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# **Standing Committee on Industry, Science and Technology**

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**EVIDENCE**

**Thursday, November 29, 2012**

—  
**Chair**

**Mr. David Sweet**



## Standing Committee on Industry, Science and Technology

Thursday, November 29, 2012

• (1105)

[English]

**The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)):** Good morning, ladies and gentlemen.

*Bonjour à tous.* Welcome to the 50th meeting of the Standing Committee on Industry, Science and Technology.

We have with us the Honourable Christian Paradis, Minister of Industry. As well, I understand that Minister Valcourt will be coming shortly. We also have us with Mr. John Knuble, deputy minister; Susan Bincoletto, chief financial officer, comptrollership and administration sector; Marta Morgan; and Paul J. LeBlanc, president of the Atlantic Canada Opportunities Agency.

Maybe I'll give you some specifics today pursuant to Standing Order 81(5), supplementary estimates (B) 2012-13: votes 5b and 10b under Atlantic Canada Opportunities Agency; vote 5b under the Economic Development Agency of Canada for the Regions of Quebec; votes 1b, 5b, 10b, 35b, 55b, 60b, 65b, 70b, 80b, and 95b under Industry; and vote 5b under Western Economic Diversification, as referred to the committee on Thursday, November 8, 2012.

We'll let Minister Valcourt get settled, and we'll begin with Minister Paradis' opening remarks.

**Hon. Christian Paradis (Minister of Industry):** Thank you, Mr. Chair.

Thanks to the committee members for your hard work. I'm pleased to be here today.

I will introduce you to my deputy minister John Knuble, who has been in office since September.

Congratulations.

Also here are Marta Morgan, associate deputy minister, and Madam Susan Bincoletto who, as you just said, Mr. Chair, is the CFO.

They're all making their first appearance with me in their official capacities.

I will ask the committee members to join me in welcoming them in their new roles.

**Some hon. members:** Hear, hear!

**Hon. Christian Paradis:** I last appeared before this committee in March, in the context of tabling main estimates, and today I'd like to take this opportunity to update you on several fronts.

I wish to provide a brief overview of current economic challenges and key elements of our government's response to date, and then update you on three departmental policy priorities going forward: one, strengthening manufacturing; two, boosting business innovation; and, three, supporting the digital economy.

[Translation]

As I indicated the last time, as the Minister of Industry, I am responsible for a large number of different policies and programs designed to strengthen the competitiveness of Canadian businesses. In reality, we are working hard to fulfil our mandate in the context of a fragile recovery of the world economy. Businesses throughout Canada are still facing numerous challenges.

Our government understands these challenges. That is why we have taken action to promote long-term, strong and lasting economic growth and to promote the creation of value-added, high-quality jobs for Canadians across the country. When the recession hit, we made a weighty decision to implement our Economic Action Plan so as to support the Canadian economy.

[English]

Our government provided vital support to businesses and workers across the country when they have needed it most. This targeted stimulus plan worked: since July 2009, employment has increased by almost 822,000 jobs. This means more than 390,000 additional jobs now than there were before the recession. More than 98% of all jobs created since July 2009 have been in full-time positions, more than 75% are in the private sector, and about two-thirds are in high-wage industries.

Our economic output is well above pre-recession levels, and Canada has been ranked the first among the G-7 in tax competitiveness. Now that the economy is recovering, we are continuing to take action in key areas to strengthen Canada's economy and ensure long-term prosperity.

To support business, we introduced a hiring credit to help companies recruit employees and we are keeping taxes low and reducing red tape.

To foster an innovative economy, in the economic action plan for 2012 we committed \$1.1 billion over five years to directly support research and development and make \$500 million available to address gaps in venture capital. That will support the most innovative of Canada's firms and help them grow and create jobs.

To advance the Canadian marketplace, our government has cut import tariffs on manufacturing equipment and has been driving an ambitious trade agenda.

To strengthen our infrastructure, we committed \$14.8 billion in stimulus. We recently announced the conclusion of an agreement between Canada and the State of Michigan towards building a new publicly owned bridge crossing between Windsor and Detroit.

Furthermore, our debt-to-GDP ratio is the lowest in the G-7 and we have kept our Triple-A credit rating. We have a clear plan to return to a balanced budget.

This progress has not gone unnoticed. Both the IMF and OECD project that Canada's economy will be among the leaders in the industrialized world over the next two years, and *Forbes* magazine named Canada the best country in the world in which to do business.

• (1110)

[Translation]

Within my portfolio, I emphasize support for the creation of jobs and for growth. During the summer, I took part in a series of roundtables with business leaders. Their point of view is that the solidity of the main economic indicators in Canada make it an excellent place to do business. The messages they sent me were clear: they want our government to seek above all to create an environment of international scope for our businesses and enable them to prosper more easily throughout the country. We share this concern and we are committed to creating the conditions that will enable businesses to invest so that the private sector can prosper and create jobs.

