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Mr. James Rajotte

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•(1825)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 65th meeting of the Standing Committee on Finance. We have two panels this evening, colleagues.

I want to thank our witnesses for waiting for us. I apologize for the vote tonight.

During our first panel, we have five organizations presenting. We have BCE Incorporated and Bell Canada; the Communications, Energy and Paperworkers Union of Canada; Mobilicity; Public Mobile; and Wind Mobile. Welcome to all of you.

You will each have up to five minutes for an opening statement, and then we'll have questions from all members.

We'll start with Bell Canada.

Mr. Mirko Bibic (Executive Vice-President, Chief Legal and Regulatory Officer, BCE Inc. and Bell Canada): Good evening, Mr. Chairman and members of the committee.

[Translation]

Thank you for this opportunity to present Bell Canada's views on Bill C-38.

The government has said these changes, along with the proposed rules for the next spectrum auction, have three objectives. First, sustained competition in wireless telecommunications services. Second, robust investment and innovation in this sector. And third, availability of advanced services for all Canadians, including those in rural areas, in a timely manner.

[English]

Canada's wireless industry is admired around the world. We have three major national carriers with the scale to offer advanced wireless services, including the latest HSPA-plus and LTE technologies, to 97% of Canadians from coast to coast to coast. Counting the new entrants, many of whom are here today, major Canadian cities such as Toronto, Montreal, and Edmonton have no fewer than five wireless providers and up to 11 different brands to choose from. Even the U.S. can't claim such a level of competition, and the same is true of most other countries. In fact, Bell's service plans for the Apple iPhone and the Apple iPad are cheaper than AT&T's.

Another major reason Canada is a world leader is the almost \$20 billion in wireless capital expenditures Bell, Rogers, and Telus have invested since 2003, generating more than \$40 billion in total

economic value annually and employment for almost 300,000 Canadians.

As to coverage, consider this: P.E.I. received 4G high-speed wireless services in 2009, before Chicago. It's no wonder many countries view Canada's wireless industry with envy.

Many countries also have a similar opinion of Canada's banking system, and we now take great pride in that, but there was a time not so long ago when many thought we had serious problems with our banks. Recent history has proven those views incorrect.

The same is true of our wireless industry, so Bill C-38 is a solution in search of a problem. Coupled with aspects of the proposed spectrum auction rules, it opens a Pandora's box of unintended consequences, including negative impacts on Canadian consumers, especially in rural areas.

Under Bill C-38, all foreign ownership restrictions would be lifted on telecom carriers with less than a 10% share of national telecom revenues. This will create a two-tier capital structure in Canada's telecom market, with one set of rules applying only to Bell, Rogers, and Telus, and another applying to all our competitors, including recent domestic entrants or foreign companies seeking to enter. These changes, together with the proposed auction rules, clear the way for any foreign giant to acquire two blocks of prime 700 MHz spectrum, while Canada's national carriers, those that invest billions in all areas of the country, urban and rural, are limited to just one block.

What does Canada get in return? Can you imagine the U.S. government ever allowing Bell Canada to have a more privileged access to the U.S. spectrum than companies like AT&T and Verizon? Can you imagine the U.S. ever implementing a two-tier capital structure that gives special advantages to foreign companies over domestic carriers? I don't think we can—yet that's exactly what Bill C-38 and the auction rules will do here in Canada.

Foreign companies that enter will be able to skim the cream from Canada's largest, most lucrative markets. Will executives in Texas or Germany invest first in Edmonton, Canada's fifth-largest market, or Phoenix, the fifth-largest in the U.S., with twice the population; Hamilton, Canada's eighth-largest market, or San Diego, the eighth-largest market in the U.S., with more than twice the population; or Rimouski, Canada's 72nd largest market, rather than Buffalo, the 70th largest in the U.S., with almost eight times the population?

Worse still, these entrants will have no obligation to serve rural areas.

The Chair: You have one minute.

Mr. Mirko Bibic: Okay.

It would be a mistake to assume that Canada's national wireless carriers are impervious to such advantages being given to foreign companies. These advantages can and should be avoided, given the thriving competitive market we have in Canada today. There are two ways to achieve this. First, Bill C-38 could be amended to increase levels of permissible foreign direct ownership for all Canadian telecom and broadcasting companies to 49% from the current 20%. Second, at a minimum, the government must adjust its spectrum auction rules to reduce the risk of unintended consequences. This can be achieved by ensuring that all bidders for spectrum are subject to the same spectrum caps when large foreign companies enter the auction, instead of being subject to rules that give those massive foreign companies a 2:1 spectrum cap advantage.

• (1830)

[*Translation*]

All Canadians benefit from a strong and innovative Canadian-owned communications industry. To give large foreign companies special advantages over our own puts this at risk and that is neither sound public policy nor in the public interest.

Thank you.

The Chair: Thank you very much for your presentation.

[*English*]

We're going to go in the order I read, so we'll go next to Mr. Coles for his presentation.

Mr. David Coles (President, Communications, Energy and Paperworkers Union of Canada): Thank you very much. I do appreciate the opportunity to present to you.

I'm Dave Coles, the national president of the Communications, Energy and Paperworkers Union. We represent approximately 40,000 workers who work on all aspects of telecommunications for many employers. Our primary message to the government today and to this committee is that we are diametrically opposed to this kind of change to the telecommunications regulations being thrust into an omnibus bill.

You heard the representation from Bell about the amount of capital that's expended. It's a very serious issue. The sale of spectrum is complicated and not easily done. I'll present it to you in five minutes. Unless there's a paragraph or a page or so missing, this is the sum total of what's in the bill: this little piece of paper. That's it. This is far too serious. You need to break it out and deal with this.

This is a huge economic driver for our country. It has a great impact on business, the economy, jobs, and culture. A whole wide range of issues can be dealt with, but they can't be dealt with when they're buried inside a bill like this.

When you look at the 10% rule, there are no rules on the 10% rule. What does it mean? Well, MTS is less than 10%. Carlos Slim could buy MTS with pocket change. He's the richest man in the world and he owns many telephone companies. He could buy MTS with all of its integrated services and compete directly against Canadian companies with no restriction. There is no limit on the amount of money. If Bell were to allow it, he could buy the independent company called BellAliant—less than 10% of the market with a full basis of services. A foreign company could buy an entire telephone company in Canada and have no restrictions. If you say there are restrictions, where are they? They're not here. I would just plead with you to break it out, to bring it in as a piece of legislation, and to have a national discussion on what is in the best interest of Canada, the economy, and our culture.

Thank you.

The Chair: Thank you very much for your presentation.

We will now go to Mr. Wong for his presentation.

Mr. Gary Wong (Director, Legal Affairs, Data and Audio-Visual Enterprises Wireless Inc., Mobilicity): Thank you very much for inviting us today. On behalf of Mobilicity I am very pleased to be here to submit this presentation.

I would like to start by giving Mobilicity's perspective on some of the challenges and difficulties of a small carrier starting up in Canada.

As you may know, Mobilicity was one of several new entrants that entered into the market for the supply of wireless telephone, messaging, and data services in Canada. For \$243 million, Mobilicity obtained spectrum in the AWS auction in 2008 and its entry ticket to compete in the Canadian wireless industry. Many more millions of dollars and a few years later, Mobilicity now serves Ottawa, Toronto, Vancouver, Calgary, and Edmonton.

Like other startup companies, Mobilicity has had to overcome many challenges before seeing success: misinformed consumers who are locked into legacy contracts with outrageous termination fees; incumbents that create flanker brands or give their existing flanker brands a complete makeover just to avoid competing with us head to head using their main brands; mandatory regulations such as roaming and tower sharing that did not transpire exactly as planned because of mandatory rules, but negotiated terms. That is just to name a few.

Spectrum and capital are two common challenges that wireless startups face. How do we ensure that we acquire enough spectrum to minimize any capacity issues with respect to our customers and enable us to build our own next big thing—commonly known as LTE—the same way the incumbents have already done from the extra spectrum they acquired or were gifted years ago? Indeed, how do we scream above the loud voices of the incumbents who keep telling people they need more spectrum to meet capacity needs, when in fact they already hold more spectrum than most other carriers in the world?

If spectrum is the real estate land that one acquires in order to build a beachfront hotel, then one must raise enough capital to construct and promote this beachfront hotel. Millions of dollars are required to purchase spectrum, build networks and IT systems, and market the brand, just to name a few. I would like to mention that these millions of dollars must all be spent before Mobilicity sees a single dollar of revenue in return. After Mobilicity starts receiving revenue from its customers, millions of additional dollars will be required to purchase more spectrum, expand and build a faster network, improve capabilities of the IT systems, and for more marketing and promotions.

This only illustrates the capital intensiveness of the wireless business and the challenges Mobilicity faces as David battles three Goliaths on a day-to-day basis.

Mobilicity therefore supports, with open arms, the changes to foreign ownership rules. Easing foreign ownership restrictions can potentially make raising capital easier, or decrease some of the costs to capital. These two benefits are almost unique to new entrants when compared with incumbent carriers who already have unfettered access to low-cost capital through their many revenue streams, their bank accounts, or the abundance of lower-risk capital investors domestically.

Indeed, due to the higher risks to new entrants, it is only logical to expect that the costs of borrowing for new entrants are to be higher than for incumbents. If easing foreign ownership can lower the interest of borrowing—or the cost of capital—by one dollar for Mobilicity, this is one extra dollar that Mobilicity can use elsewhere to lower plan costs, improve the network, or bring better quality of services to Canadians.

Thank you for your time.

• (1835)

The Chair: Thank you, Mr. Wong.

We'll now hear from Mr. Kirby, please.

Mr. Bruce Kirby (Vice-President, Strategy and Business Development, Public Mobile): Thank you, Mr. Chairman and honourable members. I'll try to be relatively brief.

We're here to support the changes to the legislation that are in Bill C-38.

Capital is critical to building a new wireless company in Canada, as Mr. Wong just said. I can agree with most of what he said. The two key ingredients for creating a competitive environment in the wireless industry are exactly that: capital and spectrum. This is one

critical component of improving the situation for capital, to support investment in these companies.

Progress has been made, and I won't get into the debate here on how much has been accomplished on the spectrum side, but certainly in the last auction, through the set-aside, the government created an environment that allowed new entrants. The fact that three of us are sitting here today is an example that that has been an accomplishment. The fact that Vidéotron is operating along with us in Quebec as new entrants is an accomplishment that came about because of that policy.

Capital continues to be important. There's a real challenge in Canada with getting access to risk capital. We have an immature market for capital. It's not just a matter for wireless innovation or wireless investment, but it's a matter of, generally, innovation, the knowledge economy, and IT and broader sectors in Canada. The institutional investors that are very strong in the U.S. and very strong in some other markets are weaker in Canada, for historical reasons. A number of steps are being taken to address that, but a big step that could help in this case, which isn't an issue with some of those other areas, is enabling capital and investment to come in from outside the country, from foreign companies and foreign investors.

That's valuable, because when foreigners invest in new entrants like ours, they invest in Canada. Every single employee of Public Mobile is in Ontario and Quebec. This has nothing to do with the ownership structure. It has to do with the fact that our customers are in Ontario and Quebec, and our networks are in Ontario and Quebec, because that's where our licences are. That will continue independent of who ultimately owns the investment and equity in the company. That's where they're going to stay because that's where our business is and where it happens.

To the extent we're able to attract additional further investment from investors outside the country, that investment is coming in to provide jobs and to build infrastructure in Ontario and Quebec, where we operate today. That is all to the benefit of Canada, independent of who ultimately owns the company. It is something that is not only bringing more competition to Canadians and more choice to Canadian consumers, but is bringing additional jobs and so on to Canada, all of which is a benefit to Canada.

I always find it fascinating when Bell says this is bad because all these scary things will happen. Bell opposed competition in long distance because it would be bad for Canadians. They opposed competition in local because it would be bad for Canadians. They opposed steps to improve Internet access by competition because it would be bad for Canadians. They opposed setting aside spectrum in the last auction because it would be bad for Canadians. They opposed using caps to improve access to spectrum in the auction coming up because it would be bad for Canadians. They've opposed better access to foreign capital for small or new entrants because they say it would be bad for Canadians.

In every case they have failed, and ultimately, the outcome has been good for Canadians, in the sense that in all those sectors, there has been more competition, better pricing, more options for Canadians, and, ultimately, more employment with new entrants that have come into these markets.

For all those reasons I think the bill should be supported as it stands.

•(1840)

The Chair: Thank you, Mr. Kirby.

We'll hear from Mr. Lockie, please.

Mr. Simon Lockie (Chief Regulatory Officer, Wind Mobile): Mr. Chair, members of the committee, good afternoon, or evening, I suppose, at this point.

I'm not working from prepared material, so I hope you'll accept my apology if I meander a little bit.

I want to acknowledge that we're in support of the bill. We think this is a critical, important precondition to fostering competition in an industry that is in dire need of it. We applaud the government for taking this initiative.

Wind's position in this area, as I'm sure you all know, has been very publicly kicked around for the last few years. We feel we're sort of specially qualified to talk to some of the negative consequences of the existing legislative regime.

The fact that our competitors put us through a regulatory proceeding that ultimately ended in vindication at the Supreme Court level doesn't eliminate the fact that the system allowed that to happen. It has to be acknowledged, as everyone has noted here, that the entirety of fostering competition, apart from some of the other policy initiatives, I'll call them, that have to be undertaken, the AWS set-aside being one example.... The recent spectrum policy that Mr. Bibic spoke to, in our view, actually didn't go far enough. But we don't intend to spend time on that today.

What we're talking about today is a necessary precondition, which is that you need to get capital into this company. It's a critical point just to understand the vast quantities of capital that are required, and also to understand that where that capital comes from should be and is irrelevant to government policy considerations.

The simple reality is that Canadian capital behind a Canadian company is not going to be deployed to roll out LTE in Parry Sound because that's where Bobby Orr is from. They are going to make commercial decisions based on economic factors, just like a corporation does that's funded by foreign capital.

The government has taken a cautious, incremental approach to resolving this issue, but they've done it where it matters most. And that's a conclusion that isn't something that came about in the course of the last couple of months. That's something the TPR came to. That's something the Red Wilson report came to. It is a necessary precondition to allowing the kind of capital to come in.

Let's just be very clear. This is not a magic bullet. This is not going to solve a massive competition issue in this country. You have an oligopoly, with 93% market share, a massive brand presence, a massive retail presence, and huge amounts of capital. They're

snapping up all of the content in the country. Everyone recognizes that there is an issue. It's long been recognized. This doesn't solve it. It's a precondition to solving it.

I don't think there's any credible reason to say that we don't want that capital in this country and that we're going to artificially constrain the terms upon which it can be invested. That is a hurdle that simply won't be overcome.

Thank you.

•(1845)

The Chair: Thank you very much for your presentation.

We'll start questions by members with Ms. Nash, for five minutes, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you very much to the witnesses for being here today.

I know this is a very complicated subject. One issue I'm struggling with is that it seems that this change is creating different rules for different players in the telecom sector. I'm concerned that over the long term, some of the smaller operations, with less than 10% of the market share, can be bought up by foreign corporations and then may have a more dominant position going beyond the 10% threshold.

My question is to Mr. Bibic. Am I pronouncing your name properly?

Mr. Mirko Bibic: You are.

Ms. Peggy Nash: Can you tell me if I'm perceiving these changes in foreign ownership correctly, the different rules for different players in this sector? What impact could that have on the telecom sector in Canada?

Mr. Mirko Bibic: I'm going to take a step back. We appreciate and understand the balancing act the government had to put in place here. On the one hand, rules were set up in 2008 to allow for new entry. We have three examples of that here.

The government wants to make sure that can continue, that conditions can continue to be in place so that they can continue to operate. We are looking for a fourth national carrier, as you can tell from Minister Paradis' testimony yesterday at the Senate.

So on the one hand, they thought one way to do that was to lift the foreign ownership rules for small players. If that's the goal, then we say, okay, let's treat all players the same, rather than create the two-tier capital structure. That's one example of asymmetry.

The government also wanted, based on the statements of the minister and the policy, to ensure incumbents could continue to bid on spectrum and continue to invest massively, as we have. That was addressed by allowing us to bid on the upcoming spectrum auctions. We certainly don't quarrel with that.

The third thing the government wanted to accomplish was to make sure there was investment in rural areas.

And I don't quarrel with any of those objectives. But the one gap was the way it was done. If you have 10% or below revenue share, there are no foreign ownership restrictions, which means a company like AT&T, which obviously today has zero revenue share, could come in from scratch. It's a massive organization with—

Ms. Peggy Nash: Let me just pursue that.

Mr. Lockie, as I understand it, the financial backer of Wind is VimpelCom. It is one of the largest global wireless services, with over 200 million subscribers and quarterly revenues five times larger than those of Bell.

What is it about the current structure that doesn't work for you, when clearly you do have access to capital?

Mr. Simon Lockie: Thank you. It's a fair question.

The short answer is that the capital invested at the early stage of this company's history—which is actually Orascom, which has since been acquired by VimpelCom, was intended to be short-term, very expensive capital with a view to bringing on third-party capital. To a limited extent, we've been successful, doing that with vendor financing and so on. The challenge is the terms and the cost of that capital.

It's very simple once you've lived it for a while, but appreciate—you have to understand that the more expensive your capital is, the more challenging it is to make a return on that investment. As that becomes less palatable, you have more trouble bringing in that capital.

The way I would characterize it is that we had a compelling investment proposition at the early stage, given that there is an enormous opportunity in Canada because there has been no competition for so long that is desperate for it, and we want to be that fourth national alternative.

