Jean: Before or after January 21?

Mr. Stephen Beatty: Immediately prior to.

Mr. Brian Jean: And we're talking of this year?

Mr. Stephen Beatty: Yes.

Mr. Brian Jean: Okay.

Where are those pedals manufactured, the ones that were faulty in Europe?

Mr. Stephen Beatty: In Europe.

Mr. Brian Jean: Now you've obviously read the Motor Vehicle Safety Act, which says: "...on becoming aware of a defect in the design, construction or functioning of the vehicle or equipment that affects or is likely to affect the safety of any person, cause notice of the defect to be given...".

Mr. Stephen Beatty: Yes.

Mr. Brian Jean: I have two questions for you. Do you think what Toyota Canada did was good enough? Second, could you have done better?

Mr. Stephen Beatty: Well, Mr. Jean, I guess there are two aspects of the question. One is that we acted as soon as we had knowledge of a safety defect.

Mr. Brian Jean: It was 90 days after.

Mr. Stephen Beatty: No, it was at the moment we had knowledge of the safety defect.

Mr. Brian Jean: It was 90 days after. You were aware that Toyota had an issue here in Canada in November of 2009, and then you acted in 2010.

Mr. Stephen Beatty: The knowledge of an issue is different from the knowledge of a safety defect.

Mr. Brian Jean: Toyota Japan also had notice of it well before that and they are a 50% owner of Toyota Canada.

Mr. Stephen Beatty: Again, at that time, Toyota Motor Corporation was investigating the pedals that had been recovered from the field.

Mr. Brian Jean: Was that notice?

The Chair: Thank you. I have to—

Mr. Brian Jean: Mr. Beatty, I would suggest to you that it is notice; they had notice of that defect and that it would in fact, or could, cause safety issues for a consumer. I would suggest that.

The Chair: Thank you, Mr. Jean.

I have to go to Mr. Volpe. We're in our last round.

Mr. Volpe.

Hon. Joseph Volpe: Thank you, Mr. Chairman.

We've now insinuated Mr. McDonald into this discussion. I can't help but share the view that Mr. Jean has just expressed: that the time lag between the company becoming aware and actually doing something is troubling, to say the very least.

What's even more troubling, Mr. McDonald, is that you recognized there was a problem. In the particular case I indicated earlier on with the Venza, it took Toyota Canada 11 weeks after you had given them an indication of your express concern that they might actually be in violation of the Motor Vehicle Safety Act. You allowed them—I don't know whether you did it, whether the deputy did it, or whether you had instructions from the minister—to wait for 11 weeks while a faulty or defective vehicle was on the road.

Why would you have done that?

• (1035)

Mr. Gerard McDonald: As I indicated earlier, Mr. Chair, whenever we feel there is a defect that deserves further pursuit, we then institute an exchange with the manufacturer, distributor, or importer. This exchange can sometimes take some time. We obviously would like issues to be dealt with as quickly as possible.

That being said, we do have to give the company time to react to what we're proposing to them, to determine whether in their estimation they feel it is a safety defect and to determine how they're going to react to it. This does take some interchange and exchange of information.

Hon. Joseph Volpe: Mr. McDonald, you wouldn't have given the first notice to Toyota unless your field investigator or investigators

had already gone through the engineering and scientific analysis to warrant giving them a warning. Why, after having done all of that scientific research, would you tolerate their waiting another 11 weeks before they acted?

Clearly, you already knew there was a safety-related problem. You already knew there was potential danger. Why would you let the company keep those vehicles on the road when you already had done the scientific assessment for them?

Mr. Gerard McDonald: What we had, Mr. Chair, were two complaints with respect to the Venza. We felt there was an issue. We had done some analysis. We felt it deserved further follow-up with Toyota. We undertook that follow-up. Again, we would have appreciated it if it had been done more quickly than the 11 weeks it took, but in the end, we did get Toyota to take action on this particular issue.

Hon. Joseph Volpe: Mr. McDonald, you've now admitted that you received an additional 9,000 pages of material from Toyota that you probably wouldn't have received if the committee hadn't become interested and if the Americans hadn't pressed to get the same information.

My question is the following. The Americans, basing their assessment in part on material gleaned from the Canadian experience, were able to lay the most serious and biggest fine of its kind on Toyota, which Toyota paid willingly to avoid other issues. In Canada, after receiving 9,000 sheets, all you're able to say is, "We're doing an assessment of what's contained in them and we don't know where we're going to go next".

