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**Chair**

**Mr. David Sweet**



## Standing Committee on Industry, Science and Technology

Tuesday, May 8, 2012

• (0845)

[English]

**The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)):** Good morning, ladies and gentlemen. *Bonjour à tous.* Welcome to the 29th meeting of the Standing Committee on Industry, Science and Technology. We have the good fortune of having Minister Goodyear here, as well as the president of FedDev, Bruce Archibald.

We are first going to the opening remarks and then to our usual rotation. Generally, Minister, it's usually 10 minutes for opening remarks, but of course we give latitude to ministers who are before the committee, so please begin when you're ready.

**Hon. Gary Goodyear (Minister of State (Science and Technology) (Federal Economic Development Agency for Southern Ontario)):** Thank you very much, colleagues, ladies, and gentlemen.

Mr. Chair, I appreciate that. I'm very pleased to be here with this opportunity to speak to all of you about the main estimates for the Federal Economic Development Agency for Southern Ontario or, as we prefer to call it, FedDev Ontario.

Since its launch in the summer of 2009, FedDev Ontario has been working very hard to help the region recover from the global economic downturn, which hit us fairly hard, and to set in place the foundation for future prosperity. We began by delivering immediate assistance to communities and businesses through a number of different programs. Following our initial onslaught, if you will, of partnerships with reputable organizations who had a history of working in partnership with the government, we launched a series of new programs in 2010 after consulting with many stakeholders. In fact, seven specific initiatives were tailored on the advice we got from stakeholders to help position southern Ontario to compete in a global marketplace.

Our approach to this pattern of initiatives was basically wrapped around four key areas of focus. The first was our people advantage. We face a number of pressures in the country, certainly in Ontario, from an aging population. We have fewer workers in the skilled trades, and there is a strong need to retrain employees for more technologically driven and advanced jobs.

While we have world class post-secondary educational systems in Ontario and across the country, we do in fact fall behind the OECD and our peer countries in degrees that foster innovation—education that fosters innovation like science, technology, engineering, and mathematics, or what is commonly referred to as the STEM fields

We are addressing this problem by getting our children and our youth interested in science, technology, engineering, and math, and helping our post-secondary students and graduates who already have knowledge in the STEM fields, helping them to apply it to the business world and to improve its innovative capacity, not only immediately but also over the long term.

Through our youth STEM initiative, in particular, we are working with organizations like Let's Talk Science that teach children in the kindergarten to grade 12 range in these fields, not just to get them interested in science and technology but also to provide them a choice of fields that do in fact have rewarding jobs. I'm very thrilled to tell you that in the 18 to 20 months of this program we have already reached two million children in Ontario.

This brings me to the second area of focus, the knowledge advantage.

While it's important for small and medium sized businesses to have access to skilled and well-trained workers who generate new ideas, they also need the research and development capacity to get those ideas onto the factory floors, test them, and produce them, and successfully enter them into the marketplace. As a result of this, we have devoted significant attention to establishing partnerships between research institutions, our colleges and universities, and the private sector. A number of these programs include the applied research commercialization initiative and some other specific projects I'd be happy to discuss with you, such as the water consortium in southern Ontario, which now includes seven or eight universities working with seven or eight municipalities and somewhere in the neighbourhood of 70 private sector companies.

Through our third focus, the entrepreneurial advantage, we address the barrier faced by small businesses in southern Ontario, who have a lack of access to capital for new ventures and private sector investments in start-up businesses. We developed the investing in business innovation initiative where we are helping businesses to leverage investment and grow—companies such as Toronto's Nulogy corporation who have increased their capacity to research, develop, and market their innovative new packaging software. This program, I'm very happy to say, is around \$29.5 million so far but has been leveraged up by other VC and angel investors to close to \$100 million of new venture capital in southern Ontario.

●(0850)

Last but certainly not least, we are focused on the larger picture, that of making southern Ontario companies and communities competitive with international markets such as China and India. We saw the opportunity to push this envelope and invested in the Canadian Manufacturers and Exporters' SMART program, designed to support the vital manufacturing industry in southern Ontario and others, and help them become more competitive on a global scale. Our funding currently is supporting 300 different firms that would otherwise have been left waiting to increase their productivity—perhaps not having the ability to do it all given the global climate—and of course save jobs.

The final focus was our prosperity initiative. This is helping companies like Ivaco Rolling Mills in L'Orignal to expand, develop, and enter new products into a growing marketplace. This project, which I'd be m happy to discuss later, Mr. Chair, pretty much saved the company and ultimately the community. This company is now a leading edge technology steel producer with a vast opportunity in global markets.

Through various projects like this, we are improving the productivity of our workforce and helping our businesses and communities diversify.

I would like to address the fact that FedDev Ontario's 2012-13 main estimates do not reflect the decisions announced in the current budget 2012. We will utilize, however, the supplementary estimates and that process to adjust FedDev Ontario's authorities, and of course the quarterly financial reports, as our tools to provide Parliament with the regular and timely reporting on the applications of these measures yet to be decided upon.

Mr. Chair, as someone who was born and raised in southern Ontario, who was born and raised in my own community and went to school and owned businesses and raised a family in southern Ontario, I have seen first-hand the opportunities and potential that exist in southern Ontario. I believe that we are working in the right direction and I'm very proud to see the work of the federal government to create jobs in this area and long-term economic opportunities.

When the global economic downturn hit, our government took action by creating FedDev Ontario. This is a brand new economic development agency for southern Ontario. Since then, we've invested in hundreds of projects in southern Ontario to create jobs and grow the economy. Even in some of the hardest hit areas of southern Ontario, municipal leaders have noticed our approach.

Recently, in fact, the mayor of Windsor, Ontario, one of the hardest hit areas in the country and, prior to our intervention, the number one unemployment area in Canada—it no longer is—recognized FedDev and our government's success, when he said, "The feds have done a very good job of identifying the projects that require funding and directing funding to them." That was Mayor Eddie Francis, of course, of Windsor.

Mr. Chair, I could continue. As you can tell I'm very excited about the work of FedDev. I believe we are on the right track and doing very good work to date. We will continue to do that, but I think it's

an opportune time to end here and just open up for questions from my colleagues.

Mr. Chair, thank you for that opportunity and I await all of your questions.

●(0855)

**The Chair:** Thank you very much, Minister.

My apologies, as I was remiss in not thanking all the members, as well as our witnesses, for their quick and flexible action in coming to this new room versus the other one. The other room had some serious meltdowns with the electronic equipment and that's why we're not there. It will need some significant repairs and, fortunately, ours is working well.

We'll go to our first round of questioning. These are seven-minute rounds.

We'll begin with Mr. Braid, for seven minutes.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you, Mr. Chair.

Welcome, Minister, and Mr. Archibald. Thank you very much for being here. Congratulations, Minister, on the success of FedDev Ontario.

My first question is to you, Minister. Could you explain and elaborate, just at a high level, how FedDev Ontario has helped to foster and promote innovation in southern Ontario?

**Hon. Gary Goodyear:** First of all, innovation seems to be the buzzword around the globe right now. I will tell you that we fully recognize that innovation does not necessarily mean invention. Inventions are innovative in themselves.

Innovation is the process of taking something, perhaps a currently existing product, and improving it: perhaps finding a new market for that product; improving the line on which that product is made; improving the quality of the product by using newer, more advanced materials or software to advance the product; and improving productivity, which, as I've always said, is not working harder but working smarter.

FedDev has taken on the opportunity to make funding available to businesses to do those things that will improve that. For example, training of existing employees can be done with HRSDC, but we also have opportunities to fund businesses to upskill their employees. For example, when businesses adopt new technology to improve their process, we have funding available to help them purchase new, advanced equipment to make their process faster, easier for them or, in fact, to improve the bottom line.

I could go on about those applications using federal government help—with leveraged dollars, of course, because the private companies have to have money in the game. I will say, too, that in the case of profit-making companies, we require repayable contributions. We do not give money to profit-making enterprises. We loan them funding, which has worked out to be extremely important, especially in the depths of the economic downturn when banks were a little bit harder to get along with than they usually are. These companies came to us, literally by the hundreds, and we offered them ways to do everything.

I'll give you an example. One company came to us, concerned about the Canadian dollar. Of course, the federal government cannot do anything about that particular issue. But the owner found assistance to improve the insulation in his factory. With FedDev's help, he increased the insulation in his factory and saved enormously on his heating bill. That allowed his company to remain profitable. It saved jobs, in that particular situation.

We often see companies that want to expand and capture a greater market share. They have a product. They're not in the global market but with some help, with some new piece of equipment, they can get there. FedDev will look at that very carefully and determine whether there's an opportunity to help the company grow in that way and hire more people in Ontario.

That creates improved competitiveness on a global scale, just through incremental innovation in the process of the company, indeed in the actual equipment or product they're making.

**Mr. Peter Braid:** One of the key themes, it seems, through all of the programs under the FedDev umbrella is that you endeavour to leverage the impact of programs through partnerships. Could you elaborate on why that is a constant theme?

**Hon. Gary Goodyear:** The first thing we did after getting out of the gate in August 2009 was to immediately partner with organizations that had a strong record of successful partnership with government entities in the past. These would include the Yves Landry Foundation, the CME SMART program, the Ontario Chamber of Commerce, the Business Development Bank, and the industrial research assistance program.