We were able to raise capital on that basis. However, continuing to do so is simply not feasible. We're talking about massive amounts of capital, and that's the issue.

•(1850)

Ms. Peggy Nash: I have 30 seconds left.

I want to raise the issue raised by the Department of Public Safety over security concerns when loosening foreign ownership, with the Chinese firm Huawei coming into Canada. What impact would that have on Canada's public safety and security? That's one question. Is there reciprocity with other countries? Are they opening their telecoms similarly, as we're doing in Canada?

I don't know if anyone wants to take that.

The Chair: Could someone answer briefly? Then we can come back to it if we like.

Mr. Mirko Bibic: On the second question, our fundamental quarrel is this: companies as large as AT&T or Verizon can come in and bid for two blocks of prime spectrum that will be put up for bid next year, whereas Bell is captive bidding for one block. We ask ourselves why we would set up a condition where companies like that could bid for more spectrum than we can. If we make a policy decision to allow them to enter, okay, but then let everyone compete for the same amount of spectrum.

Mr. Simon Lockie: Actually, I can answer the question.

The Chair: I'll allow this, but I would ask members to allow enough time for witnesses to respond.

Mr. Lockie, go ahead.

Mr. Simon Lockie: I can be very brief.

On the issue of the spectrum's being set aside, it's actually a cap system. The incumbents have access to 75% of the good stuff; there's very little left over. What I would observe is that it is a bit rich to cry poor about the access in this upcoming auction, given that the incumbents have, collectively, about 400 MHz. Everyone else in the universe in Canada has about 45 MHz.

You still have a long way to go before you can start worrying too much about that.

The Chair: Okay, thank you.

Thank you, Ms. Nash.

Mr. Hoback, go ahead, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, gentlemen, for being here this evening.

I come from Saskatchewan. SaskTel has a general excitement about this auction because the type of megahertz—the 700 MHz scale, what it can do, how it can penetrate the rural areas of Saskatchewan—is substantial, if not huge.

I know they're very excited in trying to figure out how they can participate in the auction. They're very excited to see this move forward because they want to get established and get moving fairly quickly too.

One things talked about in Mr. Paradis' March 14 speech was the sharing of towers and the sharing of roaming.

I'll start with you, Mr. Bibic.

One of the complaints that I have, coming from Saskatchewan, is that we've seen some companies are more than happy to set up services in large centres, where there's a population, but not so happy to do it in areas where there is less population, but there's growth because of mining, because of other activities going on in the region.

When it comes to tower sharing, what do you see...?

What steps will you guys be taking to improve the wireless service in rural Canada, and how do you view the tower-sharing policy that's coming forward?

Mr. Mirko Bibic: Bell takes rural coverage extremely seriously. In 2009, when we launched a new network that put Canada at the forefront of wireless technology, we covered 96% of the Canadian population. That was with the technology called HSPA plus. That 96% covers thousands and thousands of small towns and cities in the country. There is a new technology now called LTE, or long-term evolution. We started deploying that. We're at about 16 communities. After this auction for 700 MHz, we want to accomplish the same thing and cover 96% or more of the Canadian population. Of the companies here today, we are the one delivering the broadband to rural areas.

The point I keep harping on is that if somebody like AT&T comes in, the way the auction is designed, if they won spectrum they would have absolutely zero obligation to hit any rural areas. They'd hit the urban markets first. So if we're going to allow them to come in, let's create an environment that allows for open bidding and for the market to deliver the auction outcomes we want.

As for tower sharing, there are rules the government has, and we respect those rules. Disputes between providers about sharing space can be resolved through private arbitration under the current rules.

• (1855)

Mr. Randy Hoback: Mr. Wong, your company seems to be sticking to major population centres. How will tower sharing work for you guys, and will that be something you'll be taking advantage of?

Mr. Gary Wong: We are completely and utterly in support of tower sharing. I think it is one of the ways to make rural build-out make sense. To take the easiest example, if building a tower in a rural area where it is less densely populated costs \$100, it would take one person one year of revenue to cover this. If someone else were to share the tower and rent out the space, the person who provides the tower—say Bell—would get revenue more quickly because they would be receiving rent. Their rate of return would be quicker and earlier and they would get their money back more quickly. I see no reason why there shouldn't be tower sharing. I think tower sharing is completely aligned with rural build.

Mr. Randy Hoback: Mr. Lockie, you talked about capital requirements, and of course it is a capital-intensive sector that you're in. Will the changes in the budget make it easier for capital requirements to be met and for rural expansion to take place?

Mr. Simon Lockie: Unquestionably. I can talk about tower sharing until 7:30 if people want me to, but what I'll say is that removing the restrictions as proposed isn't going to solve the tower-sharing issue. The truth is, capital is required. How you deploy that capital is a luxury to figure out once you have it, and you can't get it on reasonable terms under the existing rules. That's really what we're trying to resolve.

I said this wasn't a magic bullet, and it's not. Whether you are backed by Canadian money or American money, your decisions on where you deploy and where you see you can make a return on your investment are identical. So frankly, the only connection here is a net positive one—you have more capital in the country and people are going to find a way to get a return on that capital. Rural isn't as quick a return as an urban centre, so that's where people are going to focus initially. But people are making rational economic decisions, and it doesn't matter where the capital behind those decisions comes from.

The Chair: Thank you, Mr. Hoback.

Mr. Simms.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-
sor, Lib.):** Thanks, and thanks for having me here.

The Chair: We're always glad to have you.

Mr. Scott Simms: I'm new here.

Mr. Simon Lockie: So are we.

Voices: Oh, oh!

Mr. Scott Simms: You were talking about Bell having restrictions on many things, more so than the others. For those of you who are getting less than 10% of the revenue, you now have the ability to grow beyond the 10%, without the same restrictions as Bell. Am I correct in saying that?

Mr. Mirko Bibic: Correct, in the sense that Bell, under the rules, will never be able to have foreign capital beyond the current limitations of 20% direct foreign investment, whereas my colleagues here will be able to be 100% foreign owned.

Mr. Scott Simms: So lifting that to 49% alleviates a lot, but it doesn't alleviate everything. Is the potential here that they're going to be as big a name in this business as you?

Mr. Mirko Bibic: If AT&T comes in and buys all of them, the answer is yes, in fact ten times bigger.

The quarrel isn't with that; the quarrel is that in that environment, why should Bell be limited to one block whereas those behemoths get two spectrum blocks? That's the issue I'm putting forward today.

Mr. Scott Simms: Okay.

You look like you're about to respond.

Mr. Simon Lockie: Yes, it's just a question of picking which part.

As a practical matter, if AT&T, to use Mr. Bibic's example, were to come in and snap everyone up, they would have 45 MHz of spectrum relative to the 400 that the oligopoly has. It's not a question of how much capital you have; it's how much spectrum you have, and they're not making any more of it.

It's a question of how that gets deployed by the government. That's the first observation I would make.

• (1900)

Mr. Scott Simms: Are you planning to roll out in rural areas? I want to go back to Mr. Hoback's question. You say it's great that you can get a better return when you're tower sharing. That doesn't necessarily mean you're going to actually get into these markets.

I'm from a rural riding, and I mean rural. I have a Bell phone, but I can't get yours. Why can't I get yours? Or will I get yours, I should say?

Mr. Bruce Kirby: There are two issues around getting to any of these rural areas. One is having the capital to build out the network and make the investment, and the second is having the spectrum.

Mr. Bibic keeps talking about how they rolled out HSPA to 94%. They did so on spectrum that Bell received, not through an open auction, without any competitive process whatsoever, which is the 800 MHz spectrum they were granted by virtue of being an incumbent phone monopoly. They can use that because it's this spectrum that allows you to build out efficiently those rural areas.

That's why it's been so critical in this debate around the 700 MHz option, because this is the first time there's an opportunity for a competitor to those incumbents to get hold of spectrum that actually allows you to economically build these rural areas. With the spectrum all of us hold now, you can build into other cities and to some of the suburban areas, the smaller towns, but the actual rural areas you can't build as economically as you can with the spectrum that the incumbents are already using and have had for 25 years.

Mr. Scott Simms: Mr. Bibic says he wants to be lifted to 49%. You wouldn't agree with that, would you?

Mr. Bruce Kirby: It's a completely meaningless change to the existing set of rules. It would have no effect on the ability to raise capital—

Mr. Scott Simms: For the sake of spectrum. Is that what Mr. Lockie's saying? Is that why?

Mr. Simon Lockie: Yes. Bruce has put it exactly right; it is meaningless.

Let's be clear, no one wants this change more than we do. No one wants the restrictions to be lifted to allow access to capital, and I say to you, absolutely seriously, don't bother making that change. It changes nothing for us. With all respect, that's why Bell is recommending it. It changes nothing.

A 20% voting share to a 49% voting share changes nothing. You still have this subjective....

Sorry?

Mr. Scott Simms: It's about the size of the spectrum.

Mr. Simon Lockie: It's that you need spectrum and you need capital. We also need capital to get spectrum, which is a distinction between us and the incumbents; they got it for free. But once you've got it, you have to deploy it, and that's hugely capital intensive.

Mr. Scott Simms: Mr. Bibic, are there any regulations that compel you to go to rural areas and to do other things—from the CRTC?

The Chair: One minute, Mr. Simms.

Mr. Mirko Bibic: No, but the way the spectrum policy has been designed for the upcoming auction, it says that if any provider has access to two blocks of spectrum, either through ownership or through combining with pooling its spectrum with somebody else, then you have an obligation to build to 97% of your existing footprint.

For Bell that would basically mean all the rural areas. But if you don't have an existing footprint or if your existing footprint is only Toronto and Montreal, like my friends, then they have absolutely no rural obligations.

Mr. Simon Lockie: Sir, I want to clarify one thing. When he says "all the rural areas", what Mr. Bibic means is all the rural areas where you already have coverage, so nothing incremental to that.

Mr. Mirko Bibic: That means Bell is everywhere today, so it's 97% of everywhere, and my friends are in Toronto and Montreal and it means 97% of Toronto and Montreal, so no rural obligations.

Mr. Scott Simms: That's what I'm trying to drill down to here, which is the fact that I know he's in my area, but you're not. Can I

expect someday to receive a great amount of competition in my one rural area where they are and you're not? That's all I'm asking.

The Chair: A brief response.

Mr. Simon Lockie: Briefly, we will build out rurally when the economic case for it exists, and that is something that can only happen if there's access to capital and the attendant policy decisions that allow us to succeed and flourish so that we can expand. That's what competition is: you look for opportunities for growth.

The Chair: Thank you.

We'll go to Mrs. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I have to make a quick observation. The back and forth of the smaller and larger proponents is not unlike politics, in terms of what we get to enjoy on a regular basis. It's a very different debate, but I think you're bringing to the table very important perspectives, which I appreciate.

Mr. Coles, I represent a rural riding, but even if you are only representing an urban riding, one of the biggest complaints all the time is the cost. One of the things we're trying to do is move towards competition. I understand that the costs, even in our urban areas, are very significant.

Do you believe Canadians should pay lower prices for their access, and why or why not?

•(1905)

Mr. David Coles: We have done extensive research that is not in these documents because of the restrictions you have. There's no evidence in any of this discussion going on that competition will generate lower rates. Everyone wants better service and lower rates, but worldwide, show us apples to apples and oranges to oranges.

For example, I get this phone for free. In Europe you pay \$600. You add that to your phone bill and all of a sudden their rates are higher than ours. There's scads of evidence of that.

I would be cautious that this debate, which I am enjoying, should be larger and not part of the budget bill.

Mrs. Cathy McLeod: I guess I'll get feedback from some of the other folks at the table.

Are there any comments on that issue?

Mr. Simon Lockie: I don't want to hog the mike, but I'm happy to speak to it.

In my view, you've already started to see the impact of competition. I could sit here and argue that competition creates lower prices and more innovation. I don't think that's even debatable. I think people recognize that, so I won't spend a lot of time on it.

I will say that even with our modest presence in the market since late 2009—we have about 450,000 subscribers and we're in five major urban centres—we're already seeing a dramatic price impact. That is the tip of the iceberg.

On the way it works—and it's very simple to think of it this way—once you've established a real network footprint and a retail presence, the incumbents look at that. They have an ARPU, average revenue per user, at around \$57 or \$60 per user. Our ARPU is down around the \$27 or \$28 range. So you do the math. If they want to compete with us once we get a level playing field, they will have to come down in price.

That terrifies them, because every dollar of ARPU they go down costs them about \$500 million in enterprise value. There's no amount they won't spend to stop that competition, slow it down, and continue with the kinds of obstacles that have allowed them to establish themselves as an oligopoly. The foreign ownership rules are the primary one.

Mrs. Cathy McLeod: I represent a large section of rural area. We know there's maybe 96% coverage, but I'm probably missing about 10% to 15% coverage.

Through this kind of spectrum auction, is there any opportunity...? I think the satellite companies are moving into those one-offs in the very remote places. Does this provide any opportunities for them, or will nothing get that last 3%?

Mr. Mirko Bibic: The last 3% in the most remote areas will ultimately need to be served via satellite. Wireline fibre Internet is being offered by multiple companies in the urban and suburban areas. But if you want that coverage it will be through wireless broadband using LT technology, which offers phenomenally high speeds. That service will be delivered to 97% of the country by the national players, who are putting a lot of capital on the ground and employing tens of thousands of people—Bell, Rogers, and Telus.

As for pricing, I'll give you an example. These are facts on the ground, not price rhetoric we read in the newspapers. They were verified today in advance of coming here. If you look at AT&T's iPad plan, for a fairly decent chunk of data usage it's \$50. The very same plan through Bell Canada is \$35. It's significantly cheaper here in Canada than in the U.S.

Mrs. Cathy McLeod: So when people come back from the United States and tell me they have this cellphone that they're paying significantly less for, I should wonder about the accuracy.

Mr. Mirko Bibic: They're misperceptions based on empty rhetoric, basically ivory tower papers.

The fact is if you take an iPhone now—not an iPad but an iPhone—and you compare the exact same number of minutes and the exact same wireless Internet plan, for AT&T it's \$90 and for Bell Canada it's \$85.

• (1910)

Mrs. Cathy McLeod: Thank you.

[Translation]

The Chair: Ms. LeBlanc, you have five minutes.

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Thank you very much.

As a member of the Standing Committee on Industry, Science and Technology, I would really like to have heard you speak at that committee, rather than at a finance subcommittee, to do a truly in-depth study of this telecommunications issue.

In the government's deliberations that led to the rules that govern this auction, it would seem that there were issues that, first, as has already been mentioned, were intended to increase competition to lower prices to consumers. That would seem to be one objective.

Also, I think that any good government that represents not just the urban areas, but also the rural areas, must have another objective. The regulations governing the next auction should contain incentives for companies so that they can be deployed not just in rural areas, but remote areas as well.

Do you think the rules that are currently in place attain these two policy objectives?

We could start with Mr. Kirby.

[English]

Mr. Bruce Kirby: Yes. The challenge in trying to support services in rural areas, as we've been discussing, is that you have to have the capital to build out, and you have to have access to adequate spectrum that allows you to efficiently serve those areas. Bell and others have been able to do so because they've had many, many years in which to build out. They've had many, many years of profits coming out of other businesses as well to help them build out, and they've had spectrum that favours that.

We don't have that situation. This is one step in getting us better access to capital. There is still work that needs to be done to get better access to spectrum that supports building those areas.

[Translation]

Ms. Hélène LeBlanc: But in the rules that have been presented, are there incentives for the people who get the opportunity to deploy their network or provide services at a reasonable price, and not a two-tiered service, for the remoter regions?

Mr. Lockie.

[English]

Mr. Simon Lockie: Very quickly on that, the reality is I don't think that the recently released policy will achieve anything in respect of covering areas that don't already have coverage. That's by definition because the so-called rural build requirement requires you only to cover your existing HSPA Plus footprint. That's just a straightforward description of what the policy does.

I want to be clear that Wind Mobile going up to the policy was on record in the media and when meeting people in Ottawa as being in support of meaningful rural build-out requirements. It's a cost that you incorporate into buying the spectrum. If buying the spectrum required you to set a big pile of money on fire every month, that would be incorporated into the cost of the spectrum, the difference being that it doesn't achieve any policy objectives.

We were on record saying we support those types of restrictions. Now, having said that, I just want to observe that, in my view, it's not the most efficient way to get a rural build going.

This is veering off topic considerably, in my view, from the foreign ownership question, which is about access to capital for smaller companies. That said, what I will say is that the types of measures would be that you require people to do it or you incent them to do it. The policy that was recently announced doesn't do either with respect to areas that don't already have coverage.

[*Translation*]

The Chair: You have 30 seconds left.

Ms. Hélène LeBlanc: Do you think it would be important for the government and for Canada to have a digital strategy to ensure that we can take part in the digital economy itself? I am thinking of a broader strategy that would ensure that all Canadians could benefit from the digital economy.

Mr. Coles.

[*English*]

The Chair: Just give a brief response, please.

Mr. David Coles: The whole issue of the digitalization of telecommunications is what created this opening in spectrum. You don't have analog television anymore. The whole concept of where you're going to supply services requires I think restrictions or incentives that would allow rural communities to have access to high-speed Internet, whether that is through this or through copper or through whatever. This is a very complicated question you've asked, and it doesn't come in a five-second answer.

• (1915)

[*Translation*]

The Chair: Thank you very much, Ms. LeBlanc.

[*English*]

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): For the sake of Madame LeBlanc, and I think everybody else on the committee, I want to ask everybody here how long you have been familiar with this process. How many times have you been called up to the committee? I'm referring to the industry committee, for instance. This is not the first time. This was not just sprung on you. Was it Maxime Bernier, when he was minister?