[English]

One of the key priorities within my portfolio is to promote greater private sector investment in the manufacturing sector. As you know, the manufacturing industry is very important to Canada's economy. It employs more than 1.75 million people, with 60,000 in research and development. It is the top sector for foreign direct investment and accounts for more than 63% of our exports. Almost half of our country's R and D that is performed by business in Canada is done by the manufacturing sector.

But this sector is changing and is facing global challenges. The economic slowdown, the competition from low-cost countries, and the accelerated pace of technological advancements are adding to the pressures of Canadian manufacturers.

In the face of so much change, our companies must be at the forefront of technological improvement and adopt new processes to become more productive and competitive. In this context, innovation is critical. Research and development is crucial. Developing new markets is imperative. Training workers in the skills they need is essential.

[Translation]

The recent improvements made in the Industrial and Regional Benefits Policy will guarantee that government defence procurement will generate some very valuable activities for Canadian industry. Measures such as these will also help Canadian businesses to be more productive, so that they be competitive within the world economy.

The aerospace industry is another element in the manufacturing sector that is important for our country. We are a world leader in the production of goods and services responsive to aerospace and space activities. This major segment of the Canadian economy generates \$41.2 billion in revenue and provides Canadians with close to 162,000 highly qualified jobs, whether direct, indirect or induced.

The world markets for the aerospace and space industries are marked by very strong competition and are focused on the development of innovative technologies. To maintain their status as a leader internationally, Canadian businesses must continue to invest heavily in R&D. Canada's aerospace industries have responded to this challenge by every year investing more than \$1.5 billion in R&D in order to create state-of-the-art next-generation technologies.

Canadian businesses working in these industries are therefore among the most innovative in the country. In light of the importance of their sector for the economic future of our country, in February I launched the Review of Aerospace and Space Programs and Policies, for which the Hon. David Emerson is responsible.

This review aims to produce concrete and neutral recommendations on the financial plan about the way in which federal policies and programs can maximize the competitiveness of the aerospace and space industries. Mr. Emerson has worked in close cooperation with the Aerospace Industries Association of Canada in order to study the key issues. For example, innovation and access to markets and their development, skills development, procurement and development of the supplier network were among the topics discussed. Mr. Emerson is giving a press conference — it may be over by now — about this, in connection with the launch of the report.

• (1115)

[English]

Mr. Emerson's review also touches on issues related to the space sector. Canada has a long history of leadership in space, and this will continue. I recently announced that Canada intends to renew its commitment to be a continuing partner in the International Space Station. I am particularly proud that Chris Hadfield will become the first Canadian commander of the ISS during his mission, which is scheduled to begin in December of this year.

I look forward, as I said, to receiving Mr. Emerson's report today.

The manufacturing sectors also demonstrate the importance of innovation to the competitiveness of our businesses. That's why, since coming to office, our government has made science and technology a priority. We introduced this strategy in 2007, and it recognizes that innovation is driven by collaboration between researchers and entrepreneurs, and by commercialization of new technologies.

Since 2006, our government has invested nearly \$8 billion to support S and T. These investments have made a difference. We have been able to support new world-class policies and programs, and we are working more closely with the private sector.

As you are aware, Canada must continue to work to improve in terms of business innovation performance. Business innovation is increasingly vital to maintaining both Canada's global competitive advantage and high standard of living. Despite the high level of federal support for business R and D, Canada continues to lag behind other countries in a number of areas: business R and D spending, commercialization of new products and services, and productivity growth. It was for this reason that we called for an expert panel for a review of federal support to research and development.

Through our budget 2012, the government has acted on many elements of the R and D review panel's advice by increasing support for high-growth companies, research collaborations, innovation procurement opportunities, and support to grow venture financing. Indeed, the budget is providing \$1.1 billion for direct research and development support.

[Translation]

I would also like to talk to you about the digital economy.

Late last month, I had the pleasure of speaking to the members of the International Institute of Communications. As I said then, a vigorous digital economy is essential to our future prosperity. We understand the importance of the information and communications technologies, in which investments in R & D are the largest in the private sector. This sector supplies over 500,000 high-quality, well-paid jobs in Canada. ICTs are an essential element in our future. To become more productive and competitive, businesses in all sectors of the economy need ICTs. This is why we have taken measures to foster greater use of ICTs by investing \$80 million over three years to implement the Digital Technology Adoption Pilot Program, designed to help small- and medium-sized businesses to adopt these technologies. It is estimated that this program should help over 600 businesses.