This allowed us to put money into existing programs to get it into the marketplace and immediately create jobs. The idea at that time, if you can remember back to the severity of the downturn, was to in fact get folks working, to protect their jobs, be they in construction or other fields. As we did that—quite successfully, by the way—we did want to evolve into having partnerships that didn't just create any jobs. That was important, of course, but we wanted to evolve into having longer term, better quality jobs.

In other files, in other reports that you will read, collaboration among businesses and academia and government probably involves some of the most successful partnerships. Indeed, businesses in Canada tend not to do as much R and D as some of our peer countries, and there are a lot of reasons for that. It's a very complicated matter. But one of the reasons is they don't have research capacity: they don't have Ph.D.s or microscopes on-site.

Most of our small businesses have fewer than 50 employees. So by recognizing that opportunity and creating partnerships with colleges and universities with significant research capacity, we were able to put out programs that basically said to universities and colleges, "Here's some funding, and how you get it is to go outside, go down the street, find a small business with a problem, solve it, and then we will pay half of that". The applied research commercialization program was the impetus of that pilot program. It was so successful that there were 24 academic institutions with over 300 small companies joining up for that funding. We've extended the pilot program by an additional time slot.

These partnerships include everything from small businesses that have invented a wheelchair that can climb stairs, to folks who are making some of the finest luggage on the planet. The wheelchair in question was so light that it wobbled, and a college was able to figure out how to rivet it better so that it didn't wobble, making this company a winner by employing hundreds of people as it then opened and expanded its business.

Those are just some examples of how we evolved into various types of partnerships to gain those longer term globally competitive positions we are after in Ontario.

• (0900)

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

Thank you, Mr. Braid.

That's all the time we have for that one.

Now we'll go on to Mr. Marston, for seven minutes.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair.

Good morning, Minister.

This is my first time at this committee so I'm looking forward to the opportunity to have this brief chat with you.

Research and development dollars—Mr. Richardson will remember this—were severely cut back in the nineties under a previous government, and so to have some impact in starting towards redeeming some of that is really important.

When we look at the job losses that we've had in the Hamilton area, where I'm from, and London and Windsor, and then look at these estimates, it seems that FedDev funding is being shifted from the southern part of the province to a more easterly part—and, of course, as you've indicated in your testimony, from community and business development to technological development.

What was the overall strategy behind that particular move? There is quite a bit of money being shifted around. When we looked at the estimates it was in the tens of millions of dollars. You started to speak about the strategic outcome in your presentation. If you could go into a little more depth about that, I'd appreciate it.

**Hon. Gary Goodyear:** Thank you very much, Mr. Marston. You're absolutely correct that a previous government did cut science and technology. I'm absolutely convinced that caused the brain drain in Canada that we all remember.

We have taken an entirely different approach. In every single budget of ours, we've increased science and technology. We are now at historic, record amounts, close to \$12 billion. Indeed, this particular budget, I'm proud to say, had an additional \$1.1 billion for science and technology.

I will let my friend, Bruce, respond to this shifting of funds, the millions of dollars, because there is a specific reason why. But just to set out the profile of FedDev Ontario now, the key is to focus a little more on, and give a little extra attention to, the hardest hit areas in the southern Ontario group of areas. Those would include, of course, places like Windsor where we focused very hard, Peterborough, the Niagara region, and others.

Some of the programs also had criteria that focused on areas with fewer than 500,000 people. The reason we would do that is the diversification of the local economy angle. Some towns, as you well know, are one industry towns and we felt that if we were going to make a long-term impact.... Obviously, in the beginning we worked very hard to save the jobs in those one industry towns, but as we moved forward, we wanted to make sure that if we could, we would have two or three industries in a town to protect it in the long-term and more solidly in the event of another economic downturn 10 years from now or, hopefully, never.

Those were two reasons that some areas may not have seen the funding from a particular program that others did, but overall I think there's been a great balance of funding between things like the KIP program, the community adjustment fund, the RInC program, and the programs FedDev operates.

With respect, in a few seconds, Bruce can explain to you why the numbers were shifted around. Most of it's due to Treasury Board suggestions.

• (0905)

**Dr. Bruce Archibald (President, Federal Economic Development Agency for Southern Ontario):** Thank you, minister.

In terms of reporting on the main estimates, when the agency was first created, it was the southern Ontario development program, which the minister had spoken about. Into our second year of operation, the minister announced a series of new initiatives, the seven initiatives he mentioned, called the southern Ontario advantage initiatives.

When we redesigned our program activity architecture, we realigned the various program activities to better reflect those seven programs. That's why, for example, in the community economic development you saw a shift in the number from 2011-12 to 2012-13, because some of those programs in the new suite actually fit better in things like technology innovation or business development.

On the advice of Treasury Board, we moved some of the internal activities, like policy advocacy and coordination, into internal services. So with the change to the program activity architecture, we've really tried to align the seven programs under the southern Ontario advantage initiative with the actual activity and the dollars attributed to those.

**Mr. Wayne Marston:** In my community of Hamilton there's a real concern about capacity in places where there's a lack of expertise in the building trades. When we look at the community development dollars moving—and I would note here that I'm new to this file—was there something in place before, such as additional training or cooperation perhaps with the building trade unions in their apprenticeships, that would have developed people who came out of some of the plants that had been shut down and prepared them for advancement?

If you're in a technical trade today, it's not like the old days where you could go in there with grade 8, 9, or 10 and do a job. You have to have the competencies today that, quite likely, people could expand upon to go to a more technical level. Has there been anything in place to look at that and to try to deal with it?

**Hon. Gary Goodyear:** I'll answer that quite quickly. Clearly, any organization—not-for-profit or for-profit—can apply to any of these FedDev programs. So where there is in fact the opportunity to receive funding to upskill a certain group of employees, that will be available in FedDev as well. We obviously can't say yes to applications that we don't have, but it is available.

I will also say that in terms of places like McMaster University in Hamilton, there has been significant funding there. One that I'm very proud of was a participation between FedDev and the science and tech file where we advanced the automotive research facility at McMaster, which I would think is approaching the largest, most technologically advanced research facility in the world on energy and energy storage for the transportation industry. We're very proud of that. The goal there, of course, is to create a hub, a centre that will in fact attract businesses to create more employment and grow that particular economy. We're already seeing that with partnerships in some of the major automotive industries.

The ARC initiative was also available to the colleges in and around that, exactly for that reason, where businesses would apply to upskill and have funding to assist that upskilling.

If I could just say one more thing—and I know we're running out of time, for which I apologize—but the graduate enterprise internship initiative is another program designed specifically to help move the highly skilled folks that are coming out of universities and colleges into the businesses of their choice and not lose that skill set to McDonald's or another place during the economic downturn. This is an internship program that was developed to support the movement of skill and knowledge into the businesses that lacked that capacity.

So in this overarching way, I think all of that is available to all communities.

• (0910)

**The Chair:** Thank you, Minister Goodyear, and thank you, Mr. Marston.

Mr. McColeman, for seven minutes.

**Mr. Phil McColeman (Brant, CPC):** Thank you, Chair, and thank you, Minister, for being here today and to you, Mr. Archibald, for being here and giving us the backdrop.

Recollecting where we were in 2008 in southern Ontario, and where my riding exists in southwestern Ontario, some of the initial investments made through the establishment of FedDev dealt with large infrastructure projects, with investments in municipal infrastructure, and the like. The one I want to focus on is the knowledge infrastructure fund, how it in some ways transformed certain facilities of academia and upgraded them to be able to go to the next level.

I would like you to make some comments perhaps on some of the feedback you've received from the institutions, the universities, colleges, polytechnics, and maybe even provide one or two examples of how this has actually moved them, I believe, from having seen the evolution in breaking down some of their barriers—so that they can co-operate with business and help create jobs in this economy.

**Hon. Gary Goodyear:** I can absolutely do that with your permission, Mr. Chair. The knowledge infrastructure program is actually a science and technology file, whose main estimates we're not talking about, but with your permission, I'd be happy to comment on the knowledge infrastructure.

This was a program where the Prime Minister asked us not only to look after the science and technology strategy for the nation and to make sure that it wasn't derailed, but at the same time to also look at any opportunities to create and protect jobs in the very short term, because science and technology, obviously, is an opportunity for a strong economy—but in many cases in the future, not necessarily today.

So the knowledge infrastructure program, I think, was a brilliant idea where, as a federal government, we put up \$2 billion. The parameters were to rebuild the research capacity of our colleges and universities all across the country. It had to be matched by provinces, territories, and the private sector, and sometimes the colleges and universities themselves. We actually ended up spending just over \$5 billion on over 500 projects all across Canada. I've had the fortunate opportunity to have seen some of these buildings, and they are astonishing. In some cases, they're brand new buildings with brand new classrooms and teaching facilities. In other cases there are multi-disciplinary labs, where you will see not just statisticians and chemists, but also engineers and people dealing with medical devices, with optics, and stem cell research, all of whom are literally working side by side in a very big laboratory—again pushing the collaborative partnerships.

This, along with some of our other programs, such as the Vanier and Banting postdoctoral fellowships and the Canada excellence research chairs, are all programs that were designed to increase our research capacity as a nation, building up the buildings as it were. We also put money into the CFI to put new equipment in those buildings, and, with these other programs I just mentioned, we are now attracting scientists from around the world and, in some cases, their entire teams.