I'll ask Mr. Bibic.

Mr. Mirko Bibic: The latest incarnation of the foreign ownership issue started in 2010, when then Minister Clement initiated consultations. I certainly appeared at the industry committee in 2010.

Mr. Dave Van Kesteren: Did we not touch on much the same issues when Minister Bernier was minister back in 2006?

Mr. Mirko Bibic: Foreign ownership didn't come up, no.

Mr. Dave Van Kesteren: Maybe it wasn't foreign ownership, but it was much of what we're talking about, such as competition and all those things.

Mr. Mirko Bibic: We talked about competition, telecom generally, deregulation, and those kinds of issues, but that was more about traditional home phone deregulation, primarily—

Mr. Dave Van Kesteren: But you're familiar, basically, with what we're trying to accomplish.

Mr. Mirko Bibic: For sure I am.

Mr. Dave Van Kesteren: I think we were interrupted, the first time, by an election. I think the second time it was an election. I served in committee with the illustrious chair when we went through this whole process. Mr. Rajotte would remember the House as well better than I would.

The Chair: I think it was 2003.

Mr. Dave Van Kesteren: Well, there you go. It was 2003.

Wouldn't it stand to reason that if you knew that this was possibly coming down the pipe, you could prove to the government that indeed these were unnecessary changes that would be harmful, and as such, we wouldn't see a need for any more competition?

Mr. Mirko Bibic: I have four quick points in answer to that.

Mr. Dave Van Kesteren: Please be quick, because I have a few more questions.

Mr. Mirko Bibic: Yes, I'll be very quick.

First, the proposal Bell put forward in 2010 to lift the rules to 49% rather than to adopt this 10% rule was the option supported by the majority of intervenors in 2010.

Mr. Dave Van Kesteren: Can I stop you for just a second? Your suggestion is that you'll have a tough time competing against the large multinationals, like in the States.

Mr. Mirko Bibic: I don't want my point to be misunderstood. It's this on spectrum: right now, as the spectrum policy is designed, Bell is capped at one block of spectrum, and my friends get an opportunity to bid for two.

Mr. Dave Van Kesteren: But you have most of the spectrum.

Mr. Mirko Bibic: Hold on, sir. We don't have a quarrel with that. That's what I wanted to say. I don't want to debate that with you. The fact that they get to bid for two and we get to bid for one, I'm not quarrelling with. We're okay with that. We can live with that. We're happy with that.

Here's the issue. If, through the 10% foreign ownership restriction rule, massive companies like AT&T and Verizon come in, that's okay too. All we're saying is that in that event, let us bid for two, because they'll be allowed to bid for two. That's the only point we're making.

Mr. Dave Van Kesteren: You're much lower than the multinationals you're talking about in the States anyway. You gave the example. I mean, you have the home turf. You've been here.

I just don't see that argument happening.

Mr. Mirko Bibic: Mr. Van Kesteren, if you look at my opening statement, the prime blocks of spectrum are blocks 2, 3, 6, and 7. AT&T can buy two. They'll buy 2 and 3. Verizon can buy two. They'll buy 6 and 7. That might happen. We'll say, okay, good, let them go. Where are they going to go? They're going to go to Toronto, to Montreal, and to Vancouver. That's where they're going to go. Again, if they're going to come in, we're happy to compete against them. But we want to compete on an equal footing. Why would we put our national champions, Bell, Rogers, and Telus, in the pit with these folks with one hand tied behind our backs? Their market caps are \$200 billion. Our market cap is \$30 billion. They have ten times the revenues.

We're saying fine, if that's the government's policy decision, we can live with that. But we want an opportunity to bid for the same amount of spectrum.

Again, I have no quarrel with my friends on this panel. The fact that they have an opportunity to bid for two blocks and we have an opportunity for one, peace on that.

Mr. Dave Van Kesteren: I'm going to give Mr. Lockie a chance to respond.

The Chair: Just a short response.

Mr. Simon Lockie: Thanks.

Very quickly on that, I think a lot of people probably wouldn't think it was a bad idea if AT&T did come up here. The simple reality is that what we're talking about, what Mr. Bibic is talking about, is 5 MHz of comparative spectrum. They have close to 400 MHz of spectrum. AT&T is not rubbing its hands together at the prospect of trying to compete against Bell.

The other point I want to make is this. It would take us a long time, but I just want to be very clear. The economics are very different when you already have an oligopoly, when you already have a massive retail presence, when you have a 30-year head start. Just because AT&T has the money does not mean it's stupid enough to bid against Bell, Rogers, and Telus to get the extra block. It simply won't happen. Check it in 2013.

• (1920)

Mr. Mirko Bibic: If it doesn't happen, my proposed fix does no harm.

The Chair: Thank you, Mr. Van Kesteren.

[*Translation*]

Mr. Caron, please.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much. Very good questions to ask in five minutes.

I want to quickly come back to what Ms. LeBlanc was talking about. The objective that was announced by the government, by Mr. Paradis during his announcement, relates to rural service and was to have 90% of the country covered in five years, and 97% of the country covered in seven years. Is this objective realistic or not under the rules that have been presented?

I would first like to hear from Mr. Bibic, then Mr. Lockie.

Mr. Mirko Bibic: If we can get two blocks, yes, Bell Canada will be obliged to build a wireless network, the new LTE technology, on 97% of our territory. So, for us, it would be realistic if we get two blocks.

Mr. Guy Caron: Mr. Lockie.

[*English*]

Mr. Simon Lockie: For Mr. Simms, where he already has Bell coverage, the practical realities are that he will get 700 MHz deployed if he happens to be within the 90% of the population coverage within that licence area in five years—97% after ten years.

Again, just to return to the point, the access to capital, lifting these rules, will not solve any rural issue. The spectrum policy, in my view, triggers certain consequences to an entity that buys two blocks. It only covers the existing HSPA footprint. Let's just be clear, that is mobile broadband. It's not as fast, but you don't have to deploy LTE with 700 MHz.

[*Translation*]

Mr. Guy Caron: Thank you very much.

Mr. Bibic, you mentioned that you are limited to one block. But when Mr. Paradis appeared before the Standing Committee on Industry, Science and Technology, he, in fact, said that you have an advantage because you are currently partnered with Telus. So you could combine these two blocks. You are independent buyers under the auction, the rules that were submitted, so you will have your two blocks.

Mr. Mirko Bibic: If Bell Canada gets one block and Telus gets one block and we agree to share them—those are the three conditions—in this case, we will be obliged to build a network on 97% of our territory. As I said in response to your first question, if we get two blocks, whether we got them or combined the two blocks, in this case, yes.

Mr. Guy Caron: You have an advantage over Rogers, for example, because you have that possibility and the possibility of establishing an LTE system that will work, whereas Rogers, for example, or even the new entrants, will not have that possibility.

Mr. Mirko Bibic: Rogers has the opportunity of getting two blocks as well: they can buy them or partner with my colleagues here. They can partner with WIND Mobile, with Vidéotron in Quebec, with Shaw out west, with EastLink in the east. They can also partner with Telus or Bell Canada. Nothing has been established for the future.

Mr. Guy Caron: I had two more questions, but I will ask just one. Ms. Nash spoke about the issue of having different rules for the new entrants and stakeholders who are present here. Eventually, a new entrant bought by AT&T could end up with 15% of the market, if that was the case, and Bell Canada could drop to 15% of the market. So the weight would be similar but, despite everything, different rules would apply.

There is something else that comes into play: the broadcasting legislation. Vidéotron and Shaw are new entrants. They have less than 10% of the market and could be bought. But those two companies also have two of the four largest private television networks: TVA and Global. So, how would what was presented by the Conservatives and Mr. Paradis with respect to foreign ownership have an impact on broadcasting?

Mr. Coles, could you answer?

• (1925)

[English]

Mr. David Coles: At one time people thought the broadcasters were going to own the telephone companies. That's not the case. The telephone companies deliver the product, the pipe, and the receptacle, and they create a considerable proportion of good Canadian jobs.

A concern of ours with foreign ownership is to know what the driver would be to have any Canadian content on any of the services provided. There's an issue here around culture and around Canadian content as well.

The Chair: Thank you. *Merci*.

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Mr. Chair.

I've been listening with great interest to this dialogue. It's a fascinating discussion. I'm reminded of when I was a young boy and I went to the butcher shop with my grandmother. She was going to buy a chicken. She picked out a chicken from behind the glass and told the butcher that was the one she would like to have. The butcher said, "You don't want that one. It has a broken leg." She said, "I'm going to eat it; I'm not going to dance with it."

Things aren't always as they appear. What I would like to know—and from the perspective of both Bell and one of the other companies, paint me a picture here, moving forward—is what this means, not as far as your companies are concerned, but for the consumer, in a best-case scenario and a worst-case scenario.

Let's start with Mr. Bibic.

Mr. Mirko Bibic: The best-case scenario is that each of the national players obtains 700 MHz of spectrum. While my friends talk about how the three national players have a lot of spectrum compared with them.... None of us has 700 MHz, and 700 MHz is what we need to deliver national wireless broadband to all small towns and communities and to the large centres.

So the best-case scenario is that each of the three gets spectrum that they need in order to build national networks and compete against each other and the new entrants. Then—there's additional spectrum on top of that—the new entrants get the additional spectrum and they continue to offer competition. In terms of public policy, hopefully they extend to rural areas, because right now they're not there.

The worst-case scenario is what I indicated concerning unintended consequences in my opening statement, that through the loophole I mentioned, the large behemoths come in with no obligations and an advantage, and then they cream-skim Toronto and Montreal. Bell,

Rogers, and Telus are then going to have to deploy all of their resources to compete in Toronto and Montreal and the rural areas are left behind for a very long time.

Mr. Mark Adler: Before we move on, under the worst-case scenario, what would this mean, in terms of potential investment that Bell would make outside of the areas in which they would have to compete—in the larger urban centres—for Bell's potential investment moving forward?

Mr. Mirko Bibic: If the large international competitors come into the urban areas, it is absolutely crystal clear that we're going to have to devote all our resources there, because without making the profits in urban areas, we can't go to rural areas. We're going to deploy all our resources there and we're going to leave the rural areas with what they have today—which is fantastic service, because right now it's a world-class service, but in three years it's not going to be a world-class service; it will be 2009 service. That's what the rural areas will have.

Mr. Mark Adler: Okay.

Mr. Kirby or Mr. Lockie?

Mr. Bruce Kirby: I could say it's the opposite of what he said.

The best-case scenario is that you create an ongoing, vibrant, competitive environment in the wireless industry in Canada.

Mr. Bibic's bogeyman of AT&T coming into Canada isn't bad for Canadian consumers. First of all, AT&T coming in, even if they bought up a whole pile of small players and grew to 10% of the market, would be 10% of the market against 90% for the incumbents. They would still be a tiny player, relatively speaking.

Being big in the U.S. or elsewhere doesn't make them big within this market, and what matters is how big you are within this market. T-Mobile in the U.S. is controlled by Deutsche Telekom, a bigger European carrier. It doesn't make them any bigger in the U.S.; it doesn't make them any more competitive in the U.S. If someone, whether they or anyone else, wanted to come in and make the investment and was able to get a hold of sufficient capital and sufficient 700 MHz spectrum, they would be going out to build up the rural areas, because you're ultimately going to want to have a network that covers those areas and allows you to compete with the incumbents.

The worst case for Canadian consumers is to go back to where we were in 2008, to an environment in which Canada was the only wireless market in the world in which the average price per customer went up. This was because you had three players who were well balanced in a cozy oligopoly and could protect themselves, and who were very careful, in their phrase, to maintain "rational pricing" all of the time.

That's what would happen.

• (1930)

Mr. Mark Adler: Mr. Bibic, I'm going back to you for a second.

The Chair: Very briefly.

Mr. Mark Adler: Comparing Apple phones to Apple phones, you gave us the price comparison between Canada and the U.S.: that it's cheaper here and better value here in Canada.

Banks used to get the bad rap. Why are cell companies now getting the bad rap? If the empirical evidence is there, what's the problem?

Mr. Mirko Bibic: I think the bad rap that wireless companies are getting was particularly bad in 2007, 2008, and 2009. I think it's considerably better through a lot of education about the fact that we are world leaders in the technology we offer.

In fact, if you sweep away the empty rhetoric and look at the facts on the ground, our pricing is very good. Of course, if you ask somebody, "Would you like to pay less?", everyone in this room will say yes. But ask "Did you get good value for your money?" and they'll say yes.

The Chair: Thank you.

Monsieur Mai, s'il vous plaît.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

[Translation]

By opening the market in accordance with the bill, will the services improve and will the costs to consumers decrease?

Mr. Mirko Bibic: We have seen that people think the market in the United States is more open than it is here in Canada. There are two national players in the United States, and there are three in Canada. However, people claim that the Canadian market is closed. As for us, we provided services for the new HSPA+ and LTE technologies before the United States.

Mr. Hoang Mai: Will prices drop? Will service be better if we open up to acquisition by foreign companies?

Mr. Mirko Bibic: The services that stakeholders like AT&T provide are more expensive in the United States. Why would they be cheaper in Canada?

Mr. Hoang Mai: Thank you very much.

[English]

Mr. Coles, you mentioned that there are some issues regarding Canadian culture and also national security. You mentioned that the Telecommunications Act companies have a responsibility to strengthen and safeguard Canadian culture, and also that telecommunications performs an essential role in the maintenance of Canada's identity and sovereignty.

How will this affect that issue?

Mr. David Coles: First, you cannot, in my view, de-link or separate a telephone company from a broadcast company today; they are one and the same.

If there is an issue, for example, around culture, whether involving Newfoundland or Quebec, what would AT&T or any foreign company have as their driver to continue to develop Canadian culture?

So it's the issue about foreign ownership and their view of what Canadian culture or Canadian security is. One has to question, when

you have... They use the word "behemoth", but in relative terms, Bell and Rogers are not behemoths in the world agenda; they're not the biggest telephone players by any measure. I for one think that for a key cultural issue in Canada, security in Canada, they should be owned by a Canadian company.

Mr. Hoang Mai: Can you tell us about past experience of having foreign ownership, in terms of job creation or job loss in Canada for Canadians?

Mr. David Coles: We haven't had that experience in Canada, but it is documented in the United States and other places—and in other industries, by the way, not telecommunications, because of the restriction—that immediately things such as R and D and head offices of foreign corporations leave Canada. There's a litany of examples taking place right now in this country in which that is the case.

We are concerned that foreign-controlled companies will not make Canadian jobs a priority.

Mr. Hoang Mai: Why not? What happens in that case?

Mr. David Coles: They move head offices and R and D to the... If it's Carlos Slim's, it moves to Mexico. Why wouldn't it?

• (1935)

Mr. Hoang Mai: Also, you said:

The Mulroney government produced a comprehensive telecommunications policy document that argued: "domestic ownership of Canada's telecommunications infrastructure is essential to national sovereignty and security."

Can you maybe expand on that?

Mr. David Coles: It was their report, not ours, and I think it has a lot of merit, that you would consider a country giving up its right to own its telecommunications system.

Mr. Hoang Mai: One of the concerns we also have—and I think we spoke about rural areas—is that there's a lack of access to high-speed Internet service for aboriginal reserves or first nations. Can you comment on that?

Mr. David Coles: It is about having, either as required by law or through incentive, access to places where historically there has not been good service. In Saskatchewan, and in Alberta under AGT, they were required, before they became federally certified, to supply services to rural communities. I think that kind of requirement needs to be in place now, especially if they're looking at opening it up to foreign competition.

The Chair: Thank you.

Very briefly, Mr. Lockie, go ahead, please.

Mr. Simon Lockie: Thank you.

Very briefly, Bell, Rogers, and Telus are enormously profitable companies, and they act in their shareholders' best interests and they do a good job of it. Foreign shareholders have exactly the same objective as domestic shareholders.

The Chair: Thank you.

We'll go to Ms. Glover please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

Welcome, witnesses.

I'm going to try to correct the record as we go along here. Let me start by saying I believe that Mr. Bibic and I met the first time in 2008-09 when we were discussing this very same thing. I met with Telus and Rogers as well. When I first met Mr. Simms on the heritage committee, we were talking about the potential of this happening. I say that just to reiterate what Mr. Van Kesteren is pointing out. This is not a new discussion. This has been studied and studied. I've only been here since 2008.

I appreciate Madam LeBlanc taking part in the finance committee. She wasn't here in 2008, nor was she here in 2003. This is not a new issue. So let's get that straight right off the bat.

Mr. Coles, it doesn't wash when you say we ought to remove this. This has been studied forever.

In fact, the budget was released in March. We're now two months into studying the BIA. It's unheard of to have a private business study something for years and then to have the decision and then to study the decision for months before actually proceeding. So I'm sorry, but that just doesn't wash with us or with Canadians. Let's move on from there and talk about how we've actually effected some benefits for Canadians.

Again, Mr. Coles, you said there's no evidence to suggest that Canadians pay less as a result of the decisions made by the government, and that's who we represent: Canadians. We represent Canadians, and I love to see this competition, because I think it's great for Canadians. The proof is in the pudding. The proof is that there's 10% less being spent by Canadian consumers thanks to what was done by this government in 2008. And that has been studied. There is proof. We have the documents. So competition has proven to be very good for Canadians.

In my five minutes I did want to correct some of those things that were said.