[English]

Similarly, through the Business Development Bank of Canada, we are providing support to businesses seeking to acquire digital technologies. We have taken a number of steps to increase consumer and business confidence in the online marketplace by modernizing the Copyright Act and passing anti-spam legislation.

As you will recall, earlier this year, we announced details for the auction of spectrum for the next generation of wireless networks that will help sustain competition and robust investment. After that announcement, another round of consultation was launched on the auction format and conditions of licence. The views we heard are being analyzed, and decisions will be announced early in the new year. We believe, with these efforts currently under way, that Canada has the potential to be a global leader in the creation, adoption, and use of digital technology.

In conclusion, Chair, I believe these initiatives will help strengthen the competitiveness of the Canadian economy. Taken together, they support our government's goal of generating jobs and growth for all Canadians.

Thank you very much for your time today.

[Translation]

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

I now give the floor to Minister Valcourt.

Welcome, Mr. Minister.

[English]

Please proceed with your opening remarks.

[Translation]

**Hon. Bernard Valcourt (Minister of State (Atlantic Canada Opportunities Agency) (La Francophonie)):** Thank you very much.

Mr. Chair, members of the committee, thank you for this invitation. I would like to point out that I am accompanied by the President of the Atlantic Canada Opportunities Agency, Paul LeBlanc.

It is clear to us that ACOA plays a pivotal role in fostering a strong regional economy in Atlantic Canada in many ways: helping entrepreneurs to improve their business skills and productivity, supporting innovation and its commercialization, which we believe are the spearheads of economic progress, promoting the development and adoption of new technologies and processes, and helping to increase access to international markets.

In summary, to achieve these objectives, ACOA has three main programs: the Business Development Program (BOP), which provides repayable contributions to start up, expand or modernize small- and medium-sized enterprises; the Innovative Communities Fund, which allows us to make investments that lead to long-term employment and economic capacity in rural communities; and finally ACOA's third core program, the Atlantic Innovation Fund (AIF), a catalyst for private-public partnerships that drive research and development and its commercialization. Through this fund, ACOA has spawned numerous patents and licensing arrangements and attracted highly qualified researchers and scientists.

• (1120)

[English]

With these three programs that are financed through robust and predictable budgets, ACOA obtained very positive results in 2011-12.

I'm especially proud of the results from our Atlantic shipbuilding action plan, which was launched by ACOA to help communities and small to medium-sized businesses in all four Atlantic provinces benefit from our \$33-billion shipbuilding strategy. This unprecedented investment will create jobs, foster innovation, and help build a world-class industry in both rural and urban communities in Atlantic Canada.

To date, over 1,000 small and medium-sized enterprises from rural and urban communities in Atlantic Canada have participated in one or another of our activities, benefiting from information and advice and making the business contacts they need to tap into this and other supply chains in the future.

Another tangible result of our Atlantic shipbuilding action plan is that SMEs have already started to take advantage of ACOA programs to obtain the certifications, equipment, and technology they need to ready themselves.

Over the past year, ACOA has also been very active in international trade. Last year alone, ACOA helped 200 small and medium-sized enterprises explore and diversify into growing international markets such as India, China, Brazil, and the Caribbean.

[*Translation*]

We continue to target lucrative markets in the United States, with excellent results. For example, a \$140,000 investment by ACOA allowed a delegation of Atlantic companies to attend the International Boston Seafood Show, resulting in immediate sales of \$5.5 million, with anticipated sales over the next year expected to reach over \$8.7 million.

We have implemented a method for measuring the impact of the investments we make in such initiatives. The results show that we are really getting good value for the taxpayers' investment in these initiatives.

Energy is another sector that holds great promise for Atlantic Canada, and the Muskrat Falls development in Newfoundland and Labrador is a prime example of such an opportunity.

• (1125)

[*English*]

Last September, I joined my colleague, Minister Oliver, at the national energy ministers conference in Charlottetown to announce the results of significant research undertaken through the Atlantic energy gateway. The research identified significant potential benefits from this collaboration among provinces, utilities, and stakeholders in Atlantic Canada, including the real potential for our businesses to develop renewable energy technologies.

I also accompanied a delegation from Canada to Dublin last October for the international conference on ocean energy. The delegation comprised some 22 companies and organizations, primarily from Atlantic Canada. Also, there I had the pleasure of announcing that Halifax will be hosting the next international conference on ocean energy in 2014. This is more evidence that Atlantic Canada and Canada are recognized as leaders in the ocean energy industry.

