Standing Committee on Finance (FINA)

Pre-budget consultations 2012

University of Saskatchewan

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

1. Canada needs a national innovation strategy that supports human, physical and technological capital through investments in advanced education, research, knowledge transfer and business development. 2. Post-secondary education advances our knowledge economy by supplying a world-class workforce. It is also a strong determinant of national income growth. A university graduate with a B.A. typically enjoys a $1.3M advantage over high school graduates and $1M more than the average career earnings of a college graduate 3. University research attracts talent and has tremendous social and economic impacts. Canada should continue to: invest in research funding programs (Tri-Councils); support state-of-the-art research infrastructure (CFI), provide internationally competitive rates for indirect costs of research, and support the operating costs of national science facilities. 4. Through programs like CRC and CERC, which attract world-class talent, Canada can also become a global leader in issues such as water, food and energy. 5. We support the restructuring of NRC to focus on demand-driven research; however, changes need to be implemented in a consultative and strategic manner, taking into account continued support for fundamental research and optimum use of national research institutes. Strategies should also encourage and reward productive interchanges between universities and industry partners to support commercialization of university-based discoveries. 6. Tax incentives, e.g. lower corporate rates, business vouchers and tax credits should be revisited to ensure they are having intended impacts. For example, the revised SR&ED credit focus is on labour costs, which biases its use to labour intensive companies. For industries requiring capital expenditures to become more productive, the current policy does not provide an incentive to make the investment. The new SR&ED, while easier to implement may not yield the benefits desired over the long term. 7. In addition to supporting venture capital for high-growth businesses, we need to ensure adequate funding exists for start-up companies through incentives to invest in early stage development, e.g. angel tax credits and programs that provide early stage seed funds and mentoring (IRAP). Incentives also need to be put in place to encourage the traditional banking sector to invest in companies with a productivity or innovation focus.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

1. Canadian universities and centers of excellence create world-class research and innovation, leading to high-quality, sustainable jobs in knowledge-based industries. These jobs increase Canada's tax base and consumer spending (on housing, retail goods and services), both of which stimulate the economy. 2. Creating and supporting major science facilities enhances job creation and attracts the best and the brightest minds to Canadian institutions – "a brain gain". For example, the Canadian Light Source and VIDO/InterVAC at the University of Saskatchewan employ approximately 246 FTEs and this number is

growing. These are not short-term stimulus-related gains but rather long-term employment and income growth that will also spur economic impacts outside the province. 3. Small to medium sized enterprises (SME's) account for a substantially larger share of employment in Canada than in the U.S. and represent a disproportionate amount of breakthrough innovations and net job creation. The reduction in the general corporate income tax rate should encourage small innovative firms to expand sales into foreign markets and attain the scale needed for successful innovation, competitiveness and higher productivity. (OECD Economic Surveys Canada June 2012). 4. We need to expand and diversify trade linkages and streamline regulatory approvals for major infrastructure projects and foreign investment, balancing protectionism with transparency and investor confidence. A national innovation council as recommended by the Jenkins Panel could catalyze reform efforts similar to the Productivity Commission in Australia. 5. Current immigrant programs focus on financial investment; however other models could be explored such as the program being piloted in Ireland, where an immigrant entrepreneur is funded to develop a specific start-up opportunity. Immigrants with new ideas and/or financial investments who wish to move to Canada may also need assistance in making contacts, management practices and/or cultural/language barriers. University Industry Liaison Offices could assist in making these linkages. 6. Canada can become more globally competitive by adopting and promoting lean process improvement in both private and public sectors. Lean can help reduce administrative burdens and increase employee productivity. The Government of Saskatchewan instituted lean in the health sector and the U of S plans to improve its organizational processes through lean.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

1. In order to address the rapidly changing needs of a knowledge-based economy and the need for skilled workers in Canada, we will need to enhance the quality of tertiary education and expand recruitment activities to include underrepresented groups, e.g. Aboriginal and international students, students from low income families with no history of post-secondary education and mature students. 2. Ensuring that Aboriginal learners have equal access to post-secondary training and job opportunities is essential to fulfilling our labour needs. Programs that enhance post secondary education and partnerships deliver programs both on and off reserve and/or provide scholarships to Aboriginal students should be encouraged and supported e.g. Urban Aboriginal Strategy. (see Question 5) 3. Canada's International Education Strategy should include initiatives that enhance Canada's image abroad in terms of student/faculty exchange and research partnerships. A recent mission by Canadian University Presidents to Brazil helped make Canada a destination of choice for up to 12,000 students and established 75 collaboration agreements. 4. Allowing a greater share of immigrants to enter Canada through the post-secondary system as foreign students and expanding opportunities for them to work and obtain permanent residency after graduation may help address our demographic shift. This could also enhance Canada's global linkages and competitiveness. 5. Other international (and inter-provincial) efforts to expand our workforce could include streamlining accreditation processes for professionals and skilled workers and providing additional transitional supports. 6. Programs that support seniors in attaining a post-secondary education and/or exploring entrepreneurship opportunities may also help Canadian citizens develop new skills so that they can remain in the workforce longer. In Britain, more than one million out of a total of 4.7 million small businesses are started by people who had retired or been made redundant. Over 611,000 of those small businesses were launched during the past two years and "Olderpreneurs" (over 50) are the largest group setting up on their own. 7. We need to support lifelong learning and flexible work arrangements if we expect people to continue working into their mid-late 60's, e.g. working part-time, job sharing, mentorship