I also have to correct Monsieur Caron, because in fact the rural and remote access was not the only thing that Minister Paradis mentioned. There were three objectives that the government had in moving forward with this. He's mentioned only one, and that was the availability of advanced services for all Canadians, including those in rural areas, in a timely manner. That was one of the objectives. Let me tell you that 98% of Canadians now have access to high-speed wireless services since we made these decisions to open up competition. So 98% is a great number. Again, this is all documented; all proof is available.

The other two objectives that have to be put on the record are that we also expect to have sustained competition in wireless telecommunications services and a robust investment and innovation in this sector. Again, I have to correct these things, because I don't want Canadians watching to be misled by half-explained measures, etc. I want them to get a really good picture.

Now there is one issue that has not been discussed. I know there will be some more questions coming from you later, but I am very interested in your positions on something else that's in this measure. That is the spectrum for public safety. I would like each of you to tell me very quickly whether you think that's the right measure. Do you

think we're doing the right thing for Canadians by providing more spectrum to public safety?

• (1940)

The Chair: Mr. Bibic.

Mr. Mirko Bibic: I think the private sector should be tasked with delivering to public safety the networks they need rather than setting aside specific spectrum for public safety only. That should at least be considered.

Mr. Bruce Kirby: Yes, we support putting aside spectrum for public safety. I think there are still issues around how it's going to get deployed in an efficient and effective way, but certainly the notion of having the spectrum there to enable that support is something we support.

Mr. Gary Wong: It appears to be a good objective. How is public safety going to be using the spectrum? That's really the bigger question.

Mr. David Coles: To your point, though, Madam, it is in the rules. I don't see the rules in the budget. You say there have been four months of discussion, but we would—

Mrs. Shelly Glover: Mr. Coles, can you answer the question I've put to you? You only see a little. We've been here for a long time; we've seen a lot more documentation than you have. I give you that, but what about the spectrum for public safety?

The Chair: We're out of time, so just briefly, Mr. Coles.

Mr. David Coles: Yes, if the rules are, as the friend beside me said, in the public's best interest.

Mrs. Shelly Glover: Very good. Thanks.

Mr. Simon Lockie: I agree with Mr. Bibic and also Mr. Kirby and Mr. Wong. I'm not sure whether I agree with Mr. Coles or not.

As a practical reality, that spectrum doesn't have commercial value. The U.S. decision made that clear. As a practical policy observation, I think it's the wrong policy for the U.S. to have adopted. I don't think it's efficient.

The Chair: Thank you.

We'll go to Mr. Jean for the final round, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. If you could let me know when I have two, two and a half minutes left, I'd appreciate it.

I have to say that I've really enjoyed Mr. Kirby's and Mr. Lockie's presentations and responses.

Mr. Bibic, are you a lawyer?

Mr. Mirko Bibic: Yes.

Mr. Brian Jean: If I ever have a friend with a smoking gun in their hand, I would recommend you as a defence attorney. You are very good. I enjoyed your testimony very much.

Mr. Mirko Bibic: I didn't know where that was going.

Voices: Oh, oh!

Mr. Brian Jean: I was also an attorney. That's why I respected what you said, notwithstanding the disagreement with it.

Data usage has tripled since 2008, and we've got some new technology coming out, such as iPads with 4G LTE. Canadians are using a lot more information. They're accessing a lot more. We've got a lot of changes coming forward.

Mr. Lockie, I'd like you to comment on that in particular, because for us as a government, it's all about responding to consumers—more choices, lower prices. How do you see the future unfolding if we don't get in more competition from around the world to create a more competitive environment for this high usage of data?

Mr. Simon Lockie: There are a couple of different elements to it. Competition forces innovation, and I think innovation is a big part of the answer to increasing data usage. When you have competition, you have limited resources, and then you get better at using them. Bell, Rogers, and Telus point to the behemoths, AT&T and Verizon down in the States. Those entities are themselves accused of having too much spectrum and hoarding it, yet they service 20 times the number of subscribers using their spectrum per megahertz that Bell, Rogers, and Telus do. Why? Because that's all they've got, and they've got that many subscribers. That's a lot of traffic. That's a lot of capacity getting eaten up. I think what you need is competition to force innovation, to force efficiency.

Mr. Brian Jean: That's true. With the future use and the demand that's going to happen—

Mr. Simon Lockie: Categorically. It's going to continue in that direction.

Mr. Brian Jean: And especially something that I think has been missed a little are the e-health apps, the advanced apps that are going to be able to be used by this technology as well. Consumers are going to be much better off.

Mr. Simon Lockie: Absolutely. The simple, practical reality is that the world is going wireless, and wireless requires spectrum.

Mr. Brian Jean: You mentioned you're not 100% satisfied with the move forward to access more capital. What would you recommend as far as that goes?

Mr. Simon Lockie: It gives me an opportunity to observe one thing. The first is that the Investment Canada Act is still in force, and it has application in these kinds of moves. A lot has been made out of the spectre of these foreign companies coming in. The second is the 10% thing. I think it's a cautious, wise, incremental approach. I don't object to lifting the barriers because I think it would be irrelevant. They have no trouble getting capital. They're giving capital away in dividends. I don't think it's that meaningful a move. When I talk about more needing to be done, I'm talking about the fact that there's a massive spectrum imbalance, and that is at the heart of what is going to be a competition issue in this country for a long time unless the government steps up and does something meaningful.

Candidly, and I've been very on the record with this, I don't think the measures taken in the recent policy, which Mr. Bibic is complaining about, go nearly far enough. The government set aside effectively 75% of it for the companies that have all the spectrum that we've been talking about today and 25% for everyone else. It boggles my mind.

Thank you.

• (1945)

Mr. Brian Jean: I understand. Thank you.

The Chair: Thank you, Mr. Jean.

I'm going to use the rest of Mr. Jean's time. I didn't want to follow up on the cost of capital issue because, as Mr. Van Kesteren said, this issue has been discussed for a long time. Our report of the industry committee back in 2003 recommended lowering it for all. But we have had two reports since then, as has been pointed out by witnesses, in terms of a TPR, and the Red Wilson report, which said we should do exactly what the government is doing in this budget bill.

Mr. Bibic, you referenced not setting up two tiers of capital. The argument of the new entrants, plus the argument of the Red Wilson report and others, is that there is a two-tier capital structure now. Bell, because of its size, and Rogers and Telus have a cost-to-capital structure, and new entrants have a cost-to-capital structure that is higher. So that's the essential argument they are making. That's what the government is acting upon.

If I could, Mr. Bibic, perhaps get you on the record in terms of responding to that, and then maybe Mr. Lockie responding to Mr. Bibic, I would appreciate it.

Mr. Mirko Bibic: Everyone would like lower cost to capital. Ours may be lower than theirs, but you always want a lower cost to capital. That's the first point. What I'm saying is actually being misconstrued in many respects, because what we are saying is the rules are lifted for these folks. Good. Let them do what they need to do once the bill is passed and they will have an opportunity to bid for two blocks of spectrum. We will have an opportunity to bid for one. We don't quarrel with our friends here, nor with the government's policy on that. We are bigger than they are, and the government had to balance a number of competing interests. We respect that.

Our fundamental point, though, is that the AT&Ts and Verizons of the world are also ten times bigger than us. We don't want any advantage over them. We simply want a level playing field if they come in to bid. If they don't, then leave the rules the way they are. That's the only fundamental point we're making.

The Chair: Okay. I appreciate that.

Mr. Lockie, a brief response to that.

Mr. Simon Lockie: I already said that I think it's a wise, incremental approach to do the 10%. I think it's an important thing to observe that the Investment Canada Act continues to apply. I also think it's very important to observe that at today's revenue levels, that's a \$4.2 billion company that you have to get to before these rules start to apply to you again. That is a long time away. Candidly, I wish it weren't, but it's a long time away.

Given that, there will be ample opportunity for the government—I can't even put a timeframe on it—to consider whether or not it makes sense to expand it beyond that 10%. If they get close, deal with it then. This is an incremental approach and it was the right one.

The Chair: I appreciate very much the discussion tonight. It has been a very good one. On behalf of all my colleagues, I want to thank you for being here and for extending time because of the votes

. We will suspend for a couple of minutes, colleagues, and bring the next panel forward.

Thank you.

● (1945)

_____ (Pause) _____

● (1950)

The Chair: I call this meeting back to order. I want to thank our witnesses for waiting patiently. There was a slight delay caused by the vote earlier.

We have eight witnesses here, two by video conference. I'll list them in the order they will present.

First of all, we have Professor Len Zedel from Memorial University of Newfoundland. From the Agriculture Union, we have the national president, Bob Kingston. From the C.D. Howe Institute we have someone familiar to us at the finance committee—Philippe Bergevin used to work for our committee. From Consumer Health Products Canada, we have the president, David Skinner. From the Canada Organic Trade Association, we have the executive director, Matthew Holmes. From Nalcor Energy, we have Richard Wright.

By video conference from Anchorage, Alaska, we have Professor Richard Steiner. By video conference from Toronto, from the United Steelworkers, we have economist Erin Weir.

We'll have you present for up to five minutes in the order that I read the names.

We'll start with Professor Zedel, please. You have an audio clip for us, I believe.

Professor Len Zedel (Memorial University of Newfoundland, As an Individual): Yes. We'll get to that in a second.

Mr. Chairman, committee, thank you for the invitation to present here. By introduction, I'm a physics professor at Memorial University, and my research areas are physical oceanography and sonar systems. My goal is to provide a bit of background to inform the deliberations of this committee.

To describe seismic systems a bit, they use sound to probe beneath the ocean floor. The sound sources are impulsive and loud. They're louder than normal physical sources of sound in the ocean, save perhaps lightning strikes and earthquakes. They're certainly louder than any biological sources—louder than shipping noise.

It's hard to describe what these sounds are like. There are discussions of so many decibels and things like that, so I thought it would be useful to play a recording. This is my little sound bite. This is from the south coast of Newfoundland.

[Audio presentation]

That's a seismic shot. It's from a ship that is about 15 kilometres away from the recording. Seismic surveys like that would go on for weeks at a time, and those shots are fired, nominally every 10 seconds; it depends on the exact details.

I should recognize Dr. Jack Lawson, from DFO, for providing me with that recording.

With regard to the impacts, there are acute impacts on animals from these sound sources. Animals within a hundred metres can suffer physical damage, hearing loss. That effect is restricted to within about a hundred metres or so. So that restricts the overall impact of that kind of effect.

Much more of a concern is the chronic exposure, because that sound will propagate for easily a hundred kilometres in the ocean, both because it's so loud and because sound propagates so well. Whales certainly react to seismic survey vessels. It's recently been demonstrated that they have stress response to chronic noise.

There's also an economic twist to this, because fish catch rates have been noted to decrease in response to seismic surveys. There's anecdotal evidence that crab and shrimp catch rates off Newfoundland have been decreased due to seismic surveys, so that implies an economic consideration here. In Newfoundland, the crab and shrimp market was worth somewhat less than \$500 million last year; that's an industry that carries on year after year.

There are mitigations that the industry applies to these systems. Most of them target the acute exposure. They rely on visual observers to spot endangered species within about 500 metres of the survey vessel. Because they rely on that visual observation, they don't work at night. They don't work well in fog or rainy conditions, which are known to occur on the Grand Banks.

Surveys can also be timed to avoid critical times for biological processes, critical migrations, things of that sort, but that happens to occur in the summer in Newfoundland, and that also happens to be the time that's most suitable for seismic surveys.

● (1955)

The Chair: You have about one minute left.

Prof. Len Zedel: Lovely.

The intention of the present legislation is to provide easier access for oil companies to seismic survey vessels, but if it has the desired effect, the concern is that you'll have more seismic survey operations and significantly more environmental impact and a cumulative impact to be concerned about. There is also the associated impact on the fishing industry. This could argue, in fact, for greater control of the industry rather than less, to constrain and manage that impact.

Thank you.

The Chair: Thank you very much for your presentation.

We'll hear from Mr. Kingston, please.

Mr. Bob Kingston (National President, Agriculture Union): Good evening. My name is Bob Kingston. I am the national president of the Agriculture Union.

Before going on a leave of absence to serve as an elected union officer, I spent 25 years as a CFIA and Agriculture Canada inspector, including 15 years as a multi-commodity supervisor.

For the Agriculture Union, two themes emerge from the amendments to the Seeds Act and the Health of Animals Act proposed in Bill C-38.

The first can best be summed up by quoting the British statesman and philosopher, Edmund Burke, who once said that those who don't know history are destined to repeat it. Let me explain.

Bill C-38 would amend the Seeds Act to privatize the seeds program, including inspection. The CFIA president will issue and revoke licences for private companies to whom this responsibility is handed off. This presumes that the CFIA will be in a position to set standards for these companies, and enforce those standards through oversight, except as in this case, CFIA often designs systems without considering the resources required to properly monitor the systems they put in place.

For example, we can look at the Maple Leaf Foods listeriosis outbreak in the late summer of 2008. The Prime Minister appointed Sheila Weatherill to find out why the outbreak occurred and to recommend ways to prevent another.

Just before the outbreak, the CFIA had implemented a new inspection system called the compliance verification system, or CVS, a fact that was central in Sheila Weatherill's report. Let me quote what she had to say about CVS. The CVS was "implemented without a detailed assessment of the resources available to take on these new tasks". She also found that the CVS was flawed and in need of "critical improvements related to its design, planning and implementation".

Ms. Weatherill recommended that the CFIA make sure that its resources and inspection processes are in alignment; in other words, make sure you know how many inspectors and other resources you need to make your systems work properly.

With all of the positions being cut at CFIA, they simply do not have the resources to take on the oversight required by the proposals in Bill C-38, especially when you consider the other new systems the agency is currently developing, also without regard for available resources.

For example, the agency is putting in place a new regulation to license all food importers. This may or may not result in safer imported food, but without additional resources to monitor compliance and enforce standards, we'll never know. Regulations without enforcement capacity are worse than no regulations, and the new licence system may become little more than an unattended paper exercise.

As Mr. Burke would advise, remember the lessons of the Maple Leaf outbreak when considering new systems at the CFIA. There are many examples like this, but none more serious than what happened at Maple Leaf, which was pretty serious.

However, time is short, so I'll move to the second theme, which is the secrecy around the decisions related to the budget.

Changes at the CFIA arising from the budget were decided in secret. This was unfortunate because many senior managers at the agency have little expertise or experience in the industry they regulate, meaning that the wisdom, knowledge, and experience of their front-line experts would have been invaluable in making those decisions. Without that expertise, decisions were made that could have serious consequences. Let me give you an example.

Because of budget cuts, the agency has decided to close its plant quarantine facility at Saanich on Vancouver Island and move the operation to Summerland, in the heart of the wine and fruit industry in the B.C. interior. If made in the open, this decision would have raised red flags among those involved with plant health or fruit production in B.C. Even the expert industry-government advisory group, the British Columbia Plant Protection Advisory Council, was not consulted, and still hasn't been.

This is a post-entry quarantine station where plants are grown for years while being checked for diseases before being released into the regular production environment. South Vancouver Island is a good place for it because of its natural isolation characteristics. This decision will put potentially diseased plants in the middle of one of Canada's richest agricultural regions.

In addition, the Summerland facility will have to be expanded and land purchased, costs that will offset potential savings. As well, the current site cannot be sold by the government as it is locked up in aboriginal title.

We have other concerns about the proposed amendments to the Health of Animals Act, as well as several other things going on right now in the agency, but time is short, so I guess I'll have to hope there's a question.

• (2000)

The Chair: Thank you, Mr. Kingston.

[*Translation*]

Mr. Bergevin, you have five minutes.

Mr. Philippe Bergevin (Senior Policy Analyst, C.D. Howe Institute): Thank you, Mr. Chair. Thank you for giving me the opportunity to appear before you today.

My name is Philippe Bergevin. I am a senior analyst at the C.D. Howe Institute. My remarks will focus on a slightly different topic, at the committee's request. I have prepared some observations on the Investment Canada Act.

I will be making my presentation in English, but I will be pleased to answer your questions in both French and English.

[*English*]

To start, I'd like to offer some specific comments on the amendments contained in division 28 of Bill C-38, which relate to the Investment Canada Act. Overall, I believe the measures are positive, although perhaps they do not go far enough. The measures that are aimed at facilitating the disclosure information related to the act are definitely welcome steps. Increased transparency enhances predictability in the application of the act, which obviously is positive for both investors and the public at large.

I do, however, see some potential unintended consequences with respect to the proposed powers for the government to accept securities against potential fines imposed on foreign investors. While this amendment will enhance the credibility of the commitments made by foreign investors to the government, I believe they will have, to some extent, a chilling effect on some foreign investors. If they were to become common practice, it would, frankly, perhaps raise some red flags in the case of some investors.

I think that's going to increase the level of transparency further in terms of the act itself. There are still no formal requirements for the minister to disclose publicly the reasoning for rejecting an investment, in particular if and when a foreign investor eventually withdraws their application. It's important for the minister to articulate his or her reasoning when turning down an investment, and even when accepting an investment, because it builds an inventory of decisions that can help clarify the legislation and therefore the understanding of potential investors. Disclosure also helps the notion that the review process is not unduly politicized, but rather based on sound principles.

There are also, in my opinion, further opportunities to clarify aspects of the act through the use of guidelines. The criteria used under the act are inherently subjective and unpredictable in their application, so the increased use of guidelines helps provide more guidance on the government's interpretation of the act.

More fundamentally, however, I would respectfully submit that parliamentarians consider whether the net benefit test is the right question for Canada, in the same spirit as the Red Wilson competition policy review panel report. I think Canada should adopt a national interest test and scrap the current net benefit test. What does that mean in practice? It simply means that you move the burden of proof from the business to the government, so it requires the federal government to invoke important public policy reasons such as national security, or cultural policy, for instance, to block a proposed investment.