Some of the most exciting research and development in this field is being done right now in Nova Scotia. Few people over there realize the potential—even people within our own country don't—of the Bay of Fundy, which pushes over 160 billion tonnes of water on every tide. That is more than all of the freshwater rivers and streams in the world combined, and this within seven hours, so the possibilities for developers and researchers are exciting, as is the

potential for the development of renewable power for generations to come.

As you may know, Atlantic Canada is also home to the Fundy Ocean Research Centre for Energy, located in Parrsboro, Nova Scotia. This centre is a leading-edge research and demonstration facility dedicated to tidal energy technology. Research into tidal energy is also being undertaken on the campuses of two Atlantic universities, namely, Acadia and Dalhousie.

[*Translation*]

Although I am satisfied with the progress of the past year, I am also aware that these exciting opportunities bring their own challenges. One of these challenges is the skilled labour shortage. If we are to take advantage of opportunities before us, we must ensure our businesses have the skilled workers they need to grow, to compete and to prosper. We need to make sure that our own citizens, especially our young people, have the programs and training they need to get those jobs.

Our government will continue to work closely with the four Atlantic Provinces, our universities and community colleges, industry clusters and our other partners to meet this challenge. There is no doubt in my mind that Atlantic Canada has everything it takes to address the challenges of today and tomorrow. And our government will continue to be there to help the region realize its full potential.

Thank you, Mr. Chair, I am going to conclude my remarks here and of course try to answer any questions from the committee members.

[*English*]

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

Because of the timing, we'll have to stay pretty disciplined to get through our first round, so I'll go to Mr. Wallace for seven minutes.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair.

I want to thank the ministers for being here. It's not often that ministers show up for supplementary (B)s—I know that because I've been doing this for a while now—and I do appreciate it.

I also envy you: you are both doing an excellent job in both languages. That's a skill I will likely never be able to accomplish, so I appreciate that.

I'm making the assumption for the questions I have that the Minister of Industry or the staff aren't able to answer questions about the National Research Council—just on the industry department. Is that an accurate statement?

• (1130)

**Hon. Christian Paradis:** Yes. I understand that Minister of State Goodyear will appear a little later on. He would be the appropriate minister.

**Mr. Mike Wallace:** Your estimates are in front of me right now, so with my time I'll have some questions about the estimates and maybe about your plans and priorities documents that you brought forward.

I have a couple of questions on your 4%, which isn't very much, really, to be honest with you.

There is one item here: "Internal reallocation of resources" of \$8 million to "support investments in various capital projects including the acquisition of spectrum monitoring equipment". This question can go to staff; it doesn't have to go to the ministers. This isn't the first time we've sold spectrum. Do we not have monitoring equipment? Is this an upgrade? What is this for?

**Ms. Susan Bincoletto (Chief Financial Officer, Comptroller-ship and Administration Sector, Department of Industry):** Thank you for the question.

This is actually for a multi-year capital project to improve the way we modernize where we track the spectrum in Canada for the licensing and the certifications. It's called the spectrum modernization project—

**Mr. Mike Wallace:** Right.

**Ms. Susan Bincoletto:** —and it's multi-year. This is really simply to transfer operating money to capital.

**Mr. Mike Wallace:** Okay. When did this project start?

**Ms. Susan Bincoletto:** Two years ago.

**Mr. Mike Wallace:** So why is it in the supplementary (B)s? Why would that not be included in the supplementary (A)s?

**Ms. Susan Bincoletto:** Because our budget in capital is very small for Industry Canada, so we keep our leverage in the operating side and we transfer it year over year when we need it.

**Mr. Mike Wallace:** So if I went to the main estimates, technically I could find this on the operating side in vote 1, and you're moving it to vote 5 into a capital piece.

**Ms. Susan Bincoletto:** That's right.

**Mr. Mike Wallace:** You do have a capital piece in the main estimates, though, do you not?

**Ms. Susan Bincoletto:** Yes, but it's very small for Industry Canada, and this is a one-time—multi-year, mind you—big capital project.

**Mr. Mike Wallace:** So when you say "multi-year", will I see this transfer every year?

**Ms. Susan Bincoletto:** It's another two-year project.

**Mr. Mike Wallace:** Two years....

**Ms. Susan Bincoletto:** Yes. It is to really change the whole IT framework to actually modernize the way we can monitor and certify spectrum in Canada.

**Mr. Mike Wallace:** So when we're monitoring it, we're monitoring that it's being used?

**Ms. Susan Bincoletto:** Yes.

**Mr. Mike Wallace:** We're monitoring that what we've sold is actually being used by those proponents who bought it. Is that what we're doing with it?

**Ms. Susan Bincoletto:** We're monitoring who it's licensed to and whether there's going to be interference if new licences were to be given to other potential users. This IT system will allow us to make it more automatic and save money and time in terms of providing these

licences, as well as more efficient in terms of finding out who has it and in what regions, so that we can become more effective in how we provide these licences in the future.