That does a bunch of things. It puts the inventions and incremental innovations in our country, which means that the patent, should there be any, and the intellectual property and job spinoffs, will very likely be in our country. It also allows for an extremely positive educational opportunity for our next generation of scientists and entrepreneurs as they are trained by these folks.

So we have come up with a nice organization that keeps our brightest minds here and attracts the brightest minds from around the world. In the case of the automotive sector at McMaster, we stole a brilliant mind—probably the best on the planet—from the United States.

Then we also train the next generation, maintaining our capacity that way. Canada now has a brain gain, and I'm absolutely convinced, and I'm sure you are too, that the high quality jobs of the future will come from science and technology and research—and most importantly, the development of that research, the transfer of that knowledge out of the laboratories, out of the minds of our folks and onto the factory floors to be sold to the living rooms and hospitals. I'm so committed to that. I can tell you that we have a responsibility. We have an obligation as a nation to move that

knowledge out to the hospitals of the world—if that's the case—helping people all around the world, but also improving prosperity here at home in doing so.

The knowledge infrastructure program was a great leap forward in terms of bricks and mortar, including the equipment through CFI, and then through other programs for people to use that equipment.

● (0915)

**Mr. Phil McColeman:** Just very quickly to change gears, you used the example in your opening comments of the water consortium.

I think we have a minute left, so would you just touch on that in a little more depth, if you wouldn't mind?

**Hon. Gary Goodyear:** In our consultations, which were quite extensive all across southern Ontario, we had the opportunity to meet a bunch of people who had the same idea. We would go to a community and they would tell us that they didn't want to become a one-industry town. They wanted to be the best in the world in water technology. I would go to another community two hundred kilometres away, and I'd hear the same thing.

Quite quickly, I talked to the partners and said that we couldn't fund five people to be the best in the world; it didn't not make sense. I suggested that they get together to come up with a better idea, and we worked with the organization for almost a year. It ended up, as I said, including seven or eight universities, seven or eight municipalities all along the Grand River corridor, running from the northern part of southern Ontario all the way down to the Great Lakes. This organization with, I believe, 68 or 70 private sector companies is going to develop everything from software to manage water, to sensors, flood control, purification, and cultivation. You name it, they're going to design it and invent it, test it here, and then produce it here, and sell it to the world.

This is the largest water consortium. I don't believe there's another project this big or this focused on creating critical mass anywhere in the world.

**The Chair:** Thank you, Minister.

Now I'll move on to the Liberal Party. Mr. Hsu, for seven minutes.

**Mr. Ted Hsu (Kingston and the Islands, Lib.):** Thank you, Mr. Chair.

I have a question about how FedDev measures the effects of programs on your desired outcomes. What kind of metrics do you use to measure diversification, competitiveness, self-reliance, growth, and job creation?

We can observe all of these things. We can observe diversification and job creation and so on, but there's always the question, and I'm sure you're very concerned about this, as to what effect the actual program spending has had on these, on top of what would have happened otherwise.

I know that FedDev has not been in existence for a long time. But part of FedDev, and I'm thinking particularly of the eastern Ontario development program, has been around for a long time because it used to be under FedNor. I'm wondering if you are tracking the effects of the program spending in the EODP that occurred many years ago to see if there has been any measurable long-term impact on the desired outcomes of EODP. That goes back to the issues of diversification, competitiveness, the economic self-reliance of communities, growth, and job creation.

**Hon. Gary Goodyear:** That's a very good question. I'm looking for the numbers on the metrics for EODP.

Ted, that's a great question, and how governments measure the successful outcomes of programs is something we struggle with every day. I can tell you at this initial stage of FedDev, we can count job numbers both as estimated by the applicant and then as the project concludes, when we always go back and have a look at how they have done with respect to their promised outcomes in the application.

In terms of innovation, job numbers are one thing, but creating a job doesn't necessarily mean, as you point out, that a company is more innovative or more globally competitive. Evaluating those requires a more long-term study, as you will well know.

FedDev is working to develop the metrics program. We're doing the same thing on the science and technology file, to develop the metrics that, first of all, relate overall or generally to what we're attempting to do, but also specifically with metrics for each individual program because their outcomes are slightly different.

In terms of becoming a more innovative nation or improving productivity, I read a report that I was quite excited about. It indicates that R and D spending by business is up, and I think the report said it was by 4% this year over the last four years. That's a good sign, but as you would agree, it is not an indicator of future trends. But we're not going to say no to the fact that business expenditure on research and development is up this year over the last four. But we are working on metrics.

On the eastern Ontario development program, since 2004 more than \$65 million has been invested in more than 5,500 businesses and community development projects. More than 57,900 people have received work-related training. That's an ongoing advantage that's difficult to measure, but they have the training. What they do with it, as I'm saying, is difficult to measure.

More than 880 youth interns have been placed in not-for-profit and private sector organizations. That's a big step up for eastern Ontario, where we do see unique challenges with respect to the youth migration in some of these communities like Kingston.

An additional \$307 million, on top of the \$65 million provided by the federal government through EODP, has been leveraged by partners. So this is a good news story where the federal government

has put up \$65 million, and the private sector and communities—the Government of Ontario—have put up an additional \$307 million.

There's a great example of a company, Ted, in your riding. I won't say the name of the company for privacy's sake, but it's owned by a lady engineer who graduated from Queen's, and you'll probably know the company right away. She had the opportunity to go anywhere, but again because of FedDev and some other federal assistance, she stayed in Kingston. She's producing a product that cannot be produced anywhere else and her company is exploding in size, in terms of hiring people from the area and expanding.

• (0920)

**Mr. Ted Hsu:** I guess her company is related to my question because you mentioned in your opening remarks a company that I believe you said was saved by FedDev support, and her company, she says, was saved by SR and ED credits.

There are two different ways to save companies and so the question goes back to efficacy. What is the relative efficacy of program spending, where a government program or agency decides how to spend the money, versus a tax credit where you're just letting companies do what they want to do?

I understand that you're developing metrics. Will you be soliciting input from Parliament on the metrics and the methodology? We're going to be using those metrics to formulate policy.

**Hon. Gary Goodyear:** When we talk about metrics and how we evaluate programs, I will say that the OECD has said that Canada has some of the best metrics in how we measure our programs. But like you I would like to see a more detailed analysis and if there's a direct relationship between this dollar spent and that effect that has occurred. That is a little bit more of a detailed analysis, as you well know. What questions you ask and whom you're asking them of can determine that outcome.

In the beginning of FedDev our struggle was to create jobs in the very immediate term. We would fund a project that said there was a possibility of 60 jobs created. For example, the juvenile research diabetes program suggested that 180 jobs would be created. When we looked back, it was well over 200 jobs.

So those are the metrics we're using at this point. But a good example of what you're talking about—

**Mr. Ted Hsu:** Will you let Parliament have some input into the metrics and the methodology you developed?



**Hon. Gary Goodyear:** I have worked very hard to open my doors to anybody who has an opinion. I've been to more than a hundred round tables at this point in my life. If you want to write me an email, if Parliament wants to make suggestions to me, if scientists and engineers around the world have great ideas on how to measure some of these outcomes, -or great ideas for products that we can produce more jobs with and improve our prosperity, I am all ears. This is not up to me personally, but a collaborative measure where, especially in the case of metrics, it will require some very intelligent people to determine what those questions are.

• (0925)

**Mr. Ted Hsu:** Do you think that you might table some preliminaries to this committee?

**Hon. Gary Goodyear:** That's a little bit into the future. To answer your question, we're looking at internal...like the Science, Technology and Innovation Council, which has 18 of the smartest people in Canada. Plus others are working with us.

But I'd be more than happy to hear what you have to say, Ted. Thanks.

**The Chair:** Thank you very much, Mr. Minister, and Mr. Hsu.

Now on to the second round of five minutes.

Madam Gallant, for five minutes.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman.

Through you, to the minister, first of all, I'd like to comment on the direction the government has taken in the area of science, technology, and innovation. I'm very supportive of this, as are many of the businesses in my riding that are in science, research, development, and manufacturing.

Most recently, we had an announcement about Tyne Engineering. It's an engineering company that takes hydrogen and has experimented, using the facilities at Chalk River Laboratories, to build a passive autocatalytic recombiner and actually get it to the manufacturing stage. So the scientists at Chalk River wanted to find a way to take hydrogen out of the atmosphere because they wanted to minimize the risks of explosions. The scientists worked on that, and a manufacturing business from the outside saw that they were doing this and has actually spun that business out into a new business. So we do have the holy grail of science to manufacturing and the creation of jobs occurring right up there.

Another example of how the different policies implemented are working is the situation we had a number of years ago when the NRU was shut down for repairs. As a consequence of that, the scientists had to develop the tools necessary from scratch, to even take a look at the inside of the reactor, let alone how to fix it. Because of the tools they developed, they've been able to sell those on a larger scale to other countries whose reactors are now going through the exact same thing. Again, we have another example there of how we've been able to facilitate science from the bench all the way to the manufacturing stage.

Another example is the tracking of nuclear materials. I'm very pleased to say that a team of scientists developed a way to track nuclear material around the world in real time. That team of

scientists has been recognized internationally for that work, a very practical use of that development.

Another example is muon tomography. Muons are subatomic particles. They can literally provide the ability to see through steel and concrete—X-ray vision, if you will, but not X-ray as a substance. That's another example of where we're at a stage where we're looking for a company that can take this to the next phase and market it throughout the world. We're almost there. We do have a company we're looking at.