There are already some similar concepts in the act, but such public policy reasons would become the main building block of the act under national interest tests. Such an approach would be more consistent with the view that there are positive benefits, on average, associated with foreign investment, while recognizing that in some limited circumstances there are valid public policy reasons that could be invoked to deny a foreign investment proposal.

To conclude, while the amendments before you in regard to enhanced transparency regarding the Investment Canada Act are, in my opinion, positive steps, there's an opportunity to adopt a test that would recognize that in most instances foreign investment is beneficial for the Canadian economy, while making sure that the federal government still has all the latitude to uphold important public policy objectives.

• (2005)

Thank you.

The Chair: Thank you very much.

We'll hear from Mr. Skinner, now, please.

Mr. David Skinner (President, Consumer Health Products Canada): Thank you, Mr. Chair and members of the committee, for

allowing me the opportunity to speak today about Bill C-38, the Jobs, Growth and Long-term Prosperity Act, on behalf of the consumer health products industry.

Consumer Health Products Canada is a national industry association representing manufacturers, marketers, and distributors of consumer health products. The association members, who range from small businesses to large corporations, account for the vast majority of sales in this \$4.7 billion market. Our members' sales are equally proportioned between natural health products and other consumer products, including sunscreens, allergy medicines, upset stomach remedies, and so forth. Our association has been the leading advocate for the consumer health products industry and for self-care for more than 115 years.

Division 19 of part 4 of Bill C-38 contains proposed amendments to the Food and Drugs Act that will lead to growth and innovation in our industry. Clauses 413, 414, and 415 would permit the minister to establish a list of prescription drugs and prescription drug classes. This list of drugs would be referenced in the regulations and amended from time to time. Products not on this list would be available to Canadians for self-care. Products for self-care are those that contain an ingredient switched from prescription to consumer health product status. Products that have been switched result in lower costs for publicly funded drug benefit plans, a reduction in physician visits for the purposes of obtaining a prescription, and a corresponding reduction in costs within the health care system.

Today, when an ingredient is switched from prescription to consumer health product status, an application containing the information necessary to demonstrate the safety, quality, and efficacy of the ingredients undergoes a full pre-market scientific review by Health Canada. Bill C-38 would not change this process one bit. Once Health Canada has completed its scientific review and approved the ingredient as a consumer health product, the active ingredient must be removed from schedule F of the food and drug regulations before a product can be marketed under the current system. This has resulted in delays of 14 to 24 months between the time when a decision has been made by Health Canada and the time when the product is available for Canadians to use. What is proposed by Bill C-38 would permit products suitable for self-care to be made available much more quickly to the public. It would provide incentives for the industry to conduct research and introduce innovative products for self-care, thus benefiting Canadians.

Consumer Health Products Canada fully supports the proposed amendments to the Food and Drugs Act contained in division 19 of part 4 of Bill C-38 and urges the Standing Committee on Finance to support these legislative amendments, which will lead to the growth of consumer products and provide health products of benefit to Canadians.

Thank you for your time and consideration of our perspectives. We look forward to answering your questions.

• (2010)

The Chair: Thank you, Mr. Skinner.

We'll now hear from Mr. Holmes.

Mr. Matthew Holmes (Executive Director, Canada Organic Trade Association): Thank you, Mr. Chair and honourable members.

I am very pleased to appear before you this evening as a representative of the organic sector in Canada. The Canada Organic Trade Association is the member-based organization representing the organic value chain, from producers and manufacturers through to retailers and exporters.

The organic sector is relatively new, but it is growing at a tremendous speed. The recently released Statistics Canada census of agriculture data showed that while total farms in Canada have declined by 17% since 2001, the organic farms have increased by 66.5%. So we now have approximately 5,000 certified operators in Canada, including handlers and manufacturers.

Our domestic market is worth over \$2.6 billion per year, making Canada the fifth-largest world market for organic. Globally, organic sales are now valued at \$59 billion per year.

In 2009, COTA welcomed the government's new regulations for the organic sector, controlling and defining organic claims in the marketplace and making the national standards mandatory. Subsequently, the government established progressive trade agreements through the world's first equivalency arrangements with the United States and the European Union, giving Canadian domestic certification and Canadian producers unparalleled access to 96% of the world market.

Although it's a quickly growing market, the organic sector in Canada still faces many challenges, including supply shortages, especially in seed. It's an impasse in which we are obliged to meet our regulated standards but have no formalized government mechanism or funding to innovate or respond to opportunity in those standards, which is similar to the issue Mr. Kingston raised. A particular risk to our business model is posed by the unmitigated introduction of prohibited genetically engineered products. This can cause our members to lose the organic designation of their product, with loss of market access.

On the current changes proposed in Bill C-38 pertaining to the Seeds Act in division 26, COTA notes that the role and authority of the president of CFIA are increased significantly. The proposed changes would give the president of CFIA the ability to grant licences to any person to perform any activity related to controlling or assuring quality of seeds, including sampling, grading, or labelling. Under the current legislation, the only other role described by the Seeds Act for the president of CFIA is the designation and oversight of inspectors.

It's important to note that the proposed changes, in our opinion, do not remove the powers of the CFIA inspectors, but may provide CFIA with the avenue to outsource review services for specific functions or aspects. That outsourcing could go to industry groups, private enterprise, or individuals, as far as we know.

I should note that the Canada organic regime is delivered via a system of third-party inspectors, accredited certifiers, and conformity verification oversight bodies enforced by CFIA and its inspectors. Therefore, I cannot speak against third-party delivery of certain services and functions that have regulatory oversight. However,

without more details, which we don't yet see in Bill C-38, on who would qualify for such licences and how they would be overseen and enforced, it is prudent to caution that there could be an inherent risk due to lack of transparency, accountability, or neutrality. This is dependent on the limits and parameters established by the Governor in Council.

It's also feasible that this new role for the president of CFIA has the potential to enable external criteria or purity standards to come to bear on the introduction of new seed varieties. That could lead, for example, to the introduction of new genetically engineered seed that has been approved by a foreign government but has not been reviewed or assessed for environmental release in Canada.

Such a shift within CFIA and the Seeds Act certainly echoes sentiments expressed by the biotechnology sector calling for a low-level presence policy in Canada to allow unapproved events from genetic engineering appearing in shipments below a certain threshold to enter Canada without action or mitigation. But as you know, seed has a tendency to grow and multiply, so for the organic sector, the introduction of new GE seeds into our environment, without at least the check and balance of due process and review by government agencies, threatens the integrity of our quickly growing and high-value market. And this market, I'll remind you, is directly responsive to consumer preferences and concerns.

Thank you for your invitation to speak and your attention tonight.

• (2015)

The Chair: Thank you very much, Mr. Holmes.

We'll now hear from Mr. Wright, please.

Mr. Richard Wright (Manager, Exploration, Oil and Gas, Nalcor Energy): Mr. Chair and committee members, thank you for the opportunity to speak here today.

I'm representing Nalcor Energy, the provincial energy corporation of Newfoundland and Labrador on the issue of proposed amendments to the Coasting Trade Act, amendments that we support.

We're at a time and place in Atlantic Canada where new exploration is necessary to grow the oil and gas industry and find Canada's future offshore oil fields. The Canadian offshore is under-explored relative to other competitive jurisdictions, leaving us with significant potential for future discoveries.

The exploration for new discoveries of oil and gas is a globally competitive business that is conducted in a highly technical, process-driven fashion. Canada competes for exploration investment against other areas of the world, such as Brazil, West Africa, Australia, the U.S. Gulf of Mexico, and the North Sea, to mention a few. Seismic data acquisition is one of the earliest phases of oil and gas exploration and one that plays a critical role in unlocking presently undiscovered oil and gas resources.

To decide in which region to explore, global oil and gas companies use data—in particular seismic data—to locate highly prospective regions on which to focus their exploration activity. In a global exploration portfolio, companies have the option to explore where appropriate amounts and quality of seismic data can effectively reduce their exploration risk, making high-quality seismic data essential to follow-on exploration activity.

In Newfoundland and Labrador, Nova Scotia, Norway, and many other jurisdictions, strong correlations exist between the amount of 2D seismic data and the amount of exploration drilling. Historically, in Newfoundland and Labrador, seismic data acquisition proportionally results in exploration drilling in the years that follow. This makes sense, because seismic data provides images of the subsurface, much like a CAT scan of the earth, and helps identify prospective targets for oil and gas drilling.

Any impediment to acquiring seismic data directly impacts the number of wells drilled, and consequently the likely number of future discoveries. The existing potential of our offshore industry in Newfoundland and Labrador is substantial. Our offshore sedimentary basin areas are larger than both the offshore United Kingdom and offshore Norway. While our basins are significantly larger, our rate of exploration and appraisal well drilling has been much lower, despite similar success rates per well.

Across the basins, the U.K. has a well density of approximately one well for every 139 square kilometres; Norway, one well per 461 square kilometres. Newfoundland and Labrador has one well for over 4,000 square kilometres. For comparison, the world-class Hibernia oil field, off eastern Newfoundland, is approximately 150 square kilometres, meaning that a number of new fields could exist in our existing sparse well coverage. This low historical exploration level is despite Newfoundland and Labrador's average oil discovered per exploration and appraisal well being in the range of these other jurisdictions.

While it's understood that the intent of the Coasting Trade Act is to protect Canadian interests, in its application on foreign-flagged seismic vessels this process is inadvertently working against Canadian interests by reducing our global competitiveness in exploration. This impacts two key areas of offshore exploration in relation to seismic data.

Many offshore discoveries in Newfoundland and Labrador were initially imaged through multi-client data, where a group of companies get together and share the risk and costs. The number of multi-client surveys conducted offshore of east coast Canada has been reduced significantly, because when objections raised about these surveys by foreign-flagged vessels are sustained, the surveys have rarely proceeded, using the Canadian-flagged vessel offered as a substitute. The cancelled survey means no data is acquired, no resulting wells are drilled, and no additional discoveries are made.

Since 2001, 34% of all seismic surveys by non-Canadian flagged companies have been objected to under the Coasting Trade Act. The objections create uncertainty in our jurisdiction for global seismic companies looking to acquire multi-client data, who then in turn direct their exploration investment activity to more healthy environments in other countries outside Canada.

Cabotage laws in the United Kingdom, Norway, the United States, and Brazil, to mention a few examples, do not impede the importation of foreign-flagged seismic vessels into their countries. The U.S. Jones Act, which requires not only U.S.-flagged vessels but U.S.-built vessels in many marine categories, also recognizes this technologically specific industry and allows for foreign-flagged seismic vessels to conduct surveys.

The value of the offshore development that results from offshore exploration, starting with seismic exploration, is important to Newfoundland and Labrador and to Canada. The nominal value of an average oil field discovered in offshore Newfoundland and Labrador would see about \$12 billion returned in taxes on oil sales to Canada's federal government. These figures are based only on the corporate tax on oil sales.

● (2020)

In conclusion, to fully realize Canada's exploration potential, exemption of seismic activity from the Coasting Trade Act as proposed in the budget will help make Canada competitive with other resource jurisdictions around the world in attracting front-end global exploration investment to our country. Based on our past success in drilling and our vast area of under-explored basins, we feel that increased exploration activity will ultimately lead to new discoveries for the benefit of Canadians.

Thank you.

The Chair: Thank you for your presentation.

We'll now hear from Professor Steiner, please.

Professor Richard Steiner (Professor, University of Alaska, Conservation and Sustainability Consultant, Oasis Earth Project, As an Individual): Thank you.

I appreciate the opportunity to provide my comments on that specific provision of Bill C-38 as well, the exemption for foreign-flagged vessels.

On its surface, it's not a bad idea per se, but I would caution with one caveat, and that is you have to have a very good government regulatory environment, plus good enforcement of that regulatory environment, to make sure it's as safe as possible. We had a good experience here in the United States just two years ago with a foreign-flagged, foreign-owned vessel that we thought was under good U.S. control. It's named the *Deepwater Horizon*. I think we all remember the catastrophic results of that. That vessel was flagged in the Marshall Islands and owned by Transocean. We thought the U.S. government was doing the proper job in regulating it; it wasn't. So we have to have very high controls in the regulatory environment here.

I'll make a couple of very quick, respectful recommendations for the bill or this provision of the bill. Number one, make it explicit in bill language that the exemption does not exempt the vessel from any Canadian existing or future regulations or laws. I think it's important that environmental regulations not be rolled back in any way in this bill. I think this bill is actually an opportunity, a good opportunity, to strengthen Canadian environmental regulation. I think that's in industry's best interest as well, as we found out here in the United States.

Secondly, I think this is an opportunity to improve Canadian standards. By the way, I would offer that in my opinion as a biologist, neither the Canadian standards for seismic mitigation nor the United States' standards are as good as we can do. We need to do better, and we must do better.

Thirdly, I would respectfully recommend that the bill ask the Canadian and U.S. governments to develop a bilateral agreement to make seismic mitigation and monitoring consistent across our borders, in the Atlantic, the Arctic Ocean, and in the Pacific. It makes no sense to have conflicting regulations and monitoring environments.

Finally, I would recommend that the bill suggest that the Canadian administration negotiate a seismic mitigation protocol at the Arctic Council to be trans-Arctic. I think Professor Zedel did very well in going over some of the very brief risks of seismic arrays offshore—and they are very real—so I will not touch on those here. I did provide the committee staff with a copy of notes, and you're all welcome to have those if you would like.

My principal issue is that neither the U.S. system nor the Canadian system are as good as they need to be in managing seismic shoots offshore. I've scanned the statement of Canadian practice on this, and, frankly, a 500-metre safety zone for seismic shoots is in and of itself insufficient. It needs to be a received level, a sound level for cetaceans, pinnipeds, seabirds, and fish. We know that impacts can go out to 50 or 60 kilometres on certain species away from seismic arrays, and the effects can be quite profound, particularly with continuous sound pulses over a long period of time.

There are a number of other things. In the transboundary radiation of sound, even though these guns are pointed down into the seabed, which is where they're targeted, there's a lot of horizontal radiation and propagation of the sound out to several hundred kilometres. If we are, for instance, shooting off the Alaska Arctic coast, the Beaufort Sea off the Canadian Mackenzie Delta is going to be radiated with sound as well. So we have to have some consistency and, I feel, a bilateral agreement to make it as safe as possible.

I think I'll stop at that. There are a number of other issues I touched on in my notes, and I would encourage all of you to take a look at those.

I would be delighted to answer any questions.

Thank you very much.

● (2025)

The Chair: Thank you very much, Mr. Steiner.

We'll now hear from Mr. Weir for our final presentation tonight.

Mr. Erin Weir (Economist, United Steelworkers): Thank you very much for having me, and thanks very much for accommodating me via video conference.

I've been asked to speak about changes to the Investment Canada Act in the omnibus budget bill.

My union's perspective on foreign investment has very much been shaped by our recent experiences with multinational corporations. Specifically, we represent the employees of the former Inco, Stelco, and Alcan. All of these Canadian companies were taken over by

foreign companies that made Investment Canada Act commitments. Shortly after these takeovers occurred, the new owners, Vale, U.S. Steel, and Rio Tinto, demanded huge concessions and pushed very aggressively for those concessions from their Canadian workers.

I would draw the committee's particular attention to the situation with Rio Tinto, because the former Alcan employees continue to be locked out in Alma, Quebec, as we speak. Rio Tinto is trying to replace them with contractors who would be paid half as much.

The United Steelworkers union is of the view that the current Investment Canada Act is not very effective in ensuring a net benefit for Canadians. We also believe that the Harper government has not been very effective in holding companies to their Investment Canada Act commitments.

Moving on to the omnibus bill itself, the main change it makes to the Investment Canada Act is to allow the minister to disclose reasons for accepting or rejecting proposed foreign takeovers. We believe this increase in transparency is a step in the right direction, but it does not go nearly far enough.

First of all, the act would allow disclosure, but it would not require disclosure. The minister would still have a great deal of discretion to withhold information from the Canadian public. We believe that it's actually quite important to disclose not just the reasons for decisions but also the commitments foreign companies have made to gain approval under the Investment Canada Act. That disclosure would allow Canadians to hold investors to those commitments and to know whether the commitments have been violated.

More fundamentally, we believe that the Investment Canada Act review process needs to be opened up before a decision has been made. It's not just a matter of transparency about a decision after the fact. We need to really open up the process to allow workers and workers organizations that are likely to be affected by these foreign takeovers to actually provide some input and some response to proposed takeovers.

Moving a little bit beyond the omnibus budget bill itself, the government has indicated that it plans to make another change by regulation, and that change is to raise the threshold for proposed takeovers to be reviewed under the Investment Canada Act to \$1 billion.

Our concern about this is that we believe recent evidence and recent experience argues for greater scrutiny of proposed foreign takeovers, not less scrutiny. Raising the threshold would basically have the effect of exempting a whole new tranche of foreign takeovers from any scrutiny at all under the Investment Canada Act. We would see this increase in the threshold as a move in the wrong direction.

To summarize, we're very much concerned about foreign takeovers. We believe the omnibus bill takes sort of a baby step in the right direction in the area of transparency but doesn't go nearly far enough in improving the Investment Canada Act. We would also note that outside the omnibus budget bill, the government has stated that by regulation, it intends to make a change that we see as a step in the wrong direction.

I would also like to briefly respond to a point my colleague from the C.D. Howe Institute made about the need—

● (2030)

The Chair: Mr. Weir, just give a brief summary, please, because you have about 30 seconds left. You can summarize, and then we'll go on to questions.