Mr. Gerard McDonald: As the member is no doubt aware, Mr. Chair, the Motor Vehicle Safety Act is different from the acts that govern vehicle manufacturing in the United States. What we are doing here is that we have to determine whether or not the entities in Canada, Toyota Canada or Toyota Motor Manufacturing Canada, knew of a safety-related defect and did not take action as a result of that.

That's the particular investigation we're undertaking. If we do find that they were aware of the safety defect before they brought it to our attention, then we would take appropriate action in that regard.

The Chair: Thank you.

I have to go to Mr. Carrier.

[Translation]

Mr. Robert Carrier: Thank you, Mr. Chairman.

Mr. McDonald, according to your analysis, among the 12,000 complaints you say you received, did some of them have to do with the gas pedal defect that was the subject of a recall?

[English]

Mr. Gerard McDonald: Just to correct something, Mr. Chair, I believe I indicated that we receive about 1,200 complaints a year. If I said 12,000, I'm sorry. I meant to say 1,200.

• (1040)

Mr. Robert Carrier: Twelve hundred? Okay.

Mr. Gerard McDonald: With respect to the sticky accelerator pedal, as I indicated the last time I was before the committee, we have received complaints with respect to acceleration issues, but before the notice of defect was actually brought to our attention, we did not have any particular complaint that we would have categorized as falling into the category that we are now dealing with.

[Translation]

Mr. Robert Carrier: When you receive a complaint about a problem or a potential danger, even if it has not been proven, do you act immediately and do you ask the manufacturer whether they have received directly complaints that you did not receive? Do you make that request in order to determine if the problem is serious and widespread?

I noted earlier, in your answer to a question from Mr. Watson, I believe, that you said that Toyota has been as cooperative as other manufacturers. Toyota has an image. It is headquartered in Japan. One might think that the company is far away and that therefore there is no communication. But you say you get as much cooperation from them as from other companies. However, I do not find this answer really reassuring. If your requirements in terms of cooperation are limited, any company can meet them. I would like you to elaborate on this aspect.

Furthermore, do you think it would be reasonable to require that all complaints received directly by the manufacturer be forwarded to you, in order to be able to really meet your responsibility for safety on behalf of the government?

[English]

Mr. Gerard McDonald: Just to go back to the procedure for how we deal with a complaint, as we receive complaints, we investigate each and every one of those complaints. What we will do is try to determine whether or not we can replicate the problem and come up with a determination as to what the issue might be. It may be a safety issue. It may be something totally different. It may be a driveability issue. It may be an operator issue; it may be problems the operator had.

In dealing with those complaints, however, we will also contact the manufacturer or distributor. In this case, it would be Toyota Canada. We would advise them of complaints we've received and ask them if they've received any similar complaints. We would analyze our own databases to see if we've received any similar complaints and if there is any trend here, and whether that might give us any indication with respect to a potential problem.

[Translation]

Mr. Robert Carrier: In this instance, a very wide recall has been issued by the manufacturer and the process has been very protracted.

Did you demand that the recall be issued more quickly? Did you wait for them to act or had you started your own review of this issue?

[English]

Mr. Gerard McDonald: As I indicated, we had no particular instances of sticky accelerator pedals before this particular issue was brought to our attention, so we were not studying that specific problem at that time.

In terms of manufacturers recalling their vehicles as soon as they determine a safety issue, we want it done as quickly as possible. As soon as we determine a safety issue, we want it done as quickly as possible.

As I indicated, there is always a certain amount of give and take. Manufacturers, for the most part, are responding appropriately. If they don't, then we have to take action under the law, and that can sometimes take more time than we would like.

The Chair: Thank you. I have to stop you there.

Mr. Watson.

Mr. Jeff Watson: Thank you, Mr. Chair.

I'm not sure I have any more questions for Toyota Canada. I think it's clear today that Toyota in Japan decides the critical question of what is safety and what is quality for Canadians. I think it's clear that Toyota Japan decides the critical question as to whether to issue a dealer service bulletin or a safety recall—in other words, whether to comply with or flout Canadian law.

Mr. Chair, the Motor Vehicle Safety Act says that notice is to be served when you become “aware” of a defect. It's clear that Toyota Canada, in its relationship with Toyota in Japan, is a bit like a mushroom: it's left in the dark on critical questions like this.

I think it has become clear to me, Mr. Chair, that these guys can't even wipe their noses unless Toyota Japan tells them they should do it, so I'm going to defer any balance of my time to Mr. Jean or anyone else on our side who may have a question for them. I'm not sure I see the point in asking them questions.

• (1045)

The Chair: Mr. Jean.

Mr. Brian Jean: Thank you, Mr. Chair.

Thank you, Mr. Watson.

