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• (1630)

[*Translation*]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):
Ladies and gentlemen, dear colleagues, good afternoon.

I call this meeting to order.

Welcome to meeting No. 69 of the House of Commons Standing Committee on Industry and Technology.

Pursuant to the order of reference of Monday, April 17, 2023, we are studying Bill C-34, An Act to amend the Investment Canada Act.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of Thursday, June 23, 2022.

For the first hour, we are fortunate to have with us the Hon. François-Philippe Champagne, the member for Saint-Maurice—Champlain and Minister of Innovation, Science and Industry. He is accompanied by Charles Vincent, Assistant Deputy Minister, Small Business and Marketplace Services. In the second hour, Mr Vincent will be joined by James Burns, Senior Director, Investment Review Branch.

I'm going to begin by giving the floor to Mr. Champagne for a rather generous period of five minutes.

Hon. François-Philippe Champagne (Minister of Innovation, Science and Industry): Thank you for your generosity, Mr. Chair.

I would first like to acknowledge the work done by our colleague Brian Masse.

[*English*]

I would like to congratulate him on the passing at third reading of the Ojibway national urban park act. I think it's a huge achievement by a colleague. We should all be proud that a private member's bill gets that recognition. It's all thanks to him. I wanted to say that on the record, even though I know most of his questions might not be about the Ojibway national park today.

I also want to thank Andy Fillmore, my parliamentary secretary, for all his work, and thank you for the work of all members of the committee.

[*Translation*]

Dear colleagues, I'm very pleased to see you, and even more so for this opportunity to speak to you about Bill C-34, An Act to amend the Investment Canada Act.

Our colleagues, as well as businesses and various other stakeholders, have shown a great deal of interest in the modernization of this act. The last time it was revised was 2009. I believe my colleagues would agree with me that the world has greatly changed since then.

As you know, the Investment Canada Act performs an important role in Canada's economy. Its primary role is to encourage economic growth, and it intervenes only in instances where an investment would be harmful to Canada's national security.

The purpose of modernizing the act is to strengthen our capacity to protect Canada's national security and intellectual property. It would also improve transparency for investors and give them certainty, while strengthening our capacity to take rapid and firm action to reduce national security risks.

I welcome the comments made by the many members of the House who came to see me in person. Quite a few of my colleagues rightly underscored the fact that national security was not and ought never to be, a partisan issue. We are all united in our desire to protect the interests of Canadians.

Before continuing, I'd like to clarify something about which there appears to be some confusion—the trigger thresholds.

Bill C-34 mainly addresses the Canada Investment Act's national security review, not the net benefit reviews.

Net benefit reviews are triggered by a number of financial thresholds. These thresholds are of course published and updated every year. The amounts vary, depending on whether the investor is a state-owned or state-controlled enterprise, a member country of the World Trade Organization, or country with which Canada has a trade treaty.

On the other hand, there is no triggering financial threshold for a national security review. Allow me to repeat: there is no triggering financial threshold. All investments, irrespective of value, are subject to the national security review, with no exceptions.

[*English*]

In this context, I want to take a few minutes to discuss three themes that I think came up through debate and that would be relevant for colleagues around this table.

First is the ability to protect Canada's interests. One thing I was pleased to hear was the agreement around ensuring the government has the right tools to protect Canada's interests. Today, it's all about the tool box. There's a lot of ambition, I would say, around this table, but I think they would find that the Minister of Industry today has a very limited tool box to address the security threats we're facing.

The amendments we're proposing to the ICA will strengthen our ability to respond to the evolving threat environment and, I would say, to the geopolitical situation we're facing today. Things like undertakings will make sure that we are more nimble and allow companies to make binding commitments to mitigate any national security concerns that are associated with proposed investments.

Previously, imposing conditions on a transaction to mitigate risk could occur only through a Governor in Council order. These GIC orders typically cannot be amended. Allowing undertakings at the ministerial level means these conditions could be imposed and amended, giving us greater flexibility to adapt to the conditions in order to protect our national security.

Colleagues, we have seen that in a cyberworld and a world where we've seen more people interested in IP and our critical resources, we need to be nimble to be able to answer the threat. This bill will allow us to make the review process more efficient by providing the Minister of Industry, in consultation with the Minister of Public Safety, with the authority to order further reviews, rather than seeking an order in council from cabinet. This is about doing business at the speed of business.

Removing the step of getting an order from cabinet at this specific stage will give more time to our security and intelligence partners to complete a thorough assessment of the national security risk. We should all be happy about that, because we want to have the best intelligence for any minister to make a decision.

However, I want to emphasize that cabinet will still remain the authority to make the decision on any final order related to blocking an investment. That authority to make a final order is not changing, but we need to accelerate the process before the final step, to move at the speed of business.

The second thing I've heard about from colleagues, Mr. Chair, is protecting IP and intangible assets. We all know that companies now sit on a lot of intangible assets, and we need to make sure we protect that. Another thing we heard about was the importance of protecting, like I said, intellectual property and intangible assets that Canadian companies own.

Our government recognizes the value of the intangible economy as it's growing, and the relevant opportunities for all Canadians. This bill will help protect the intangible assets of Canadian business through the introduction of a new pre-implementation filing requirement and a new authority for the Minister of Industry to impose interim conditions on an investment, so it's about pre-filing requirements and also having interim conditions during the period that you're going to review that.

Colleagues will understand that's what matters, because before you give a final approval or not, you want to make sure that companies will not be disclosing IP to the other side. That way, the gov-

ernment can ensure that such harm does not occur. I think this is something that the committee has been asking for. Believe it or not, today, the Minister of Industry doesn't have the authority to impose interim conditions, meaning that you freeze the situation for the time of the review. We know that, with intangible assets, it's not something that you can give back. Once people have had access, they have the knowledge. We need to prevent that.

The new authority will impose conditions and will prevent the transfer of Canadian intellectual property, trade secrets and technical know-how to non-Canadian entities prior to the conclusion of the national security review. The ICA already allows us to take a look at asset sales. We will now have the tools to manage those cases much more efficiently and, I would say, in the interest of Canadians.

The third thing I've heard from colleagues is around transparency.

• (1635)

[*Translation*]

The bill adds certainty and transparency for enterprises and investors by specifying the improvements we are going to make to the national security review process.

There will also be robust protection of any information supplied to my department, Innovation, Science and Economic Development Canada, in connection with both national security and net benefit reviews.

Such protection is required to protect the bond of trust between the department, potential investors and Canadian enterprises involved in a transaction. For that reason, we will never publicly disclose such information, or specific circumstances, involved in current or past reviews. Although there are restrictions on what can be disclosed, we have already been publishing our decisions and directives to clarify how the Investment Canada Act is being applied.

Bill C-34 also adds new provisions for the protection of information in the judicial review of decisions. This amendment will enable the government to defend its national security decisions on the basis of sensitive information, while protecting such information from disclosure. These new provisions will also enable applicants to participate more fully in judicial proceedings.

To conclude, I'd like to thank the committee for the work it has done over the past few years, including its studies on the Investment Canada Act. Colleagues around this table have all contributed to the outcome we are presenting today. We took your comments and the recommendations of our colleagues into consideration, and they are reflected in Bill C-34.

I would even go so far as to say that action is urgently needed, because colleagues on both sides of the House frequently asked me to intervene. I explained to them how the shortage of tools in our tool box was impeding our capacity to do a better job of defending Canadian interests.

We also gave consideration to recommendations made with respect to other recently announced policies, such as those pertaining to the protection of critical minerals. As you may have noticed, I've already announced four policies that will provide better protection for Canadian interests.

I am enthusiastically looking forward to further work with you on this bill. As I mentioned previously, I acknowledge that we all agree on the fact that Canada's national security is not a partisan matter and that we need to be united in our determination to work together for Canada's protection.

I'd like to thank the committee for its excellent work.

I will of, course, be happy to answer any questions that members of the committee may have in order to achieve the best possible results on behalf of Canadians.

• (1640)

Thank you.

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

To get the discussion started, I'm giving the floor to Mr. Williams for six minutes.

[*English*]

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you very much, Mr. Chair.

Welcome to the committee again, Minister. It's always nice to see you.

Before we get into the important business, while we have you on the record and in the name of the third point you talked about, transparency, you mentioned last week a study done for Volkswagen that showed a return on investment in five years for Canadians.

Do you mind submitting that to the committee?

Hon. François-Philippe Champagne: I would suggest the committee talk to the Trillium Network. That's the independent advisory group that has been doing the study. It's also based on what we have seen with Volkswagen in Valencia, Spain. There is a body of articles about these gigafactories. We were the first one to land the first—

Mr. Ryan Williams: I want to get to some questions on Bill C-34.

If you have a study, can you submit it?

Hon. François-Philippe Champagne: It's a study by the Trillium Network. I would suggest that the committee ask the Trillium Network to provide what they have been saying publicly.

Mr. Ryan Williams: Okay.

Minister, these are three great points for the committee to debate. I think that's great.

We really want to talk about the creation of a list of industries that are going to be subject to a national security review. Some of the industries that we believe should be on the list are health care, agricultural innovation, intellectual property, natural resources and manufacturing.

Do you have a list right now that you're going to submit?

Hon. François-Philippe Champagne: Thank you. That's a very important question.

We decided that the list would be in the regulations, because it's an evolving situation. I think colleagues can have confidence in what we have already published in the four policies about critical minerals, sensitive technology, artificial intelligence, quantum computing and cyber-technology.

If colleagues look at the body of policies, the four that were published in 2021 and 2022—three of them in 2022—you see a body of sectors that we have already said are sensitive. I think those are the ones that are going to be reflected in the regulations. The reason it would not be advisable to put that in the legislation is that we want to add sectors as things evolve. The last time we amended the law was in 2009, so we don't want to preclude adding sectors that will become critical to protecting our national security.

Mr. Ryan Williams: Okay. Thank you.

At least 12 Canadian universities are still partnering with Huawei after you issued a ban and are using government funding to send Canadian-developed IP to Communist China. Why does the tri-council continue to fund Huawei after you have banned them?

Hon. François-Philippe Champagne: I have been very clear about my own view. We published the national security guidelines for research partnerships. We now have a research security centre, but I've also put out a research security statement.

I would say that in the public domain we saw some universities partnering with some military institutes. I think Canadians were shocked, in a way, to learn that. That is why immediately thereafter I issued a statement to make sure that we would have even more stringent goals to prevent public funding from the tri-council going to research that would involve anything that would be with military institutes of countries that would be adverse to Canadian interests.

