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# Standing Committee on Industry, Science and Technology

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**Tuesday, February 5, 2008**

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**Chair**

**Mr. James Rajotte**

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• (1105)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** Members, I call to order the 17th meeting of the Standing Committee on Industry, Science and Technology. Pursuant to Standing Order 108(2), we are continuing a review of Canada's service sector.

We have with us here today three organizations. I'll start with the witnesses who are here, and I'll finish with the video conference witness.

First of all, from BIOTECCanada, we have two individuals. We have the vice-president of external affairs, Ms. Cate McCready, and the co-chair of the public affairs committee, Ms. Joanne Harack.

The second organization is the Canadian Advanced Technology Alliance. We have Mr. Barry Gander, the executive vice-president, and we have Mr. Eli Fathi, vice-president commercialization.

The third organization is the Organisation for Economic Co-operation and Development. We want to thank Mr. Dirk Pilat, head of the science and technology policy division, for joining us by video conference today. I believe you are in Paris. Welcome, and thank you very much for joining us from such a distance.

We will start with each organization in the order I read them. You will be able to present for hopefully between five and seven minutes, and then we'll go to questions from members. Our meeting today is about an hour and 30 minutes, and then we will have discussion of a motion from Madame Brunelle.

We'll start with BIOTECCanada. Ms. McCready, please start.

[Translation]

**Ms. Cate McCready (Vice-President, External Affairs, BIOTECCanada):** Good day, ladies and gentlemen. Thank you for the opportunity to be here today.

[English]

I'd like to present Joanne Harack, who is the co-chair of our public affairs committee at BIOTECCanada. She serves as a senior consultant and has a particular focus on human resources within our industry.

Joanne will begin our remarks.

[Translation]

**Ms. Joanne Harack (Co-Chair, Public Affairs Committee, BIOTECCanada):** Thank you, Cate.

Good day, ladies and gentlemen.

[English]

Thank you very much for inviting us to participate today.

As you know through your work on this committee, the world economy is undergoing a fundamental transition that has the potential to surpass the impact of the industrial revolution. Characterized by the decline of traditional industries, rapid technology change, and even more rapid technology convergence, this transition impacts all sectors.

As a result, like all industrialized nations, Canada faces both threats and opportunities to its economic well-being and quality of life. The key driver of economic prosperity will be knowledge-based innovation.

Increasingly ours is a bio-economy. Biotechnology, both in the traditional sense and as it impacts diverse sectors, has been identified as galvanizing one-third of the global economy. Biotechnology is amongst the most innovative in Canada. We contribute more than 12% of the total national business expenditure on research and development, a remarkable achievement when one considers that our companies typically employ fewer than 50 people and they have yet to realize profits.

The impact of biotechnology far exceeds the number of companies traditionally grouped in this sector. Biotech industrial innovation impacts the service sector in hundreds of ways. From health care to agriculture, transportation to construction, along with more traditional industrial and manufacturing enterprises, all today have the potential to benefit from innovations in biotechnology, and they have a stake in the success of future innovations.

Canadians are inventing new models of value creation as well. Public-private partnerships such as the Centre for Drug Research and Development in Vancouver, the Canadian Light Source in Saskatoon, the Ontario Institute for Cancer Research in Toronto and other similar ventures across the country represent new attempts to translate public investment in basic research into downstream economic and social benefit.

At the same time as biotechnology-based organizations are knowledge and research intensive, their financing, development as companies, and fundamental ability to create value depend upon, and in turn contribute to, economic prosperity in dozens of service sectors—legal, financial, market research, and general consulting, to name a few.

Given Canada's acknowledged expertise in biotechnologies, the challenge is to leverage our investments in research so as to enable innovative companies to grow and sustain themselves here. Economic opportunity, including the jobs of today and future jobs across the service and industrial sectors, are at stake if we don't.

**Ms. Cate McCready:** Government is an integral partner to the success of our emerging companies. It can be the enabler of an economic operating environment that captures know-how and assists in translating it into products for the global marketplace.

The diversity of these products is staggering: eco-friendly home furnishings, recyclable fabrics, environment-friendly dyes and other processes, canola, biofuels. The list goes on, and all are examples of the application of biotechnology in the lives of Canadians.

The rest of the world sees opportunity in Canadian biotechnology companies. Axela of Toronto received Frost & Sullivan's 2007 North American Protein Assays Product Innovation of the Year Award. Bio MS Medical of Edmonton, a company developing leading-edge treatments for multiple sclerosis, has partnered with Eli Lilly in a deal of almost \$500 million dollars to realize the value of its product in the global marketplace. Medmira of Halifax, Nova Scotia, a company that has developed a rapid HIV test, is now marketing its products in Russia and China. Medicago of Quebec City has presented its plant-based technology for growing vaccines to the World Health Organization. Resverlogix of Calgary was recently recognized by the World Economic Forum with its Technology Pioneer Award for 2008. It's the second year in a row, in fact, that a Canadian company has won that award.

These are but a few of the dozens of examples of Canadian ingenuity capturing the interests of our global partners and competitors. For Canada to realize the value and opportunity of our expertise in biotech, we need to be both more competitive and more realistic about what is required, namely, a potent combination of ideas, people, and money.

A key component for an innovative bio-economy is a modern and responsive taxation system that leverages investment from national and international sources to ensure that innovators have sufficient capital to commercialize their research-based innovations. Notably, we are recommending two key changes to the scientific research and experimental development tax credit. We've noted those in a couple of documents we've shared with you today, but very shortly, they are, one, remove the CCPC restriction; and two, increase the expenditure limits set in 1985 at \$2 million to a more realistic \$10 million, which is more reflective of today's economy.

Canada's capital market is too small and too risk-averse to provide this assistance directly, so early stage companies seek equity from public or foreign investors. As a result, they lose their CCPC status and refundable tax credits. Just when they get the capital they need to succeed, they lose the business case to help keep jobs here.

The current \$2 million expenditure limit for refundable tax credits was established in 1985 and does not accurately reflect the cost of research today, 20 years later.

Additional key components for a bio-based economy are to keep the regulatory system science based and ensure that Canadians will benefit in a timely fashion from discoveries made here. We need a

socio-economic environment that supports invention and entrepreneurship. We need a strong and competitive respect for the protection of intellectual property, the one asset most small emerging innovative companies have that leverages investment for them to pursue development.

In closing, this is an important turning point for you as parliamentarians to embrace the dynamic of building an economy for the next century, one that encompasses knowledge-based innovation as an economic driver. Canada has a lot to offer the world.

● (1110)

**The Chair:** Thank you very much, Ms. McCready.

Before I go to Mr. Gander, I just want to check to see whether the video conferencing and audio is working for Mr. Pilat. Is the audio working?

The other thing is that there is an option. We do have available French, English, or on-the-floor translation, which is simultaneous translation. I think he's getting the French right now.

Is the French preferable, or would you rather have the floor translation? It's just the language spoken on the floor. What would you prefer?

**Mr. Dirk Pilat (Head, Organisation for Economic Co-operation and Development):** I can hear you very well, thank you.

**The Chair:** Would you prefer the audio in the language that people are speaking or translation?

**Mr. Dirk Pilat:** I would probably prefer the English, but both are okay.

**The Chair:** It's your choice. You're the master here.

**Mr. Dirk Pilat:** English.

**The Chair:** Okay, thank you. I just wanted to clarify that.

We will then go, I believe, to Mr. Gander. Will you be starting? Thank you.

**Mr. Barry Gander (Executive Vice-President, Canadian Advanced Technology Alliance):** Thank you, Mr. Chair, and thank you to all committee members. This is a wonderful opportunity for us.

CATA has 28,000 members. We've been in existence for 30 years. We cover all of Canada and cover every sector. Our goal this year is to raise our membership above 100,000. We're growing quite fast because our industry is growing quite fast.

A lot of it, of course, has to do with the service sector, which is something else I wanted to congratulate you on. Tackling the service sector and the service side is an interesting and hugely complex task. The service sector is scary because it has some very low-paying jobs in it, but it also has some of the highest-paying jobs in Canada. In fact, the top 10 industries in terms of salary growth this year are all in the service sector. You can see some evaporation in the other sectors, but overall the service sector has 70% of our GDP and 76% of our employment. Canada is very much a service sector economy. I do want to thank you for the work you've already done on manufacturing. If we can apply that now to the service sector, Canada will be in great shape.

The ICTS, or information and communications technology portion of this, which is really the core of CATA's membership, is hugely important for the service sector, because that's where the productivity improvement comes. Almost nobody knows anything about improving productivity and innovation in the service sector. It's just beginning. So you are again to be congratulated for tackling the subject. You're among the earliest people to be doing this. It's enormously important to us that this be done.

Canada has a wonderful role to play in advancing prosperity through its productivity increases in ICTS. ICTS is Canada's golden card. It's already of course growing much faster than the rest of the economy, about 8% a year. It's a little bit less than that for employment growth—about 3.2%—but it's still better than the Canadian average. The ICTS service sector is recession-resistant in the sense that it follows the curve of the recession, if there is one, happening elsewhere in the world, so there's more time for adjustment. It's also less dependent on America and its economy, because half of our trade is done around the world, globally. This makes absolute sense, because companies in India have no prejudices against dealing with a Canadian company. While an American company would rather deal with an American firm largely, we don't have that problem around the world. Services in ICTS are largely software, so it's easy to flow our services on a frictionless globe.

Another thing to bear in mind is that Canada is a country that's a world in miniature. So when we have a product that we can sell around the world, we have an expat community somewhere in Canada with links back to India or Pakistan—which I returned from just recently—and our colleagues can help us move into that economy and can sell through to it.

Finally, I think Canada has the working stock of the knowledge economy. We have an excellent supply of highly knowledgeable people. So it looks as though ICTS will be a huge growth industry for Canada moving forward into the future.