There are also non-medical isotopes. Before 9/11 we were known for providing 95% of the world's medical isotopes, but we are also capable of producing non-medical isotopes. That's quite a revenue generator for the laboratory site. I know that we are looking at funding science that can generate its own revenues as well.

With regard to materials analysis, we had our Nobel prize winner there, Bertram Brockhouse. He developed neutron spectroscopy. That has developed into a business onsite where they can look at materials, like the blades from airline turbines, in a non-invasive way, and they can see the molecular structure and where there might be a fault in the blade.

There's the non-proliferation aspect as well. Back when the SALT Treaty was being implemented, we had Russia and the United States taking down their warheads. They put the fuel, the radioactive part, into an inert form, brought it to Chalk River and we made the warheads into fuel. It was more valuable to Russia as a fuel as opposed to a weapon. In terms of non-proliferation, they're doing very well, as well as exploring and manufacturing new ways of generating electricity.

What I wanted to tell you is that the investment in the business innovation program is alive and well. If you'd like to speak to that, I'd like to hear what you have to say.

• (0930)

**Hon. Gary Goodyear:** I can tell, Cheryl, that you have the same passion about science and technology and its ability to improve the quality of life of people all around the world as I do.

On a very high level we are number one in the G-7 in terms of our expenditures on post-secondary education as a percentage of our GDP. Where we're nowhere close to being number is in business expenditures on research, and the development of that research. We've spoken to that. The federal government has clearly...

Am I out of time?

**The Chair:** I'm sorry, the preamble was long on that one, so—

**Hon. Gary Goodyear:** There you go.

**Some hon. members:** Oh, oh!

**Hon. Gary Goodyear:** There was passion.

**The Chair:** Yes, we saw that demonstrated, as one of the best examples yet.

Mr. Harris, you have five minutes.

**Mr. Dan Harris (Scarborough Southwest, NDP):** Thank you, Mr. Chair.

Thank you, Minister.

After that lengthy preamble, and certainly some great information about Canada's nuclear industry, I would like to remind the government that the next time they shut down the reactors for safety reasons, they should not push them back into service too fast, because good things can happen, and safety has to come first.

Following Mr. Hsu's questions about metrics just very quickly, you mentioned that both science and technology and FedDev are developing metrics. Do you have a timetable for this, and when can we expect to see what methodology is being used?

**Hon. Gary Goodyear:** There's really no timetable. We continue to work; programs evolve on their own. As you well know, the panel's report from Mr. Tom Jenkins on research and development in Canada has given the government a number of opportunities to improve how we incent businesses to do more research and development. As those programs evolve, metrics—again, as specific as we can make them—will be developed.

That said, I still want to remind Mr. Harris, if I can, that Canada is recognized as already having some of the highest metrics. Job numbers are the big thing that everybody wants to hear about: how many jobs? As you've heard many times, we have created more jobs, have more people working now, than we had pre-recession. We have the strongest economic growth of some of the industrialized nations. This is all good news.

But we have had areas and opportunities in which we could measure other things besides jobs. Those are the desires of our organization to see whether our ability to diversify a community's economy has actually worked. There will be a few more years of data collection before we start to analyze that data with the metrics that we develop.

I would like to say, too, if I can just quickly, on the isotope issue, that Canada is investing very heavily in next-generation isotopes for medical diagnostics and treatment. Funding for that has been in every budget, Mr. Harris, that your party has voted against. The next time we bring a budget forward that has the opportunity to improve the health of Canadians, you might want to vote for it.

**Mr. Dan Harris:** With all due respect, Minister, I hope that the next time your government puts forward a budget, it won't contain everything but the kitchen sink and will actually focus on the budget itself.

Now, you mentioned—

**Hon. Gary Goodyear:** It doesn't contain the kitchen sink, so it's good to know you read it.

**Mr. Dan Harris:** —that we're far from being in the lead in business development, but I see in the budget, of course, that community economic development is losing—

**Hon. Gary Goodyear:** I'm sorry, I didn't hear the last part. I apologize.

**Mr. Dan Harris:** Oh, it was just that you mentioned that we're far from first in funding business development, but I see in the budget—

**Hon. Gary Goodyear:** That's actually not what I said. I said we were far from number one in business expenditures—business spending money on research and development.

**Mr. Dan Harris:** Okay, thank you for the correction, but it doesn't change. In the budget, community economic development is losing \$33 million, and of course, business development is losing \$16 million in funds.

How are we supposed to encourage business to spend money when we're pulling money back?

• (0935)

**Hon. Gary Goodyear:** Actually, we're not pulling money back. This is reallocation. The funding available is exactly the same. Let me ask Dr. Archibald to explain again the transfer between, as programs changed.

**Mr. Dan Harris:** Perhaps he could focus on why it's changing and what is being lost in terms of the business development and economic development.

**Dr. Bruce Archibald:** When we announced the new southern Ontario advantage initiatives, there were seven new initiatives. We needed to revisit our program activity architecture to make sure that they actually align with it. You'll notice in the main estimates that there is some realignment of the dollars.

For example, last year, in 2011-12, you'll notice that technology innovation was at zero; this year it's \$51,040,000. That's just an example of programs that were previously attributed either to community economic development or to business development being realigned to more properly reflect what we're working on.

As far as the community economic development numbers go, in 2011-12 they included a number of programs that better fit into business development and technology innovation, so we realigned those dollars. When you look at the bottom line in terms of overall expenditures, it nets out as almost the same, other than for a reduction of \$1.5 million. The actual activities per se in community economic development have not really changed dramatically; it's really just a realignment to better reflect the new program architecture.

**The Chair:** Thank you,

Now we will move on to Mr. Lake for five minutes.

**Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** Mr. Chair, I thank the minister and Mr. Archibald for coming today.

I'll just ask two questions. I was going to ask one, but Mr. Harris brought up an important contrast between the government and the opposition in his last question. I think what we see from the government side is a focus on eliminating the deficit and on its being a priority.

Could you speak to the benefits, in terms of our long-term ability to fund science and technology research and innovation in Canada, if we can ensure that we balance our budget in the short term—over the next few years—and why it is so important?

Secondly, I want you, if you could, to focus on the STEM initiative that you talked about and maybe elaborate a little on it. I have a 12-year-old daughter turning 13 next week who definitely has a real interest and a real strength in science and math. I've often talked to her about the potential that she could be an engineer.

Could you speak to what you're doing in that regard to foster this among our young people?

**Hon. Gary Goodyear:** Absolutely.

The budget this year focused on a promise that the government made during the election; that was to return to a balanced budget as quickly as possible. I think this budget finds that niche very well and at the same time supports science and technology yet again, as I mentioned, to the tune of \$1.1 billion—not to mention \$400 million for venture capital.

Obviously, having a good financial book is great for a country. It keeps our interest rates in position. We could have moved a little faster, but we see other countries that did that and then saw a ripple in their economic stability. We see countries that didn't do it fast enough and see them still struggling.

Canada, being in the strong position that it is, can support science and technology initiatives, while at the same time finding efficiencies in government spending, without reducing the effectiveness of the programs for the intended stakeholders. This is really the sweet spot that we're attempting to find.

The Youth STEM program was designed to help increase the fun and the awareness about science, technology, engineering, and mathematics in the kindergarten-to-grade-12 range, which as we all know is not federal jurisdiction. While we work with our provincial counterparts to encourage them to improve the teaching of our children in terms of innovation, risk mitigation, entrepreneurialism, and so on, we felt that it was absolutely necessary to develop a program that would go into that age group and encourage them to at least consider the opportunities those fields represent, and not just in finance. Obviously, there are a lot of Bill Gateses around the world and counterparts like them, but this is a very rewarding field in terms of the improvement of quality of life—literally the saving of lives around the world—and of course of creating jobs and prosperity at home.

For your daughter, Mr. Lake, I will suggest that there is a promoscience program for your province. It's not Youth STEM. It can be accessed through the Natural Sciences and Engineering Research Council. Youth STEM, as you're aware, is a FedDev southern Ontario program only.

● (0940)

**Mr. Mike Lake:** One thing we hear at this committee from time to time is that we do a great job of research in this country, and you have elaborated quite extensively on that. There have been challenges over decades now in commercializing that research. Could you speak to the measures we're taking to address that and increase the commercialization of some of the great ideas that Canadians have developed in their research?

**Hon. Gary Goodyear:** The initiatives we're taking speak again to what some of my colleagues here have mentioned in terms of opportunities for partnerships, wherein we want businesses to partner with our scientists, if you will. We want our scientists to understand business a bit better, so there's a cooperation and harmony between the two fronts.

On publishing, scientists—and frankly, professors at university—will tell you they are rewarded for publishing. In my view, publishing, while it's a great place to be, is like second base. It's not the home run. When the knowledge that is developed by the scientist, especially if it's funded by federal dollars in any way, is transferred out of the laboratory into something—a process, an application, a product, a different way of treating patients, etc.—that knowledge transfer completes the cycle.

In doing that, you have the medical isotopes that are necessary for the next-generation diseases, you have customized health care that can diagnose situations much faster, more accurately, and then, of course, treatment protocols that are more effective and less expensive.

**The Chair:** Right. Thank you, Minister. I'm sorry—

**Hon. Gary Goodyear:** So the completion of the cycle is imperative.

Thank you, Mr. Chair.