• (1645)

Mr. Ryan Williams: Is there anything else that you think you should be doing to stop this or is it just that...?

Hon. François-Philippe Champagne: It's an evolving field, to be honest, sir. I am always watching what other G7 partners are doing—the Five Eyes. I would think that now we are probably at the forefront. Colleagues in other countries are asking me and saying, “Okay, Minister, what else...?”

We're kind of looking at that, but you know, like I do, sir, because you are very well versed, it's an evolving threat situation. You just have to be mindful. On the one hand, you want to preserve research independence, which I think is fundamental, but at the same time, with the tri-council, we've been working hard with universities. We are meeting next week with the U15 and I will make sure to restate the point.

Mr. Ryan Williams: Thank you, Minister.

I will cede my remaining time to Mr. McLean.

Mr. Greg McLean (Calgary Centre, CPC): Welcome, Minister.

You had some good comments here about the relationship with your department, ISED, and the necessity of international investment in Canada. Given the last eight years, that's a consistent failure with your government. We are down to 90% of the capital stock in Canada that we had before your government came to power. Clearly, international investment is not coming into Canada because of the uncertainty created by your government.

Can you please square this for us very quickly? Right now, the only investment that is coming into Canada at all sectors of the value chain is government investment, including sometimes at twice the amount that would be needed to build a plant like the one built in St. Thomas for Volkswagen.

Hon. François-Philippe Champagne: How many hours, Mr. Chair, do I have to answer that? There's Nokia, Ericsson and the list goes on. GM, POSCO, LG, Stellantis, Volkswagen...if I had an hour, I could list for you everyone who is calling me. Everyone wants to invest in Canada. I would say, sir—

Mr. Greg McLean: Pardon me, Minister—

Hon. François-Philippe Champagne: Hold on, sir. You asked me the question. I'll give you an answer.

Mr. Greg McLean: I did ask you a question. You gave me an answer, but I'm also going to say that every one of these is based on millions of dollars' worth—tens of millions, sometimes \$14 billion—of government investment. That is not an economy. That is taxpayers' money being used to subsidize everything you are doing at every step of the value chain.

That's not exactly a business plan for Canada going forward. How are you going to attract actual international investment that isn't based upon pure government subsidy?

Hon. François-Philippe Champagne: Well, sir, I'm not going to take lessons from a party that let down the good people of St. Thomas and let 8,000 jobs go.

If my colleagues want to look at what the world is doing right now, Canada is winning, and we're winning—

Mr. Greg McLean: Are we talking about \$14 billion for 2,000 jobs? How many jobs are we actually subsidizing here?

Hon. François-Philippe Champagne: It's 30,000 jobs—

Mr. Greg McLean: Thirty thousand is a make-believe number.

Hon. François-Philippe Champagne: This is going to be the largest single plant in Canada's history.

Actually, Mr. Chair, just for the record, there is nothing about \$14 billion. First of all, the company needs to build a plant of \$7 billion, and if and whenever they build and sell one battery, subject to the IRA, retroactively, over 10 years, there might be a production support. That's the reality of this deal.

I'd be really happy to come and explain to everyone in this room why this is the best deal for Canada, with a payback of five years for a company that will be there for a hundred years. I can tell you, sir, because I've been involved from day one: Every jurisdiction in the world would want that plant, because that's going to be the largest Volkswagen plant in the world to produce batteries.

I have ambition for Canada. This is about possibilities and ambition. You don't need to look far, sir. Just look south of the border. Just look at what our friends are doing in the United States. I believe we need to be there to support industry and to support our workers. That's what I did.

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

[*Translation*]

Thank you, Minister.

Ms. Lapointe now has the floor for six minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

Good afternoon, Minister. We're pleased to welcome you today.

No one here will be surprised to learn that the questions I'm going to ask today will be on critical minerals.

Could you, Minister, describe the protections for critical minerals in Bill C-34?

Hon. François-Philippe Champagne: Under Bill C-34, giving notice is a requirement. We want to be aware of these investments as quickly as possible so that we can conduct a national security review.

The committee members and my colleagues have definitely seen that I'm prepared to use the act on behalf of Canadian interests. We recently blocked three transactions by Chinese companies that wanted to acquire certain activities or assets in a number of mines here in Canada.

The bill will give us more tools. The required notice is one example of this. It will enable our teams to conduct a national security analysis. The principle underpinning the bill is to have as many tools as possible in the tool box to protect national security. Critical minerals are definitely in the picture here.

Earlier on, a member asked a question about Volkswagen. Volkswagen came to Canada because of the qualified workforce, the ecosystems, and access to critical minerals, renewable energy, and the market.

My concerns include not only protecting the mining of our critical minerals, but also the refining thereof. The idea is to keep the added value of these resources here in Canada rather than exporting raw materials to other countries.

• (1650)

Ms. Viviane Lapointe: For the Minerals Security Partnership, can you explain how we work with our allies on common national concerns in connection with critical minerals?

Hon. François-Philippe Champagne: As you know, we are in partnership with our colleagues in the United States and Europe. Bill C-34 includes a provision that will enable us to exchange information with our colleagues and allies around the world.

It's an important provision, because of what we can see happening today in terms of development. For example, state or non-state stakeholders could purchase part of a technology in one country and another part in a different country and end up with a dual purpose product, meaning both military and civilian, that could eventually prove harmful to Canada's national security.

From that standpoint, the provision in the act that allows for the exchange of information with our partners is important for the protection of national security. As you know, I was at one point the Minister of Foreign Affairs. Over the years, I encountered instances of companies purchasing components in various countries, a practice that enabled them to eventually make a particular product. Unless we exchange information with our allies, including the Five Eyes, things like that could take place under the radar.

This provision in the bill is essential because it will enable us to work more effectively with our partners. Given how quickly quantum technologies and advanced digital technologies are developing today, we need to be able to exchange information with our American, British, Australian and New Zealand partners when we carry out a national security study, to ensure that we understand all the repercussions.

Ms. Viviane Lapointe: Will this bill contribute to a reduction in potentially harmful foreign investment in critical minerals?

Hon. François-Philippe Champagne: Definitely. I think, in fact, that this is something we anticipated. What I want for the country is for the bill to provide even more tools.

For example, it would no longer be the Governor in Council, but rather the minister, who could extend review periods. This would give intelligence services more time to do their work. And then there is the exchange of information. That was a concern shared by several of our opposition colleagues who were in government. We want to give the security organizations more time to do their work.

Then there's the whole issue of undertakings that have to be submitted in compliance with the bill. This, for cases of national security, would enable us to have legally binding undertakings.

This set of tools will enable us to better defend Canada's national security in terms of investment.

Going back to the question asked previously by one of our colleagues, Canada attracted a record number of investments in recent years, and that's a good thing. Nevertheless, these investments have to benefit Canadians. I believe we were able to do that during these years, but the bill will certainly be useful to future ministers, because they will have more tools in the tool box.

Ms. Viviane Lapointe: I think I have enough time for one last question.

In your opinion, what is the most significant change this bill will make in terms of critical minerals?

Hon. François-Philippe Champagne: The most important aspect of Bill C-34 is the provision that allows the minister to extend the national security analysis period. In these matters, the agencies have a lot to look at. I believe that the guidelines we have come up with, meaning the four policies I previously announced, send a very clear signal to markets about critical minerals: we take this issue very seriously and allow acquisitions by state enterprises only in special cases, because we know that it's a key sector for Canada's economy and for several of its allies.

We want to develop these resources and build our economy here. As I was explaining it earlier, what we want to do is not just mine and export natural resources. The idea is to mine them, refine them and keep the added value here in Canada. That's how we're going to go about building a strong economy.

• (1655)

The Chair: Thank you very much.

Mr. Lemire, you have the floor.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

In your opening address, Minister, I expected you to mention the Huskies' victory over the Cataractes de Shawinigan in the playoffs.

Hon. François-Philippe Champagne: I got wrapped up in our colleague Mr. Masse's accomplishments.

Mr. Sébastien Lemire: I wasn't able to get you to bet, but I nevertheless amicably told you that the Huskies would win in five games, and I would like to officially report that that's what happened.

Bill C-34, which focuses strictly on national security, is not doing anything about the fact that Quebecers and Canadians are gradually losing control over their own economy. That's why we are asking the government to table another bill to modernize the whole Investment Canada Act rather than just the section on national security. National security is all very well, but economic security is also important.

You decided not to do anything about the thresholds. Why was lowering the thresholds not part of the Investment Canada Act strategy?

Hon. François-Philippe Champagne: The key focus of the bill was national security because that's what generates the most interest. I would nevertheless tell you that in the analysis of national security, we were able to do a number of things to protect the country's economic interests. One example is the Paper Excellence Group, in which you are keenly interested, where we were able to obtain undertakings to protect the economic interests of Quebec and Canada.

Moreover, the new provision for filing these undertakings will also enable us, whenever we are doing a national security review, to obtain binding undertakings. That's what our American friends often do to protect their national interests.

Mr. Sébastien Lemire: I repeat that Quebec's economy remains open to the world, as you know, and foreign investment is essential to its economy. And yet from 2009 to 2019, only 1% of acquisitions were reviewed under the Investment Canada Act.

Could more still be done to further protect the head offices of our companies? Small and medium-sized enterprises are central to the Quebec economy, perhaps to a greater extent than in the rest of Canada. How can we protect our SMEs and send a clear signal that we want to keep the economic development of our enterprises and our strategic niches in Canada?

Hon. François-Philippe Champagne: I have the same concern as you on this, Mr. Lemire. Protecting the interests of Quebec and Canada is of course always among my objectives.

I have a table on national security reviews which shows that they have been increasing in number. In 2017, there were four exhaustive national security reviews. This increased to 10 in 2018, dropped to nine in 2019, but then rose to 24 in 2020, 2021 and 2022. So you can see that over time, we have been doing more and more national security reviews, precisely to protect the economic interests of the country.

Mr. Sébastien Lemire: The highest number for a given year is 24 reviews out of 1,255 investment projects. That's 2%, which is relatively low.

But what tools provided in the bill would, according to you, make it possible to confidently continue to develop Quebec's economy while maintaining some control over foreign investment? We know how proactive you are in seeking such investments from around the world.

Not only that, but how important do you think it is to provide protection over intellectual property given that Quebec has a lot of start-up companies, which are particularly vulnerable? Thresholds are, among other things, used to protect start-ups.