With that, I might add that there is one area in particular... We have a paper on this that we put together as a result of a meeting with Industry Minister Prentice last week. We put together a panel of about 20 CEOs from ICTS companies, and we gave the minister a briefing top to bottom on what the ICTS sector was about and where the opportunities are, and we expressed that there is one part that is the gold mine for global ICTS development in a service economy such as Canada has, and the globe has. It's in the gap between the development of a technology and its use by consumers. Remember that line from T.S. Elliot, something like "Between the reality and

the idea...falls the shadow"? It's in that shadow that nobody is doing a good job, really. I could give you an example from the drug sector, or the communications sector, or the consumer goods sector in the service side, but I think I'll leave that to my colleague Eli, if he doesn't mind.

• (1115)

**Mr. Eli Fathi (Vice-President, Commercialization, Canadian Advanced Technology Alliance):** Thank you, Barry.

And thank you for giving us the opportunity to discuss this area, which is very important.

The ICTS sector is clearly an enabling, horizontal type of sector to other technologies in other areas. If we look at the two key words of "productivity" and "innovation", clearly we are in the best position to impact these two. If you consider innovation and the importance for Canada, we were ranked number 14 out of 17 by the Conference Board of Canada a year ago, and productivity-wise we were 22% below the Americans. So we need to improve on both of these aspects.

How do we address that? I would like to discuss a couple of statistics and then talk about trends, because the trends are important to us. The Canadian government recognizes how important these trends are that are taking place outside of Canada and that will impact what we're doing.

In terms of the ICTS sector, we are 32,000 companies, about 600,000 employees, and our total revenue is about \$130 billion. On average, our growth was about 8%, against a GDP of about 3.4%.

If there is one area that is very important to us, as I said, it is to look at the trends. I'm going to use a couple of examples that will bring the point home very rapidly.

Number one, take the iPod and what happened with that. There is a company, Apple, that dethroned, literally overnight, a company of the size of Sony, which was the king of the Walkman in portable entertainment. They were dethroned overnight basically with the invention of the iPod, which addressed the user experiences, the user needs.

These are the trends. I'll give you more examples. When you are addressing user needs, user experiences, manufacturing and technology is not as important, and you can dethrone an incumbent overnight in this area.

Another good example is Procter & Gamble with their Swiffer. They put somebody in a household and watched for a few weeks. They recognized that the family was not using the vacuum cleaner when there were little spills. There is the eureka moment where they are going to develop the Swiffer, where you don't need a vacuum when you have something else to address small user experiences.

The last piece that is important to us, as we see the baby boomers arriving, is the use of the Wii. The largest-growing segment of the market right now for the Wii is for physical fitness by retirees, by the people who are at home, who need to exercise. They are using this. This is an unintended use of this kind of process.

What is the conclusion? Why is it so important to us? It is important because the trends that are taking place around the world are going to happen irrespective of what policies we are making here. We have to be really in tune with what's happening, and the one area that is very important is to recognize that the Internet, the Web 2.0, the social networks, are the ones we really have to address.

In conclusion, what we would like to promote is having more policies that will enable Canadian companies to look at this area. We would like to see innovation that will enable companies to address these areas.

● (1120)

**The Chair:** Thank you very much, Mr. Fathi and Mr. Gander, for your presentations here.

We'll now go to Mr. Pilat. We will go to you for your opening presentation.

**Mr. Dirk Pilat:** Thank you, Mr. Chairman.

Thank you very much for inviting the OECD to say a few words about our work on services.

I'd like to make three points and elaborate on them a little bit. First, I think the services sector is becoming more and more important in the OECD area. Nevertheless, we feel there is more that can be done to make it more dynamic. Secondly, we think the services sector is really of vital importance for all OECD economies for the future, because this is where the growth of economies is really coming from. And third, there are some policy issues that I think are important to make sure that this sector grows more rapidly.

I think the previous speaker already mentioned that services have become a very important source of employment growth. Most of the jobs currently being generated in the economy, in all OECD economies, really come from services. As well, an increasing part of productivity growth is coming from the services sector.

I think there is potential there for the sector to make a difference, but we see still large differences in some countries where the services sector does not create a lot of jobs, countries where productivity growth is probably not as rapid as it could be. We need to pick up on the potential that's there thanks to a growing trade in services internationally and thanks to, as the previous speaker mentioned, information technology.

We also see that services now account for a growing share of innovation in the economy. In Canada, for instance, about 40% of R and D is carried out in the services sector. We see, in some of the indicators we have, that services can be just as innovative in terms of new products and processes they generate in the manufacturing sector, but we still don't recognize a lot of it. We don't necessarily notice that so much innovation is going on in the services sector.

I think that particularly for the future of OECD economies and the Canadian economy, it's really crucial to get this sector more innovative and more dynamic. There are some policy issues that I think are important, and I'll mention three.

The first issue is really the opening of the services market. If we say that the sector can be more dynamic, can be more tradeable, can be more international, then it is really important that we have enough

competition going on in the services sector. Sometimes we still feel that the services sector is not really ready for competition, but I think a lot of the experience we see across the OECD is that if you do open them up—and I think we've seen this very clearly in Europe—then you can generate a large number of new services and new jobs in such sectors as leisure, health, business services, and other sectors where there's large potential for new jobs to be created.

Secondly, if we look at innovation policies, they are still very much focused in most countries on the manufacturing sector. A lot of the support provided by governments in most OECD countries for innovation typically goes to manufacturing companies, often because services firms don't know that the support can actually be made available to them as well. So to adapt better the policies we have for science, technology, and innovation to the services sector can be quite important.

Third, get the environment for information technology right. This is technology that has enabled the sector to become more dynamic, to become a source for job growth and for productivity growth. That's something that I think many countries are struggling with—to get broadband in all homes, to get broadband to all companies, to make sure that people have trust in information technology and are willing to use it, and to make sure that we have some of these new services being generated that now the Internet is really delivering for us.

So in some, I think, there really is potential with this sector. There is a lot of interest in this topic, not only in Canada but across the OECD, where many countries are looking into what can be done to make this sector more dynamic and to adapt policies. Of course, our work on this issue is available for your deliberations as well.

I will leave it at that. Thank you very much.

● (1125)

**The Chair:** Thank you very much, Mr. Pilat.

We will now start with questions from members. The first round is six minutes total for questions, comments, and answers.

Mr. Eyking, please.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Mr. Chair.

Thanks for those very good briefings. They gave us an outline of where we should be going, I guess, in your sectors.

My question is more tailored towards your personnel and having enough students in the industries and universities—the availability of a workforce, I guess. There are reports that there is a shortage out there, especially in universities.

Where I come from, in Cape Breton, we have a pharmaceutical industry that's emerging quite fast. They have linked up with Cape Breton University and have courses just tailored to their pharmaceutical industry. It's really working well, so there's a match there.

How is your industry encouraging more students, and how is it working? How are universities and your industry working together to make sure that there is a workforce available to you?

**Mr. Barry Gander:** It's an excellent question on an important point.

We have found the shortage to be so bad that we are reaching now into the colleges and universities at the pre-graduate level to plug them into companies before they've even finished graduating. In fact, my own organization is busy embedding itself in universities and colleges across the country as the first line between the research students who are there as a fresh supply and the business needs of the people.

We have just gotten an agreement with Algonquin College here in Ottawa, for example, and we're doing similar things at Carleton University and with universities in the Maritimes and in Toronto, and we're rolling that out.

It's a huge gap, and it's one that, oddly enough, is not filled by outsourcing, because India has the same pressing need. There's almost nobody left who is employable in India; they're graduating IT graduates by the hundreds of thousands, and it's still too tight. So there's a constraint, no question.

Let me pass the floor to my friend Eli.

**Mr. Eli Fathi:** In line with that, there's a very sad statistic. Dr. King did a study on the double cohort in Ontario, and the statistics are overwhelming on the negative side: one in four don't graduate from high school, and this is Ontario. So the issue is not only in universities; the issue is also in high schools.

One of the things we're doing, as Barry mentioned, is working with the universities; we're developing an innovation centre with Algonquin College; we are creating.... What we need to do, and this is in the area of innovation, is give the students skills beyond academic knowledge—problem-solving skills, international knowledge, an ability to be entrepreneurial—and create their retention in schools, for once we get them into the school, we need to make sure they stay there.

So we are developing a business innovation centre at Ottawa U and Algonquin and other universities and trying to promote these kinds of skills.

• (1130)

**Mr. Barry Gander:** Let me add one more thing to that. We also have a women in technology, or WIT, program that's been working for about two years now. Its mission is to increase the awareness people have of the skills women have, to advance them further up the chain faster.

So there are other resources we're not tapping as well.

**Hon. Mark Eyking:** I have one more short question, and then my colleague's going to ask another one.

You alluded to India and Pakistan. How is our industry going to compete, or how do you see the competition in the future with these emerging economies, especially in Southeast Asia? What do you see as our challenges in the future in those areas?

**Mr. Barry Gander:** In a service world, I don't see them as being a challenge at all. I see them as being partners. If we can't recognize them as partners, then we're going to lose, because the Chinese are busy graduating more honours students than North America is creating students. We have to take advantage of the knowledge that is there.

For example, we work closely with what I think is the world's largest company now, Tata, from India. They have exquisite global connection centres. I think Tata has 80 centres around the world where they're interacting with the local community. We can put Canadian businesses in touch with the globe through our partner Tata. In fact, that's what Tata does best: take the requirements of large companies, such as 3M or Lockheed Martin or BMW, and connect them to Canadian sources of solutions.

That's what we do. In 3M's case, for example, within a week we had 58 companies providing a solution to what 3M needed from the States. They signed eventually eight deals for Canadian knowledge solutions that are now working with 3M.

We're very much a global matchmaker, in that sense.