**The Chair:** Sorry to cut you off, Minister, it's just that we're over time there.

Now we go to Mr. Stewart for five minutes.

**Mr. Kennedy Stewart (Burnaby—Douglas, NDP):** Thank you, Mr. Chair.

Good morning, Dr. Goodyear. It's a pleasure to speak with you this morning.

I just moved to this committee as the critic for science and tech. I think it's a real privilege to work on this file, as I'm sure you will agree.

I've just read through the Jenkins report, an impressive report. The first recommendation is to “Create an Industrial Research and Innovation Council...”. I'm just wondering where you are in terms of moving forward with that recommendation.

**Hon. Gary Goodyear:** Thank you, and again, that's the science and tech file.

With your permission, Mr. Chair, I'm happy to answer that.

Congratulations, by the way, on your appointment as critic. I think you will find this the most exciting file.

We obviously launched the Jenkins panel based on the fact that businesses were not spending as much as we needed them to on research and the development of that research, despite some very generous programs by the federal government. Mr. Jenkins spent a year with a panel of experts. It was a very comprehensive report. Congratulations for reading it.

The Prime Minister has been very clear, and I've been very clear: While we do subscribe to the diagnosis behind the report, we don't subscribe to all of the recommendations.

The first recommendation, combined with the fourth recommendation, in particular, would amount to significant changes to the National Research Council. My interpretation is that the recommendations add up to eliminating the National Research Council, which we are not prepared to do, simply in order then to build another government organization. We have said in recent months that we are making changes at the National Research Council. We have a new president on side. We are, in fact, changing the organization to do more industry-facing, demand-driven research. That is not to say that the basic research in the country will in any way be diminished. We have a very strong amount of investment going into basic research, from the most pure discovery, from isotopes to neutrons, all the way through to the Perimeter Institute and the Institute for Quantum Computing. All of this continues to be supported.

But when we look at the nation and realize that compared to our partners, our businesses are not using the incentives we have created for them to the degree that they could, changes are necessary. The opportunity to have the National Research Council, with all of its resources and bright minds and great history, really turn its energies into assisting businesses to become more innovative, more productive, more globally competitive to produce growth that results in better quality jobs for Canadians, higher paying jobs, that is the direction we're moving in.

I hope that answers your question.

• (0945)

**Mr. Kennedy Stewart:** Thanks.

I have slightly broader question, but still on the report. The focus of the Jenkins report is the link between innovation and productivity. That seems to be the key, with productivity really being the outcome variable that you're most interested in. I know it's important to increase productivity because, really, when we're compared to the U. S., it's been plummeting since the 1980s.

I'm wondering when you would expect your changes to turn around this productivity gap or to narrow it. How can we measure your progress, as a minister, really?

**Hon. Gary Goodyear:** Of course, productivity, as you've mentioned quite correctly, is a decades-old problem. It is a very costly problem for Canadians and their families. There is a report that I've read—and the name of the report fails me right now, but I'd be happy to get you the report—that does in fact suggest that the productivity gap with the United States is a \$110-billion loss to the nation. Clearly, we need to improve that.

It is my belief that, while it's not up to the federal government to improve productivity per se, it is up to it, and governments at all levels, to put in place the tools that are necessary, to create the environment that's necessary, to allow businesses on their own to become more productive through innovation.

We'll have to wait and see whether the productivity level of the nation turns around. I share your angst that it needs to do that, and sooner rather than later. We can only assume that the changes we're making are in that right direction, based on all of the experts I've spoken to.

Am I out of time?

**The Chair:** There's 20 seconds left, Minister.

**Hon. Gary Goodyear:** The one thing I will suggest, as I try say when I speak to.... I believe it's up to all levels of government. It's the whole of government. It's all levels of academia, from kindergarten to beyond graduation. It's all sectors of our society that have to participate in recognizing that we can do better by adopting new technologies, by learning better ways of doing thing. The real competition isn't across the street or on the other side of town, the competition today is a mouse click away and it's in Japan, Brazil, and China. Our companies have to recognize that there is a great need and a change right now that go beyond the industrial revolution into the technological revolution. I believe that's where we are right now, and we have to be ready for it.

**Mr. Kennedy Stewart:** Thank you.

It's great to have you on board by the way.

**The Chair:** Thank you very much, Minister Goodyear, and Dr. Archibald for your testimony, and thank you to the members for your questions.

We will suspend for a couple of minutes now to give Minister Valcourt the opportunity to get set. Then we'll go on to our second half.

• (0945)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (0950)

**The Chair:** Thank you very much, ladies and gentlemen. We're back now to our 29th meeting. We have before us Minister Bernard Valcourt.

Welcome, Minister. I believe this is the first time you've been before our committee.

We also have the president of the Atlantic Canada Opportunities Agency, Paul LeBlanc.

Minister, go ahead with opening remarks. As I said to Minister Goodyear, we usually leave 10 minutes, but we do give a little latitude to ministers.

[Translation]

**Hon. Bernard Valcourt (Minister of State (Atlantic Canada Opportunities Agency) (La Francophonie)):** Thank you, Mr. Chair.

First of all, I would like to thank the committee for allowing me to appear today in response to the recent motion by the committee to discuss the main estimates for organizations and ministers responsible for regional development.

As you know—and you may have already heard this, job creation, economic growth and long-term prosperity are the absolute priority of our government. As Minister of State responsible for the Atlantic Canada Opportunities Agency, I often visit all the Atlantic regions and I meet with various stakeholders from all walks of life in the four provinces. I am therefore able to see for myself the concrete results we have obtained for the residents and communities of Atlantic Canada.

[*English*]

With your permission, Mr. Chairman, I will use this opportunity to talk about the exercise undertaken by ACOA in 2010 to ensure more value for taxpayers' money, which is reflected in the main estimates you are considering. I will also say a few words about the priorities we're working on to improve the economic outcomes in Atlantic Canada.

Let me start by stating that Atlantic Canadian families, workers, entrepreneurs and, for that matter, all Canadian taxpayers overwhelmingly agree that their hard-earned tax dollars should be spent wisely, but also, and more importantly, effectively. This is especially true at this time of the year when we have all just have filed our income tax returns. That is why ACOA undertook in 2010, along with 12 other departments, a review of its spending to identify ways it could reduce its spending by 5%. At the core of this process was the importance of maintaining the high level of service that we provide to our small and medium sized businesses, our communities, and other economic stakeholders in Atlantic Canada.

We focused on finding ways we could improve our effectiveness and efficiencies, while ensuring that our programming remained strongly funded and our clients well served. As a result, we were able to implement savings, mainly by rethinking the way we structure and deliver our services.

With the advice I receive from my officials—and, of course, also, from what I see on the ground in Atlantic Canada—I want to assure all members of the committee that the agency's ability to deliver on its legislative mandate from Parliament is as strong as ever. All of ACOA's programs remain solidly funded and the department maintains its strong presence in every region of Canada. The agency is also as active as ever in supporting key government priorities, such as innovation, job creation, and international trade.

Another priority for me, in particular, and the department over the past few months has been to promote our Atlantic shipbuilding action plan. As you all know, the \$33-billion initiative to renew Canada's naval and coast guard fleets, with the largest package going to Irving Shipbuilding in Halifax, represents a once in a lifetime opportunity for our region. As minister of ACOA, I know the importance of making sure that our small and medium sized businesses in the four Atlantic provinces, in urban and rural communities alike, are able to capitalize on this opportunity by becoming suppliers in the marine industry value chain.

This is exactly what this action plan is about. ACOA is working closely with our SMEs to help them understand the opportunities and the requirements, such as certification, that this industry has for all its suppliers.

The first step in our Atlantic shipbuilding action plan was to hold supplier development information sessions, which we held in February, March, and April. We organized 10 of these throughout the region. They were a resounding success. We had more than 823 business people from nearly 513 unique SMEs across Atlantic Canada participate.

As that process evolves we will continue to ensure that our SMEs have all the information and support they need. We are also working with our partners to help identify needs and are conducting research and analysis to broaden our understanding of the global marine sector. An important one is skills development and training, which will also draw our attention in the near future as it constitutes another leg of the Atlantic shipbuilding action plan.

● (0955)

[*Translation*]

I would now like to briefly speak of the support we offer to rural communities. As you may know, this is part of other government priorities. After the north, Atlantic Canada is the most rural region of the country. Just as other regions in the country, rural communities in Atlantic Canada must establish a solid economic foundation to support their residents and to prosper.

During the coming year, ACOA will continue to work with businesses, communities, Atlantic provincial governments, and other partners to create local opportunities. It will continue to support resource industries and rural economies which depend upon it, by investing in activities that improve the forestry sector's competitiveness in the region, diversifying the agricultural sector, increasing the sustainability of fisheries and advancing the technology used for mining and energy.

In all—and this may interest the members of the committee—ACOA invests over \$120 million every year in Canada's Atlantic rural regions. This amount represents over 52% of program expenditures. It is used to help SMEs as well as our communities to seize opportunities and meet challenges. This situation is specific to rural regions in Atlantic Canada.

I would also like to briefly touch upon another priority, which is skilled labour. I am convinced you will all agree with me that skilled labour is essential to build a modern and competitive economy. However, before we start importing the skills our businesses need, we must work in collaboration with our community colleges and universities so that they may offer the programs and training our citizens need to get hired as welders, food processors, engineers, financial analysts, human resources specialists, and so forth.