I lived through part of the time of gas tank explosions in the United States and the situation there, with recalls and some “malmanufacture” of equipment, or at least the incorrect location of gas tanks. You have to excuse me for feeling a little bit excitable about this particular issue, because I don't think brake pedals and their functioning is very different from that. I think it has the possibility of creating a huge situation that could lead to death and, for sure, bodily harm. And I think the civil liability is clear that Toyota is responsible for this, but obviously that's not the question I'm here to answer today.

My question has to do with the timeline. That's really the issue for me. I've had the same issue through all of the meetings we've had, because clearly I don't believe that reasonable notice was followed and that Toyota did respond as they should have.

I asked the question, and you never had the chance to respond, so I'm going to ask it again. Could Toyota Canada have done better, and how?

Mr. Stephen Beatty: In the specifics of the identification of issues in the field and in transmission of the information back into engineering, and the subsequent steps that were followed, I'm confident that what has happened here was timely, but I recognize that it hasn't given the perception of that.

Mr. Brian Jean: Mr. Beatty, do you really believe, in the situation of a faulty gas pedal and the inability to utilize a brake, when you finally culminate all the data together, that a 90-day notice period is sufficient?

We're talking about approximately 40 different complaints that were substantiated by Europe, the U.S., Canada, and even Estonia. Do you believe that 90 days is a sufficient notice period to the regulator to do something about that? Do you really believe that?

Mr. Stephen Beatty: Mr. Jean, I would love to be able to move immediately from, you know, the first hint—

Mr. Brian Jean: Substantiated defects, not hints. Not hints, Mr. Beatty. With respect, you had hints for five years before that. We're talking substantiated cases of a defect.

Mr. Stephen Beatty: So let me just go back to the technology that we're talking about here. The determination in Europe at the time was that it wasn't a safety defect, and that determination was made because of the nature of the notchiness or slow-to-return condition in the pedal. But that was something that was controlled by normal braking in the car.

Mr. Brian Jean: So you believe that Toyota Canada did everything it possibly could in a reasonable timeframe. Is that what you're telling us today?

Mr. Stephen Beatty: What I'm saying is that I wish I were able to move faster under the specific circumstances of this case—

Mr. Brian Jean: Are you telling us that Toyota Canada moved fast enough under the circumstances, that what they did was reasonable?

Mr. Stephen Beatty: Under the specific circumstances, we moved as promptly as we possibly could.

Mr. Brian Jean: Thank you.

The Chair: Thank you.

Thank you to our guests today.

More than anything, I think, whether it's by design or bad luck, it seems like the structure at Toyota is one where less information for your other bodies seems to work best for the corporation. And I think the things we hear about timelines.... I've been in the car business, and I know that when dealers got together they shared information so they could improve what they were doing. It might not be a bad idea for Toyota to take some of that into consideration.

With that, I thank our guests. As Mr. Jean has noted, the invitation may be extended again, and we would appreciate your response. Thank you very much.

We're going to take a one-minute break. Then we have some committee business we're going to deal with in the form of a motion

by Mr. Volpe. As our guests are moving away from the table, we'll take a one-minute break and come back and deal with the motion.

•

_____ (Pause) _____

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• (1050)

The Chair: Welcome back.

Mr. Volpe has put forward a notice of motion. It's before us right now, so I'll ask Mr. Volpe to introduce it. If there is any debate, then we can move forward.

Hon. Joseph Volpe: Thank you very much, Chairman and colleagues.

As per our discussion on clause-by-clause on Bill C-442, we began to bog down on some detail just prior to the conclusion of the clause-by-clause.

I've proposed this motion: that we continue clause-by-clause consideration of Bill C-442 on June 3 from 9 to 11, because I think we're free then, or, if witnesses are confirmed on that date, that a special meeting be called on June 2. You don't need to worry about that, because apparently June 3 has been freed up.

I'm looking for people's agreement on this. I'm hoping the government will agree to continue with clause-by-clause on Thursday.

The Chair: Are there comments?

Mr. Jean.

Mr. Brian Jean: I think it's a great idea. I think it's an awesome idea.

The Chair: Okay. Then I will suggest that the motion has been put. All those in favour? We are going to go on June 3, from 9 to 11.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Mr. Volpe.

Hon. Joseph Volpe: I just want to ask for a point of clarification.

The Chair: Yes?

Hon. Joseph Volpe: Since the departmental officials before us said they were looking over my bill, I'm just wondering whether Mr. Jean, on behalf of the government, is going to also look seriously at my bill and propose it as a government bill rather than let it go to second reading.

The Chair: That's a good question. Thank you.

The meeting is adjourned.

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