**The Chair:** Ms. McCready wanted to comment.

**Ms. Cate McCready:** One of the things that also need to be addressed is our traditional approach to education, which has been to get children into school and get them focused on choosing a discipline of study. In fact, I think those days are somewhat eroding. The need for multi-disciplinary expertise, both from a working environment point of view as well as from an educational point of view, is one that has to be taken into consideration.

Students who choose, in our case, to study biology or chemistry will equally need business degrees, legal degrees, business management degrees. That diversity required in skills development at an academic level is something that our academic institutions need to build for and structure themselves around as well.

**The Chair:** Mr. Pilat, you wanted to comment as well.

**Mr. Dirk Pilat:** I have just one small point.

I think from some of the work we've done at the OECD, if you wait entirely until students are already in high school or university, you typically are too late. So if you really want to get people interested in science and technology, you typically have to start in primary schools and then also make sure they go into universities and high schools in the right areas. So it's really a long pipeline issue and starting early to try to get people interested in science and technology issues from a very early age.

**The Chair:** Thank you.

Thank you, Mr. Eyking.

We'll go now to Madame Brunelle.

[Translation]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Good day and thank you all for joining us. Your comments, however brief, proved very interesting indeed and have raised a number of questions.

Ms. Harack and Ms. McCready, we note that BIOTEC Canada spends close to \$1.8 billion per year on R&D. I am wondering who funds your research efforts. My understanding was that many companies, particularly in Quebec, fund their own research in this field. In your opinion, shouldn't the government become a little more involved in R&D?

You talked about the need to create a socio-economic environment that sustains research. What exactly do you mean by that? Can you give me some examples? Exactly what kind of expectations do you have?

• (1135)

**Ms. Cate McCready:** First, let me address the issue of R&D funding.

[*English*]

Increasingly, I think, Canada has seen a core capacity built, thanks to public research investment in this country. It was well needed, and we need to continue to build it on an ongoing basis; we cannot rest on our laurels, but we need to continue to foster that.

What has happened from that investment, in our case, is that we now have well over 500 companies established in this country conducting research related to all fields in the biotechnology sector who, for the most part, are small entrepreneurial companies leveraging investment from international investors and small amounts of investment from within the Canadian capital community—although, as I mentioned, it's very small. We're now at a point in time where there are some serious opportunities and decisions ahead as to how we now galvanize our investment dynamic for research in this country to attract the best of what we can do internationally. We need international dollars, there are no two ways about that.

Quebec, particularly, has been one of the core regions in this country that have developed the sector incredibly successfully. Actually, I was with my colleague from BIOQuébec over the weekend. The dynamic there right now, like in the rest of the country, is again very uncertain because of the investment climate that's needed.

So from our position, we very much see our relationship as a partnership between public dollars and what they can leverage to the table in terms of private dollars.

**Ms. Joanne Harack:** To address one of your questions specifically, the research tends to be funded either by large pharmaceutical companies that are outsourcing drug development activity, for instance, by organizations such as the National Institutes of Health in the United States, or by private investors and occasionally, as Cate says, by venture capital funds from Canada or elsewhere.

**Ms. Cate McCready:** In terms of the context of the socio-economic environment, one of the things I find most fascinating about our industry is that Canadians, whom we poll on an annual basis to understand their attitudes and approaches to our technology and their understanding of it, are overwhelmingly embracing and engaging the technology. They have very high expectations that they will benefit from the technology in their lifetimes. So when we talk about a socio-economic fabric for the technology, we need

regulatory processes that are modernized to allow the technology into the marketplace in a quicker way; and we need a social and an economic engagement from all of our public policy partners at the provincial and federal level, an engagement that understands the nature of innovation taking place and how quickly it's taking place, so we can find our way into the marketplace more easily.

Canadians, oddly enough, are leading the expectations about the technology a little bit more than maybe our public policy framework is.

[*Translation*]

**Ms. Paule Brunelle:** I have a question for the CATA Alliance.

Still on the same subject, I would like to bring up an earlier comment of yours that I found quite interesting, namely that we should follow the trends. You gave the example of the iPod. For the sake of innovation, should we not surround ourselves with capable forward-looking individuals who can identify new trends? You stated that we needed to promote innovative environments in order to take our place in the market. I would think that there is a connection here.

What exactly do you think we should be doing to anticipate new trends?

[*English*]

**Mr. Eli Fathi:** That's an excellent point.

I will throw out one other aspect, which is how do we look at the trend forward?

Barry mentioned Tata. Two weeks ago Tata launched a car called the Nano for \$2,500. Projecting down the road, what will happen to the auto industry in North America? I don't have to say that it's going to change what we have. That is a trend that we have to look forward on. It's going to change everything we do in the automobile industry here, because it's going to come here.

So you are raising an excellent point. The trends are important because they tend to be global. We know of a couple of trends that have taken place—for example, the Internet and the disappearance of distance.

There are things we have to do; that's absolutely correct. We have to have think tanks that will look at these trends and create the policies ahead of what's going to happen or we will never catch up. We have to focus on industries that are going to provide us with this innovation, that will give us the areas that are important to us.

By the way, the expertise that we have is sought after. When Tata built the car, they used Canadians from Montreal to look at the engine. They don't have all the answers. We have a lot of the answers they are seeking. If we call the policies right by predicting trends and adopting policies correctly, we can become a big partner, because they cannot do it alone. They may have the market, they have the size, but we have the expertise, and we are still sought after by them.

• (1140)

**The Chair:** Thank you.

*Merci, Madame Brunelle.*

I'll go to Mr. Carrie, please.



**Mr. Colin Carrie (Oshawa, CPC):** Thank you very much, Mr. Chair. I want to thank all the witnesses for being here today.

What is your position on the royal assent of the Canada-United States Tax Treaty that has just occurred? How is that going to affect your sector and your businesses? Could you give us a comment on that?

**Ms. Cate McCready:** I would be happy to.

It was an issue we had spent a lot of time working on over the last couple of years. It was a mechanism within our Canada tax treaty directly related to limited liability companies whose structures essentially faced a double taxation dynamic when the dollars came into Canada. It is a mechanism that's intensely used within the biotech sector to leverage investment. Canada was essentially penalizing successful companies for securing international investment into their companies by taxing them.

The royal assent of that change and those negotiations came to be, as you know, in December. We're now waiting for that bill to be passed in the U.S. Senate. I can tell you that already the messaging we have started to do as a nation, with both our colleagues within the international trade framework and within the venture capital and investment community.... We've spent the last two weekends with those folks from the U.S. marketplace. We're messaging strongly on that, and they're incredibly eager to see it change.

We're very optimistic that this signal out to the industry that Canada means business and is willing to adapt and change previous practices in a way that's more globally competitive for everybody is certainly gathering—for our industry, anyway, at this point—some good encouragement.

**Mr. Colin Carrie:** I have a question for the OECD.

We had Canada ranked 14th in innovation among 17 OECD nations. There are 30 OECD nations, are there not? How did we get to 14 out of 17? How did you come up with that? I'd like to see us get a higher mark.

**Mr. Dirk Pilat:** That's always a tricky issue. A lot of it depends on what exactly you're looking at when you're talking about innovation. Canada doesn't spend a lot on R and D, for instance, compared to quite a lot of other OECD countries, which partly has to do with the structure of your economy. You don't have a lot of high-tech industries. You're a fairly resource-intensive economy, which means you don't typically get to the level of a country like Finland, Sweden, Japan, or Korea. I think that explains it to some extent.

On the other hand, I think we're often ignoring some of the innovation that is going on in the services sector, or in some of your resource-based industries. A lot of that is not necessarily about spending a lot on R and D; it can be about using technologies in a very smart way. I think that is an aspect of innovation that is sometimes missing in some of these rankings.

I believe the ranking you referred to was by the Conference Board, but it probably has used some of our indicators, as far as I know.

**Mr. Colin Carrie:** How could Canada attract more private R and D money? What have you seen that has been successful with other countries?

**Mr. Dirk Pilat:** I think everybody is trying to be in that game at the moment. Currently countries that are really attracting a lot of R and D investments are the countries that have very large markets, a lot of high-skilled labour, and fairly low cost. A lot of the R and D investment at the moment internationally is going to countries like China and India, because this is where markets are.

However, I think there are things you can do. If you do have a lot of very skilled people, then of course that will be a factor that helps. If your overall environment for innovation is good, then people will be more attracted to come to Canada as well.

But this is a game that everybody is in, and a lot of countries in the OECD are losing out at the moment, with investments mainly flowing to some of the non-OECD countries.

**Mr. Colin Carrie:** Thank you very much.

Mr. Gander, you've brought up an interesting point, and you called it the global gold mine. You talked about the gap between development and getting out to consumers—kind of that commercialization gap—and you mentioned that nobody is doing a good job. Well, it's quite topical. We talked about this a bit this morning. What else should government do to address this gap, and how can Canada be a leader in addressing that gap?

• (1145)

**Mr. Barry Gander:** I think it would be very helpful if a clearinghouse was set up, as some businesses like IBM and Oracle and so on are doing in the United States, to share best practices in how you innovate in the service sector. It's just not done here at all.

Schulich School of Business has a little bit of a trend going that way, but I think we should also—I think, Cate, you were referring to this earlier—take a look at our entire tax structure because it's built for a manufacturing or industrial economy. For example, the SR and ED tax credits—or research tax credits, as they're called—don't apply in the service sector. If a Google or a Facebook started here, they would get no tax credits for that kind of innovation, so we're not rewarding the kind of behaviour we need to be rewarding. We're rewarding behaviour for the 15% of the economy that's in manufacturing, but not the 75% that's now in services.

We also—and I think this addresses a point of financing as well—need to take our message around the world in a more imaginative way. Canada is arguably, per capita, the strongest technology country in the world, and very few people know that. The minister, when we met him last week, was very surprised to hear of the Canadian project to put a lander on the planet Mars. We'll be the third country in the world to be able to do that, and almost nobody knows about it because it's private sector driven: who cares? But we need to do that kind of thing.