Hon. François-Philippe Champagne: In terms of national security, we'll be in a good position to accomplish a lot. These interim measures are certainly important, because we want to make sure that there won't be any technology transfers during the review. That's a significant shortcoming in the current Investment Canada Act. That's why I am hoping that with the assistance of our colleagues, we'll be able to have this bill adopted as quickly as possible.

As you were saying, Mr. Lemire, what's important today is intellectual property and all of the intangible assets. We want to prevent the transfer of any given company's knowledge or secrets. So if you were to ask me whether one provision was more important than others, I would answer that it's the one that will enable us to establish interim conditions while we are carrying out the review.

Some of our colleagues have had to apply this act in the past. Imagine a company today that wants to purchase an artificial intelligence enterprise. Without a measure of this kind to prohibit the transfer of knowledge between the two, even if a transaction is blocked, the harm has more or less already been done.

That's what we have to accomplish. It's one of the most important tools for defending the country's economic interests.

• (1700)

Mr. Sébastien Lemire: During the last Parliament, the committee did a study on the Investment Canada Act. One of the recommendations was to modernize the act. Thank you for having done just that.

One of the important aspects was transparency. Can the conditions presented to the minister be made public? Does the current act provide for that?

How to ensure that more is known about your undertakings or about the conditions you are prepared to require from investors in order to benefit from our creativity and resources and keep the economic value here in Quebec and Canada?

Hon. François-Philippe Champagne: I believe you've put that clearly, Mr. Lemire.

I'm all for transparency. There is, of course, the annual report, and there are other things that we can do in that area. There could be a judicial review. I want to provide parliamentarians with as much information as possible.

However, it's important to know that our decisions are often based on issues of intelligence. We therefore need to strike a balance.

As for the annual report, we're prepared to look at that with members of the committee. We can try to see whether people want more information in it, provided that we can maintain this essential balance. As you know, it's a process which, by its very nature, requires us to maintain the trust of investors, and involves various non-disclosure considerations for each competing enterprise.

I believe that through our policy statements in the annual report on what we are doing, and also in our approach to the annual report, we provide a lot more information than we used to. Various people, and my colleagues, will no doubt recall that for Neo Lithium, we were able to give out more information than in the past. The senior officials will be able to tell you more about that.

I'm in favour of this transparency, but at the same time, I believe we need to maintain this balance with respect to information, precisely in order to be able to make the right decisions.

Mr. Sébastien Lemire: Thank you, Minister.

The Chair: Thank you, Mr. Lemire.

Over to you, Mr. Masse.

[English]

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you, Mr. Minister, for being here.

Through you, Chair, I want to thank the minister and all the members of the committee and members of Parliament for supporting the private member's bill. It's also about reconciliation, so I really appreciate that today. Thank you very much for that. I really appreciate that a lot.

Hon. François-Philippe Champagne: I'm proud of you.

Mr. Brian Masse: Thank you. That's very kind.

I do want to touch a little bit on Volkswagen with regard to the investment there. I remember the days before, when General Motors collapsed and so did Chrysler. Actually in the eighties, Chrysler collapsed and we actually made money off of supporting them at that time because we cashed in shares. Later on, with General Motors most recently, it was then minister Jim Flaherty who at first said we wouldn't do anything because we couldn't pick winners or losers, but then came around. The government actually invested there and we now have massive amounts of reinvestment. There were also some new engineering jobs. Had we not sold the shares that we got from that, we would actually have made more money back then, but the government did sell the shares. Maybe can you highlight a little bit...because I wouldn't want the impression to be that there are no terms and conditions on this. I've been very critical in the past of having no terms and conditions. We had a plant that got money and went to Mexico.

When I look at the deal you made with Volkswagen, I see it as being a little bit different. Perhaps you can outline that. I did a green car strategy with Dr. David Suzuki and Joe Comartin, my former colleague, back in 2006. I'm seeing this as being a little bit different, and I would like to see what you can provide on that.

Hon. François-Philippe Champagne: Sure. First of all, let me congratulate our colleague on a great achievement on the Ojibway national urban park act.

For me, the way we have structured the deal with Volkswagen is as Canada's response to the IRA in a very smart way. We've said that the company in this case needs to build a facility. We're talking about a \$7-billion facility. We said in the fall economic statement that we would be levelling the playing field with respect to the Inflation Reduction Act in the United States, but that we would not have a race to the bottom. That would not be smart for anyone to do that, and that's what I have been advocating in Washington and in many parts of the world.

What we said was that first they would have to build the facility, and then we would provide production and support. I like it because the conditions are in the contract, to your point. That's why I was saying to colleagues before that, when people say it will be between \$8 billion and \$13 billion, that will only be, perhaps ever, if they build a battery and sell a battery, subject to the IRA being in place or any reduction in the IRA, whether the amounts would be reduced or the IRA would be disappearing, and after that it would be done retroactively. Then you have a number of contractual conditions around that, which I think, to your point, are the best way to protect Canadian taxpayers, because not only do you have an upfront investment by the company, but as we saw with GM and Ford, if you do an equivalent analysis, if you look at the multipliers that are normally used, an investment like that will generate between \$200 billion and \$400 billion over 30 years.

Now, for folks who were here before the pandemic, a federal budget is \$300 billion. That's the equivalent in 30 years of a full federal budget in terms of the economic impact. What we did at the time was look at what the payback was. That's what I focused on. When people invest, they get a return on investment.

To your point, we said there would be 3,000 direct jobs. If you look at that, it's 30,000 indirect jobs that will be created in the Canadian economy. My answer is that this is Canada's response to the IRA in a very smart and targeted way, because, to your point, we said we are not the United States, so it has to be targeted, focused and very strategic. Bringing in the first-ever European manufacturer to Canada and the first OEM in 35 years, you would agree with me, is a home run.

• (1705)

Mr. Brian Masse: Yes, it is. I come from the big three tradition, and it is because it has been something we've been trying to get for a long time.

We're already seeing the effects of the IRA, the Inflation Reduction Act, because even Canadian companies are subcontracting out some work to make eligibility back in the United States. It's going to get highly complex, and that's even for tool and die mould-making and so forth, so I appreciate that you're in front of trying to compete with it, because if we don't, then you're out of business generally. We don't like it in some respects, but that's the way this works.

I want to move on—actually, this does include land close to the Ojibway national urban park and by the Gordie Howe bridge—to a situation and to find out how Bill C-34 can deal with it. Windsor Salt was bought up by a holding firm and has now been bought by another one called “Stone Canyon Industries”. It's a U.S. holding firm.

It's now on strike. Stone Canyon is known for basically being a hedge fund for union-busting. That's what they're trying to do. There hadn't been a strike there in 30-something years. There now is a strike because they're trying to get rid of the union.

I guess the point is how we deal with this in this act where, for example, a Canadian business is bought by a legitimate green-lit buyer at the beginning, but maybe later on a foreign national state government comes in. Is there anything we can do about that? If it's a holding company, some of these private equity forms are also owned by different fiefdoms around the world, and we don't know where some of the money comes from.

Do you have any thoughts about that? Anbang was another one that came up before with the Chinese with regard to that situation. Is it almost like a rope-a-dope, where somebody buys a Canadian company and then later on, within a year or something else, it gets bought by another state-owned entity?

Hon. François-Philippe Champagne: Thank you for your question.

To go back to your first thing, I'd say that when I started as industry minister there were plans about the slowing down of the auto sector in Canada. I think we've turned that around in a couple of months, and I can tell you that my phone is ringing like crazy, because if it's good for Volkswagen, it's good for the world. Now everyone wants to come, which is pretty good.

To your question, I think that every time there's a transaction under the act, it's subject to a review on national security, so it's not an evergreen thing. If there were a new buyer, a foreign buyer, that would be captured, and the pre-filing notice requirement will help. As you know, today they have to notify us regarding only sensitive areas, so not everything is captured. I think the pre-implementation filing requirement is the best insurance policy to make sure we can detect that and to make sure we have a national security review.

Mr. Brian Masse: Do I have any time?

The Chair: No, you don't, Mr. Masse.

Mr. Brian Masse: Okay. Thank you. It's all fair.

The Chair: We'll get back to you.

[Translation]

Mr. G n reux, you have the floor now for five minutes.

Mr. Bernard G n reux (Montmagny—L'Islet—Kamouraska—Rivi re-du-Loup, CPC): Minister, does the name "Medicago" mean anything to you? If memory serves me correctly, approximately \$200 million was invested and then, all of a sudden, it just disappeared.

I hope we're going to build batteries. Seven billion dollars will still make each battery quite expensive.

Hon. Fran ois-Philippe Champagne: It's not the government that invested \$7 billion.

Mr. Bernard G n reux: I know, but the government nevertheless gave Volkswagen some subsidies. You opened the door to the industry by giving the company a record amount in subsidies. The till will soon be empty unless your telephone stops ringing with all kinds of other companies asking for as much as the government gave Volkswagen. But then that's another topic.

I'd like to get back to Bill C-34.

Neo Lithium was bought in January 2022 by a company owned by the Chinese government. In November 2022, about 10 months later, the Canadian government asked three Chinese companies not to get involved in Canada's critical minerals sector.

Why wasn't that done for Neo Lithium? It seems to me that it too was a national security issue.

• (1710)

Hon. Fran ois-Philippe Champagne: I'll give a very clear answer to your first question, Mr. G n reux.

As we said, Canada, which is not the United States, will only allow a few investments of this kind. The other companies that have been calling want to invest in the Canadian ecosystem. That's why we decided on the contracts rather than the tax credits route. We choose those we are going to work with and we do it in a limited way; there are also several contractual conditions. You may have heard about these. We protect the interests of Canadians through a few highly targeted investments.

To answer your other question, I admit that it was based on information I had received from the intelligence services. We know that the Neo Lithium situation was special. When analyses are being done and decisions being made, I, as the minister of Innovation, Science and Industry, rely on intelligence received. When I decided to block the transactions of the three Chinese companies that wanted to make acquisitions, it was on the basis of the intelligence I received when the matter was presented to me.

Mr. Bernard G n reux: Are you planning to block all Chinese investment in Canada?

Hon. François-Philippe Champagne: I'm going to look very carefully at potential investments. I think, on the basis of the policies that were introduced, there are some key sectors that affect Canada's national security. We said that we would be paying special attention to transactions in these sectors. For state companies, we said that we could not allow transactions in the critical minerals sector unless the circumstances were very special. I think that the signal is clear: we're going to defend Canada's national interest in critical minerals.