To this end, ACOA is participating in planning and research efforts with the governments of all the Atlantic provinces as well as working with the universities and community colleges. The goal is to address the issues, gaps and trends associated with the available workforce. This collaboration with our educational institutions will help us ensure that our young people can take courses and receive the necessary training to benefit from good employment opportunities and help meet our needs in terms of skilled labour.

Over the coming year as well as the next few ones, our government, through ACOA, will continue to help our small- and medium-sized businesses meet the challenges they encounter. Another of our priorities of course, is increasing international trade. ACOA continues to work with its partners to help Canadian businesses penetrate key international markets such as the European Union, India, China, and of course, Latin America. In 2011 alone, our government helped over 600 businesses and organizations from Atlantic Canada to participate in activities which helped them penetrate international markets or increase their presence there.

• (1000)

As to the primary and traditional sectors, they have not been abandoned. Our government is also helping them increase their productivity and their competitiveness, all the while encouraging the growth of new strategic sectors such as aerospace and defence, life sciences, ocean technologies, information technologies, communications and energy.

We must ensure that our communities continue to diversify and expand. Our businesses must be innovative, productive and competitive. I think we all agree on these pre-existing conditions for our businesses in the Atlantic regions. Of course, we must, as I'm certain Minister Goodyear said before me, focus on research and development, marketing as well as the diversification and competitiveness of our resource and traditional industries. We must continue to promote new promising initiatives, including clean and renewable sources of energy. We have made remarkable progress in Atlantic Canada in that respect.

Furthermore, the Canadian government has committed itself to guaranteeing a loan for the Muskrat Falls project, which represents a clear and tangible commitment to work with other partners to develop renewable energy projects that will allow us to reduce greenhouse gas emissions and create opportunities that will be beneficial for Atlantic Canada's residents, if not all North Americans, for generations to come.

To do so, we are determined to collaborate with our numerous partners, including of course provincial governments, to help our communities invest in the necessary economic infrastructure to attract investments, create jobs and strengthen Atlantic Canada's communities.

• (1005)

[English]

Let me conclude, Mr. Chairman, by telling you how convinced I am, being born and bred in Atlantic Canada, that we have an abundance of creativity, leadership, and ingenuity. There's no lack of innovative ideas and talent.

Moving forward, ACOA will continue to identify opportunities for Atlantic Canada's economic advancement and provide efficient and effective programs and services that are aligned with our government's focus on operations and deliver strong and positive results to the people of Atlantic Canada and all Canadians.

Thank you.

**The Chair:** Thank you very much, Minister Valcourt.

We'll now begin with seven-minute rounds.

We'll start with Mr. Richardson for seven minutes.

**Mr. Lee Richardson (Calgary Centre, CPC):** Thank you, Mr. Chairman.

Welcome, Mr. Minister. It's a pleasure to have you with us

Being from Alberta, I'm a long way from Atlantic Canada, but I think that Atlantic Canadians are as aware as we are that the energy sector in Alberta has created wealth and economic opportunity across Canada. We're also aware that the exploration of offshore oil and gas in Newfoundland and Labrador and the development of Muskrat Falls are contributing enormously to the potential and opportunities for job creation in Atlantic Canada.

Could you expand a little for the committee on the energy gateway and how this will create jobs and wealth everywhere in the region?

**Hon. Bernard Valcourt:** Permit me to refer back to about 18 years ago, when I was a minister in a previous government. In those days, when we looked at the potential of Hibernia, there were a lot of naysayers around about the prospect of developing the oil and gas sector in Atlantic Canada, especially in Newfoundland and Labrador.

If you look back almost 20 years later you will see how vindicated we have been about those prospects, because we now have an oil and gas sector and energy sector that has developed and is developing a lot of potential, but what was maybe missing then was the four provinces pulling together and looking at the prospects of economic opportunities and development in the future, with an eye to Atlantic Canada.

ACOA has been instrumental in creating this energy gateway, where you have all four provinces working towards shared goals. ACOA is leading this initiative, which is bringing results, as we have seen. The accord between Newfoundland and Labrador and Nova Scotia, for example, to see the execution of the Muskrat Falls project is, I believe, a result of the good work of the energy gateway.

It creates other opportunities because these supply chains, once established... In order to partake in them you have to elevate your skills, your competence as small or medium sized businesses. You have to be competitive and adopt new technologies. It creates great potential, which I think will continue for decades to come in Atlantic Canada.

As a matter of fact, in budget 2012, the Coasting Trade Act, which was preventing seismic activity over the North Atlantic, is going to be amended to allow for more exploration in the Atlantic, and thus yield, we hope, better results and other development possibilities of fields that can be exploited.

**Mr. Lee Richardson:** Thank you.

**The Chair:** That's all, Mr. Richardson.

We'll move on to Mr. Cleary for seven minutes.

**Mr. Ryan Cleary (St. John's South—Mount Pearl, NDP):** Thank you, Mr. Chair.

Thank you to the minister. And welcome, Mr. LeBlanc.

I'm here as the critic for ACOA.

My questions have to do with long-time Conservatives being appointed to high-profile jobs with Atlantic development agencies like ACOA. They've been well documented in the media. I'm sure you've seen the media reports.

At last count, the Conservatives had hired at least 10 people with links to the party for those agencies since coming to power in 2006. It has been reported that the Public Service Commission of Canada is investigating possible connections between the Conservative government and appointments to ACOA.

My first question has to do specifically with Kevin MacAdam. For those who don't know, he is a failed Conservative candidate and a former staffer to Nova Scotia cabinet minister Peter McKay. On Christmas Eve 2010, MacAdam was appointed to the job of director general of regional operations with ACOA in Prince Edward Island. The job pays between \$115,000 and \$135,000 a year. Quite the Christmas gift, I guess you could say. The Public Service Commission is still investigating, or that's what I understand. We'll see where that goes.

MacAdam took the ACOA job in February 2011, but from what I understand he has yet to report to work. He immediately took leave to study French here in Ottawa for two years.

My first question specifically is this. Why isn't MacAdam taking French language training in Charlottetown, when it's offered there? There are at least three French language training schools in Prince Edward Island. How come he's not studying there?

• (1010)

**Hon. Bernard Valcourt:** Well, the hiring of Mr. MacAdam, from what I understand, is pursuant to a competition that took place and that was well in accordance with the requirements of the Public Service Employment Act.

As for the training issue, I am not privy to what the conditions are that determine where you are to take your training in one language or the other. Maybe my president can help me in that regard, but that I can't answer.

**Mr. Paul LeBlanc (President, Atlantic Canada Opportunities Agency):** Mr. MacAdam competed in a competition that was open to all Canadians right across the country.

**Mr. Ryan Cleary:** I didn't ask that, though.

**Mr. Paul LeBlanc:** He competed. He won the job. There were a few other candidates but he was clearly the winner.

The language requirements and regulations around the job were such that he was able to compete as a unilingual candidate, and that's because of the history of staffing in P.E.I. So he was found qualified for the job and he was entitled to full-time official language training. At the time that he competed, Mr. MacAdam was a resident of Ottawa and he asked if he could avail himself of the language training at his current residence in Ottawa, and then assume the job in Charlottetown once he had met the education requirements. That was all deemed to be completely in line with the guidelines and the rules, so he was accorded that flexibility and he is in full-time language training in the Ottawa area now.

**Mr. Ryan Cleary:** Mr. LeBlanc, it's fair to say, then, that he has yet to start work. He's still in French language training. He has yet to start his job.

**Mr. Paul LeBlanc:** That's correct.

**Mr. Ryan Cleary:** The average cost of second language training for an ACOA employee, from what I understand, is \$8,250 a year. So I wonder how much it costs to train Mr. MacAdam in French.

Is he on travel status? Does he get a per diem rate or are his hotels paid for?

You mentioned that he lived here. He is living here, is he?

**Mr. Paul LeBlanc:** You raise a very good point and I can see your interest in that point. Please let me clarify.

He was allowed to take on his language training where he resided at the time that he started it, because there was no relocation required for him, there was no travel status required, and he is not paid meals, he is not paid an allowance, he is not paid for a hotel or his apartment, etc. Those are all his personal expenses.

So if you want to really net out his cost of language training it would be as it is for any other federal public servant. It would be the cost of their salary for the time they're taking the language training, and the incremental cost of the actual payment to the language school. I don't have those figures, but I'd be glad to make them available to committee members.

**Mr. Ryan Cleary:** So there are no costs? There are no travel, no hotel, and no per diem costs?

**Mr. Paul LeBlanc:** No, there are no special or exceptional costs because he is in Ottawa versus Charlottetown.

**Mr. Ryan Cleary:** But he is getting paid up to \$135,000 a year for a job that he hasn't started yet.

• (1015)

**Mr. Paul LeBlanc:** He is paid for the job because he was found to be qualified, was offered the job, he accepted it, and as a condition of employment he was allowed, as would any other public servant in that circumstance, to go immediately to language training. So for the first part, his job now—and he's being paid for it—is that language training engagement.

**Mr. Ryan Cleary:** I have to ask, do you know what the status is of the Public Service Commission investigation? It's been a while now.

**Hon. Bernard Valcourt:** Well, the Commission doesn't report to us on their progress. They advise us when they are ready to make a decision. That's my understanding, and we haven't heard from them. I guess one day we will.