For example, one of the things we did that brought some interest into Canada—because we're the Advanced Technology Alliance, we should do these things—we started a relay of a webinar that started in Toronto on health care, and we have Richard Alvarez as part of our six-person panel in Toronto. When that strength of Canada and strengths of Canada in health care section was finished, it opened up live for comment in Delhi, India, and then it went live to the Akakan hospital after that.

What we were doing was going around the Commonwealth, bringing up the strengths of the various Commonwealth countries that could partner with Canada, to make this kind of thing accessible to our friends in the United States, who are in a mess. They need our help, and Canada can be that gateway and that linkage, because nobody trades better with the United States than Canada. It could be ideal.

**The Chair:** Okay. Thank you.

Thank you very much, Mr. Carrie.

We'll go now to Ms. McDonough.

**Ms. Alexa McDonough (Halifax, NDP):** Thank you very much, Mr. Chairman.

I'm pleased to be here substituting for my colleague Peggy Nash, who is dealing with a family health crisis at the moment.

Thank you to the witnesses. There are so many different areas of questioning one could pursue.

In a general way, it may be known to you that this committee has been looking at the impact of the high Canadian dollar on various sectors. I'm wondering if you could comment, perhaps the two representatives from BIOTECANADA and CATA, on the impact on the service sector.

Secondly, I'm interested in pursuing the human resource side of the question a little bit. You have spoken about the overall shortages, the intense competition, and so on. Can you comment on whether there is a regional nature to that, how the problem is distributed across the country, and any recommendations that you might have?

Thirdly, there was a bit of discussion early on about the issue of attracting more women into these jobs. I'm struck by the fact that there are some very creative projects that have been started up from time to time to try to deal with this, but they always seem to be very limited in duration because they're on a shoestring in terms of the kind of funding, and it comes out of some innovative initiatives. But there doesn't seem to be any kind of durability to some of those projects. I'm wondering if you can comment on that from the point of view of any public policy recommendations that you might have.

Thank you.

**Mr. Eli Fathi:** I would say as an individual consumer that I applaud that, but as an exporter I would say that until our productivity is on a par with that of the U.S., the 22% gap in productivity is creating a mismatch in our ability to export competitively, and I think it's hurting many of the technology companies that are exporting.

In terms of the human resources question, we are seeing a trend whose impact we have not yet felt, which is that of the baby boomer.

Not only will there be shortages that happen because of the baby boomers, but there will be shortages happening because of the way we behave.

I spoke to one of the presidents of the hospitals. They claim that for every two doctors who are going to leave, you need three to replace them—it's not only one to one anymore—because they don't want to work the 80 hours they used to do in the past.

So because of personal preferences, we're going to have a double whammy: we're going to have the need to basically replace the existing person who is retiring plus a little bit more, because they are not working as hard as other people used to do. And that is a preference that everyone across the country has.

Looking at the regional situation you talked about, we know there are many places out east, where you are from, whose people are shifting to where the jobs are, in Alberta. Whereas it is booming very much, we see areas where we have much more severe shortages occurring.

Finally, on the issue you raised involving the educational side and women in technology, I think the chairman identified that currently, unless you are trying to get them into sciences in grade four or five, which we really need to do, we have a problem. Females especially tend not to go into the sciences. Somehow by the age of 12 they tend to drop out of the sciences, which is a huge problem, because if you compare us with India, where a lot of the engineers are women, we are just unable to get them to go into the sciences in the numbers and percentages that other countries are doing.

• (1150)

**Ms. Cate McCready:** Your comment is well taken on the Canadian dollar. One of the pre-eminent sales messages we've had as an industry internationally is that the cost of doing business here has been incredibly efficient. We're now, as an industry, having a look at where in fact we will start to see the impact first. It's still a little nascent right now, because a lot of those relationships were long-term contracts. The question will be, very immediately, is it still cheap to do business with you folks up here?

We're not sure exactly where that's going to fall immediately. Certainly things such as clinical trial operations and that sort of thing would probably be impacted first.

There's no doubt there will be an impact. How deep it will be over the long term is still to be assessed.

**Ms. Alexa McDonough:** Do you have any public policy recommendations? I appreciate that it is early, but it seems clear that the impact is going to be felt. Is there a way to—

**Ms. Cate McCready:** Mitigate it? I think we have to look at other opportunities that make us attractive to do business with, aside from our know-how, which I think we've established very well internationally. The question really becomes one of the operating environment. Are we being as smart with our tax system as we possibly can to leverage and recognize foreign investment dollars to the best of our ability, so that companies can grow and stay here? There is no common sense in having a tax regime that allows dollars into the country for a certain amount of time but encourages jobs outside the country, which is currently what we have. How do we leverage the best of our system in a way that integrates both taxation policy and regulatory performance, such that the operating environment for new technologies is established as being one of the world's best rather than one that lags behind and copies trends down the road.

Again, that comment about getting ahead of trends, I think, is integral to our operating environment at the moment.

On the HR side—

**The Chair:** Be brief, please, Ms. McCready.

**Ms. Cate McCready:** Yes. The HR side is a challenge regardless of where we are. Technology and ideas move at the press of a button in this world at the moment. The question is what we are doing to inspire our next generation of workers to find a place and a niche for themselves in their regions, in an area where they see a relationship that they can build over the long term.

That's a seismic change for Canada. There's a concept that we move to where the jobs are. We now need to understand that jobs can be where we are, especially in our technology, and we need to build appropriately for that with our provincial and municipal governments.

**The Chair:** Thank you.

Thank you, Ms. McDonough.

We'll go to Mr. Simard, please.

**Hon. Raymond Simard (Saint Boniface, Lib.):** Thank you very much, Mr. Chair, and welcome, to our witnesses.

My first question is to Ms. McCready.

I'd like you to tell us how important clusters are in the biotech industry. In Winnipeg, for instance, when they built the level-four disease control laboratory, within months they had Biovail and all these small companies basically surrounding it. And it keeps growing. So perhaps tell me about the importance of clusters.

Secondly, there are two ways of doing things when it comes to research. One is to basically spread it across Canada, where everybody gets a little piece of the action. But what seem to be more prevalent now are centres of excellence, if you will. Maybe you could give me an idea, as well, of what you prefer when it comes to those two options.

• (1155)

**Ms. Cate McCready:** We like both.

The reality is that when you look at the global dynamic of who we're competing against for ideas and being able to retain our ideas, neighbourhoods matter. The people you're walking through a

building with, the people you're interacting with, be they from the research community in a hospital, be they from the research community... Thanks to experimental farms and centres of excellence, that relationship is incredibly integrated in successful clusters, particularly like those we see in Boston and San Diego. It's an intrinsic ecosystem where people can feed off each other in a very meaningful way.

One of the interesting opportunities right now in Canada, particularly within our sector, is the diversity of our economic fundamentals. So from a rural economy to our urban centres, our technology integrates both of those things. If we get smart about how well to do that, using programs like standards of excellence, using cluster development, and using IT to foster that environment a little bit more effectively, so that the people who are making car seat foam out of soybeans can market that across the world to the new car coming out of India, for instance, we allow them that technology, those ideas, and that mechanism to do that.

Currently some of them are working a little too distantly—that's admittedly—and I think there is a question around where our clusters will gradually evolve and what exactly they will look like.

**Hon. Raymond Simard:** Thank you.

Mr. Pilat, I think you indicated that our service sector should be a little bit more adventurous, maybe a little bit more open to the world. I completely agree with you.

The reality, however, is that in a lot of the emerging markets we find very few large Canadian companies, never mind smaller Canadian companies. One of the reasons is that smaller Canadian companies have gone out there and have come back. The culture shock, the economic shock, for instance, the sensitivities, were not what they expected. In other words, they were not well prepared.

Do you have any recommendations in terms of countries that have done well in preparing their companies to penetrate these emerging markets?

**Mr. Dirk Pilat:** That's a difficult question.

I think there is a lot of effort from countries to do that, but the success rate is limited. I think it is also partly about companies themselves actually learning and trying to operate in a global environment.

I'm originally from the Netherlands, which has a very open economy. We've always had a number of services or economies operating very quickly abroad, and I think we've been successful in that. In Europe now, with the integration of markets, of course, it is happening on a much bigger scale.

I think you can prepare companies a little bit with public policy, but on the other hand, it's also the forces of the market that will eventually do it. I understand Canada has a problem there with a lot of small companies, which makes it harder.

**Hon. Raymond Simard:** One of the challenges, I would imagine, is that we sell 80% or 85% of our products to our neighbours to the south. The other day somebody said that it wasn't that easy a market, but I do think it's an easy market, because we share the same languages and we have a lot of things in common. So that is a challenge that we have.

I'd also like to go back to Mr. Gander with regard to labour shortage. I think it's a huge issue, and I'm surprised you didn't mention it in your presentation. I know my colleague spoke to it. We were told by IBM and Microsoft that 25,000 jobs would be coming up in the next little while. We're talking about 8,000 kids in the pipeline. I'm not sure you're getting to these people early enough. It would seem to me that if you reach them at university, it's already too late.

Have you thought about doing something at the secondary or high school level?

**Mr. Barry Gander:** Yes. One of the ways CATA works is to partner with other organizations that have expertise in particular areas. We are working with some government agencies, especially the ones that can, as precisely as possible, define what these kids are going to be walking into in terms of future jobs. That way, we can go back and tell the schools about the kinds of things they should be looking for.

But I also agree with your comment that it's not necessary to specialize early. They should have a well-rounded education, I think. All they have to do is know how to learn. If we can get that across to them, then they're all right. The kids aren't silly or stupid; they know what's going to pay and what's not. They've got their eyes on it.

But I do agree that it is spikey across Canada, and there are funny characteristics in a St. John's or a Vancouver that are different. But certainly putting a centre in a particular place does encourage a particular kind of growth—the nano centre in Edmonton, for example, and you were mentioning your own in Winnipeg. Montreal has some really powerful technology.