Mr. Bernard Généreux: Mr. Chair, I had forgotten that I was sharing my speaking time with Mr. Fast.

I'm giving him the floor.

[*English*]

Hon. Ed Fast (Abbotsford, CPC): Thank you very much, Minister. It's good to have you here at committee, and it's nice for me to be back at this committee.

I want to go to Volkswagen again. Earlier my colleague Mr. Williams asked you for a study that was done on the Volkswagen deal and seemed to indicate that there was a return on investment over five years. He asked you for a copy of that study. You demurred. I'm going to ask you again if you would provide this committee with a copy of that study.

Hon. François-Philippe Champagne: I would say you should talk to the Trillium Network because they published the study.

Hon. Ed Fast: You know that the Trillium Network will not provide us with that study. The government based its decision, a \$14-billion decision, on that study, or at least in part on that. Canadians certainly should have the right to have a look at the basis, the actual assessment and evaluation that were done, before \$14 billion of Canadian funds are committed.

Again, I'm asking you if you would provide this committee with a copy of that study. It's a very simple request.

Hon. François-Philippe Champagne: I would say you should ask the Trillium Network, and to be clear for the record, we did not base our decision on that, Mr. Fast. This is a generational opportunity. We've been fighting for a year on that, to bring \$200 billion to \$400 billion of economic value to the country. Mr. Fast, you have been minister of trade. You would have done everything in the world to bring an investment of that magnitude, my friend, and we landed it.

This is a moment to celebrate. It's about ambition. It's about possibilities. Let's dream big. We're Canada. We're big.

Hon. Ed Fast: Minister, you actually have suggested that this study or the five-year return on investment contributed to the fact that you made this positive investment decision, so you have admitted that you've based a decision at least in part on this study. Would you please provide this committee and Canadians with a copy of that study so we can see some of that information that you based your \$14-billion investment on?

Hon. François-Philippe Champagne: It's not a \$14-billion investment. It's a \$7-billion investment by Volkswagen. Let's be clear here, because we should not confuse Canadians. You're talking about \$7 billion of Volkswagen's money to build a plant and a potential contingent liability—potential—to provide production sup-

port down the road after the plant is built, subject to the IRA retroactively after a year, sir, so—

• (1715)

Hon. Ed Fast: With respect, Canadians aren't going to buy that. A contingent liability—

Hon. François-Philippe Champagne: Actually Canadians understand that. You should have been in St. Thomas with us, sir, and you would have seen that Canadians are totally with us.

Hon. Ed Fast: My simple question is this: Will you provide this committee with a copy of that study, yes or no?

Hon. François-Philippe Champagne: I would say to ask the Trillium Network, because that's their study.

Hon. Ed Fast: Listen, Trillium will not provide us with that study. It's the government that should be providing us with that study.

The Chair: Gentlemen.... Mr. Fast and Mr. Champagne—

Hon. François-Philippe Champagne: We did not base our decision.... We based it on a generational opportunity.

Hon. Ed Fast: Yes or no, will you provide us with that study?

Hon. François-Philippe Champagne: Ask the Trillium Network, sir.

Hon. Ed Fast: Oh, my goodness. Please, Minister—

The Chair: Thank you.

Thank you, Mr. Champagne. The time is up for this intervention. How convenient for me, as chair.

We'll now turn to—

Some hon. members: Oh, oh!

[*Translation*]

The Chair: Order.

I have the floor, Minister. Please remain silent when the chair is speaking.

Mr. Gaheer, the floor is yours.

[*English*]

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): That's great. Thank you, Chair.

Thank you, Minister, for being here before the committee.

Thank you for being here to discuss this important piece of legislation. In your opening remarks you outlined some key issues that the bill would address including national security concerns, so I have a couple of questions regarding national security concerns.

One, in your opening remarks you mentioned the difference between a national security review and a net benefit review. Could you expand on that a little bit?

Hon. François-Philippe Champagne: Thank you for the question.

Mr. Chair, obviously you have the final word on everything, so we'll focus on the question that was asked.

Definitely, what I was saying was that Bill C-34 is under national security, which has no threshold. The first thing I was trying to explain to the committee and colleagues was around the fact that, when it comes to national security, there's no threshold, so we review any transaction that would have an impact on national security. That's what Bill C-34 is about. It's to provide more tools in the tool box with respect to that.

The net benefit test has a number of thresholds, whether you're part of the OECD or whether you're a country with which we have a trade agreement, but what I'm saying is that because of what we were looking at—and colleagues have been asking questions—when it comes to national security, there's no threshold. I think it's important for colleagues to know that, because that's really what we're looking at. It's to have more tools in the tool box, because there were questions at the time from colleagues on whether we are looking at all transactions. The response is clearly, when it comes to national security, that every transaction, every investment, is subject to the act.

Mr. Iqwinder Gaheer: Thank you.

Some acquisitions happen before a national security review is completed. Will these new amendments prevent that sort of situation from happening or not?

Hon. François-Philippe Champagne: I think the new pre-implementation filing requirement is certainly going to be a tool in that, because this is going to define specific sensitive sectors where we want to have access and we want pre-notification. Today, there is no obligation legally for doing that.

We have done a policy statement. If you look back, in August 2022 we allowed for voluntary pre-notification, but I think what the act is going to be doing is that—this is going to be with respect to specific sectors—they will have to pre-notify the Government of Canada. Therefore, obviously, we can better protect these investments.

Mr. Iqwinder Gaheer: That's great. Thank you.

Do all foreign investments undergo a national security review? What about investments from countries like the U.S. or Australia?

Hon. François-Philippe Champagne: That's a very good question.

That's why in the pre-implementation filing requirement we have limited that for specified investments, because I think colleagues have been saying the vast majority of investments are not an issue of national security. That's why we're going to publish in regulation the sectors where we want to see them, because colleagues who have to implement this act, to work with this act, know that there are thousands and thousands of investments that do not rise to that, and we don't want to increase the burden.

We want to welcome investment in Canada and provide the maximum benefit to Canadians, but at the same time, we want to protect our national security. Therefore, in sensitive sectors it will be

defined in regulation, because this is going to be evolving over time. That's where you want to make sure that you have pre-notification of these investments.

Mr. Iqwinder Gaheer: Thank you.

Chair, I'm wondering if I have room for one more question.

• (1720)

The Chair: You have about one minute left.

Mr. Iqwinder Gaheer: Minister, what is the role of the Minister of Public Safety and other investigative bodies in the decisions on whether to mitigate or whether to possibly alter the mitigation?

Hon. François-Philippe Champagne: I think it's a very key role and I'm happy you asked that question, because the authorities sought here are not only for the Minister of Industry. It's always in consultation with the Minister of Public Safety. The Minister of Industry bases his decision on intelligence that is coming from the Department of Public Safety and the different agencies.

I think there's a bit of check and balance there that colleagues would welcome in those terms. It's not only the Minister of Industry. It's the Minister of Industry in conjunction with the Minister of Public Safety, and sometimes when you go to a final divestment—for example, a blocking order—that has to go to the Governor in Council.

There are a number of checks and balances in the system. One is to provide flexibility for the process to be robust, to be efficient and also to strike the right balance. That's what we've been trying to do in this act.

Mr. Iqwinder Gaheer: Thank you, Minister.

[*Translation*]

The Chair: Thank you very much.

Over to you, Mr. Lemire.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

Minister, the overall objective of the Investment Canada Act is to protect Quebec and Canadian firms from being taken over by foreign interests, or at least interests contrary to our national interest. It's also to protect certain key economic sectors against these foreign enterprises, which could become hostile to our interests. Do you agree?

Hon. François-Philippe Champagne: Yes.

Mr. Sébastien Lemire: I'd like to hear what you have to say about the example of CRRC Corporation Limited, a Chinese railway sector company. It was de facto banned in the United States for national security reasons, and in particular for cybersecurity risks. Now, this very same company is currently pre-qualified for the renewal of the Toronto subway train fleet.

Would your proposed reform mean that a company like CRRC, which is banned in the United States for reasons that are clearly related to national security, would also be banned in Canada?

Hon. François-Philippe Champagne: It's difficult for me to comment on a transaction for which I don't have all the details. The Investment Canada Act governs transactions between foreign entities and Canadian companies.

That being the case, an analysis of the facts would be required to determine what's happening. What I understand from your example is that we are talking about an acquisition of equipment rather than an acquisition of a company. Since I don't have all the details, I can't really answer. We need to stay within the bounds of what the Investment Canada Act covers, which is transactions involving Canadian companies.

Mr. Sébastien Lemire: So how can we make sure that we are protecting Canada's interests if, in public tender calls, we find ourselves giving preference to the Chinese, who can offer the same service at a much lower cost than Quebec or Canadian companies?

Hon. François-Philippe Champagne: I understand you. You and I often have the same feelings about subjects like that. I think that in this case, what needs to be determined is which entity launched the acquisition process, and the grounds and conditions under which it was launched. Nevertheless, I don't think the process for acquiring equipment would fall under the current act. The Investment Canada Act is about the process of acquiring Canadian entities or Canadian companies.

I understand your point of view. It could be something for the committee to study. It could examine the issue of how tender calls might do a better job of protecting the interests of Canadians. I'd be happy to hear what the committee might say about that. I'm aware of federal, provincial and municipal jurisdictions in this area, but I'd be willing to listen to the committee's suggestions.

Mr. Sébastien Lemire: With respect, you've overloaded the committee calendar for the coming months, but we'll keep your suggestion in mind. We have three bills coming.

Thank you.

Hon. François-Philippe Champagne: You're working hard.

The Chair: Thank you.

I'm now giving the floor to Mr. Masse.

[English]

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

It's true that we work hard

A previous minister of industry—I won't say who—now has a job with one of the largest telco providers in Canada. They announced some money for what was a Mexican company on the surface, but there was a holding company in the U.S. that owned it. The innovation was done, and then the company moved that innovation to another country, to Mexico. It was Nemark. Then, we had to fight to get the workers' pensions.

I won't get into all the details, but I'm concerned about what types of thresholds there are and how vulnerable Parliament is depending upon who sits in the minister of industry's seat in terms of

evaluating when we have government supports for research and development, SR & ED tax credits and so forth, for Canadian companies. How do we evaluate that in terms of saying yes or no when they're bought by foreign entities? How does this bill relate to that? It's a little bit tricky again, but—

• (1725)

Hon. François-Philippe Champagne: No, I appreciate your question.