**Mr. Ryan Cleary:** Thank you for that, Minister.

There are big cuts coming to ACOA, obviously, as laid out in the budget. Lots of job cuts are coming.

I have a general question. Do you think that patronage appointments should be the first to go with job cuts?

**Hon. Bernard Valcourt:** Well, if you want to accuse the Public Service Commission of making patronage appointments, I guess they should answer that charge.

As far as I know, there is no political interference in the hiring of employees at ACOA. This is done according to the rules, according to the law, and I don't take blood tests of employees. I don't know what their political affiliations are, if they have any, and I'm really not concerned about that.

My concern is to ensure that ACOA lives up to its mandate and discharges its mandate in Atlantic Canada, that of trying to improve the earned income of Atlantic Canadians through business activities that create jobs and wealth in Atlantic Canada. That is my concern.

**Mr. Ryan Cleary:** Thank you, Mr. Minister.

How much time do I have left, Mr. Chair?

**The Chair:** That's it, we're over time right now.

We're on to Mr. Lake now, for seven minutes.

**Mr. Mike Lake:** Thank you, Mr. Chair.

And thank you to the minister for coming. It's pretty clear that the NDP policy would be to make personnel decisions on the basis of politics. I'd like to think that we would actually make those decisions on the basis of merit and in the interests of the Canadian taxpayer. Thankfully, I believe that's the case with our government.

But on more substantive issues, in your opening remarks you spoke about further advancing technologies related to mining and energy. That is of particular interest to me, being from Alberta. Energy is a pretty big part of our world out there.

I want you, if you could, to help me understand the scope of the mining and energy sectors in Atlantic Canada. Perhaps speak to the opportunities, the economic impact, and those things.

**Hon. Bernard Valcourt:** Well, when we talk about energy in Atlantic Canada, of course, we talk about oil and gas. As you may know, for New Brunswick, for example, with the Irving oil refinery in Saint John, of course, it creates a lot of economic activities.

We have throughout the Atlantic region the oil and gas sector in Nova Scotia and Newfoundland, which is producing and creating a lot of economic opportunities for different sectors of the economy in the supply chain. We also have on the books the future development of the Muskrat project in Newfoundland and Labrador.

But maybe the members would be interested in knowing, and I'll ask the president to give you a clear picture of, what the impact has been in the last 20 years of the development of those sectors in terms of job creation and the share of our gross domestic product in Atlantic Canada attributable to that sector.

**Mr. Paul LeBlanc:** In first place obviously is the transformation of the Newfoundland and Labrador economy, which has been completely transformed from an historic have-not province to a "have" economy. It's allowed a certain distribution of wealth immediately from the players. Some of them are multinationals.

So our interest has been to help SMEs get into this activity, for the local Newfoundland and Labrador small businesses to be suppliers to this globalized industry. We have firms now that are producing material, engineering know-how, and informatics-based systems suited to cold ocean and deep ocean research that we didn't have before. They are selling to big multinational corporations, and then they're off selling in Iceland and Norway and off the coast of Mexico as well. Our objective is to create a whole deeper economic activity among our SMEs, using them, their technology, their know-how. And the minister has invested a lot in universities and colleges, in university-based cold ocean exploration with a view to commercializing this. So we see the Newfoundland economy truly transformed in that way.

On the minister's reference to the Atlantic gateway, our efforts with that gateway are to get the four provincial jurisdictions aggressively looking at how we can get a better integrated energy system in Atlantic Canada. And the Nova Scotia-Newfoundland Muskrat Falls project is a classic example of that. So with better transmission networks, more harmonized regulation frameworks among them, the region will have an energy network that will bring energy throughout Atlantic Canada at a much more competitive price, with greater reliability. It will be cleaner for commercial and industrial use in the region and an important asset for export into the northeast U.S. market, which is a very important market to look to for the medium and longer term.

● (1020)

**Mr. Mike Lake:** It's interesting that you brought up harmonization of regulations as part of what you were talking about. Of course, one of the things that we've said is critical to the continued growth in the economy in Canada is this responsible resource development, the balance between resource development and the environment in a way that has some common sense behind it.

Maybe you could speak to the importance of the measures contained in the budget implementation act, that is, the budget, in that regard for the Atlantic Canadian economy.

**Hon. Bernard Valcourt:** An important aspect of ACOA's activity in Atlantic Canada is all of its support for innovation, research, and development. We have a specific program dedicated to innovation, research, and development with a view to developing ideas and products, new services, and new products into market.



What is happening right now, from what I gather and can see, is that a lot of research is taking place at the university level, along with the private sector, in regard to the natural resources we have in the north. I'm talking about the Arctic. I'm talking about Labrador and the rough north Atlantic.

A lot of research and innovation is taking place that will yield, I'm sure, results that will allow us as a region to tap these natural resources and exploit them in a sustainable way with a strong commitment to protecting the environment at the same time. That research is geared and is developing towards ensuring that we can innovate to sustainably develop these natural resources in the north. I think that augers well for the future.

**Mr. Mike Lake:** In terms of the harmonization of resources—and I'm not sure which one of you would want to answer this—there does seem to be a lot of redundancy at the different political levels, at the provincial government and federal regulatory levels, with timelines that don't match and processes that need to be undertaken two or three times.

Again, maybe you could speak to that. I don't know if you have specific examples of that that you could speak to, but how do we get that balance, how do we ensure that we're protecting our environment without making industry jump through two, three, or four of the same hoops in the process?

**The Chair:** I'm sorry, minister, and Mr. Lake, but we're over time there. So we will have to save that and hopefully jam it into another round.

Now over to Mr. Regan for seven minutes.

[*Translation*]

**Hon. Geoff Regan (Halifax West, Lib.):** Thank you very much, Mr. Chair.

Minister and Mr. LeBlanc, thank you for being with us today.

• (1025)

[*English*]

Minister, I want to continue with the questioning started by my colleague, Mr. Cleary, who talked about Mr. MacAdam. The position of director general, regional operations for P.E.I., was a new position created in the fall of 2010. You're aware, of course, that you had 42 positions cut from ACOA last fall, and 65 more by this budget. We've got a position here for Mr. MacAdam that didn't exist more than a year and a half ago. It has yet to have a full-time employee performing it and may not for—who knows?—maybe another year.

So is this job more critical than the hundred or so that have been cut by your government in the last year? That includes auditors, by the way, the five or six auditors who were cut in this budget, who, I would think—in terms of accountability—would play an important role.

**Hon. Bernard Valcourt:** I don't want to personalize staffing issues at ACOA. What I know is that, in the face of our government's commitment to spend taxpayers' dollars more efficiently and effectively, we want to eliminate the deficit because we think that the fiscal advantage of Canada must be preserved for the benefit of Canadians. In that context, what I insisted to our officials was that whatever reductions we would make to ACOA's budget, they would

first be internal ones to gain efficiencies in how we deliver our programs. Unfortunately, as a result of our identifying those efficiencies, certain positions have become surplus, as will others. But the test to me is ensuring that the small and medium sized businesses, the communities of Atlantic Canada, will still get the same, or a better, level of service—

**Hon. Geoff Regan:** I'll come back to that in one moment.

**Hon. Bernard Valcourt:** —because that is the issue to me.

**Hon. Geoff Regan:** It is for me, too, and I'll be happy to come back to that in a moment. But there are issues about political hiring within the umbrella of ACOA and Enterprise Cape Breton.

Let's talk about Enterprise Cape Breton, which is of course at arm's-length but does report to you and is within your area of responsibility. We know there have been a number of defeated federal Conservative candidates, provincial Conservative candidates, and a former aide to a provincial Conservative minister who have been directly hired by ECBC without the hirings being posted, without job postings.

For instance one of them is former Conservative candidate and staffer for Peter Mackay, Allan Murphy, who was hired in a position here in Ottawa that had never existed before at ACOA, had never existed in the 57-year history of the Cape Breton Development Corporation, but apparently was suddenly absolutely vital.

So in view of this history, in view of all these hirings without postings, which are clearly political, Minister, what I ask is for you to clear the air. Will you commit to call in the Auditor General to investigate the hiring practices at Enterprise Cape Breton?

**Hon. Bernard Valcourt:** Well, Enterprise Cape Breton—and Paul, correct me if I'm wrong—is not subject to the Public Service Employment Act in terms of its hiring. It is responsible for its own hiring, and—

**Hon. Geoff Regan:** It's an arm of government. Let's face it: it's an arm of government and of your government.

**Hon. Bernard Valcourt:** Yes, it is a crown corporation that is responsible for—

**Hon. Geoff Regan:** So it's okay that they don't post jobs when they have hirings? Is that okay with you?

**Hon. Bernard Valcourt:** I'm not aware of that. I cannot comment on that allegation of yours. Whether or not that has happened, I don't know. If it has, of course I would want to know why. But it is not as I understand it within my prerogative to tell the ECBC board how to manage its business.

**Hon. Geoff Regan:** So you don't think the Conservative government has any responsibility to direct ECBC to do hiring in a way that falls within certain standards, like for example posting jobs. It's okay if they simply hire a defeated Alan Murphy, a defeated former federal Conservative candidate—

**The Chair:** Mr. Lake.

**Mr. Mike Lake:** On a point of order, Chair, Mr. Regan is making some strong allegations here. I would just ask that when folks are making these kinds of allegations, they actually have something to back them up.