• (1200)

**The Chair:** Great. Thank you.

Thank you, Mr. Simard.

We'll go to Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Mr. Chair.

And thank you, witnesses.

*[Mr. Van Kesteren speaks in Dutch]*

It's nice to have you here, as well.

This is not the first time we've heard this. There seems to be a disconnect. I want to direct both my questions, actually, first to either Mr. Fathi or Mr. Gander, but also to Mr. Pilat.

There seems to be a disconnect as to what they are producing when we invest in technology and what is produced in the marketplace.

After reading through your presentation, Mr. Pilat, I'm intrigued that we see a tendency and an encouragement to first of all open up new markets to encourage people. Could you tell me, Mr. Pilat, in the European market first of all, are there countries that devote more time or more effort to entrepreneurship as opposed to science and technology, and are they more successful?

**Mr. Dirk Pilat:** I don't think it's a question of either/or; I think it's a question of doing both. You need to have a very strong

entrepreneurial climate to really get new companies in the marketplace.

And if we look at some of the work we have at the OECD, Canada actually is pretty well positioned there in terms of having fairly low barriers to entrepreneurship, which means that companies can easily start up. This is a problem in many European countries.

At the same time, I think you need to have the basic knowledge being created—some of the new ideas coming into the marketplace: biotechnology, nanotechnology, information technology—and that can then be picked up by the market. So I think you need to have the interaction between science and technology, creation, and entrepreneurship.

**Mr. Dave Van Kesteren:** But as a government, I know we need to encourage that, we need to encourage higher education and some of the science and technologies, but where should the thrust of our efforts be? Should it be in that area, or should we, as a government, concentrate more on trade agreements and taxation levels?

I know you're going to tell me it's both, but which is more successful?

**Mr. Dirk Pilat:** The common wisdom with a lot of the stuff we've done at the OECD is basically that if you don't get your overall environment for innovation right, if you don't get your business environment right, then a lot of the other things you want to do will not work. I think you first need to get that environment very right, and then you can also get a lot more returns out of your investments in science and innovation. So you need to definitely get your market environment right, and then I think you can get more out of science and innovation too.

**Mr. Dave Van Kesteren:** Okay.

Could I get a comment possibly?

**Mr. Barry Gander:** If I might, that's very good.

I think that what Canada has been doing thus far is pouring an awful lot of money into the research side, into research communities. But I think there is an equal measure we should be doing on commercialization and monetization. You don't really commercialize a service sector anyway; you monetize the value of what the idea is, but we don't do that in Canada. We have research tax credits, for example, aimed at helping companies invent something, but then there is no doorway out the other side. If we want to give tax credits for research, there should be an equal tax credit for being able to commercialize it and get it out.

It's a process we don't understand very well here, so I think there is an awful lot of work we can be doing on the policy side to push that as well.

**Mr. Dave Van Kesteren:** I'm going to split my time.

**The Chair:** You have one minute.

**Mr. Bruce Stanton (Simcoe North, CPC):** I'll just pick up on that same idea, if I can.

In looking at our government's strategy around mobilizing science and technology, one of the categories we had there was information communications technologies, in terms of commercializing. Where are we deficient there in terms of capturing that group of service companies that we're not fitting in? Could you speak to that?

**Mr. Eli Fathi:** Commercialization really has two gaps: one is the innovation gap, and the other is the business commercialization gap. We're addressing the first part very well. The government is putting sufficient dollars into universities in this area. The issue is that what we get out of it, which is taking the prototype from the university and then taking it to create a business, is where we have the second big gap. There is a chasm between this and taking it to the market, because it's not sufficient to have the product.

I'd like to give an example. Look at the technology that was developed in Quebec City, which was related to a company from Denver that took that technology and created the new shoes that are selling very well around the world. We developed the technology, and somebody else created the business.

We really have to look at what we do with the business side, and not only with the technology side.

• (1205)

**The Chair:** Thank you, Mr. Stanton.

We'll go to Monsieur Vincent.

[Translation]

**Mr. Robert Vincent (Shefford, BQ):** Thank you, Mr. Chairman.

Good day everyone.

Mr. Gander, after checking the website, I wondered if the Canadian Advance Technology Alliance was in fact the organization that your represented

[English]

**Mr. Barry Gander:** Are you asking me to describe in general the Canadian Advanced Technology Alliance?

[Translation]

**Mr. Robert Vincent:** I have here a report on innovation strategies in Canada that puts forward six recommendations. Is this in fact your report?

[English]

**Mr. Barry Gander:** That's right.

[Translation]

**Mr. Robert Vincent:** I'd like to briefly discuss the report.

One of your recommendations notes the following:

Public companies, who conduct the vast majority of R&D, can only get their credits when they are profitable. In difficult economic conditions such as those prevailing in the high tech industry, this creates a serious problem.

Are you implying that companies that are not profitable cannot take advantage of R&D opportunities?

[English]

**Mr. Barry Gander:** That's exactly what it means.

[Translation]

**Mr. Robert Vincent:** What steps does the government need to take to ensure that these companies have the funding for R&D? Do you have a strategy to propose?

[English]

**Mr. Barry Gander:** That's right. We drill down a little more into our explanation for that, but our recommendation there is to allow the same treatment for companies that are having losses in a particular year. In fact, that's when they need that tax credit the most.

Your point is exactly what we would like to have happen. So thank you very much for your reference to the innovation nation, which is the policy platform we have there.

[Translation]

**Mr. Robert Vincent:** The report, which contains six recommendations, dates back to 2003. Earlier, you talked about broadband and Internet services. We have had several changes of government since 2003. What has become of these recommendations? Have some of them been implemented? Have successive governments provided assistance in some form or another to your sector?

[English]

**Mr. Barry Gander:** I think we have a situation where some things advance and other things get left behind, and you have to push those as well. So you're pulling a rug unevenly across the floor.

In the last 26 years we've had three innovation policies from the federal government. It's a target that moves, as I guess it should, but there have been advances. I don't want to make it sound as if we're waiting for anybody to do things for us, but there are environmental conditions that could be changed and would be very helpful.

Eli was talking about commercialization, and I think it's key to stress that now. We have enough R and D; we have enough innovation going through the pipeline. We find, for example—with no disrespect to the universities—that it's quite often the technology transfer officer in the university who blocks the technology transfer, because they're waiting for the next big Google or Facebook to happen in their research labs. But there are 40 other products in there that are being developed or innovated, and nobody is talking about them.

So we've joined with organizations like Flintbox to reach into the furthest corners of Canadian universities electronically to find out where those products are, and then match them electronically with the rest of the world. Those kinds of things are being done right now.

• (1210)

**Mr. Eli Fathi:** We also have to consider our position related to other countries, because the technology advancement in different areas and the adoption rate in different countries is much faster. An example is RFID, a new technology that is sweeping across the world. Other countries are putting in a lot of emphasis and money to adopt it.

We are moving fast. There's no question that Canada is the leader in many areas and has a lot of expertise, but other countries choose their fights and their areas of investment, and sometimes they're ahead of us. We have to make sure we at least keep pace in certain areas. We were one of the leaders in adopting broadband in 2002, but clearly a lot of other countries have surpassed us in that area. We're still doing very well, and a lot better than the U.S. But other countries like Korea have almost adopted broadband 100%.

So it's a matter of how fast we can maintain and adopt other technologies that are coming that will impact the productivity levels in this country.

**Mr. Barry Gander:** If I may pick up on that point, we had one of our CEO round tables last week in Toronto. There were 100 CEOs from the manufacturing community gathered around, having what we call a kitchen table conversation to discuss what's happening in manufacturing these days. James Milway from the Institute for Competiveness and Prosperity was one of our speakers.

He said that Canada is not doing too badly around the world. Our productivity rate is increasing faster than any other country's except, sadly, the regimes that are just to the south of us. So there are a dozen different regions in the U.S. where productivity is increasing faster than here, but nowhere else in the world.

**The Chair:** Thank you.

*Merci, Monsieur Vincent.*

*Monsieur Arthur.*

[Translation]

**Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.):** Thank you, sir.

Ms. McCreedy, Ms. Harack, regarding R&D funding, I assume that one factor that greatly facilitates investment is successful research. When one of your member companies ultimately finds a cure for the common cold, it will no longer have to be concerned about working with the government to secure future investments, whether directly or indirectly.

You stated that the government should promote investment. However, when you say that large pharmaceutical companies will become a key partner, I do have some reservations. As I see it, the government will have a hard time justifying investing on a massive scale in the pharmaceutical industry, given the recent revelation that the majority of Canadian pharmaceutical companies spend more on marketing than they do on research.

In light of this revelation, wouldn't it be hard to sell this idea to Canadians?

[English]

**Ms. Cate McCreedy:** You have to look at the entire life cycle for financing, particularly of health innovation. The life cycle there is 15 to 20 years on average. We have a remarkable bank of 500 small emerging companies in this country, and most of them are dedicated in the health sector. We don't commercialize well. We start small companies, foster them, get them going, and then leave them. It's then up to them to find international investment, Canadian investment, partners, and licensing agreements.

Companies in the pharmaceutical industry are key to that. They are part of that ecosystem of survival for ideas. They have the wherewithal and the global marketplace connections to allow a product into the marketplace. Bio MS, the company I cited earlier from Edmonton with leading-edge technology and Canadian know-how on multiple sclerosis, has just seen an investment by Eli Lilly of \$500 million. That money will allow Bio MS to take their platform, their technology, to the global marketplace. There was no other way it could be financed. The technology would have been lost if they had not struck the partnership, thanks to their management expertise, their IT protection, and a good partnership with a company like Eli Lilly.

I think we have to understand the nature of partnership and how it works. We have to find ways to continue to respect and build that. This is not cheap technology. Times have changed. As we get better at understanding the biological machinery of every aspect of every living organism on the planet, it will take dollars to transfer that into products that make a difference to our lives.