Mr. Erin Weir: Yes, no problem.

My colleague from the C.D. Howe Institute was just suggesting that we need to put the onus on government to prove why a takeover should be stopped. I would note that since the Investment Canada Act was passed in 1985, we've had thousands of foreign takeovers, and only two of them have actually been blocked. I don't think we need to put any more onus on the government to justify blocking takeovers, because that's something that has almost never happened in practice.

Thanks very much for your time.

The Chair: Thank you very much for your presentation, Mr. Weir.

We'll begin members' questions with Ms. Nash, please.

Ms. Peggy Nash: Thank you very much to all of the witnesses.

I want to start off by saying to each of you that you're all experts in your field. You're given five minutes to present here tonight, and we each get five minutes of questions to you, including answers. It's a bit jammed.

One of my colleagues on the committee was saying that many of these issues have been studied many times over the years, but in this particular Parliament, for many of the 308 elected members who are now representing Canadians, it is the first time they are dealing with these issues. So to truly represent their constituents...we feel there is so much jammed into this bill.

Tonight, of course, we're dealing with the Coasting Trade Act and offshore seismic surveys, food inspection, Investment Canada, the Food and Drugs Act, the Seeds Act, and of course we've been dealing with many other topics over the last few days.

I regret that we're not able to fully examine each of the areas in which you have expertise, but we do appreciate you being here this evening.

I'd like to begin with Mr. Steiner and your comments. We've heard from Dr. Zedel regarding offshore seismic surveys, and Mr. Steiner, you talked about the *Deepwater Horizon* and the inadequate regulation that ultimately led to a climate disaster and a disaster for the U.S. economy, and certainly for the environment and for the people who were affected.

Can you give us a sense of the economic impact of that disaster? What kind of regulatory action did the U.S. government take to try to prevent a similar disaster from happening again?

● (2035)

Prof. Richard Steiner: I appreciate the question. That could take many hours.

We learned our lesson the hard way with *Deepwater Horizon*, as we did 23 years ago with the *Exxon Valdez*, right here in Alaska. We

got tanker shipping fixed after that, by and large, but we did not fix offshore drilling and the risks imposed by that. We learned the hard way.

We are hoping that Canada does not have to likewise learn the hard way. Seismic exploration can cause a lot of both acute and chronic long-term injury.

You asked about the economic implications of *Deepwater Horizon*. They were obviously enormous. It was the largest accidental oil spill in human history. BP, I believe, has already paid out something like \$30 billion to \$40 billion U.S., and they are faced with another \$20 billion or so in natural resource damage claims. So it's going to be—before it's all said and done for BP—a \$50 billion or \$60 billion bill.

I would certainly encourage Canada to review your financial liability statutes with regard to exploratory drilling. It's important to note that the *Deepwater Horizon* was engaged in exploratory drilling. It was not a production facility. There's a greater risk in deep water exploration.

I hope that's responsive to your question in the short time we have.

Ms. Peggy Nash: Yes, thank you for that.

I guess I can take from your answer that you would agree with Professor Zedel that at a minimum we should be maintaining our regulation, and perhaps even re-examining it, to make sure we're fully protected, and perhaps enhancing the regulation that we have to protect Canadians, our economy, and our environment.

Prof. Richard Steiner: It is my position that both the United States and Canada need to enhance...we need to raise the bar on environmental regulation of the offshore oil and gas industry, and particularly the oil spill risk that it imposes, but also the risks and impacts we know about from seismic exploration, which are pretty well documented.

Ms. Peggy Nash: Thank you very much.

I would like to ask a question of Erin Weir, but I have about—

The Chair: You have 20 seconds.

Ms. Peggy Nash: I would like you to comment on the Investment Canada Act. For situations like the U.S. Steel takeover, for example, where Canadians were never able to find out the terms of that agreement—I think we eventually learned about it through a court case. Do you think Canadians ought to be able to find out exactly what the commitments are to Canadians?

The Chair: Just a brief response, Mr. Weir.

Mr. Erin Weir: I think it's very important to disclose that information as a matter of democracy, but also as a practical matter of being able to hold companies to the commitments. The commitments don't mean anything if they're secret.

The Chair: Thank you, Ms. Nash.

Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Chair.

Again, I'd like to thank the witnesses for coming this evening and being part of this very important process. What you say does have an impact on how we go through...and the implementation of the budget is a very important matter for Canadians as a whole.

I come from the province of Saskatchewan. In the last five years the province of Saskatchewan has gone through tremendous change. It's gone through a tremendous amount of growth. It's seen policies that have created growth. It's the only province in Canada that has balanced its budget. It has a premier who has allowed business to flourish, who has encouraged growth, and who has gone around the world trying to get employees. He was just in Ireland, trying to get employees from Ireland to go there, because we need specific trades; we need people to fill all the jobs that have been created.

In the early 2000s, when I was in Saskatchewan under an NDP government, we saw families moving out of Saskatchewan. Mr. Jean probably enjoyed that year, because in his riding everybody who worked there was either from Newfoundland or Saskatchewan. Now I know a lot of Saskatchewanians are moving back home and joining their families. I find it really interesting.

Mr. Weir, I'm going to direct this to you. You've been quoted as saying that Premier Wall is fanning the flames of western alienation because he dared to speak out against NDP Leader Thomas Mulcair's attack on the Saskatchewan resource sector. I'm just baffled by that. First, Mr. Wall did not start this debate; it was Mr. Mulcair. Mr. Wall was just defending the growth that's happened in Saskatchewan. I'd also like to point out that the growth in Saskatchewan has had tremendous spinoff effects right across Canada.

You can't honestly say we'd be better off without a strong resource sector. Is that what you're saying?

• (2040)

Mr. Erin Weir: No, that's not what I'm saying. I'm not sure what this question has to do with the Investment Canada Act or the omnibus budget bill.

Mr. Randy Hoback: Actually, it has a lot to do with your credibility as a witness.

Mr. Erin Weir: Having said that, I'm happy to answer it.

Will you give me a chance to—

Mr. Randy Hoback: Mr. Weir, in 2004 were you not—

Mr. Erin Weir: Could you give me a chance to respond then? It seems to me that—

Mr. Randy Hoback: Just a second. I only have five minutes, Mr. Weir.

The Vice-Chair (Ms. Peggy Nash): One at a time, please.

Mr. Hoback, do you want to clarify your question?

Mr. Randy Hoback: The reason I'm going there is.... In 2004 were you not a candidate for the NDP in Wascana?

Mr. Erin Weir: Yes, I absolutely was an NDP candidate in the riding of Wascana.

Mr. Randy Hoback: Again, you're talking about transparency—

Mr. Erin Weir: Do you want me to answer your initial question?

The Vice-Chair (Ms. Peggy Nash): One at a time.

We have a point of order.

Mr. Scott Simms: Really, what does the man's candidacy in 2004 have to do with this? I implore this committee to consider what is being asked.

Mr. Randy Hoback: I'll get there.

The Vice-Chair (Ms. Peggy Nash): I'm not sure it's relevant, but go ahead and clarify.

Mr. Randy Hoback: The reason I ask this, Chair, is when we bring witnesses here we take them very seriously, and their credibility is very important.

I'm looking at this witness and I'm saying this is not a credible witness. This witness is not necessarily speaking on behalf of the economy; he's speaking on behalf of the NDP of Canada or the NDP in Saskatchewan. So how do I take what he tells me and give it credibility when I see garbage in what he's put in previous articles?

When you start talking about the implications of the budget implementation act, how can I stipulate, when I look at your history...? You're criticizing Saskatchewan. You're criticizing the premier of Saskatchewan. You've blamed Saskatchewan's growth for creating unemployment in Ontario, which is totally false.

So how do I take you as being credible when you talk about other aspects of the budget?

The Vice-Chair (Ms. Peggy Nash): Mr. Weir, do you want to answer?

Mr. Erin Weir: Okay. First of all, to go back to your original point, Mr. Mulcair made some very reasonable observations, which is that this boom in the resource sector has driven up the exchange rate to the detriment of manufacturing and other export industries across the country. The province of Saskatchewan itself has lost 5,000 manufacturing jobs since Premier Wall took office, and it's—

The Vice-Chair (Ms. Peggy Nash): Excuse me, Mr. Weir. We have a point of order.

Mr. Marston.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): The thing that has happened in this place is totally unacceptable—the reference to this man's work as being garbage. People who come before this committee deserve due respect. To say his work is garbage is absolutely uncalled for. You don't even know what this man does and you're characterizing it as garbage. That is blatantly unfair.

The Vice-Chair (Ms. Peggy Nash): Thank you, Mr. Marston.

Mr. Randy Hoback: Madam Chair, I have a point of order.

First of all, what I'm trying to do.... This person is claiming to be an expert witness in a certain specific part of the budget implementation act. I'm looking at that and I'm saying, based on his history and what he has said on previous economic issues, and how wrong he has been relevant to Saskatchewan, he cannot be a credible witness. That is what I'm saying.

The Vice-Chair (Ms. Peggy Nash): On the same point of order, Mr. Mai, and then Mr. Adler.

Mr. Hoang Mai: We are at our 65th meeting. I've never heard an attack like we have had from Mr. Hoback. We have a lot of witnesses here. I think the finance committee has been very reasonable, and they always mention they enjoy working here, but to attack someone on a personal level...and where we have witnesses here, who have come here, who have waited for us to talk about the bill.... I think Mr. Hoback is out of order.

The Vice-Chair (Ms. Peggy Nash): Thank you.

Mr. Adler.

Mr. Mark Adler: Mr. Hoback is totally in order, and it's clear that Mr. Weir has an agenda. He spoke about transparency and yet wasn't transparent about his past. The fact of the matter is that Mr. Hoback did not say that his contribution or his work is garbage. What he did say was that those quotes that are attributed to him, which he did not deny, are garbage.

The Vice-Chair (Ms. Peggy Nash): Mr. Adler, maybe I could just help the discussion along a little bit. I don't believe this is a genuine point of order. I think it's a point of discussion. I appreciate the comments that have been made. I'd like to caution the members of the committee that we're working long hours and we need to show respect to those people who have given their time to come here. I think it's fair for us to have a vigorous debate, but I think what you're making is in fact a point of debate.

Yes, Mr. Hoback.

Mr. Randy Hoback: I guess I just want to defend myself, Chair. First of all, this is not a personal attack on Mr. Weir. It never will be. I don't do business that way. What I am questioning, though, is his credibility. I'm questioning whether or not he's representing the United Steelworkers or the NDP.

The Vice-Chair (Ms. Peggy Nash): Mr. Hoback, I'm going to interrupt and say these are all points of debate. These witnesses have all come here in good faith. You can disagree with what somebody is presenting and debate with them vigorously, but I would leave it at that.

Can we move on? I'm saying this is a point of debate.

An hon. member: I have a question for the Chair, though.

An hon. member: There's a list.

An hon. member: I'm on the list.

An hon. member: So am I.

The Vice-Chair (Ms. Peggy Nash): Mr. Simms.

• (2045)

Mr. Scott Simms: I'll stay out of this one for now—just for now.

The Vice-Chair (Ms. Peggy Nash): Mr. Marston.

Mr. Wayne Marston: The only thing I'm going to say at this point is this. Does this mean that for every witness who comes before us now we're going to have to ask them what political party they're associated with, what background...what activity they've done, what's their history, what comments they may have made? It's taking it to a level where we shouldn't be going.

Why don't we just talk to the witnesses about Bill C-38 and get on with this?

The Vice-Chair (Ms. Peggy Nash): Who else did we have?

Mr. Jean.

Mr. Brian Jean: Thank you.

I would like to say, in relation to the point of order, that Mr. Hoback has five minutes to ask questions. This individual has come forward criticizing the government in relation to our budget. My understanding is he was a candidate in 2004 for the NDP, but he also currently holds a position with the NDP, either in Saskatchewan or federally. I think it's a legitimate question to ask whether or not he still holds a position, because he's criticizing the government and he's supposed to be an independent witness, not a member of the NDP criticizing the government. I think it's a legitimate question.

So does he have a current role with the NDP, federally or provincially? That's a good question.

The Vice-Chair (Ms. Peggy Nash): I don't know.

Let's just get back to the debate. I again encourage all members to be respectful.

Sorry, was there someone else who had a comment? Did you have a comment?

Mrs. Shelly Glover: I thought I was on a long time ago.

The Vice-Chair (Ms. Peggy Nash): I'm not keeping the list; the clerk is keeping the list. You're up next.

Mrs. Shelly Glover: I actually wanted to agree with you, Madam Chair, regarding the fact that this is actually a point of debate that's frankly probably gone on far too long. I would like to get back to the study at hand, but I agree wholeheartedly with what Mr. Jean just said. This was a question posed to this witness, interrupted by the NDP, and it was not a point of order. I believe Mr. Hoback ought to be allowed to continue. This is relevant, completely relevant, because independence of witnesses is essential to making sure that we represent Canadians' interests properly.

I would suggest, Madam Chair, that Mr. Hoback be given back his time and that we proceed, but that you rule that in fact it was not a point of order and Mr. Hoback can continue the line of questioning he began.

The Vice-Chair (Ms. Peggy Nash): Let me just clarify. The clock stops when the point of order is raised. I'm going to say again that I have said it's a point of debate and not a point of order.

I would just encourage all committee members to be respectful. It's fine to make a point on something, but we have to be respectful to the witnesses who have come here. It's fine to ask some questions and then to let them answer.

Mr. Randy Hoback: Madam Chair, could you inform me of how much time is left?

The Vice-Chair (Ms. Peggy Nash): You have a minute and a half.

Mr. Randy Hoback: Mr. Weir, have you ever been a member of the New Democratic Party, or are you presently a member of the NDP?

Mr. Erin Weir: Yes, I've been a member of the New Democratic Party for 15 years.

Mr. Randy Hoback: Are you speaking on behalf of the United Steelworkers or are you speaking on behalf of the New Democratic Party?

Mr. Erin Weir: As you may be aware, the United Steelworkers union itself is affiliated to the New Democratic Party. It's no secret that I'm a member of the NDP or that I was an NDP candidate in the past. It's not as though you've unearthed some deep dark secret here.

Mr. Randy Hoback: When you do policy for the United Steelworkers, are you doing policy based on what the NDP wants that policy to be or based on what the United Steelworkers need that policy to be?

Mr. Erin Weir: I've given you a presentation based on the experience that members of the United Steelworkers have had with foreign takeovers in the Canadian economy.

Mr. Randy Hoback: Okay. I think I'm going to move on. I think I've proven my point, Madam Chair, that the credibility of this witness is definitely questionable because of his political ties and because of his motives politically in criticizing the budget bill, which the NDP would never vote for anyway. I think the situation is very clear in this case.

An hon. member: Crystal clear.

Mr. Randy Hoback: I'll leave it there, Madam Chair.

The Vice-Chair (Ms. Peggy Nash): Mr. Simms.

Mr. Scott Simms: Wasn't that a hoot.

For the sake of disclosure, I too was a candidate in 2004 for the Liberal Party. I'm a Leo and I enjoy long walks on the beach. I hope that helps my credibility. I'm not quite sure if it does or not.

I'd like to get back to the seismic activity issue. I heard some compelling words about the effects of seismic and cross-border relationships and upping the ante, as it were, but we didn't hear from Mr. Wright on this one, who has an opinion about seismic activity from a commercial side of it. Is there any way, Mr. Wright, that what you've heard here...? There are a lot of countries that don't have this. Is that correct?

• (2050)

Mr. Richard Wright: Don't have what?

Mr. Scott Simms: Don't have rules about seismic activity such as we do.

Mr. Richard Wright: There are a couple of separate issues here. One is the Coasting Trade Act as it pertains to importing foreign seismic vessels. In that particular issue, Canada is a little anomalous with Nigeria in its process for importing foreign-flagged ships.

The second issue is environmental protection. The Canada-Newfoundland and Labrador Offshore Petroleum Board has some of the most stringent regulations globally in terms of how seismic is monitored, marine mammals, and there are numerous studies ongoing in terms of its effect on fish species, etc., and shrimp.

Mr. Scott Simms: Would the Canada-Newfoundland and Labrador Offshore Petroleum Board be affected by this?

Mr. Richard Wright: Not directly. I think there is a potential, if the budget amendment is passed and it's easier to import a foreign-flagged ship into Canada...it's likely there could be increased

activity. The board would be affected in terms of having more activity to regulate.

Mr. Scott Simms: I see.

Back to our guests who were in favour. Mr. Zedel, would you like to—sorry, I probably pronounced that incorrectly.

Prof. Len Zedel: No, my parents chose Zedel. You got it right.

Mr. Scott Simms: I won't argue with your parents.

When you say that this has an egregious effect on species such as crab and shrimp, are you saying that the increased activity will have an effect on the spawning grounds, on biological migration?

Prof. Len Zedel: There will be impacts, and the degree is hard to judge.

Mr. Scott Simms: Is that the case in Norway? Mr. Wright pointed out that seismic activity is increased over there.

Prof. Len Zedel: It was in Norway where it was demonstrated that fishing catch rates were decreased in association with seismic surveys.

Mr. Scott Simms: Does this bill not go far enough, in your opinion?

Prof. Len Zedel: I find the problem, and this is political, but you guys are into that...

Mr. Scott Simms: Well, we certainly were just into it. Have you been a candidate, sir, of the—I'm just kidding.

Voices: Oh, oh!

Prof. Len Zedel: I don't have to answer that, right?

Mr. Scott Simms: No, no, please don't.