**Mr. Mike Wallace:** I appreciate that. That's very good.

Another area that I have a question on is the funding for Genome Canada to sustain the laboratory services and support research projects. Again, we're seeing that in vote 10.

Genome Canada is here every year. They get funding from us every year. What are they doing differently that this had to be in the supplementary (B)s? Is there something that we did in the budgets that added this money? Why is it not in the main estimates?

**Ms. Susan Bincoletto:** In this case, you're referring to \$3.8 million for Genome Canada?

**Mr. Mike Wallace:** I am.

**Ms. Susan Bincoletto:** It was part of \$60 million to be delivered over five years by Genome Canada. This is year one, so it's the ramp-up. The authorities had to be provided, and they were not provided in time for the main estimates.

**Mr. Mike Wallace:** They weren't in time for the main estimates.

**Ms. Susan Bincoletto:** Yes.

**Mr. Mike Wallace:** Because in which budget year was that announced? This current budget year?

**Ms. Susan Bincoletto:** It was 2012.

**Mr. Mike Wallace:** Okay, 2012. So it is a budget-related item.

**Ms. Susan Bincoletto:** Right.

**Mr. Mike Wallace:** Then, just for my education on this, there's a line here: "Reinvestment of royalties from intellectual property". That tells me that we collect royalties on IP.

How does that happen? Do we own a bunch of IP as the Government of Canada? Is this a small amount? Is this a regular thing that happens? I don't know anything about this program. If you could....

**Ms. Susan Bincoletto:** Do you want me to clarify?

**Mr. Mike Wallace:** Yes.

**Ms. Susan Bincoletto:** I'll clarify.

We already accessed \$2.6 million in the supplementary (A)s. Now we're asking for \$217,000.

There are two sources of intellectual property.

A third of this comes from a computer program called NUANS, which is a newly updated automated name search. It allows individuals and companies to actually compare a proposed corporate name when they want to incorporate: to check that no one else has used that name and that there are no trademarks associated with their name. We own the intellectual property for that IT system and those are the royalties paid in order to use that system.

The other third of the royalties that we collect comes from Communications Research Centre Canada, the CRC, which licenses IP emanating from their own researchers. Researchers can patent their own research, and then they license what they've patented to companies and individuals who want to use that research.

It's the sum of the two that make up the IP.

• (1135)

**Mr. Mike Wallace:** Okay. That gets to my question. When the people who have done the research and have developed the intellectual property are, as in this case, government employees, it's the Government of Canada that owns that, not the individual. Is that what you're telling me? Because they're using our facilities, that IP is ours, and the Government of Canada is licensing somebody to actually sell it and pay a royalty to us...?

**Ms. Susan Bincoletto:** That's right. There is also an agreement between the researcher and the organization itself to provide a percentage of the royalty to the researcher himself or herself.

**The Chair:** Thank you very much, Madam Bincoletto.

Mr. Wallace, thank you very much.

**Mr. Mike Wallace:** But I didn't ask about Atlantic Canada yet—

**The Chair:** Seven minutes blasts by very fast. Thank you very much.

[*Translation*]

Ms. Leblanc, You have seven minutes.

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

I wish to thank the ministers and public servants with them for being here. I thank them for explaining to us a very important aspect of the budget.

Mr. Paradis, I very much liked the fact that, in your presentation, you mentioned that one of the priorities was to strengthen the manufacturing sector. My question is about the SR&ED program. Recently there were some changes. The rate fell from 20% to 15%.

My question is also about the eligibility of capital expenditures. This has a big impact on the manufacturing sector. How can you reconcile the priority you set out with the changes made to the SR&ED program?

**Hon. Christian Paradis:** Thank you for your question.

First of all, we know that with the SR&ED program, Canada has practically the most generous plan in the world if you consider its population. We are among those who invest the most in terms of direct assistance in this area.

If we compare ourselves to other OECD countries, however, we see that we rank 18th with regard to private investment. So there is an obvious problem of return on investment compared to the investment made from public funds. This is why we asked Tom Jenkins and his group of experts to take a look at the issue. They produced a report and recommended that we make some adjustments. One of these adjustments was to review the tax credit for research and development. As I said, this measure was part of the 2012 budget.

As for the technical calculation, the Minister of Finance handles that aspect. However, the Jenkins report contains some other interesting conclusions. We continue to study and evaluate them.

**Ms. Hélène LeBlanc:** In addition to the manufacturing sector, you mentioned in particular the aerospace sector. We are eagerly awaiting the Emerson report to find out what is happening in that regard. Do you have consultations with those sectors? According to some of their representatives, this report may have a fairly significant and sudden impact.