•(1030)

**Hon. Geoff Regan:** I'd be happy to do that, Mr. Chairman.

**Mr. Mike Lake:** When they're making the allegations, they're just throwing them out there.

**Hon. Geoff Regan:** I'm not just throwing them out. The question is, were they hired without job postings? If that's the case—

**Mr. Mike Lake:** You don't know the answer.

**Hon. Geoff Regan:** I do know. The answer is that they were. It's been publicized before. If you want me to list them, I'm happy to do that.

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

We'll continue on with your questioning, and maybe let the minister go ahead and answer now.

**Hon. Bernard Valcourt:** I'll maybe ask Paul to clarify the obligations of Enterprise Cape Breton and the development corporation in terms of its hiring.

**Mr. Paul LeBlanc:** By virtue of my position as president of ACOA, the ACOA legislation stipulates that the president of ACOA is the chairperson of the Enterprise Cape Breton Corporation's board of directors. I have this optic into the ECBC operation as the chair of the board.

The Honourable Mr. Regan points out that the corporation is an arm of government. I would specify that it's an organization of government that is at arm's-length of the core of government in a governance sense.

**Hon. Geoff Regan:** But the way that the public.... I mean, there has to be a way for the taxpayers to have accountability for an organization like that, let's face it.

**Mr. Paul LeBlanc:** I just wanted to add that the executive management of the corporation operates under a human resource management policy framework that includes principles of fairness and transparency and that, to the best of my knowledge, requires postings of jobs or seeks to manage processes that are fair, equitable, and that would bear up to scrutiny and are transparent—

**Hon. Geoff Regan:** Perhaps you could tell me, then—

**Mr. Paul LeBlanc:** I might just add that there's a subcommittee of the board members, the directors of the board, dedicated specifically to overseeing the corporation's human resources management. Its recruitment plans are actually approved at the board level.

**Hon. Geoff Regan:** Perhaps you're able to tell me how many job cuts there have been at ECBC as a result of this budget or last year's, similar to the 45 and 65 position cuts at ACOA generally. And to your knowledge, are any of the following folks affected by this: Alan Murphy, Ken Langley, or Rob MacLean?

**Mr. Paul LeBlanc:** To my knowledge, and I'm quite certain this is correct, there have been no human resource reductions at the corporation, and the very specific reason for this is that the corporation has actually grown, because it took on the responsibility of the closed other corporation, DEVCO, in Cape Breton.

**The Chair:** Thank you.

**Mr. Paul LeBlanc:** DEVCO got folded into ECBC. So ECBC actually grew.

**The Chair:** Thank you, Mr. LeBlanc. I was allowing you time to finish your answer.

Now we're on to five-minute rounds, and Mr. McColeman for five minutes.

**Mr. Phil McColeman:** Thank you Chair.

And thank you, Minister, for being here today to deal with our committee's issues, which really, as the previous minister testified, focus on how we grow our trade, our innovative..., how we grow companies, the mandate of the programs that you roll out to business to keep and create jobs.

Just in a general way, my first question is this. Since the economic downturn, entrepreneurs in the country have had difficulty generally accessing capital, especially venture capital. I'm wondering if you can speak to the ability to raise capital, from the perspective of your mandate to fund small and medium sized businesses in the Atlantic region. Perhaps you can do that by way of an example or two of businesses that have benefited from the programs that you oversee.

**Hon. Bernard Valcourt:** When you talk about access to capital or to venture capital, this is one of the big hurdles and the big challenge of companies in Atlantic Canada. That's why we were pleased as Atlantic Canadians to see in this budget that there will be an effort to set aside more money for venture capital, and we are hoping that those small and medium sized companies will get a better chance to access venture capital.

The access to capital issue explains in a big way why we have, within the architecture of our agency's programming, the business development program, where we provide small and medium sized businesses with access to capital in order to expand, start up, adopt new technologies and/or seek marketing expertise to export outside of Canada.

I guess the best example I could give you, spanning over maybe 15 years, is the development of the aerospace and defence sector in Atlantic Canada because of the role that ACOA, this agency, played in that file.

Because of the IRBs, the industrial regional benefit policy adopted back in 1986, ACOA has actively worked with small and medium sized businesses and business entrepreneurs in Atlantic Canada to develop that sector. We have made a lot of repayable contributions to these small companies that are successes today on the world scene, providing parts and goods and services to the aerospace and defence sector throughout the world.

We can point to these successes. Today in Atlantic Canada, the aerospace and defence sector has 10,000 employees, compared with none about 20 years ago, and has \$1 billion in annual sales from Atlantic Canada.

It goes to show, I believe, how effective the agency has been in promoting entrepreneurs in Atlantic Canada in develop a sector that is providing good jobs for Atlantic Canadians, skilled jobs. We can now do even more with the awarding of the shipbuilding contract to the Irving shipyard in Halifax, which is another great opportunity for entrepreneurs to create even more jobs and wealth in Atlantic Canada.

• (1035)

**Mr. Phil McColeman:** Fantastic.

A lot of people, having visited Atlantic Canada, know how important tourism is to the Atlantic region of our country. Are there any examples of what the government has done through ACOA to strengthen the sector and capitalize on the assets that are part of the Atlantic Canada landscape?

**The Chair:** Minister, I'm sorry, but we're out of time. I would love to have heard of the tourism initiatives, because I always enjoy going out to eastern Canada. I used to go there with my kids, and now it's just with my wife.

Madame LeBlanc is the next questioner and then we will only have a couple of minutes.

We have no other meetings scheduled on the main estimates. The committee will have to decide whether we want to deal with the votes. If we don't vote on the main estimates, then they go back deemed adopted.

Madame LeBlanc, for five minutes.

[*Translation*]

**Ms. H el ene LeBlanc (LaSalle— mard, NDP):** Thank you, Mr. Chair. Thank you, Minister.

My name is H el ene LeBlanc and my father is an Acadian from southwest Nova Scotia. I grew up in Quebec, but I know the Maritimes very well. I would like to take a closer look at this with you.

Given that your agency offers funding to various businesses in different regions, it is truly important to have criteria and an objective process. Unfortunately, we've just learned that about 20 internal auditing positions are to be eliminated in the regional development agencies across the country.

How will you be able to establish rigorous criteria to ensure that political considerations, so to speak, do not interfere in funding allocation and that priorities are properly set to truly help the Maritimes?

• (1040)

**Hon. Bernard Valcourt:** First of all, I believe you are alluding to the fact that, in order to save money for Canadian taxpayers in each of the regional development agencies, we have decided to concentrate all evaluations within the Office of the Comptroller General. The evaluations which were previously done internally by each of the agencies will now be done by the Office of the Comptroller General. They will be no less rigorous, nor will they be fewer in number, but the Financial Administration Act will be followed and will continue to be applied to all ACOA's contributions.

**Ms. H el ene LeBlanc:** Given that Canada is a country made up of regions, the role of a regional auditor is important to ensure that each region's needs are being met. Such an auditor, in my opinion, would go further than the Office of the Comptroller. What do you think?

**Hon. Bernard Valcourt:** I do not share your point of view. You seem to be saying that there may be less rigour when the time comes to decide if a program is meeting regional needs or not. From what I understand of the way the system is structured, this is how programs are designed and developed to deal with a particular issue in a given region.

Let's take the example of the ACOA innovation fund. That program would be subject to a structure that meets the requirements of the Financial Administration Act and standards approved by Treasury Board. That program is delivered by public servants who evaluate it according to the criteria established to protect the interests of Canadian taxpayers.

**Ms. H el ene LeBlanc:** In the Atlantic provinces, there are major francophone communities and their economic vitality is crucial to ensure they thrive in a minority situation. How will ACOA honour its responsibilities given these cutbacks of \$17 million?

**Hon. Bernard Valcourt:** It will not be difficult because ACOA is already very sensitive to the fact that amongst the communities it serves in the Atlantic, several are francophone communities living in a minority situation. I myself am from one of those communities. In good times and in bad, ACOA invests about \$13 million in French-language communities living in a minority situation in the Atlantic region. Furthermore, with the adoption of Heritage Canada's Roadmap for Canada's Linguistic Duality, we benefit from increasing amounts every year to top up our contributions to minority situation communities. In that way we can ensure their economic development, by helping entrepreneurs in all areas, whether that be in the arts, culture or economic development.

**Ms. H el ene LeBlanc:** Thank you very much.

[*English*]

**The Chair:** The time is up.

Thank you very much, Minister, and Mr. Leblanc. I appreciate your time here before the committee, and thank you, members, for your questions.

Now I'm seeking some advice from the committee. If you want some debate over the votes, then we'll have to take up some time at the next meeting. Do you have any other concern around that or would you just like to have them deemed adopted?

I'm just waiting for some direction.

We'd have to do them as a collective right now if you wanted to finish them at this meeting, those being the votes under Industry, the votes under the Atlantic Canada Opportunities Agency, and the votes under the Economic Development Agency of Canada for the Regions of Quebec, and Western Economic Diversification.

**An hon. member:** Why don't we do them at the next meeting?

• (1045)

**Mr. Dan Harris:** We're already at 10:45 now.

**Mr. Mike Lake:** Are you guys trying to decide?

**Mr. Peter Braid:** Chair, are we still within the deadline within which the committee can approve them?

So we'll put some time aside at the beginning of the next meeting to deal with them.

**The Chair:** Yes.

The meeting is adjourned.

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