•(1215)

**Mr. André Arthur:** Thank you.

In answering a question from Mr. Eyking, Mr. Gander, you stated that we're going fast toward a bottleneck, as far as talent and know-how are concerned, and there's no way Canadian universities will be able to give you the specialists you need in a few years.

When you tell me about all those merry projects of universities collaborating with enterprises, I keep having the feeling that it's somewhat on the level of the kid who goes through a cemetery at night and whistles a lot—everything will get better if he keeps hoping that things will get better.

Are we keeping our heads in the sand at this point?

**Mr. Barry Gander:** I don't think so. I think there's a realization there that we must adopt a very imaginative partnership strategy around the world if we're going to make this work. As I was saying, we can plug ourselves into nations around the world that Canadians have an affinity for in order to carry out the value-added research that we are doing here in Canada and the value-added creativity we put into things to finish off the projects and to make that happen.

I would also say there's an awful lot in the schools that we're not doing. My colleague Eli was reminding me on the way here that people are dropping out of schools still, and their value can be tapped. We're not reaching everybody we could be reaching.

But you're also quite right, Eli, in saying that the bottleneck is going to get worse before it gets better.

There's a funny little thing that just happened a few months ago. Microsoft opened an office in Vancouver. It was a landing site, because Microsoft in the U.S. is being hit by immigration policy that is not helping them. They're opening that office because they want to bring world talent from the Pakistans and Indias of this world to Vancouver and use it as an off-load site from Redmond, of course.

I'm thinking, isn't there a way Canada can use this overall? Canada could be a landing site for smart people from all over the world to plug into the American economy. They don't even have to be in Canada to do it, but if we had that as a talent switch, that would be huge.

**The Chair:** Thank you.

*Merci, Monsieur Arthur.*

Ms. McDonough.

**Ms. Alexa McDonough:** Thank you very much.

Well, I'm going to pick up right there where you left off. I have two questions for anyone who feels inclined to address them.

One is that we're having a lot of trouble attracting our own young people into these fields. How much are we really looking at the incredible cost of post-secondary education, the uncertainty around continuing inadequate funding for post-secondary education? It's my understanding that at least in some universities in some parts of the country the first-year tuition seems prohibitive enough, but then when it gets to second year, it takes a huge leap. I'm wondering if this isn't driving young people away from investing their own dollars in this field, because there aren't enough public dollars to support those choices.

Secondly, I'm wondering whether we need to be concerned—and this is an issue that's raised from time to time by the post-secondary education community—about inadequate dollars being invested in basic research on the basis of which, of course, breakthroughs are ultimately made, and so you get to the applied research and development level.

I'm wondering if you could comment on those two questions or problems, as you see them.

**Mr. Eli Fathi:** On the second point, applied research, clearly the colleges are dealing more with the applied research side of it, which is getting faster to a solution where you can get the monetization, commercialization, and make money on it. From that perspective, there are clearly two distinct areas: pure research at the universities, a little further down the road, versus the applied research at the colleges. So that should be promoted. I believe at this point in time a very disproportionate amount of money goes to the universities versus to the colleges in this area. We should look at whether we can divert some of it and give the colleges more money.

In terms of the other area, in terms of education, clearly we see other countries around the world, like Ireland and others, where the education is a lot cheaper, if not free. It clearly gets more people attending. Aside from the attendance at the post-secondary level, we have to consider the high school as well. Some 25% of Ontario students don't go—and I don't know the statistics in other places—but Dr. King identified that one in four students in Ontario did not graduate from high school. So if you can attract 5% more to just finish high school, we're going to address our problem.

In terms of human resources, it's a multi-faceted issue. It will have to be done by immigration, it will have to be done by the retraining of existing people into other areas, it will have to be done by getting high school dropouts to continue, and I think there are also a lot of

expatriate Canadians who are studying abroad. There is a lot of difficulty.

I know that personally my daughter is studying in medical school in Ireland, and she has difficulty coming back to Canada, even though she trained at the U of T and so on, but we don't have the policies to allow them to come back easily into the Canadian environment.

So there are multiple ways that we can do that.

● (1220)

**Ms. Joanne Harack:** On the issue of financing basic research versus applied research, I don't think there is an easy answer. What I'm about to say is a very politically unpalatable thing to say, which is that yes, we need to do both. You can't stop funding basic research and expect to have an innovative culture. Having said that, too often I think we think that, well, we funded that basic research through universities and research institutes and hospitals, and that's it, that's all we need to do.

On the issue of clusters, for example, we know that one successful company in a biotech environment can create a whole industrial cluster. The importance of seeding that one company, wherever, just can't be overstated.

With respect to the human resources question, there is in biotech huge diversity across the country. In one region there may be tremendous genuine shortages. In another there may be tremendous imbalances, in fact. It's not unusual in the Toronto tech community, for instance, to advertise a basic entry-level position and have 400 applicants, while in other parts of the country that is not the case. This is something we need to address.

**The Chair:** Thank you.

Thank you, Ms. McDonough.

We'll go to Mr. McTeague, please.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Thank you, Chair.

Mr. Pilat, I wanted to keep you entertained here with the group. I didn't want us to think you're so far away that we couldn't have you at least engaged.

I'm looking at some of the figures from your 2006 OECD *Main Science and Technology Indicators*. They suggest that Canada's growth, as a reflection of gross expenditure on research and development, has increased, but we still lag well behind the OECD average.

I'm wondering if you have any opinion on research intensity goals? To use Yogi Berra's old expression, if you don't know where you're going, chances are you're going to wind up somewhere else. Do you think we ought to have established goals for where we go with research intensity, particularly as we try to build a stronger business case?

**Mr. Dirk Pilat:** The OECD has always been fairly critical of these goals, because we typically think that if you increase R and D intensity, it's the outcome of a process, basically. You're trying to increase innovation in your economy, and if you do that properly, use all the set instruments, hopefully you will increase research intensity. But if you set a goal and say you're going to reach this, often what happens is that people start thinking, well, how can we reach that goal? How many people do we need? What industries do we need to have increase R and D intensity? So I think it sometimes can have a strange impact on public policy and doesn't necessarily do the right things.

In Europe, at the moment, there is a big focus on research intensity in what's called the Lisbon Agenda. I think what we hear there is that what it has done is focus more of the attention on policy-makers and on innovation as an important policy goal. So that's the benefit it has had.

In terms of the goal as such, I think it is all about innovation, productivity, and economic growth. R and D is part of that, but it's just an input. It's one important element of it, but it's not the only thing you should focus on. I think it should be seen in context.

• (1225)

**Hon. Dan McTeague:** What are the risks attendant to government investment in research and development only to have new ideas and new innovations, if they're able to be marketable and commercialized, drawn away from Canada, where the investments were made and where the breakthrough took place, and winding up perhaps in Switzerland, Korea, or wherever the case may be? How real a problem is this for Canada, in your opinion?

**Mr. Dirk Pilat:** I think it's a problem for any country, but I think it partly is that you also have to look at what you're getting back. Of course, part of what is invented in Canada may flow outside. The real trick is trying to get things back to Canada as well. I think it's all about being connected, being part of the global innovation system that we see emerging.

A lot of what big companies are currently doing is that they have some of their R and D, some of their innovation, being done in the U.S. and Canada. Some is being done in Europe. Some is being done in China. They're really tapping into skills and knowledge in different places. The real trick is to try to be connected to that network and to build on your own strengths and on your own competencies. Of course, Canada has some real strengths, so to really build on those is, I think, the real issue.

**Hon. Dan McTeague:** Thank you, Mr. Pilat.

Ms. Harack and Cate—it's good to see you again—I want to ask your opinion on the role of venture capital in providing support for new budding enterprises that are making a pitch to make it happen here in Canada. Are there improvements that need to be made? It seems to me that access to funding, well before all these other considerations take place, has to be an important building block in terms of success.

**Ms. Cate McCready:** It's a tough climate for Canadians to constantly hear that our capital markets are as small as they are. Again, politically it's difficult for us to say we need those international dollars. Does that allow the technology to escape the country?

The VC marketplace is only one focused element where our companies are desperately trying to establish relationships. One of the things we've undertaken is to establish what we call a VC table between us and our American counterparts, so we can frame more integrated relationships with the American VC community. They certainly have deeper pockets, but they also have a deeper knowledge base when it comes to investing in our particular sector.

That table of basic introductions, in a fundamental way... It's one of the first times we've seen that happen in our community, which is ironic, 25 years after the technology was started. Again, that's a long-term relationship-building exercise that will be intrinsic to one element of funding for the industry's life cycle of development.

**Hon. Dan McTeague:** It seems to me that we could be producing the next lines of whatever. The R and D is there. The education is there. A company comes out with something that is earth shattering, but it cannot manufacture the product in Canada without selling it, giving it away, or simply not proceeding with it. There are thousands of examples out there. I can give several of my own. I know colleagues on this committee have expressed this in the past.

I wonder if there are any new or current instruments that we should be contemplating.

I think that's all my time.

**The Chair:** Very briefly, Ms. McCready.

**Ms. Cate McCready:** To that point, Mr. McTeague, one of the things we've been pushing particularly strongly is modernizing the SR and ED tax credit process. That is an immediate opportunity with this current government. I think it would be a terrible loss if we let that 17-year-old tax credit program, which has done so well for this country, not get modernized and not be reflective of the 21st century dynamic of investment globally. Lifting the CCPC, which is so detrimental to many of our companies, and then lifting the limits from \$2 million to \$10 million would immediately signal to the world that Canada has an environment that is much more adaptable.

**The Chair:** Thank you.

Thank you, Mr. McTeague.

We'll go to Mr. Stanton, please.

**Mr. Bruce Stanton:** Thank you, Mr. Chair.

Ms. McCready, that was actually a very good segue into my question. That's exactly where I wanted to head.