**Hon. Christian Paradis:** There have indeed been some consultations, with Mr. Jenkins' group of experts and also with Mr. Emerson's group. Personally, I had consultations and held round-tables throughout the summer, particularly with people in the manufacturing sector.

With regard to the financial sector, my colleague Jim Flaherty has also consulted with various groups. As I told you, the Jenkins report contains other conclusions and recommendations that have been fully evaluated. As we speak, Mr. Emerson's report is being announced. So it is a step towards the reform we want to make. However, basically, the problem of low private investments had to be addressed.

• (1140)

**Ms. Hélène LeBlanc:** Savings are going to be made in this area. Transfers have probably been made to the IARP, perhaps in the

[*English*]

venture capital.

[*Translation*]

There is still a shortfall of \$500 million. What is going to happen? What does the future hold? What can we expect for the manufacturing sector, which needs predictability so that it can plan for the future?

**Hon. Christian Paradis:** When we talk about predictability, it is important also to talk about consistency. That is why we took the trouble to turn to external resources to get a proper understanding and identify the issues. This is a big area. There are sectors and sub-sectors. We are talking now about the Emerson and Jenkins reports.

What is important is to put in place the new tax credit reform for research and development, to evaluate its impacts and see how the future looks. There are reforms at the National Research Council Canada. My colleague Gary Goodyear is going to come and talk to you about that. As I have already said, the report contains other recommendations that are fully evaluated and studied. We are going to go ahead with that.

**Ms. Hélène LeBlanc:** Thank you very much, Mr. Paradis.

I would like to give the floor now to Mr. Cleary.

[*English*]

**Mr. Ryan Cleary (St. John's South—Mount Pearl, NDP):** My questions are for Mr. Valcourt and the Atlantic Canada Opportunities Agency.



Mr. Valcourt, right at the beginning of your opening statement you talked about how you are pleased to report on how your government “is going to create jobs” and “stimulate the region's economy”. I find that ironic in that, right off the bat, you have been killing jobs at ACOA and you have been cutting back on grant money. There was a 25% cut—this is a well-known fact reported in the media—to ACOA grants last year alone. That 25% is \$78 million. A further \$7 million was allocated to be transferred, but it wasn't given out. You talked about stimulating the economy and creating jobs at the same time you are killing grants and killing jobs.

You were asked about that in the media just a little while ago. You were asked about the fact that ACOA has been cutting back left, right, and centre. You talked about how the federal Conservatives have “unprecedented” federal investment in Atlantic Canada through the \$25-billion Halifax shipbuilding contract. Now, don't get me wrong: the \$25-billion shipbuilding contract is a wonderful thing, but it's not the be-all and end-all for Atlantic Canada, and it's certainly not going to help every nook and cranny in Atlantic Canada—places like Newfoundland and Labrador.

My question is a pretty broad one. What is your overall plan for ACOA and are you still committed to ACOA? For the second part of my question, I'm sure that in terms of the asks, the number of businesses that actually ask for grant money from ACOA...I'm assuming that isn't down, but your refusal rate must be down. Is it? So again, there are two questions.

**Hon. Bernard Valcourt:** Well, first of all, when you talk we should be clear about the terms we use. When you call for grant money, we are not in the business of providing grants to businesses in Atlantic Canada—

**Mr. Ryan Cleary:** Loan money—sorry.

**Hon. Bernard Valcourt:** We are in the business of helping small and medium-sized businesses try to be more productive, try to succeed in this global economy, and this we do through repayable contributions—

**Mr. Ryan Cleary:** Thank you, Mr. Valcourt. I don't need a lesson in ACOA. Can you please just try to answer the questions?

**Hon. Bernard Valcourt:** Your question was whether or not we are committed to ACOA: the answer is yes. This agency is I think doing what it is mandated to do, which is to try to help businesses and Atlantic Canadians improve their earned income—which is our actual mandate.

But when you talk about the actual spending and what you refer to as cuts, if you compare the spending of 2011-12—it was \$330 million—to the actual spending of \$408 million in 2010, that is a decrease of 19% or \$78 million. The variances in actual profiles are due to a decrease of \$700,000 in operating expenditures and a decrease of \$77.3 million in grants and contributions.

The variance in grants and contributions, which you seem to deplore, has to be understood, because it is mainly attributable to the completion of initiatives under the Canada economic action plan, which represents decreases as follows. I mean—

• (1145)

**Mr. Ryan Cleary:** I'm sorry—

**Hon. Bernard Valcourt:** No, no—

**Mr. Ryan Cleary:** I'm sorry to—

**The Chair:** Order.

**Hon. Bernard Valcourt:** You asked a question. Can I give you an answer?

**The Chair:** Actually, do you want to know what? Because of that intervention, I was allowing you to try to finish, Minister, but we're way over time.