Prof. Len Zedel: It's one line in Bill C-38 about the Coasting Trade Act. It has implications for the Canada-Newfoundland and Labrador Offshore Petroleum Board, as to how offshore projects are regulated.

My impression is that a full and thorough debate is hard to have when this issue comes up as one line in an omnibus bill.

Mr. Scott Simms: I see.

Mr. Wright, obviously you believe that with this inclusion in the bill, it certainly helps for commercial activity. Is the necessity now? I know with seismic activity the well spouts several years down the road, as it were.

Mr. Richard Wright: That is correct.

Again, the bill deals with the importation of seismic vessels. The Offshore Petroleum Board is doing the regulation of the environmental effects and a full environmental assessment in consultation with the DFO, the coast guard, etc. That won't change; that remains the same. It's just the fact that the level of activity may rise if it's easier to bring foreign-flagged ships into Canada.

Mr. Scott Simms: How much time do I have?

The Vice-Chair (Ms. Peggy Nash): You have 30 seconds.

Mr. Scott Simms: Oh, good Lord. I wanted to talk about the Investment Canada Act.

Obviously, I'll throw it out to both guests here who spoke about it earlier. The transparency level in the Investment Canada Act, in your opinion, does not suffice. It's at the back end. Do you feel that transparency is nowhere near where it should be after a deal is made?

I'd like to ask Mr. Bergevin and Mr. Weir to comment on that.

The Vice-Chair (Ms. Peggy Nash): Ten seconds.

Mr. Scott Simms: Oh, go for it, 10 seconds.

Mr. Philippe Bergevin: By its very nature, the act, as you know, is a bit opaque. It's very important for the public and potential investors to know the government's thinking on the act. Releasing information about a decision is probably the best way to communicate to investors the details of different clauses that are used under the act for the net benefit test. I think it's of paramount importance to require that the minister release information and his or her reasoning on decisions.

The Vice-Chair (Ms. Peggy Nash): Thank you.

Mr. Weir, go ahead, very briefly.

• (2055)

Mr. Erin Weir: I think we need greater transparency about how the decisions are arrived at, and also about the commitments that are made by foreign investors to achieve approval under the act. In addition to more transparency about the outcomes, I think we need a more open process to begin with, where workers, and workers' organizations, including ones that might be affiliated with the New Democratic Party, have an opportunity to give some input to the process.

The Vice-Chair (Ms. Peggy Nash): Thank you very much.

Ms. McLeod, go ahead.

Mrs. Cathy McLeod: Thank you, Madam Chair.

I also would like to thank the witnesses for some great testimony here today.

Mr. Steiner, you said something that I found absolutely fascinating when you were talking about some of the challenges you had in the past. What I also heard you say, in terms of the *Exxon Valdez*, is how you actually solved that problem. Was that the actual quote, that you had solved the problem in terms of that issue?

Can I tell you a little bit first...and then maybe get your perspective? In this budget, absolutely, the safe movement of oil tankers is really important to the government. What we've included is some new regulations to enhance the existing tanker inspection regime by strengthening vessel inspection requirements. We have created new regulatory frameworks related to oil spills and emergency preparedness and response. We've done a review of handling processes for oil products by an independent international panel of experts—tanker safety experts. We put \$35.7 million to further strengthen Canada's tanker safety regime, to support responsible development, and some additional things.

Again, I don't think anything can ever be absolutely 100% risk free, but these are, I would believe, very important measures that will minimize, to the greatest degree possible, the movement of tanker traffic. Would you agree with that?

Prof. Richard Steiner: It seems, Madam, that everything you mention there is absolutely critical to reducing the environmental risk from tanker transport of hazardous substances such as oil. I would encourage the Government of Canada—and I think you have done this in many ways—to look at additional measures for prevention of tanker casualties. That's where we got it right in Prince William Sound, Alaska, where I lived for 15 years, both before and during the *Exxon Valdez* oil spill.

Basically, you look at the adequacy of the ship. In OPA 90 we made the double-haul tanker requirement in the United States. I believe the IMO has done that globally. The adequacy of the crew and the adequacy of vessel traffic systems and monitoring are important. We have twin-tug escorts escorting every laden tanker out to the ocean entrance.

There are many things that can be done to reduce the risk. You're right, we can't get it to zero, but we can get it down as low as possible by incorporating the best available and safest technology.

I would encourage the entire committee to come visit us in Prince William Sound, Alaska, to see the tanker transport system that's in place there.

Mrs. Cathy McLeod: Actually, that sounds like a great idea.

Thank you. I appreciate it, because it sounds like you have really had to deal with it right upfront and have recognized how much can be done to really mitigate it to almost nothing.

With the little bit of time I have left, I want to maybe focus in on Mr. Skinner. I was actually part of the red tape reduction commission that travelled across the country. We heard a number of stories, in terms of all sorts of issues that small businesses face, but certainly in this bill we've addressed some of the issues you're talking about today.

For the benefit of some of the people on the committee, could you actually give us specific examples? I was witness to specific examples of what was happening. Can you talk about a couple of products? It might resonate with the folks who didn't get to hear those examples.

Mr. David Skinner: Sure. One of the most common ones that almost everybody would know about happens to be a natural health product. It's nicotine replacement therapy—nicotine patches and gums. It took years for the government to gather enough information about the safety, quality, and efficacy to make a decision on whether a doctor's prescription was really needed each time or whether lower doses could be made available for consumer use.

Just that switch alone—there's lots of data in Canada and elsewhere. In fact, the U.S. just did a study on the economic impact: \$2 billion in annual savings to the health care system because consumers can now use this product without having to see a doctor. It reduces morbidity and mortality in terms of smoking. The impact on chronic disease is incredible. It's a strong public health outcome.

If we had had this measure in place at the time that natural health products like nicotine replacement therapies were going through, consumers would have seen it two years earlier. The savings to the system would have accrued two years earlier. It would have been a tremendous boon.

In the most recent data, the 2011 health care costs, take a simple ailment like the common cold that people say is minor but still see a doctor for. If only 16% of those with a minor cold were actually doing something more for themselves, the savings cost would be enough to give 500,000 Canadians access to a primary care physician that they don't have right now. The impact of self-care is huge.

• (2100)

The Vice-Chair (Ms. Peggy Nash): Thank you, Mr. Skinner.

Mr. Marston, go ahead.

Mr. Wayne Marston: I was just looking at the list here. We have fish, seeds, upset stomach medications, seismic oil exploration activity, and throw in foreign takeovers....

Pardon me?

Mr. Brian Jean: Madam Chair, I have a point of order. Not to interrupt Mr. Marston—I wouldn't want to do that. Are we scheduled to go until 9 tonight or 9:30? I notice in my schedule it's until 9.

The Vice-Chair (Ms. Peggy Nash): We're going to finish the rotation with these witnesses.

Mr. Brian Jean: So are we're scheduled to go until 9 or 9:30?

The Vice-Chair (Ms. Peggy Nash): We're scheduled to finish the rotation with these witnesses, whenever we finish that up.

Mr. Brian Jean: I'm sorry, Madam Chair, but when a notice goes out, it has specific timeframes. It doesn't say finishing the round of questions. It says a specific time, and I think mine says it goes until 9. I was wondering if that is indeed the situation or if you require unanimous consent to continue, or indeed if—there are a lot of questions.

I'm just curious, Madam Chair, because my understanding of the system is we go until a specific time as scheduled.

The Vice-Chair (Ms. Peggy Nash): Yes, I guess the confusion is that we had a discussion with the chair and he said we will go through the rotation. I guess the discussion didn't happen with others on the committee. Let me—sorry, Mr. Marston.

Mr. Wayne Marston: I'd just like to add that for normal processes at committees, if we're interrupted or delayed by votes or in starting, we kind of add that on the end. Are we not going to do that?

A voice: We don't do that.

The Vice-Chair (Ms. Peggy Nash): Mr. Simms, go ahead.

Mr. Scott Simms: Can I make a motion to extend?

The Vice-Chair (Ms. Peggy Nash): Okay, you can make a motion to extend.

Mrs. Shelly Glover: I will second the motion from Mr. Simms, with the caveat that those who already have other appointments be free to leave, and that there be no motions put before the committee, should we not have the quorum, etc. Those who want to stay can stay, but I can only stay until 9:30.

The Vice-Chair (Ms. Peggy Nash): Is that acceptable?

(Motion agreed to)

An hon. member: That doesn't happen very often.

The Chair: Thank you, Mr. Jean, for clarifying that.

Mr. Wayne Marston: I used only three seconds, right?

The Vice-Chair (Ms. Peggy Nash): You used 11 seconds.

Mr. Wayne Marston: Mr. Kingston, are you now or have you ever been a member of the NDP? I'm just kidding. I just couldn't resist that one. We have to lighten up.

The problem is that we have a wealth of expertise here that we can't begin to tap into even when we're not squabbling among ourselves.

Sir, the president of the CFIA is going to have the power to issue licences to external people.

Mr. Holmes, you might want to get in on this, too.

We're concerned about what impact that could have. Do you have a sense of the types of qualifications that should be there? Is there any evidence that they are there to protect our environment and our crops?

Mr. Bob Kingston: I am also a certified lead auditor—ISO lead auditor. I have helped develop many programs that would allow third parties to deliver. There's a required amount of oversight, because the Canadian government stamp still goes on what happens.

The problem with CFIA making these decisions in the context of cutbacks is that they are designed programs, and all they are doing is counting the bodies they are removing and not counting the ones they will need for the oversight. For example, in terms of not taking power away from the inspectors who are involved in that program, yes, there is power being taken away from them, because they are gone; they were all cut. There is a requirement to do auditing, to check licences and make sure they are appropriate—check the credentials of the people who are going to be delivering the service. They don't have the capacity to do that. That's—

Mr. Wayne Marston: One other concern to us too, sir, is institutional memory. I presume the people caught because of contracts will be the junior people leaving.

Mr. Bob Kingston: That's not the way it works. There's no such thing as seniority in the—

Mr. Wayne Marston: The reason I said that is because my hope would have been that the junior people are apprenticing with more senior folks in this particular skill, if we're losing the expertise. Now you're telling me there's potential to lose front-line people.

• (2105)

Mr. Bob Kingston: All the people who have been delivering this program are gone. The folks who are going to be taking it over as a third party are supposed to have a process in place. It's an accreditation program and you build safety mechanisms into the monitoring process. There's not anybody to do that; that's the problem.

It's similar to the importer licensing program they're bringing in. They envision over 10,000 licensees. The only people who were doing specific monitoring of imports were people doing it for meat shipments, and they're gone as well. In fact, CFIA senior executives posed the question, "If we're not doing it for some other commodities, why should we do it for meat? So goodbye."

Mr. Wayne Marston: Again, sir, you say meat shipments. Do you mean we're having meat coming into the country that is not going to be inspected? Are we going to be relying on the home country to inspect it for us?

Mr. Bob Kingston: Correct. Yes, we already do that. What we did was target shipments to make sure that if we had bad actors, we could follow up and increase surveillance. Those people who did that targeting and monitoring of the track records are history.

Mr. Wayne Marston: Mr. Holmes, would you like to respond?

Mr. Matthew Holmes: Thank you for the opportunity.

As I said in my remarks, we don't have a position against third-party delivery per se, but I think there's quite a strong onus in the regulatory support structure that comes after this act, to actually put in place roles, responsibilities, oversight, enforcement, all of the actors involved, what form of accreditation or ISO they must meet in order to play that role, and specifically what they're there to do. I think Mr. Kingston's points of maintenance and the funding to maintain the standards and the oversight system, and the oversight and enforcement efficacy of that, are very essential in this.

Mr. Wayne Marston: Thank you.

Mr. Kingston, I'd like to go back to you for a second. Are you aware of any analysis that was done in advance of these decisions?

Mr. Bob Kingston: I'm aware that none was done. What made it difficult is that, like many departments, most of the senior executives at CFIA are not from that industry. When they had to make these decisions, there was a process in place under which they couldn't talk to anybody about it. So most of the cuts that are being put in place for financial reasons—I can understand that. The cuts that were planned were done in an information vacuum. We've asked for a meeting with the minister to talk about it. We do have a meeting planned with the president of CFIA to explain where some of the logical flaws are. For example, in the areas of plant health and animal health, they have deregulated a lot of pests and said they're now established, so now they're getting rid of all the people who used to look after—

The Chair: Okay, Mr. Marston—

Mr. Wayne Marston: I have a very short question: do you think it's putting Canadians at risk?

The Chair: Mr. Marston, we are over time.

Mr. Bob Kingston: Yes, it's absolutely putting Canadians at risk.

Mr. Wayne Marston: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: Thank you, Chair.

Thank you, everybody, for appearing and staying so long.

Mr. Kingston, I have a question. I'm going to ask for an answer, and I'll ask the chair if it's appropriate or if I'm following procedure if I do this.

In Ontario, and I think it would probably be safe to say in Canada, we have a small abattoir crisis. The little guys tell me they can no longer compete. There is so much red tape. There are so many regulations they have to follow.

I'm not going to sit here and suggest that we don't have safe...but the ironic thing is that the problems seem to crop up—and I think Maple Leaf is an example of that—in the larger abattoirs that can handle all the red tape. They have armies of people to help them with that, so they can do what's required. The little guy simply finally throws his hands up.

I guess the question I want to ask—and I have to ask it through the chair, if it's appropriate. We are actually asking you about the budget. We are a government. We are always looking for solutions. In your position, do you have some solutions for this government? I understand that it's not only federal; there's provincial jurisdiction there as well.

Chair, is it appropriate to ask for that, so we can have some—

• (2110)

The Chair: Yes, that's appropriate.

Mr. Dave Van Kesteren: That's all I'm going to ask you, to give this government some direction to save the small abattoir. What can we do as a government? Because it really is serious.

As I said, in my riding alone I can think of about three right off the top of my head, and there are probably more that have closed.

Maybe you could do that for me.

If I could shift, maybe I'll go to Mr. Steiner and to Mr. Zedel.

We're learning a lot about the oceans. I don't think there's a person in this world who watches our nature programs, sees those things, and isn't shocked by some of the abuses that we've inflicted on the animals in the ocean.

In a perfect world, would you allow seismic testing?

That question is for both of you. I'll let Mr. Zedel start because he's looking at me, and then we'll switch over to Mr. Steiner.

Prof. Len Zedel: Thank you. I have this luxury of being present in the room.

We all burn gas these days, many of us eat fish, some of us go whale watching, so there has to be some kind of balance and compromise, in my mind. I think we're stuck with offshore oil, and that means we're stuck with seismic surveys.

In a perfect world, I'd allow them. But I'd make sure they were regulated and constrained to operate at times of minimum impact, to operate in manners that caused minimum impact.

Mr. Dave Van Kesteren: Mr. Steiner, you're up.

Prof. Richard Steiner: I would say, as a biologist, that in a perfect world we would not allow seismic surveys in offshore marine ecosystems simply because these are extremely loud sound sources, 230 to 250 decibels, which are in the order of magnitude louder than being a metre away from a 747 engine on takeoff, if you can imagine.

These are extremely loud. They propagate for hundreds of kilometres. We know it has behavioural, physiological, and injurious effects on cetaceans, pinnipeds, birds, fish, etc. So in a perfect world we wouldn't. But I think my colleague, Professor Zedel, framed it correctly. This is not a perfect world. This is a real world, and that's the world the Canadian Parliament and government, and the U.S. government, have to deal with.

We use oil and gas. The question is, as consumers...the consumer is starting to ask to produce this product, explore for it, transport it, refine it, and use it in the most responsible way possible. That means there are some areas that should be left off limits, and the highest, best available technology standards should be applied to where and how we do this. We're not there, quite frankly, either in the United States or Canada.

Mr. Dave Van Kesteren: I've got a suggestion to make, as I also suggested to Mr. Kingston, and I hope we're doing that. I served on the fisheries committee for a small period time. We really need to have that collective agreement that you're talking about between our country and yours.

The Chair: Thank you, Mr. Van Kesteren.

[Translation]

Mr. Caron, the floor is yours.

[English]

Mr. Guy Caron: It's hard for me to leave the witch hunt that we tended to let go unanswered.

Mr. Weir, you're an economist, right?

Mr. Erin Weir: I am, yes.

Mr. Guy Caron: What's your degree and where did you get it?

Mr. Erin Weir: I hold a bachelor of arts from the University of Regina, a master of arts from the University of Calgary, and a master of public administration from Queen's University.

Mr. Guy Caron: Thank you very much.

How long have you been working as an economist?

Mr. Erin Weir: I suppose I started working as an economist in 2005, after I graduated from Queen's.

Mr. Guy Caron: Thank you very much.

[Translation]

Mr. Bergevin, are you also an economist?

Mr. Philippe Bergevin: I have a master's degree in economics from the HEC in Montreal. I have been a practising economist for about 10 years.

Mr. Guy Caron: Thank you very much. I am an economist and I have a master's degree from UQAM. So we can have a talk between economists on the Investment Canada Act.

Mr. Bergevin, we have a problem right now. The House of Commons has unanimously passed a motion asking us to review the Investment Canada Act and to clearly define what a net benefit means for Canada. In your presentation, you are trying to reverse the onus. You are asking the government to provide evidence that it is not a net benefit for Canada.

In your view, under what circumstances, would an investment be a net benefit for Canada? Are there circumstances that would enable the government to describe it in a way that could justify its decisions?

• (2115)

Mr. Philippe Bergevin: It is important to note that Canada is one of the few countries to systematically apply a test to any investment over the required minimum, which is \$330 million at the moment. This is not about whether an investment is positive for the Canadian economy. It rather has to do with the government. We have to ask ourselves what public policies would encourage the government to take action to stop a transaction. That does not take any of the government's power away, since it will still have all the latitude it needs to intervene.