You advocate for updating of the tax credit for types of businesses outside of Canada, larger businesses, refundability, all those issues. However, when you look at the government's current share of R and D investment, we're already well above the average of the OECD. You look at a situation where the private sector is lagging behind in relative terms to where we're going, so how could a government be sure that an expansion of investment beyond the \$3 billion currently invested each year is going to stimulate and lever the extra share being sought from the private sector?



•(1230)

**Ms. Cate McCready:** One of the things I hark back to is that our particular sector actually is contributing in excess of 12% to the overall business expenditure on research and development in this country. So for us as a small technology group like us compared to some of our colleagues at the table, we are pretty active in terms of that investment dynamic for the country—as, I would suggest to you, writ large, are companies that have established products in the global marketplace.

Nobody is trying to suggest that one aspect of a SR and ED change will change the dynamic overall, but it's a slice in a series of opportunities for an integrated system of an investment climate that this country needs to look at. I look at countries like Indonesia, for instance, which is putting in \$50 billion biotech strategies. I look at a nation like India, which has established a ministry of biotechnology. When we see South American companies making investments in the tens of billions of dollars in this technology, if they get it, why don't we?

Again, it's slices of opportunity and building for a bigger picture.

**Mr. Bruce Stanton:** Thank you, Mr. Chair.

I don't want to let this opportunity go by. To our friend from the OECD, with regard to the work you do in looking at models of what lies ahead for the member countries, I wonder if you could shed a little light on what you see ahead for Canada in terms of its current economy and the struggles it's going to face in the near term.

**Mr. Dirk Pilat:** It's difficult for me to comment on all aspects of the Canadian economy, because I'm not responsible for that part, but as far as science innovation issues go, I think there is a lot to be done in Canada, like in many OECD countries. In general, many countries are currently struggling with what they can do about innovation in services, so you're not alone in that. This is an issue we see everywhere.

I think the other issue we see everywhere at the moment is the whole issue of knowing a lot about how we can get more supply of R and D, how we can get more science and technology coming from the supply side, but not knowing much about commercialization and how we do that properly, how we can create markets for innovation, how we can get more involved in innovation. And I think that's where some of the real tensions are at the moment, where some of the real questions are.

A third area, I think, is how you deal with the globalization of innovation, how you deal with the fact that China is now becoming one of the largest economies in the world, not only in terms of the economy but even in terms of science and innovation. How do you adjust to that, and how do you find your own niche in that global economy? I think that's the struggle we're all having.

The fourth one, of course, is human resources. I think you discussed this in quite some detail already, but this is an issue that is common across most OECD countries. Everybody is dealing with this. We have an aging society. We have people dropping out of the marketplace and not a lot of people coming through the system in terms of creating human resources, so it's a problem we all have. I think we're trying to help with our work to try to see how we can deal with it, but there are no easy solutions to any of this.

**The Chair:** Thirty seconds, Mr. Stanton.

**Mr. Bruce Stanton:** If I could summarize, what I've heard from you as well as the representatives from BIOTECCanada is that we really need to look beyond the 30 member countries to see what's going on outside that realm, and that's a more accurate picture of where Canada fits into that global environment.

Do I have that right? Your comment about having to feed into a chain of order or being part of a system was interesting. Its exactly where we seem to go, just as manufacturing is part of a global supply chain.... The chair is trying to cut me off.

**The Chair:** It's a wonderful final comment.

We do have a motion, members. That's why we're trying to end early tonight.

As the chair, I wanted to thank all of you for your presentations, for your session here today.

I know this issue has been touched upon, but I wanted to wrap up with this, with the issue of productivity and innovation.

Mr. Pilat, on page 3 in your presentation you talk about productivity growth and the relationship between the services sector and productivity. The committee was told earlier that the growth in productivity in the services sector has been better relative to other sectors, so there's been more productivity growth in the services sector than in other sectors, but you talk about the services sector making a small contribution to productivity growth in several OECD countries. If you wanted to wrap up, you could talk about the relationship between productivity innovation and the services sector and some things we could do better in that sector to improve productivity?

•(1235)

**Mr. Dirk Pilat:** I think what we have seen in the past decade is that a few countries in the OECD, in particular Australia and the United States, have seen a surge of productivity growth in the services sector. Canada hasn't been doing too badly there, but probably not as well as the U.S. and some other countries.

I think a lot of that comes from more innovation in the services sector, new products, new ways of delivering services. A lot of it has to do with how we are using information technology to our benefit. And I think what we still see in many European countries is that we haven't seen that dynamism from the services sector. Canada is probably halfway there, in between what has happened in the U.S. and Australia and what is happening in Europe. You're probably more dynamic than many European countries in the services sector but not quite as dynamic as you probably could be—a brief summary.

**The Chair:** Thank you.

Does anyone else want to offer a final comment? Could we be doing better on the productivity side?

**Mr. Barry Gander:** I would just stress the importance of productivity in the service sector area. Because it's such a chunk of our economy, in order to get our productivity up to the growth rate of the ICT industry of about 7% or 8%, you'd have to increase service sector productivity by about 12%. To do that in the manufacturing sector, you'd have to increase productivity by 50%, which is a pretty tall order.

So this committee is definitely focusing on the right area, the service sector and, certainly, supply chains. I could go into what members like Xerox are doing, and nanotechnology, and the whole thing—

**The Chair:** Well, thank you very much.

I want to thank you all for being here.

Mr. Pilat, I want to thank you very much for joining us by video conference.

If any of you have anything further to submit to the committee, please do so. We will ensure it goes into our final report.

Members, we will suspend for about two to three minutes, and then we will go on to Madame Brunelle's motion. Thank you.

• (1235) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1240)

**The Chair:** I call the meeting to order, please.

We will now move to the motion by Madame Brunelle. I don't think we need her to read it into the record, as it's already been read into the record.

Madame Brunelle, we'll start with you.

[*Translation*]

**Ms. Paule Brunelle:** Mr. Chairman, I would simply like to remind everyone that we were supposed to await the decision of the finance committee, where a similar motion was tabled, before coming back to this one. Yesterday, the motion was voted down by the finance committee, which explains why I am bringing up this motion today.

In my opinion, it is entirely appropriate that the committee adopt this motion, since it did look into the major crisis affecting the forestry and manufacturing sectors. The motion calls for the government to implement an assistance plan for the industry, to allocate funding to Technology Partnerships Canada and to provide reimbursable contributions to companies. This motion ties in perfectly with the report that was unanimously endorsed by the committee. Therefore, I would encourage committee members to back this motion. In so doing, we would be able to continue this debate in the House and help the manufacturing and forestry sectors. Our assistance would certainly be greatly appreciated by stakeholders in these sectors.

[*English*]

**The Chair:** *Merci, Madame Brunelle.*

Would anyone else like to address this?

Mr. Carrie.

**Mr. Colin Carrie:** Thank you very much, Mr. Chair.

We won't be supporting this motion. If you look at what it's asking for, the Liberals would be cancelling the Technology Partnerships Canada program announced in 2005, even though it still exists to pay out obligations. There were severe issues with that program.

And some of the other things they're asking for could jeopardize our international trade agreements.

• (1245)

**The Chair:** Thank you, Mr. Carrie.

I have Ms. McDonough.

**Ms. Alexa McDonough:** I want to speak in support of the motion.

I think we all know there have been horrendous job losses in both manufacturing and forestry. While it appears as though the government is moving to respond in a somewhat more appropriate and timely way, we know that the proposal now coming before the House is one that is very, very inadequate in light of the massive impact of the job losses.

I think this goes a step in the right direction of a strong recommendation for more resources to meet this truly national crisis in terms of job losses.

**The Chair:** Thank you.

I have Mr. Stanton next.

**Mr. Bruce Stanton:** Thank you, Mr. Chair.

We've heard over the course of the last few months how reserved the government has to be in these kinds of interventions, in allowing public dollars. It's not to say that they can't be made, but when a government chooses to make particularly these kinds of monetary weighty interventions to bolster the economy, we've heard testimony going back several meetings now about how that is in fact 180 degrees away from the right kind of economic policy.

We recognize, as my honourable colleague has in fact just mentioned, that the government has forged ahead with the community development fund for specific industries, particularly in one-industry communities, to help them—and we don't know what the outcomes might be—to recognize that there needs to be some transition when you have potential economic softening such as we've seen.

But the fact is that the best approach, the approach that has stood the test of time, particularly since the eighties, has been to make sure that good, sound economic policies are practised in a broader sphere, not to try to.... You recognize that there will be adjustments. I think we heard not too long ago that things will continue to come our way that happen in the global economic framework and that will impact here at home. The very best way we can protect ourselves against that impact is by good, sound macro-economic policies and a dynamic competitive environment, but not to the point where we're using public dollars to try to stop-gap what we know is going to involve these kinds of adjustments. There will be some job losses, and nobody likes that situation, but we continue to hear that this is going to be the reality we as a country will deal with from time to time and sector by sector.

What we have to look at is how we make sure that there will be opportunities coming forward and that investment will continue to be vibrant in Canada. That kind of investment is going to provide good-paying jobs in a knowledge industry, in industries that in fact can give to families the kind of income they need to improve their lot in life and carry on and bolster our economy.

It seems to me, Mr. Chair, that this is in fact the course Canada set out several years ago, and that we need to continue to keep it as our focus and resist the urge, as politically expedient as it might be, to get too top-heavy with our monetary interventions this way.

So I argue against the motion, recognizing that we've already committed to a part of it. The community development fund is very specific, and I hope it will enjoy broad party support in the House. But I think that initiative on its own is a good and sensible approach that will get us where we need to go, and that we do not need this motion.

**The Chair:** Thank you.

I have Mr. Brison, Mr. Carrie, and Monsieur Arthur.

Mr. Brison.

• (1250)

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you, Mr. Chair. I have a couple of points.