**Hon. Bernard Valcourt:** Okay.

**The Chair:** I was giving the opportunity to the opposition to hear the answer, but now that we've broken, we need to go to the next member.

We'll move to Madam Gallant for seven minutes.

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

What is the impact of the strategic aerospace and defence initiative on the economy?

**Hon. Christian Paradis:** It's huge. I have some numbers here that are worth mentioning.

First of all, there is support for 26 projects with an authorized assistance of \$827 million. It is expected to leverage an additional \$1.6 billion of investment into the economy. As of now, 21 projects have already entered into a wide area of collaboration with various universities, colleges, and affiliated research institutes.

Fourteen projects have successfully completed all or part of their R and D, resulting in the development of new or improved products, services, or processes. Any projects that have successfully commercialized the results of their R and D or put into use a new process innovation are supported by SADI.

Simply put, we are leaders in aerospace. We are fifth in the world. This program helps generate investments and helps maintain our competitiveness in the world. These are the tangible benefits.

**Mrs. Cheryl Gallant:** How has our government helped to improve and support the aerospace research and development industry?

**Hon. Christian Paradis:** Of course, we want to optimize the investments here. This is why I mentioned at the outset that I'm very keen to receive the report launched this morning by David Emerson and his team. On what we've done so far, I think SADI has demonstrated that we have good payback on investments, but we can always improve things to do business.

Of course, we also have improved our policies in terms of IRBs. We want to have more partnerships with universities and SMEs.

We have a lot of tools we can use to make sure we can leverage all of this stuff. As I said, I would like to see the report to make sure that we can optimize all of the tools we have in our possession and go further ahead with this.

**Mrs. Cheryl Gallant:** Why is the government conducting a review of the aerospace and space sectors?

**Hon. Christian Paradis:** I think David Emerson was crystal clear at the press conference when we launched the review 11 months ago at Saint-Hubert. First, I want to commend his team for coming back with a report 11 months after that. They've done a great job.

The idea is to say, "Yes, we are a leader." We have a lot of Tier 2 companies and we have Tier 1 companies, but I think it would be a mistake to say, "Let's rest on our laurels." We cannot do that, because this is a highly competitive sector.

There are a lot of opportunities coming up. The report will help us make sure that we can better position ourselves, not in terms of the present situation, but in terms of where we want to be two, five, 10, and 20 years from now. If we want to remain a leader in this sector, we need to fully evaluate what the opportunities are.

This is why, in this report, as I mentioned, a lot of key points were evaluated. There was a lot of involvement from the industry, but also from academics, provinces, and other federal departments to make sure that we can all streamline together and make sure that this sector remains a leader.

• (1150)

**Mrs. Cheryl Gallant:** Switching subjects a little bit, what benefit is our government deriving from the programs and initiatives in the auto sector?

**Hon. Christian Paradis:** Well, it's very simple. When the crisis hit the United States, the idea was...did we want to stay in the game or not in terms of automotive? There's more than the hundreds of direct jobs; we know that the industry generates a lot of indirect jobs. In auto parts, I think there are over 300,000 jobs, so we had to make sure.... If we wanted to remain in business, it needed investment, and I think the timing gave us a reason. The sector now has bounced back. We have solid jobs.

As I said, one OEM job generates six indirect jobs in the country, and not only in Ontario. It has an impact everywhere. The automotive sector is the most important manufacturing sector. I think that after the fact, when we see what we've done, we can see that it was crucial to make this investment. Now we are happy to see companies bouncing back with good results. Hopefully, they will remain on that track.

**Mrs. Cheryl Gallant:** What are the barriers to Canada becoming a digital economy and what is the government doing to address them?

**Hon. Christian Paradis:** As I said earlier, the problem we have is one of productivity. We cannot say that we are doing well. We are not doing well compared to the States. We surfed on a low currency for years and now we are at par. It will likely stay like that, so we have to do more with less.

It's not the fact that Canadian workers are working less hard but that sometimes we need better tools. It's like when you want to punch a nail, you can do it with a hammer or with an air gun, right? It's the same thing. If our industries want to be competitive, one of the main keys is to make sure they adopt digital technologies, because they can do more with less. This is a barrier and a gap that we need to address. If we want to make sure that we get to a productivity comparable to that of the U.S., for example, one of the key issues is to address digital technology.

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

Thank you, Madam Gallant.

We now go to Mr. Regan for seven minutes.

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

Thank you, Ministers, for appearing, but I must ask you to forgive me if I am not as effusive in my praise as was my friend, Mr. Wallace, who mentioned that you're coming here today before the committee for an hour.