I think colleagues would appreciate that this is all about providing more tools in the tool box. I can tell you that, in my experience as Minister of Industry, I feel constraint sometimes to meet the high level of ambition of the committee and Canadians in terms of protecting national security with respect to foreign investment with the tools in the tool box. Why? I would say that the situation has evolved. We want to go at the speed of business. Intellectual property has been taking on more importance and tangible assets. The fact is that we cannot seek undertakings under national security, while the Americans do that all the time. There are pre-filing requirements like having a stand-still period, if you want, during the review. To me, they're all pretty common sense.

Maybe the committee will think that there's more that we could do, but my desire for future ministers is not to be necessarily in the position that I've been in, which is trying to do as much as I can with the very limited set of tools that I have. I think that, as the situation evolves, you will want to vest in the Minister of Industry...subject to a number of safeguards. It would be in consultation with Public Safety. As colleagues have said, there's the Governor in Council, and there are going to be a number of checks and balances. However, for future ministers, I would hope that they have more tools in their tool box.

Mr. Brian Masse: Thank you.

The Chair: Thank you very much.

We'll now turn to Mr. Williams for five minutes.

Mr. Ryan Williams: Thank you very much.

Mr. Minister, thank you for being here again. It's always a pleasure.

I want to talk a little bit about some numbers we had last week when it came to Medicago and Novavax. You talked about IP protection. We want to protect the IP that came out of these companies. Did we ever get any of the IP from Novavax or from Medicago?

Hon. François-Philippe Champagne: Allow me to go back to your question, and I think it will make you happy. I'm happy to talk to the Trillium Network to see what they can provide to the committee.

Mr. Ryan Williams: Is that the report specific to Volkswagen?

Hon. François-Philippe Champagne: To be honest, I would have to go back to them and see what they can share with you.

Mr. Ryan Williams: There is a public report from September that talks about the EV industry.

Hon. François-Philippe Champagne: Yes. On this, I want the committee to see that I want to be transparent. If it's their information, what I'm committing to you today is that I'll call them after the committee meeting and see what they're willing to share with the committee. I just wanted to say that.

Mr. Ryan Williams: I would appreciate that. In the name of transparency, we appreciate that.

Hon. François-Philippe Champagne: Exactly. No, I want.... Since it's their information, I have to talk to them first, but I commit to the committee that, after I leave, I will talk to them and see what they're willing to make available to the committee.

To your question on Medicago, you know Medicago is a challenging situation. I have three objectives: maintaining jobs, maintaining IP and trying to keep the company as a going concern. What we have been talking with the CEO of Mitsubishi in Japan about was really to achieve that.

At the time when we invested in Medicago—and I know that now people can look back and say that maybe we should have and maybe we shouldn't have—we wanted to invest in the five families of vaccines, because no one knew which would one would work. Actually, for Medicago, when you talk to the WHO, they will tell you that plant-based vaccines have a lot of potential to be able to cure future pandemics we could have.

My main mission to you, sir, today is to protect the IP and keep that in Canada, using our contractual provision that we have to lock the IP in Canada. That's what I'm doing.

That's why, to go back to Volkswagen, I like to do that in a contract, because a contract gives the government far more tools when we want to do certain things than if you just do it like the United States, for example, with the tax credit. That, I think, is the smart answer of Canada to the IRA.

Mr. Ryan Williams: In terms of Novavax, where are we with that company right now and that investment?

Hon. François-Philippe Champagne: I cannot tell you.... As Minister of Industry, what we're doing with the facility in Montreal is that we want to qualify the NRC facility as a good manufacturing practice facility. We had selected Novavax at the time.

The latest word I have, sir, is that it's working, but I'll be talking to the CEO of Novavax. As a matter of fact, I think I'm talking to him early next week to inquire.

Mr. Ryan Williams: I'm wondering if you could answer a question we had the other day. In a report from ISED, it did say that we had nine million doses of vaccines from Novavax, but there have been zero produced in the Novavax facility here in Canada. Where did those come from?

Hon. François-Philippe Champagne: Sir, I would like.... I don't have the details of that, but I'm sure the officials—

Mr. Ryan Williams: If you don't mind, yes, your officials....

Hon. François-Philippe Champagne: It might not be at ISED. There may be other officials at other departments, but we'll endeavour to provide you the answer.

Mr. Ryan Williams: Okay. If Novavax does fail, do we have any IP provisions to hold onto what's been produced there? They were supposed to do a different vaccine. Is that correct?

• (1730)

Hon. François-Philippe Champagne: Yes, exactly. Medicago is plant-based. The one they have in Novavax is different from the mRNA we have with Moderna, so that's why we have different families of vaccines.

I think our fill and finish capacity when I started was around 30 million, and now it's around 610 million. Whatever may happen to Canadians, we would be in a much better.... We're probably closer to a billion by now in terms of fill and finish capacity.

With respect to Novavax, I'll have a bit more to report if the committee is interested, because I'm talking to the CEO next week, as I said, because I have not talked to.... It's the new CEO, I should say, because the former CEO I've talked to in the past. I'm talking to the new CEO next week, so we may have more details.

Mr. Ryan Williams: I guess what I'm getting at is that we've had a couple of failures. When we take risks, that's going to happen. Businesses know that. We've had Medicago, Novavax and CanSino with certain procurements for vaccines.

When it comes to the Volkswagen deal, how are Canadians protected from any kind of failure? What specifically is there if, let's say, something were to happen to critical minerals or if consumer behaviour in five years is that they've decided not to buy complete EVs? What are we in for and what happens if that deal falls through?

Hon. François-Philippe Champagne: I'm happy you asked the question, because I think the purpose of the committee should be to provide clarity to Canadians.

The safeguard for Canadians is that, when you refer to the \$8 billion to \$13 billion I referred to, any of these amounts—it's called production support—would only come into play, first, if you have the facility, and then you start producing and you're selling batteries retroactively. None of that amount today is payable. That only comes if and when the plant is built, when they start production not for inventory but for sale retroactively subject to all the conditions of the IRA, on the same schedule. If the IRA were to say that it's not up to 2032 but it's up to 2030, the amount would be reduced in the same way. The—

Mr. Ryan Williams: To clarify—and I understand that contract because I think you've described that today—if the plant didn't get built, if we didn't have a battery produced for external reasons or for whatever reason, whether consumer choice or lack of critical minerals, what would Canada be in for in terms of the commitment we made based on paying out batteries?

Hon. François-Philippe Champagne: There is the production support. That's the \$8 billion to \$13 billion if and when a battery is produced and retroactively on the basis of the production schedule. On the capex, if you want, the capital investment for the building, the strategic innovation fund has provided \$700 million for a \$7-billion-plus plan. To your point, the \$8 billion to \$13 billion would never come to be payable because that is contingent upon the production and sale of batteries. You set that aside because that's production support.

Mr. Ryan Williams: SIF is \$700 million, and that's an upfront cost.

Hon. François-Philippe Champagne: I'm just trying to—

Mr. Ryan Williams: Yes, I know that. Is it in the contract that there's a price if they don't get to production? The commitment per battery is \$7,500, which matches the IRA. Is that correct?

Hon. François-Philippe Champagne: It's US\$35 per kilowatt hour, but my point is to say, if you allow me—I know the time and I'm happy to extend because I think it's very important for Canadians to understand—the production support is only if and when the plant is built, they manufacture batteries and sell them subject to the IRA and all the decreases you could have in the IRA. If there's no IRA, there's no support, so that is that. That's the protection. It's in the contract.

For the manufacturing of the building, as SIF has always had as its condition, it's \$700 million out of a \$7-billion-plus plan, and we only pay an installment based on the schedule of production. You never give a cheque in advance. You pay an installment based on the construction schedule. As the building is built, you disburse the money. That's what the strategic innovation fund does in all the capital investments.

To your question, if the plant were not to be built, there would be no liability for the Government of Canada, because then the SIF money would not come into force because it's for the building, and the \$8 billion to \$13 billion is based on the manufacturing and sale of batteries.

Mr. Ryan Williams: I know, but my question specifically was not if the plant wasn't going to be built. It was about if consumer behaviour changed. If we didn't have critical minerals and if batteries weren't produced, how much would we be on the hook for?

Hon. François-Philippe Champagne: I understand—

Mr. Ryan Williams: Let's pretend that the plant is built, but we just don't have the production. I know it's in the contract, but do you know the specific terms? If the plant is built but batteries are not made, what are Canadians in for?

Hon. François-Philippe Champagne: Chair, if you'll allow me, assuming the plant is fully built, you would have the \$7-billion plan and \$700 million, because the plant is built. However, you'd have none of the production support because there would be no batteries manufactured or sold.

• (1735)

Mr. Ryan Williams: In other words, if the plant is built and no batteries are made, Canadians won't be on the hook for anything, just the \$700 million from SIF. Is that right?

Hon. François-Philippe Champagne: So again—

The Chair: My apologies, Mr. Williams, but I think that's been answered. It seems pretty clear to me. We're way over time for your questions, Mr. Williams, and over time also for the minister's appearance of one hour.

If you will allow, Minister, we will have one more round of five minutes.

Hon. François-Philippe Champagne: I spoke too long to try to explain, so I'm happy to stay.

The Chair: Perhaps we'll get another opportunity.

Mr. Van Bynen, you have the floor.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

I would like to get back to the purpose of this meeting, and that is to talk about the legislation and the new bill.

My first question is this: Were there consultations held? If so, how did the consultations in developing this bill help in the design of the bill?

Hon. François-Philippe Champagne: We had wide consultations, because there are two purposes within a law like that. First of all, I would say that it has to be the most significant update since 2009, so I think it's very much wanted based on comments not only from colleagues but from Canadian businesses.

With Canadian businesses and how we attract investment in this country, it is stability and predictability and, I would say, the rule of law. It's very important for investors to know what we're going to do. That's why I've done a number of policy statements as well, to be very clear to investors about what we expect under the act and how the act is going to be administered.

We consulted widely, but I think that's why I am urging you, colleagues, and my colleagues from the other side, to really very quickly study this bill to its conclusion, because I have said—and I think some colleagues have had to apply this act—that we need more tools in the tool box. I think these tools would serve Canada well, not for me, but I would say probably for future ministers down the road to make sure they have more tools in the tool box.