opportunities; training in new technologies.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

1. Canada's investment in R & D as a percentage of GDP (1.81%) is lower than the OECD average and much lower than countries such as Israel (4.28%), Sweden (3.62%) and even the U.S. (2.79%). If Canada wishes to be internationally competitive, we should explore increasing R & D investments to levels well above the OECD average (2.33%). 2. Investments in R & D must be strategic and results-oriented, targeting areas of poor performance, for example, information and communications technologies, and leading edge machinery and equipment. SR&ED credits focused on labour costs only may not yield optimal investments in productivity enhancing capital. 3. We support Canada's efforts to increase BERD levels and industry partnerships through revamping of programs and departments such as NRC to focus on demand-driven research, but these efforts need to be coupled with investments in fundamental research (which are often synergistic) and collaborative models involving governments, universities and the private sector. 4. Governments can increase productivity by reducing administrative and regulatory barriers and focussing on how best to support early-stage technologies. The $400 million sustainable fund noted in Canada's Economic Action Plan 2012 is a step in the right direction, but we also need to support high risk, early stage start-ups, that do not have the same access to angel and venture dollars as high growth businesses. Investment incentives might include Canada-wide angel tax credits, focused early stage SR&ED and wider use of flow-through shares. 5. University research can often lead to commercial opportunities, e.g. researchers at the U of S Canadian Light Source and Stanford have developed a new type of rechargeable battery that could improve electric car technology. Canada needs to support programs that enhance the commercialization of university research, e.g. best-practice technology transfer offices, internships and fellowships with a commercial focus. 6. Programs such as IRAP and MITACs work collaboratively with university industry liaison offices, supporting translation of discoveries into commercial success through industry-university research collaborations and internships, technology patenting and licensing, and support for start-up companies, e.g. mentoring, management training. Investment in such programs should continue to be supported in Budget 2013.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

1. A 2010 AANDC analysis showed little or no progress in the well-being of indigenous communities between 2001 and 2006. Education is a major factor to enhancing the social and economic strength of Aboriginal peoples (Canada's Auditor General; Chief of AFN) but there continues to be a serious educational gap between Canadian Aboriginals and non-aboriginals. 2. The Canadian Aboriginal population grew by 45% from 1996 to 2006—six times faster than the non-Aboriginal population. At the same time, only 8% of Aboriginal people aged 25 to 64 in Canada have a university degree, as compared to 23% for non-Aboriginals (in fact, over one-third have not completed high school). One result is that unemployment among Aboriginals was 13.9 % in 2009, compared to 8.1% for non-Aboriginals. 3. Investing in Aboriginal education and employment is not only a moral imperative, but a sound investment. According to the Centre for Study of Living Standards, closing the education and labour market outcomes gaps between Aboriginals and non-aboriginals by 2026 would lead to cumulative benefits of $400.5 billion in additional output and $115 billion in avoided government expenditures over

the 2001-2026 period. 4. To help increase numbers of Aboriginal graduates, universities offer support programs, bursaries and increasingly relevant curricula; e.g. the B.C. government has developed a program to enhance PSE and partnerships, deliver programs on reserve and provide scholarships to Aboriginal students. 5. New approaches will need to be explored that focus on increasing Aboriginal graduates, teachers, researchers, industrial employees, and organizational leaders e.g. the U of S recently opened an Office of Aboriginal Initiatives at the English River First Nation urban reserve. 6. Measures outlined in Economic Action Plan 2012 to improve First Nations education will be a good start, particularly in the K-12 system, but we need to find effective mechanisms (e.g. the Urban Aboriginal Strategy) that reach all Aboriginal people (over half now living off reserve) including university "reach-back" mechanisms, mentoring programs, student services and support programs. 7. Newcomers to Canada also face many challenges. We need programs that assist new immigrants and support diversity and inclusiveness. (See Questions 2 and 3).