First, to Mr. Carrie's point that the Liberals have cancelled Technology Partnerships Canada, in fact it was David Emerson, who was, I believe, if memory serves me correctly, a Liberal member of cabinet at the time, who did not cancel but in fact introduced a new program, repositioned it, changed the criteria and name, and the rest. It wasn't exactly the same as cancelling it.

In terms of the intent of the motion, we share with the Bloc a view that important investments in manufacturing competitiveness, forestry, and industries in distress are critically important now. We mourn the cancellation of the \$1.5 billion forestry fund that our government had introduced prior to the last election. The Liberals introduced that, a \$1.5 billion program. The Conservatives waited two years to introduce a \$1 billion program that is less focused, two years later, so we mourn that.

So we agree with the intent. Our concern, Madame Brunelle, is with the specific numbers.

I've talked with both our finance critic and people in our economic group, and one of the reasons was the specific numbers. So we support the intent and would consider support of a motion that is less granular in terms of numbers, because we have to fit this into a fiscal envelope that is defensible.

One of the challenges we have right now—and in fact there were some articles in *Report on Business* today—is that with the GST cut taking \$14 billion per year out of the federal treasury, the numbers are tightening. We have to be responsible both in opposition and in government that what we do offer is absolutely solid in terms of not taking the country back into deficit.

That's our concern, around the specific numbers. We support the intent and would consider support of a proposal with the same intent but less specific in terms of the numbers.

**The Chair:** Do you have an amendment, Mr. Brison?

**Hon. Scott Brison:** I would ask the Bloc. I assume Madame Brunelle would want to respond to that first.

**The Chair:** Okay. I have Mr. Carrie, Monsieur Arthur, Mr. Van Kesteren, and then Madame Brunelle.

Mr. Carrie.

**Mr. Colin Carrie:** Yes, I would like to acknowledge the comments by my colleague that the Liberals did have a \$1.5 billion fund, but I believe it was just announced; it never was funded. But what we did with the softwood lumber agreement was that there was \$5 billion returned. It wasn't a loan; it was actual cash back to the companies.

We do have to look at this, because it is a substantial amount of money. Again, the Bloc did support us on the softwood lumber agreement. And by doing a \$1.5 billion reimbursable contribution, some type of loans, it would put Canada's international agreements at jeopardy to do something like that.

I want to point out to the committee as well that I had the opportunity to sit in the international trade committee yesterday, which had a very similar motion, and one of the Liberal colleagues made a very good point—I believe it was Mr. Maloney. This has been put forth in four different committees, and it calls for adoption and report back to the House, which would mean three hours of debate, so 12 hours altogether to debate this motion. His comment was that would be an irresponsible thing to do in the House of Commons. So in that committee, that was totally removed from their motion.

I'd just like to point that out.

**The Chair:** Thank you.

Monsieur Arthur.

[Translation]

**Mr. André Arthur:** Thank you, Mr. Chairman.

If we look at this issue from a national perspective, no doubt we can come up with some very skilful interpretations and analyses, although they may be somewhat disconnected from reality. I represent the riding of Portneuf—Jacques Cartier. Last Thursday, AbitibiBowater, a pulp and paper company operating in the heart of my riding, shut down a plant that employed several hundred people. The plant workforce had been trimmed in recent years, to its current level of about 250 workers.

The company announced that the plant closure was a temporary measure. What we are likely hearing is a lie told by a company that wants to continue its forestry operations and make people believe at the same time that the plant can one day re-open.

The situation is not very reassuring and personally, I am torn by Ms. Brunelle's motion. We would like to help everyone that is having problems. That would be much simpler. However, if I look at what is happening in my riding to a company that has shamelessly gone into debt over the years by responding inappropriately to problems instead of improving...

The union has always taken a very hard line at the bargaining table, putting the company in a situation where it could not make changes for the better. Pouring federal dollars into the plant would only confirm to everyone that there is no solution, now or ever. Politicians, however, will want to buy some time.

To persist in the belief that helping huge multinationals and hard-line unions like the CSN will make things better down the road will only make things worse, at least for the company that shut down its plant in my riding last Thursday.

I would much prefer to sit back and let these officials work it out as adults and come to the realization that the forestry sector in Quebec is in a crisis situation. Surprisingly, the crisis is much worse for large multinationals and large unions than it is for small companies with about 100 employees. At present, almost all of these small companies are thriving because they have adapted to new market conditions. The large companies that have resisted change and the large unions lacking in humanity are responsible for the prevailing situation in my riding.

I would much rather wait until the funds become available to help those who are truly in need of assistance in the face of the crisis in the forestry sector, that is communities whose economic future depends on the threatened activity, instead of giving money to spoiled children who will always demand more and who will never resolve their problems if we continue to give them handouts.

• (1255)

[*English*]

**The Chair:** Thank you.

Just to remind members, it's coming up to one o'clock. I was told by members to have this finished by one. There are two different directions: members say to finish a meeting by one, but they keep adding their names to the list.

**Hon. Dan McTeague:** We have no more.

**The Chair:** I have Mr. Van Kesteren, Madame Brunelle, Ms. McDonough, Mr. Stanton, and Monsieur Vincent.

**Mr. Dave Van Kesteren:** Thank you, Mr. Chair.

I just want to add that this study of the service sector and the previous study of the industry produced a wonderful result that we can all be very proud of. It has been said, and it bears to be repeated again, that the solutions to our problem are not in government intervention.

If we go back and take the blues for a recent witness, I think it was Mr. Lazar of the Forest Products Association of Canada—I think this was his name, I don't recall—I must confess that when he came here, sitting on the government side, I thought, boy, we're going to get hammered, and I was fully prepared for that. But if we check his testimony, his suggestion and his wish from the forestry industry was, get out of the way. He specifically said, there's going to be some

bloodletting, we need you, we will survive. It's going to be tough, and when we come out of this, we're going to be that much tougher. Check the records. Check what the man said.

The other thing he said—and this is striking, and I think it builds on what Mr. Arthur was saying, and some of my other colleagues mentioned it as well—is that the problems they're experiencing in the forestry industry today are direct results of government intervention and governments pushing them to set up shop in areas where it wasn't economically feasible to do so.

This runs contrary to what we've been hearing time and time again from all of our witnesses, from the service industry and from the industry leaders. They're looking for a level playing field. They're looking for lower taxes. They're looking for harmonization. Those are the buzzwords. Those are the things that we're hearing from them. They're not asking for government money and bailouts. They recognize that as a thing of the past that's been counterproductive.

Should we suggest that we go down that path again? We're going down a path where, as a committee, our studies are finding—

• (1300)

**The Chair:** Mr. McTeague.

**Hon. Dan McTeague:** On a point of order, Mr. Chair, I'm very sorry to interrupt Mr. Van Kesteren on this one. It is one o'clock. Several members indicated that they had to be at meetings at one o'clock, including the chair.

Mr. Chair, I think we have a bit of a compromise. I'd like to have a chance to discuss it. If it would be acceptable to Madame Brunelle,

[*Translation*]

I would like us to defer this question until tomorrow or until our next meeting. I know everyone has to leave at 1 p.m. That's not the problem. I merely suggested that we delete the words after “manufacturing sector”.

[*English*]

—and this is on the same point of order—

[*Translation*]

right up to the words “and that the adoption of this motion be reported to the House at the earliest opportunity”.

**Ms. Paule Brunelle:** In that case, the motion would read as follows: That the Committee recommend to the government, in view of the serious crisis in the forestry and manufacturing sectors...

That would be it?

**Hon. Dan McTeague:** ...that it implement...

**Ms. Paule Brunelle:** ...that it implement without delay...

**Hon. Dan McTeague:** ...an improved assistance plan for the forestry and manufacturing sectors; and that the adoption of this motion be reported to the House...

**Ms. Paule Brunelle:** I understand.

[English]

**Hon. Dan McTeague:** Mr. Chair, I'm only mentioning this as a means of saying this is what we will support. If you want to bring it back at the next meeting I think it would be better if there's Madame Brunelle's acceptance, because there is going to be a debate on this motion, I'm sure, as well.

I can't do this to Conservative members. I just cut them off.

**The Chair:** Can we bring it back on Thursday?

[Translation]

**Ms. Paule Brunelle:** We're fine with this.

[English]

**The Chair:** Mr. Van Kesteren.

**Mr. Dave Van Kesteren:** Could we also get the testimony by the Forest Products Association of Canada? I really think it's pertinent.

**The Chair:** Okay. We'll have that sent to all members.

Madame Brunelle.

[Translation]

**Ms. Paule Brunelle:** Can we get some assurance that this motion will be addressed at the start of the next meeting?

[English]

**The Chair:** The problem, as I understand it, in what this committee adopted is that we have said that we will deal with motions at the end of witnesses. If the committee feels they want to change this, they can. But as I understand it, that is what we adopted at the beginning of the session.

**Hon. Dan McTeague:** Mr. Chair, would it be helpful to come here an hour or half an hour earlier?

[Translation]

**Ms. Paule Brunelle:** Yes.

[English]

**Hon. Dan McTeague:** Half an hour or one hour?

Colin, it's up to you.

[Translation]

**Ms. Paule Brunelle:** Yes, at 10:30 a.m.

[English]

**Mr. Colin Carrie:** Can we talk between meetings?

**Hon. Dan McTeague:** So it will tentatively be at 10:30, Chair. So we would meet here half an hour earlier. At 11 o'clock, if we're not finished by then, it will be put to the end.

**The Chair:** We'll meet at 10:30.

[Translation]

**Ms. Paule Brunelle:** Alright? Fine then. Our first order of business would be the amended motion.

[English]

**The Chair:** What if we limit the witnesses to an hour and a half, and then start with the motion and set aside 30 minutes at the end of the meeting on Thursday for the motion? Is that okay?

**Some hon. members:** Agreed.

**The Chair:** The meeting is adjourned.

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