We consulted with a lot of industry, and I would say, Tony, that one thing that came up—and I think Mr. Lemire mentioned it—was all around intangible assets and IP.

People are saying, “Minister, in an IP-rich world, how do you protect that under the act?” I would say that the measures we have put in terms of the pre-implementation filing but also the measures that we put in place during the time that we review the transaction are the best safeguards. Because today, again, for colleagues to know that today, if we come to a national security review, there are no interim measures that could be applied.

As you know, in IP, it's not like with physical assets. If people start talking to each other and exchanging trade secrets, even if we block a transaction, it's probably too late. That's why I am urging colleagues to really say that we need that, because from the get-go, if it's a IP-rich company... Let's say that you have a foreign company that wants to buy a company that does quantum computing. I would want to impose interim conditions to say that no one should talk to the employees of that company until the time that we have decided that it's in Canada's best interests to allow that. No one should be talking to each other, but today I don't have that authority under the act. I think this is missing to better protect the economy of the 21st century. It's no longer bricks and mortar. It's about IP. That was some of the strongest feedback we received from the community.

Mr. Tony Van Bynen: We heard earlier questions about economic and business risks. We're in a global environment, so what are the other jurisdictions doing to address national security concerns in foreign investment reviews?

Does our approach align with our international peers such as our Five Eyes partners?

Hon. François-Philippe Champagne: Colleagues would know that one thing that is lacking today is undertakings. The Americans deal with national security on the basis of undertakings. To say, for example, “We will allow a certain transaction to go forward, but,” for example, “you're not going to take contracts from the defence department” or “you're not going to do certain things that would be harmful to national security.”

The Americans use that very much, in the sense that they would allow a transaction but then it would have a set of undertakings to say, “You can do this, but you can't do that; you can do this, but you can't do that.”

Today our system is binary. Either we approve or we don't. Sometimes, in the interests of Canada, you would say, “I want to approve it, but,” for example, “you're going to keep a majority of Canadians on your board” or “you're not going to deal with sensitive technologies” or, for example, “you're not going to share technology with foreign parties.” That's part of the challenge that we have under the act, that we cannot impose undertakings, which I think our American partners do all the time. That is really something that is lacking today.

To be honest, when I say, “for future ministers”, I think they would want to have that in their tool box to say, “That might be good, but,” for example, “you're not going to do this or that.” Today we can't, so—

An hon. member: *[Inaudible]*

Hon. François-Philippe Champagne: I'll stay as long as the chair wants me to.

An hon. member: *[Inaudible]*

Hon. François-Philippe Champagne: I'm very happy as well. Life is a long journey.

• (1740)

The Chair: That concludes your time, Mr. Van Bynen.

Minister, this is the end of the hour we had scheduled for your appearance at the committee. Of course, I won't prevent you from staying.

We thank you for your time, Minister. It's much appreciated.

I've been very generous, colleagues, because I thought the exchanges were enlightening.

Thank you very much, Minister, for your time.

I will suspend briefly so we can resume with officials.

Thank you.

• (1740)

(Pause)

• (1750)

[Translation]

The Chair: Dear colleagues, we are now reconvening this meeting of the Standing Committee on Industry and Technology.

We are now welcoming two senior government officials, Mr. Vincent and Mr. Burns. Thank you for being with us for the second hour of this meeting, which will be shorter than planned, because we have only 30 or 40 minutes left.

We will now continue our discussion of Bill C-34.

Mr. McLean, you have the floor for six minutes.

[English]

Mr. Greg McLean: Thanks to the officials for being here.

I'm going to go back to where I was when I was asking the minister about all the foreign investment that comes in and the value chain we're trying to build here in Canada for strategic metals that go into battery processing, into battery manufacturing and into cars, at the end of the day.

We are subsidizing now every one of those steps of production. We're subsidizing with flow-through financing, which is a gift for rich people, if you will, at tax time for the mines themselves. We're also subsidizing the processing of the minerals with offshore producers sometimes. We're definitely subsidizing offshore manufacturers when we build the batteries now, for sure.

We talk about looking at offshore financing as if it's something we should cast an eye upon, yet, at the same, time we're writing checks from the Canadian public for every one of these steps in this value chain.

Can you tell us what this value chain is worth if we have to subsidize foreign companies to come in and do this for Canadians?

Mr. Charles Vincent (Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry): Thank you very much.

Within the context of the Investment Canada Act, we're looking at when foreign companies are coming in to set up, purchase or acquire Canadian companies.

In that context, that's the scope of what the ICA looks at. There are other policies and other elements that look at strategic investments in the value chain you're referring to from mines right through to the automotive industry, but the ICA itself isn't going to shape or dictate that value chain. It's just going to look at when foreign companies come in to set up shop in Canada or acquire a Canadian company. Then it will assess whether that's in Canada's best interests.

Mr. Greg McLean: Yes, but at the same time, we're parking a whole bunch of Canadians' money into these foreign companies that we choose. The minister wants carte blanche to choose which one he says no to, which I presume means the contrary to that is that he's going to choose which one he says yes to as a result of what he's proposing here in this act. Therefore, it is a thumb on the scale of which international companies will get projects subsidized by the Canadian taxpayer in Canada. Right now that happens at the battery production level, at the lithium process level and at the auto manufacturing level.

I want the government to square this for me because, frankly, we are putting a whole bunch of bets on these electric vehicles, which have a large investment from Canadian taxpayers into them and a large, upfront CO2 footprint. This is not going around.

Can you see why we're not meeting any of our targets, either for bringing in foreign investment or lowering our CO2 emissions in Canada?

Mr. Charles Vincent: As different investment opportunities come forward, they will fall within the purview of the Investment Canada Act, depending on the nature of those investments and the degree to which they represent a foreign acquisition or a foreign company setting up within the context of the Canadian borders. From that standpoint, those companies, when they acquire a Canadian company, for example, will have to notify us. At that point, we'll look at that. If it meets certain thresholds, it would fall within the net benefit provisions, and we would look at it through that lens. If it doesn't, we would still look at it through a national security lens.

Mr. Greg McLean: I'm not sure that answers the question.

The whole thing is.... Take a look at the investments we're making through the SIF, and it is with foreign companies that are investing in Canada. We have to bribe them, and this is the minister writing cheques to these companies. We're giving them a lot of money, and they walk away with the IP, much like what has happened with Medicago and Novavax. This is on the edge of what's been happening with Rio Tinto, when we're gambling on a new technology for them. It's ArcelorMittal, which is gambling on a new steel production method.

The IP, at the end, even if it doesn't work, has some advantages that they're walking offshore with. We're not keeping our IP in Canada as a result of these decisions.

Can you explain how we're protecting the Canadian taxpayers' investment in intellectual property in that respect?

• (1755)

Mr. Charles Vincent: I'll try again to get a more defined answer from that standpoint.

There are multiple tools that are used in these investment periods. You mentioned the strategic innovation fund. The government negotiates with companies around the strategic innovation fund in those situations. The Investment Canada Act and the process around the Investment Canada Act is separate and apart from that, because some strategic innovation fund investments are relevant and fall within the Investment Canada Act purview, and others are not.

With respect to Bill C-34, those are the pieces we're.... You mentioned intellectual property. I think that's an important element.

With respect to intellectual property, there are a couple of provisions that I think are particularly important, because we've heard from various stakeholders about the risk associated with intellectual property and the degree to which we may invest in those areas and the degree to which we are able to control those.

Mr. Greg McLean: Have you learned from the failures we've had over the last handful of years, where the intellectual property has just disappeared, with contracts that your department has written with foreign investors coming into Canada?

Mr. Charles Vincent: I would say, in the context of the strategic innovation fund, that there are specific clauses associated with intellectual property, and those clauses would kick in if the company were to leave the country or investments were to change.

Mr. Greg McLean: Okay, so let's drill into Medicago in that respect. How has that worked? Right now, that IP is parked offshore, and we've paid hundreds of millions of dollars for it. Walk me through how we're going to return that investment to Canadians.

Mr. Charles Vincent: I'm, unfortunately, not familiar with the Medicago investment. It's not a piece that I'm familiar with, so unfortunately I can't answer that question. I'm sorry.

The Chair: Thank you very much, Mr. McLean. That's all the time.

Just as a reminder for MPs, we have officials with us taking their time to review Bill C-34, which is what this committee is looking at.

Thank you being here with us to examine Bill C-34, which has been referred to this committee.

[Translation]

Ms. Lapointe, you have the floor for six minutes.

Ms. Viviane Lapointe: Thank you, Mr. Chair.

[English]

I also have questions about IP transfers, and I understand that there are amendments to better address national security concerns associated with IP transfers.

Can you first explain to the committee what types of intellectual property are considered to pose the greatest national security risks?

Mr. Charles Vincent: We heard from a number of stakeholders about the importance around intellectual property with various sensitive technologies. The minister referenced the fact that we will be establishing a list, effectively, of those areas and those industries where that will be. Intellectual property will, obviously, be first and foremost on that list.

I'd say that there are at least three areas where the proposed amendments will help support intellectual property and the protection of intellectual property. One is around the pre-implementation filing. We will know in those areas and those sectors where intellectual property is particularly important before the investments take place, so that we can take action earlier in the process.

The second one really has to do with imposing interim conditions. In those places where there's intellectual property at stake, the minister will have the authority to apply interim conditions to ensure that it can't be shared. The third area really comes to what he referred to around undertakings within the national security area. Where there are national security implications associated with intellectual property, the minister will now be able to have legally binding undertakings put into place.

Those three elements together, really, are functionally around trying to make sure that we identify the intellectual property and that we're in a position to protect it more effectively.

Ms. Viviane Lapointe: Can you tell this committee what role Canadian companies and researchers have in ensuring that their own IP transfers do not pose national security risks?

Mr. Charles Vincent: We certainly talk regularly with Canadian companies to help them understand the geopolitical environment and the intellectual property they have. You'll not be surprised to know, as the department responsible for the intellectual property policies and with the Canadian intellectual property office, that we spend a fair amount of time working to educate Canadian companies around the value of their intellectual property and the tools and strategies they can use to ensure that they have intellectual property strategies in place to protect it.

It's very much a scenario where it is really incumbent on companies to understand their intellectual property and have strategies in place, but we have worked, as the Government of Canada, to try to make sure that they have the tools to do that effectively.

Ms. Viviane Lapointe: On the subject of national security, I understand that, under the act, Canada was only permitted to share limited information regarding certain aspects of current and ongoing cases.