Mr. Guy Caron: To follow up on what you are saying, what are some public policy issues that would justify action on the government's part?

Mr. Philippe Bergevin: We are talking about national security and culture. There are many issues related to state-owned businesses. That raises questions as to their ultimate motive.

[English]

Mr. Guy Caron: Mr. Weir, what is your definition of a net benefit for Canada?

Mr. Erin Weir: It would certainly include a broad range of constituencies, including, first and foremost, the workers employed at the facilities being taken over. I think that is a really crucial component of net benefit.

[Translation]

Mr. Guy Caron: Mr. Bergevin, you said that you did not necessarily agree with the use of securities. In the case of U.S. Steel, Electro Motive Diesel or even Rio Tinto Alcan, the conditions are not being met.

What would you do for the Canadian government to have some weight to ensure the commitments are met once those companies have finally received approval?

Mr. Philippe Bergevin: Asking for securities against the promises made to the government sends a negative message to foreign investors. Clearly, this makes the promises more credible. The original question was not well put. Canada is one of the very few countries that ask companies to provide detailed plans on job creation and the level of investment. Those are very strict regulations. In addition to putting money aside, that makes the system a bit more cumbersome compared to that of other countries.

Mr. Guy Caron: I am going to give Mr. Weir 30 seconds to answer as well.

[English]

Mr. Weir, can you reply to this?

Mr. Erin Weir: I think it's important to review these takeovers to make sure they're beneficial to Canadians. A lot of other countries have similar processes. Australia, for example, certainly has some regulations around foreign ownership. So I don't think there's anything especially unusual about what Canada does. In fact, I would like to strengthen the process.

The Chair: Mr. Adler, please.

Mr. Mark Adler: Thank you, Mr. Chair.

I would like to direct my questions to Mr. Wright.

I understand there are currently no seismic-capable vessels in Canada—no company that's able to provide that service. Is that correct?

Mr. Richard Wright: That's correct.

Mr. Mark Adler: How many vessels worldwide could provide seismic data in Canada?

Mr. Richard Wright: There are about 150 presently.

Mr. Mark Adler: Where are they geographically?

Mr. Richard Wright: They are scattered around the globe. They're primarily concentrated in the North Sea, the U.S. Gulf of Mexico, the northwest slope of Australia, and Southeast Asia. They're built for certain purposes. For any given survey you may have only 10 or 15 vessels pertinent to that type of acquisition: 2D versus 3D versus harsh environment, etc.

• (2120)

Mr. Mark Adler: So amending the Coasting Trade Act is a positive thing, in your opinion.

Mr. Richard Wright: That's correct. Part of the reason is it will give companies vessel choice, looking in a global marketplace for the best available technology. On some of the earlier comments raised in relation to the environment, some of these very modern boats are better for the environment in terms of their sound mitigation, and so on. That gives the operators the choice to look for vessels that can have less impact on the environment, as well as meet their technological needs.

Mr. Mark Adler: Who has the best technology right now in terms of building seismic data vessels?

Mr. Richard Wright: Which company? I'd probably get in trouble if I said that. We deal with a lot of them.

Mr. Mark Adler: Okay, so what two or three countries would produce the best for Canadian purposes?

Mr. Richard Wright: A lot of the technology that we're using offshore in eastern Canada is coming out of Norway, a similar kind of environment. Norwegians historically have been very progressive on technology development. They've used a lot of their oil revenues to funnel into technology that they're now exporting around the world.

Mr. Mark Adler: What is the potential for Canada to get into that business?

Mr. Richard Wright: In terms of having Canadian-flagged seismic boats that could be used around the world, it's a difficult proposition. In Norway, most of the vessels are not Norwegian flagged. They're flagged in different countries around the world. Again, they import those foreign-flagged ships.

The challenge we have in Canada is a limited acquisition season. If you had a Canadian-flagged vessel, it could only be used for maybe six months, the May to October or November timeframe. In the winter months the sea state is too high to use the vessel safely and to get good data quality. Then that vessel would have to find work in other parts of the world. That's the challenge.

Mr. Mark Adler: Would you say the barriers to entry are pretty high?

Mr. Richard Wright: Correct.

Mr. Mark Adler: Mr. Zedel, how do you feel about oil and gas development offshore?

Prof. Len Zedel: It's almost a political question.

Mr. Mark Adler: No, it's economic.

Prof. Len Zedel: I have concerns. Sometimes I feel that we'll get to a point where we can no longer afford the risks. We're drilling in the Orphan Basin now. That's 2,000 metres deep in an area where icebergs occur. It's just upping the ante. How far we are prepared to go, I don't know.

I wouldn't say I'm not pro-offshore oil development. I monitor the industry expressing my concerns about that. I hope that answers the question.

Mr. Mark Adler: It does. That's what I was expecting.

Chair, I'm happy with that.

The Chair: Thank you.

Monsieur Mai, s'il vous plaît.

Mr. Hoang Mai: Mr. Kingston, I'm reading an article, and my colleague mentioned there will be some issues with respect to security, with respect to health issues, and how to protect consumers with this bill. Could you expand on that and let us know whether or not we should be worried?

Mr. Bob Kingston: There are many aspects of what's going on with this particular budget that may, and probably will, affect consumers.

For example, the question was asked in CFIA that if we're not doing something for all other products, why should we do it for meat. It was about monitoring and targeting problem suppliers. The answer was simple, except they presumed there was no answer, so they went on to just cut it.

The answer is that meat is huge in volume and huge in risk. There's no food commodity that poses a more serious risk to humans than meat does. It's as simple as that. The program that was in place, which has been disbanded now, was never the subject of consultation with anybody, not to mention the Canadian public. That is one that puts Canadians at risk.

There is the issue of label verification, nutrition facts, etc. If you in any way need that information, for example, if you're diabetic or a celiac and you rely on that information for life and death decisions every day—those programs are all being cut.

I've heard them say they're not being cut, that they're still doing that, but if you talk to the inspectors, they haven't been doing it for two years. They were told to stop doing this two years ago, pending the evolution of this budget, which would can it forever. Again, it was not subject to public debate.

There are big concerns.

I'm not sure that the people who made the decision understand what they decided on. In fact, I reported recently about totally conflicting viewpoints between the minister and senior executives in CFIA. If what the minister said was correct, that's great, because he believed that these things weren't being touched. The senior executives of CFIA were going around the country telling all the staff the exact opposite as they were cutting them.

That's an issue. It's one of the reasons we asked for a meeting with the minister. I think he needs to know this stuff.

• (2125)

Mr. Hoang Mai: You mentioned the labelling issue. What's going to happen now with the bill?

Mr. Bob Kingston: It's buyer beware. There will be some policing of labels going on, but nothing like what happened in the past.

The federal government has responsibility for label integrity and verification, and that goes right down to restaurant menus. That program was also shelved about a year and a half ago. They were told at the time that it was going to be reviewed and reintroduced, but instead, they're now being told that it's never coming back. These have implications for safety for Canadians, for sure.

Mr. Hoang Mai: Basically, with these cuts, there will be less security.

Mr. Bob Kingston: That's correct. They're putting in more regulations, but they don't have anybody to enforce them.

Mr. Hoang Mai: How many inspectors have they cut with this bill? Do you know?

Mr. Bob Kingston: Right now there are about 100. In terms of total population, there have been 310 so far. Some of them are different classifications, but they still monitor imports.

The reason I say the regulation is better not being there than being there is because the good players, and there are many really good actors, including the small abattoirs, by the way, and we do have a plan for that, are penalized. What happens is that they follow the regulation, but they see that some of their competitors don't. Then it gets a reputation as a bad regulation, but really, it's about bad enforcement.

Mr. Hoang Mai: Thank you very much.

Mr. Weir, just for the record, you're here for the United Steelworkers. How many members do you represent?

Mr. Erin Weir: We have approximately 200,000 members in Canada, and we would have at least twice that many in the United States.

Mr. Hoang Mai: Just for the record, you are here on behalf of the United Steelworkers.

Mr. Erin Weir: Yes, absolutely. I consulted with our national director for Canada, Ken Neumann, and he asked me to present on behalf of the union.

Mr. Hoang Mai: Mr. Bergevin, you are a charitable organization. We've heard the Minister of the Environment say that charitable organizations are laundering money. Do you agree with that?

Mr. Philippe Bergevin: Well, there are perhaps some instances of that, but that's not a subject I'm very familiar with, so I would prefer not to comment.

The Chair: Thank you.

Go ahead, Ms. Glover, please.

[*Translation*]

Mrs. Shelly Glover: Thank you, Mr. Chair.

I would also like to thank all the witnesses. As Ms. Nash said, we are tired. We have been working on this for a number of days.

[*English*]

I would like to correct the record again. That's kind of my job here.

A couple of things that have been said by Mr. Kingston don't really portray the complete picture.

For example, the Canadian Food Inspection Agency has recently posted their annual update of staff numbers on their website. It shows clearly that there has been an increase of 32 people over the last year. Since 2006, when we took office, there's been an increase of 700 people.

Just as quite often another party in this place says 750,000 net new jobs somehow is a cut in jobs in this country, the math does not add up. I do have to correct Mr. Kingston because I think it's unfair when the whole picture is not portrayed.

Federal CFIA inspectors were doing provincial inspections, and now they are being transferred to be provincial employees. That is not a cut, which is what Mr. Kingston is suggesting in his numbers. That is a transfer of responsibility. There has been no change other than the transfer of responsibility. The federal CFIA inspectors are going to be provincial employees doing exactly the same job. That is not a cut. That is a transfer.

Aside from that, there has also got to be consideration for the fact that the export food safety certificates, which Mr. Kingston failed to explain, are as a result of a deal between Canada and the United States. We have accredited inspectors who do exactly the same work, who do exactly the same monitoring, who are accredited the same way. They both issue those certificates. One hundred per cent of the imports on either side are inspected exactly the same way by qualified personnel. Unfortunately, it's very misleading what Mr. Kingston has said.

Having said all of that, I thought it was very, very important when he said that money is important. I want to remind Canadians when it comes to the CFIA that \$100 million was provided in the last budget for food safety, which unfortunately the opposition parties voted against. This year there's an increase of \$51 million for food safety. We already have an indication that the opposition parties are going to be voting against that.

I did want to very clearly correct the record because it is not fair when only half the picture is portrayed.

I do want to talk about high-risk inspections as well, which is very important. When we're talking about meat, this government has done a lot of work to make sure that this is looked at. When it comes to inspections, they are risk based. That is how they are done.

A higher risk area, like meat, absolutely is going to have some clear and consistent and regular checking. In every slaughterhouse every single day there are inspectors. Not only that, inspectors were doing a check every day and then a veterinarian was double-checking, duplicating to sign it off. This government believes we ought to reduce some duplication, but we are going to ensure that those high-risk areas are continually monitored.

Then we have the low-risk areas, for example, when we're talking about dried, processed or canned foods, that kind of thing. They probably don't require the same extent of inspection as the meat.

● (2130)

The Chair: One minute.

Mrs. Shelly Glover: It's important that I clarify this because that's the problem with people who have outside interests. I just ask that we be very clear about both sides of the story.

When we talk about third-party delivery, I appreciate that Mr. Bergevin said he doesn't take issue with that, as long as there are rules. The rules are there. The inspectors are accredited. There are no two ways about it. That is clear.

I also want to correct the record with regard to the size of the budget bill. Let's get to the facts. Bill C-10, which was Budget 2009, was bigger than this one. Bill C-9, Budget 2010, BIA number two, was 880 pages. Bill C-13, Budget 2011, BIA number one, was 644 pages. They were all bigger than this one. This is not unusual in any way, shape or form.

These studies are done over years. One of the witnesses mentioned that. I just want to make that clear so Canadians understand the full picture on some of these issues.

The Chair: Thank you, Ms. Glover. Your time unfortunately is up.

Mrs. Shelly Glover: I'm allowed to make comments or ask questions.

The Chair: It's every member's right to do that.

Mrs. Shelly Glover: Thank you.

The Chair: Mr. Jean, please.

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

Thank you, witnesses, for coming today.

I want to confirm a couple of things.

Mr. Wright, I understand that the changes you've come here to talk about in relation to the Coasting Trade Act have long been requested by the Province of Newfoundland and Labrador and by the premier's office. I think for more than a decade they've been asking for these changes. Is that not correct?

Mr. Richard Wright: That's correct.

Mr. Brian Jean: So this is very popular in Newfoundland and Labrador.

Mr. Richard Wright: It is.

Mr. Brian Jean: It's not very popular in Fort McMurray, because now all the people are going to go back to Newfoundland and Labrador.

Mr. Richard Wright: That would be great.

Mr. Brian Jean: I think it's great too, to be honest, but it's great to have them in Alberta. It's really good to have a country in which we can have workers go back and forth between all the provinces and work with red seal certification, and in which they can take lots of money back home. I think that's awesome.

I would like to ask a couple of questions of Mr. Steiner, or at least confirm some things with him.

I had the opportunity to work on the environment committee here. I also believed in a perfect world at one time, and I almost finished my master's degree in environmental law until reality got hold of me and I ran out of money. I was planning on saving the world with things that I could do. Since that time I've realized that the reality is that we can have responsible development and protect our environment and wildlife as well. I want to let you know that from my time on the transport committee I learned that Canada has, in my mind, the best laws in the world to protect tanker traffic. I'd like you to comment on this, after I tell you some of the things.

The Canada Shipping Act, of course, is something that deals with it. We have three particular pieces of legislation that deal with it: the Arctic Waters Pollution Prevention Act; the International Maritime Organization, which of course we're a signatory to; and we have a requirement now that all large ships have to be double-hulled. I know that Mr. Weir would appreciate that, because of course they're made of steel and they take a lot more money and work and employ a lot more workers.

Including the double-hulled requirement, I want you to know that we have mandatory pilotage zones, especially on the west coast. We have professional pilots who are required to not only bring their own GPS and navigation systems but their charts as well. You know, of course, from what happened with the *Exxon Valdez*, that they had a broken radar for over a year, which is not acceptable. I think even the United States, in their new Oil Pollution Act of 1990, saw what was there, and they changed the laws tremendously.

But I want to tell you that we also require two tugs, front and back; we have a requirement to go at no more than 10 knots in certain areas; we have the strictest ballast laws in the world; we have a national oil spill preparedness with four different agencies that come forward in response when required; and we have a national aerial surveillance program that spots oil leaks. We also have agencies that follow those oil leaks and arrest the ships, be they foreign or otherwise. We require an annual inspection of domestic ships and also have a port state control inspection of foreign ships, which has to be done yearly as well, when they enter our area.

I just want to let you know that from my perspective, this and my background would indicate to me that this would be one of the safest areas in the world to transport ships.

Would you agree with me, based on the information I've provided to you and that Ms. McLeod has provided to you before?

I mean, nothing's perfect, but....

• (2135)

Prof. Richard Steiner: Thank you for the question.

I guess the devil is in the details. That all sounded very good, but I would simply caution that we thought we had a good system prior to *Exxon Valdez* for tanker shipment; however, there was complacency that came into the system, within both the industry and government, and that's a natural human tendency when you get some time between the last disaster and where you are.

I wouldn't be complacent. All of us—

Mr. Brian Jean: Yes, and I would agree with that, but the legislation now.... And the *Exxon Valdez*, with respect, were at half crew, they were fatigued, and there were disciplinary issues in relation to the crew itself. It's a much different regime now. We require the pro pilots; we require them to have proper training.

In essence, we have 1,200 tankers per year that go up and down the west coast, on average about 2.8 per day. We have very little traffic, and in fact most areas control the number of vessels that can go through.

So I just want to assure you that we have the best laws in the world in relation to our tanker traffic, and also our response regime is excellent.

Prof. Richard Steiner: If I could make one last comment on that, I commend you for that vigilance, and please don't lose it. As good as you think it is, and as good as we think ours is in Prince William

Sound, we have to remain vigilant to make sure that it stays as safe as possible, and we have to continue to improve it when we can. That's all I'd offer.

Mr. Brian Jean: I would agree with you.

Prof. Richard Steiner: There are condensate tankers, for instance, calling at Kitimat now without tug escorts, and these could possibly cause a serious problem. There are tankers calling in B.C. ports without tug escorts, which I think would be worth looking at.

The Chair: Thank you, Mr. Jean.

I want to follow up with one brief question with respect to division 38. I think both Mr. Jean and Mr. Adler have done a good job in terms of identifying the positives of division 38.

Mr. Steiner, I very much appreciate your respectful recommendations to our committee, and, Mr. Zedel, yours as well, that while you are not opposed to the division, you're saying that obviously we have to ensure that these vessels adhere to very good Canadian guidelines.

I have a quick question to Mr. Wright. Mr. Steiner has proposed that Canada and the U.S. develop a bilateral agreement and negotiate a seismic mitigation protocol. My view is that they would almost be separate from this legislation, but they are things the Canadian government could certainly pursue.

Are you in favour of these, Mr. Wright?

• (2140)

Mr. Richard Wright: We would certainly support that. Anything we can learn collectively and internationally would be to the benefit of all.

The Chair: So the proposals by Mr. Steiner are fully acceptable to you?

Mr. Richard Wright: They would be fine. Absolutely.

The Chair: Okay.

Thank you very much. I just wanted to clarify that.

I want to thank you all for being with us here tonight and especially for staying longer than expected. I thank our two guests by video conference. If you have anything further, submit it to the clerk and we'll ensure that all members get it.

Thank you very much. Merci.

The meeting is adjourned.

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