What information will be shared with international allies under the proposed option in Bill C-34?

• (1800)

Mr. Charles Vincent: Mr. Chair, I can say that we have very good relationships with our Five Eyes allies and with allies in various countries. Up until this point, the only information we could really share, frankly, in the context of the ICA related to process elements, the different ways in which we do our business and efficiencies in how we go about doing that.

This will allow us, if an investment is coming forward and a company is working in multiple countries, to be able to use and collect that intelligence more effectively and to be able to take decisions in Canada's best interest, leveraging and using the intelligence that we can get from other countries in that same context. The reality is that most of the companies that invest in Canada work globally, so we're otherwise tying our hands if we're not in a position to be able to share some of that information.

[Translation]

Ms. Viviane Lapointe: Do I have time for another question? Okay.

[English]

You've talked a few times about how this bill will create new ministerial authority to extend the national security review of investments.

Could you explain to us why you feel this is necessary instead of leaving it with the Governor in Council?

Mr. Charles Vincent: I will say that, yes, it's a new ministerial authority, because technically that's what it is.

The national security process is divided into a series of stages. In the early stages, when there is a reasonable suggestion that something could be injurious to national security, the minister has the ability to act and notify them. At the next stage, similarly, after both the Minister of Public Safety and the Minister of Industry together have determined that they believe that this could be injurious to national security, he can proceed. The stage after that, however, requires us to go to an OIC to cabinet. There's an important role for OIC at cabinet. That's why, at the very final stage, we would leave in place cabinet's ability to review before any block or any divestiture happens.

In terms of that previous stage, frankly, the value of cabinet's discussion at that point is less important than it is at the end. To the minister's point, it slows down the process and it makes it more difficult for the security intelligence community to have the time they need to do that.

This is the place in the process where we found an efficiency. We believe that we can move that while still getting all the benefits and ensuring that we have full cabinet vision and transparency.

[Translation]

The Chair: Thank you very much, Mr. Vincent and Ms. Lapointe.

Mr. Lemire, it's over to you now for six minutes.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

I'm going back to the minister's comment a little earlier about protecting acquisitions by foreign entities of Canadian or Quebec companies. The Investment Canada Act also allows the minister to request a national security review of foreign investments in Canada.

So let's go back to the example of CRRC Corporation Limited. Could the current act or the proposed act be used as a tool by the government to prohibit foreign enterprises from taking part in public tender calls in Canada? I'm talking about enterprises that represent a national security risk, if only because of their presence here, for example their access to strategic information about the structure of the Toronto subway. These risks can be considered even greater owing to the fact that the CRRC is already banned by the United States.

Mr. Charles Vincent: Thank you very much for your question.

[*English*]

It's important to recognize, in the context of protecting Canada's national interest, that there are multiple tools, and the ICA is one of those tools.

To answer your question quite directly, no, there isn't anything in the ICA that deals directly with procurement. There are, however, other tools provincially and federally where the government is in a position to say, "This is how we're going to define procurement. Here are the rules around procurement. Here are some of the things that we're going to be looking at."

What the ICA is solely focused on is the degree to which people are making investments in the country, and to that extent, no, it doesn't deal with procurement.

[*Translation*]

Mr. Sébastien Lemire: Thank you.

To keep our resources and capital from flowing out of the country, monitoring mechanisms are needed for our supply chains.

Does the new act provide for that?

[*English*]

Mr. Charles Vincent: Yes, I would say that, within the context of supply chains, where I think the most value from the act comes, is a recognition that, as these supply chains build, investments get made from different parts of the world. To the extent that we are looking to make sure we're building supply chains that are consistent with Canadian values and consistent with the degree to which we are aligned with our Canadian allies, it provides an ability to review these investments before they come in and make sure that they are going to be well aligned with our overall supply chain strategies.

• (1805)

[*Translation*]

Mr. Sébastien Lemire: I would of course hope that we could monitor what happens in our supply chains. I and some of my colleagues also mentioned it, as well as the fact that sanctions for any of violations need to be stronger. These sanctions should be

strengthened to deter foreign investors from violating any of the rules in the Investment Canada Act.

Would the new act include any amendments of that kind? Are the sorts of conditions that the department could impose clearly defined in Bill C-34?

In terms of transparency, could these conditions be published? The minister has stated a strong desire for transparency. Will this be reflected in reality?

The most striking case for us, as Quebeckers, is of course the purchase of Rona by Lowe's. We never learned what conditions were placed on this by the minister. In the end, we get the impression that there is nothing of this company left in Quebec, even the supply chains.

[*English*]

Mr. Charles Vincent: I would say, Mr. Chair, that where we have the most difficulty sometimes in those situations—you mentioned one case with Rona—is in dealing with the specific transactions themselves.

Where we've tried to be very transparent is in a number of places. One is in the policy statements that we've made to make sure that the market is very aware of what's important to the Government of Canada and where we're going to be looking more closely. Two, within the context of the annual report, we've tried to publish a great deal more information around the types of industries that are affected, where the investments are coming from around the country and the number of dollars that are coming through those. I'm sure that, in the context of the annual report you've seen, those are by necessity at a higher level, from the standpoint of being industry-focused, sector-focused or geography-focused, because we're not in a position as a result of the clauses made in the act to speak to specific cases in that context.

With respect to transparency in that context, however, what we're interested in doing is continuing to work. You talked a little bit about where are we in a position to help shore up and secure some of the commitments and then where the penalties would come through to help support that. I think, when we start talking about the kinds of undertakings that the minister would be in a position to negotiate, we would then be in a position to be able to use those undertakings, and, if they were to breach those, they would be legally binding undertakings that we could then pursue in court. We would be in a better position at that point to make sure that Canadians' interests are being protected.

[*Translation*]

Mr. Sébastien Lemire: Could any steps be taken to promote local investment in some transactions?

I'm still talking about the supply chain.

For example, could there be tax incentives to encourage local investment, particularly in our Quebec companies?

How can we strengthen local ownership and control of Quebec companies that are more or less victims when a head office is sold?

[English]

Mr. Charles Vincent: Within the context of the ICA, things like tax reform are not going to be things that we're looking at specifically.

I will say, however, in the context of net benefit reviews, companies often bring forward commitments, undertakings that they're going to make, in order to ensure that we understand the investment is truly to Canada's net benefit, and, in that case, they are often associated with investments in Canadian supply chains and commitments to make local investments in global companies. That is our best tool currently to take advantage of those.

[Translation]

Mr. Sébastien Lemire: I'd like to thank you because I know that, except for the thresholds issue, which is extremely important to me, many of the things included in our report were taken into consideration. We feel that it served as a starting point.

Recommendation 8 of that report requested that you immediately table legislation to require that the Canadian Security Intelligence Service and the Royal Canadian Mounted Police be consulted in connection with any national security review.

Do you believe that's included in the bill?

[English]

Mr. Charles Vincent: As a matter of course, I can assure you that every single investment that comes through goes into a group within the Government of Canada that includes CSIS, CSE, RCMP, DND and Public Safety, so all of those are considered just as a matter of course. Then those departments, along with ISED and often other departments like NRCan or Transport, depending on where the investment comes from, come together to review those collectively.

I can assure you all of that happens as a standard matter of course.

[Translation]

Mr. Sébastien Lemire: Thank you very much for your answer.

That didn't appear to be clear for Neo Lithium.

Thank you very much, Mr. Chair.

The Chair: Thank you, Mr. Lemire.

Mr. Masse, you have the floor for six minutes.

[English]

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

We were talking a little bit about Volkswagen before, and the irony struck me about the subsidization of the pipeline industry and the oil and gas industry at a time when we are finally going to cleaner products, but I won't ask for a study on that because I don't want to give us more work.

Going back to the act, how much consultation and input does the Competition Bureau have? My colleague here mentioned Rona, but

there have been others where there's been the purchase of iconic Canadian companies, sometimes in the entertainment industry. It could also be, in other types of industries, a little bit more sensitive. What type of involvement do they have in terms of advising the process?

• (1810)

Mr. Charles Vincent: Mr. Chair, I can assure you that the Competition Bureau is a close partner in the consideration of these. When we send out various investments for consultation within the Government of Canada, the Competition Bureau receives those to make sure that they look at the various things. We also consult with provinces and territories in relevant jurisdictions where those are coming forward. They're all part of the broader consultation that takes place with all these investments.

Mr. Brian Masse: I've been pressing for some reforms to the Competition Act. Some have happened over the years, and they've also had a little bit of a modest increase in budget. I know you can't speak for them, but my concern would be this. If they're going to have this other screen, do you feel confident, being the one who leans on them, that they have enough supports in place? Especially when we have critical minerals and others that are coming online here, I'd like to have all natural resources pretty well reviewed, especially with what happened to Windsor Salt.

At any rate, what's the comfort zone there?

Mr. Charles Vincent: Thank you for the question.

I would say the comfort zone, frankly, is probably the same as it is almost right across the Government of Canada. What we have seen in the context of the ICA, and you can see it in the numbers of the annual report, is a consistent increase in the number of investments and the number of cases that are being reviewed.

I won't lie. It taxes the system, but it is something we're very aware of, and we're working to try to make sure we have the resources to effectively manage it.

Mr. Brian Masse: With that, is most of the work that you lean on through our in-house...or is that contract work? I want this to be in-house, because of the specialties that are necessary. There are some significant value-added people with intellectual skills and knowledge of the industry. What I worry about with a lot of the contracting out we do is that it doesn't have the same lifespan for knowledge or when replacing people as succession takes place.

Mr. Charles Vincent: Thank you for the question.

I can assure you the work that's happening is all internal public servants working in various departments. When I talk about sending it out in consultations, that is all within the public service, either in the Government of Canada, with provincial and territorial partners or with, as you suggested, organizations like the Competition Bureau, which frankly works within our portfolio anyway.

Mr. Brian Masse: Where I think there hasn't been enough discussion in Parliament about these matters is also around corporates, privacy and a whole series of different things where, if it's in-house, there's a lot more confidence there will be investment in Canada, versus when we're using consulting firms.

I know most recently an example took place where a local producer of vitamins had a problem, but because of the support and the history of working with them, it resulted in a good solution.

Mr. Chair, do I have any more time? I'm pretty well done, I think.

The Chair: You do have more time if you want it.

Mr. Brian Masse: I have one last quick question, then.

With regard to this bill, if it passes in its current state and form, how would you rank it versus that of the United States? I know it's a little subjective, but I'm curious. Are we in the game, or is this a modest step forward? I'm always interested in that because of where I live. I'm curious about where you'd rank us.

Mr. Charles Vincent: Mr. Chair, you won't be surprised that I say it's a little bit of apples and oranges when we're making that comparison. I will say a couple of things.

We have very close relationships with our colleagues in the United States. I think there's a mutual respect of the acts in both. Both are very strong acts that are serving the interests of individual countries but also collectively, because we have lots of ties across the two.

I will say from this standpoint that we've adopted elements in here that we've looked at in other countries and have brought into ours. If you look at the U.K.'s recent reforms or Australia's recent reforms, you'll see that they've similarly taken elements of ours and embedded them within theirs. It's a fairly connected community of people with a very similar piece.

James, you work quite closely...and you were down in Washington recently, so maybe you want to talk a little bit about that.

● (1815)

Mr. James Burns (Senior Director, Investment Review Branch, Department of Industry): Thank you very much, Charles.

One thing I wanted to note for members is that the Canadian regime is, as Charles noted, quite well respected, not just with our partners in the United States and CFIUS but also with other Five Eyes partners. Canada, last year, was the first country to receive accepted state status with the United States, with CFIUS, so it's an example of the tight relationship we have with them in terms of their buying into the strength and robustness of our regime.

I thought I would add that part as well.

The Chair: Thank you very much.

[Translation]

Mr. Généreux, you now have the floor for six minutes.

Mr. Bernard Généreux: Thank you, Mr. Chair.

Thanks to the witnesses.

Mr. Vincent, in view of the minister's answers to my questions about Neo Lithium and the other three companies that were asked to pick up their marbles and go home, I would ask that you take various factors into consideration in your replies.

We know that the government of Canada is getting ready to invest in a Volkswagen battery plant. I have in front of me a map of mines in Canada and a list of the 31 critical minerals considered important for national security. It's acknowledged that Canada's mines cannot supply all of the lithium and rare earth metals needed to produce batteries, either for the Volkswagen plant or any other future plants. It will therefore have to import these if they are to manufacture and install these batteries.

In view of all these contextual factors, don't you think that foreign investments will be needed in all of Canada's mines? There are, after all, many projects on the table that we would like to undertake.

Under the new version of Bill C-34, which might be adopted, I believe that the time required to get all these mines up and running, and the investments that will be required, are going to demand a lot of work from public servants. They will have to carry out an extremely thorough analysis. We're still talking about China, but there may well be companies in other countries that would perhaps want to invest in Canada, particularly in this area.

Words are important. If I'm not mistaken, the minister mentioned a new industrial niche for Canada. He even compared it to the introduction of the automobile in the early 19th century.

In view of all these factors, how are we going to attract foreign investors to Canada, when China is currently producing 30% of all the raw materials needed to make batteries?

That's a long question, but I think you understand the context.

Mr. Charles Vincent: Thank you.

[English]

Mr. Chair, I think I understand the question well.

It's actually important for members to recognize as well that the purpose of the ICA, the way it is structured and the reason it was created in the first place were fundamentally so that it would provide a predictable regulatory environment for investment while protecting Canada's natural interests and making sure that we have the right net benefits for Canada.

To your point, the purpose of this act is not at all to stop investment. It's quite the opposite. The purpose is actually to encourage investment by creating a predictable regulatory environment and, in doing so, give us the capacity to stop investments that would be injurious to our national security.

To your point, I think in the context of minerals and mines and, frankly, probably elements all along the value chain that you referenced, it's fair to say that we absolutely, from a Canadian perspective, want to be encouraging investment. However, we're looking, through the ICA, to make sure that, as those investments come, they are not injurious to Canada's national security and they're to Canada's net benefit.

From that standpoint, what these changes are designed to do is to strengthen that regulatory environment and give investors a predictable understanding of the Canadian environment.

[*Translation*]

Mr. Bernard Généreux: The current bill does not change the definition of a state-owned or state-controlled enterprise. China's tentacles are highly diversified. They are directly or indirectly involved in companies around the world.

Getting back to the terminology, because words are extremely important, shouldn't we have an even more accurate definition of what constitutes a state enterprise? That would enable us to avoid situations like the one we experienced with Neo Lithium.

• (1820)

[*English*]

Mr. Charles Vincent: It's an excellent question. Thank you.

I would say a couple of things. First of all, we'd certainly welcome advice if there are terms that the committee deems to be not well enough defined and that we should look at those and make sure. The consultations did not provide us feedback on changing the definition of an SOE in that context, but we'd certainly welcome input on that front.

The other thing that I think is important in the context of SOEs—and there was a bit of a discussion earlier about that—is thresholds in the context of the net benefit investments and whether or not we should be lowering those thresholds, in particular, around SOEs.

I just want to make sure that members understand that those thresholds are very much tied to Canada's trade requirements. The degree to which we would be lowering those thresholds would be directly counter to... Whether it be CETA or the Canada-Korea agreement, all of those trade agreements have a very direct reference as to where the ICA is exempted from them and pulled out or, in the same context, put in.

Now, obviously, there is a former minister here, who is very familiar with that, but I just wanted to make sure that all of the members were familiar with that.

[*Translation*]

Mr. Bernard Généreux: I'll let him speak. He wants to ask a question.

[*English*]

Hon. Ed Fast: Thank you so much for being here at committee.

Just to follow up on that question, we do not have trade agreements with countries that are the most problematic when it comes to hostile regimes. We know which countries those are. That does provide us with some opportunity within the net benefit test to per-

haps lower thresholds or incorporate additional tools that are going to give us the ability to place a greater focus of scrutiny on those investments. I'm thinking of investments even like the one that was made by Glencore—or it was going to be made by them. There were two offers from Glencore for Teck, and Teck has resisted both of those. That caused enough consternation with the minister's office that he actually responded to a letter from the Vancouver Board of Trade and signalled that Teck was important—very important.

What in Bill C-34 is actually going to prevent the last champions of industry within Canada from being acquired and potentially being hollowed out by foreign entities, not necessarily on the national security side but on the net benefit side?

Mr. Charles Vincent: Thank you again for the question.

I will say that the minister has highlighted as well that we are focused largely on these amendments on the national security side. Obviously, that's something that you heard already. I will say that a lot of the time the issues that are being dealt with broadly in the context of national security have broad economic implications across Canada. Many times, the issues that we're dealing with through a national security review have broad implications for Canada's overall economic security.

The degree to which the net benefit test already provides us with the ability to look at certain investments that meet the thresholds, in the context of the national security investments, where there is going to be the ability to provide undertakings, that's a fairly significant change. That would allow us to make sure that as the minister and the Government of Canada are looking at these investments through the lens of whether or not they are in Canada's best interests or injurious to national security.... It gives us new tools that we didn't have before.

[*Translation*]

The Chair: Thank you very much.

Go ahead, Mr. Van Bynen.

[*English*]

Mr. Tony Van Bynen: Thank you, Mr. Chair.

I'd like to come back to the essence of the bill. It will update the penalties to strengthen deterrents. Can you talk to the committee a little bit more about these penalties for non-compliance? Who would be enforcing them?

Mr. Charles Vincent: Absolutely.

Currently the penalties that were set, were set the last time in 1985. It was \$10,000 per infraction per day.

Inflation alone would suggest that we need to adjust and shift for that. The proposal is to increase those to \$25,000 per infraction per day. In that context, however, we would also be proposing to allow for the changes to that to happen through regulation rather than through legislation, recognizing that sometimes there's a large gap in terms of when the bill is reopened from a legislative standpoint.

• (1825)

Mr. Tony Van Bynen: Do you think, with the large multinationals, that \$25,000 is going to be much of an impact?

Mr. James Burns: It's \$25,000 per day per infraction. It can accumulate rapidly, and certainly much more than \$10,000 per day per infraction. If, for example, a company fails to adhere or comply with an aspect of the act and it's taken, say, three weeks, that's \$25,000 per day per infraction over a three-week period. It could conceivably make a bit of a dent. Certainly, our position is that we need to come up with a penalties regime that will allow us to correspond to typical deal valuations and inflation.

Mr. Tony Van Bynen: Thank you.

Do all foreign investments undergo a national security review? What about investments from countries like the United States or Australia?

We're hearing a lot about friendshoring. How are we going to protect ourselves there?

Mr. Charles Vincent: Yes, it's important to recognize that the act is country agnostic. From that standpoint, yes, all investments that are notified go through a national security review and are looked at by the national security community.

At that point, as I mentioned earlier, the national security review has different stages. Ones that are determined early on to not have reasonable grounds to consider that they could be injurious, those ones take no further action and they move forward. Where there are indications of potential injury, then it moves to the next stage of the review and gets a deeper look, and it moves through the various stages from that standpoint.

When we're talking about investments coming from allied nations, yes, they do go through the process. It is a country-agnostic process, but if there's no reason to really consider that there could be injury to Canada's national interests, then at that point they are released at a fairly early stage.

Mr. James Burns: Yes. In fact, the vast majority of investments are cleared within 45 days.

Mr. Tony Van Bynen: Thank you.

We're in an environment where we have a lot of complex corporate structures, and often intentionally to cloak ownership. What are

your thoughts about a beneficial ownership registry so that we might be able to determine who the real owner of an organization is?

Mr. Charles Vincent: I think you're probably aware that we are actively in the process of developing such a beneficial ownership registry. It's one of the commitments the government has made. In fact, a different part of my organization, Corporations Canada, is working with various partners across the Government of Canada in that direction. From that standpoint, when we talk about the Investment Canada Act and the elements, it's always helpful for us to know and understand where the beneficial ownership lies.

I will say that the act provides us the ability to ask questions and require them, by law, to answer those questions. Within the context of investments that come through the Investment Canada Act, we're already in a position to be able to get at who the beneficial owners are, but that is through very specific and prescribed authorities that come under the ICA, as opposed to things that apply to Canadian businesses writ large.

Mr. Tony Van Bynen: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Van Bynen.

Thank you, Mr. Vincent and Mr. Burns.

[*Translation*]

That's all the time we have.

You look disappointed, Mr. Lemire.

Mr. Sébastien Lemire: Following your rather firm reaction earlier, I wouldn't want to challenge your authority.

The Chair: Thank you Mr. Lemire.

That's all for today's meeting.

I'd like to thank the witnesses for having contributed to this exercise, as well as the interpreters, the analysts, the clerk and all the support staff.

The meeting is adjourned.

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