I note that, in fact, because of the delays with the introductions and your opening statements, you didn't face questions from the opposition until 11:35—we were due to start at 11—and you'll face a total, between the two of you, of 14 minutes of questions from opposition. So I'm not quite as excited about this opportunity, but I'm pleased to have my seven minutes, and I better get to it.

My question is for Mr. Valcourt.

The 2012-13 report on plans and priorities says that the role of ACOA is "to create opportunities for economic growth in Atlantic Canada by helping small and medium-sized enterprises...become more competitive, innovative and productive". Yet according to vote 5 in supplementary estimates (B), you need \$1.24 million "to assist in the organization and delivery of the Halifax International Security Forum".

It seems to me that instead of helping to create jobs for small and medium-sized enterprises, what you're doing is squandering \$1.25 million to provide lavish hotels and fine dining for your exclusive security forum guests. Surely if it's security, it ought to be the Minister of Defence's department that's paying for it, when you should be doing things to help those small and medium-sized enterprises, which is your mandate. How do you justify these expenditures for this exclusive club? How would you explain this to a small business owner in Edmundston or Summerside or Gander?

**Hon. Bernard Valcourt:** Well, what I would explain is that, along with the Department of National Defence, we have entered into this three-year funding agreement to ensure that this enterprise can continue to keep the attention of the world on Halifax.

• (1155)

**Hon. Geoff Regan:** But isn't it about security and not about economic development?

**Hon. Bernard Valcourt:** Well, you know—

**Hon. Geoff Regan:** I mean, it's called the International Security Forum, after all, isn't it?

**Hon. Bernard Valcourt:** Yes, and we have a security sector in Atlantic Canada—

**Hon. Geoff Regan:** Isn't this simply taking money that ought to be going to economic development—

**Hon. Bernard Valcourt:** No—

**Hon. Geoff Regan:** —and saying, "Well, we have ACOA there, so we'll use ACOA to pay for this"?

**Hon. Bernard Valcourt:** No. This is another way of discharging our responsibility to create economic growth in Atlantic Canada.

Now, if, Mr. Regan, you are against ACOA spending these funds in order to attract to the City of Halifax, Nova Scotia, and all of Atlantic Canada some of the most prominent security and defence stakeholders in the world, it's fine. It's your—

**Hon. Geoff Regan:** Well, Minister, as I've said, I'm all for the defence department—

**Hon. Bernard Valcourt:** —position to take, but I think that—

**Hon. Geoff Regan:** —paying for that if it's defence-related. Or Foreign Affairs could certainly pay for it.

But we've seen many times in the past, and I'm sure you'll recall—

**Hon. Bernard Valcourt:** Well, there's only one taxpayer, as you know, today—

**Hon. Geoff Regan:** Minister, I'm sure you'll recall it. In the past, we've seen this kind of game being played by the centre around here, by the Department of Finance and so forth, in saying, “Well, let ACOA pay for it.” That's not good enough.

Now, let's look at what's happened to your budget. It has been shrinking, and it's going to keep shrinking for years to come. In 2010-11, the budget was \$382 million. It shrank to \$317 million in 2011-12. This year it's shrinking further to \$307 million. According to page 11 of the 2012-13 report on plans and priorities, the budget will be cut to \$298 million in 2013 and to \$296 million in 2014-15.

Isn't anyone in cabinet standing up for Atlantic Canada?

**Hon. Bernard Valcourt:** Absolutely: just look at the \$33-billion naval shipbuilding strategy, from which Atlantic Canada will benefit enormously. Look at the Building Canada fund, where, again, the money is not on the books of ACOA, but from what the Government of Canada has spent in Atlantic Canada—

**Hon. Geoff Regan:** But what about the last—

**Hon. Bernard Valcourt:** I think that when Atlantic Canadians look at the facts, your doom-and-gloom scenario doesn't hold, because look at the facts—

**Hon. Geoff Regan:** Well, this week, Minister—

**Hon. Bernard Valcourt:** In all four Atlantic provinces, since the end of recession, P.E.I., Newfoundland, and Nova Scotia have all recovered the jobs lost, plus more. The only one that is still having difficulty is New Brunswick, where they are still shedding jobs. The recovery is taking place all over Atlantic Canada. We have enormous economic potential benefits that will stem from the Muskrat Falls project—

**Hon. Geoff Regan:** But let's talk about your department, if you don't mind, okay?

**Hon. Bernard Valcourt:** Yes.

**Hon. Geoff Regan:** You have the agency of ACOA, which is an important agency in Atlantic Canada. We've seen the cuts to ACOA, to the Department of National Defence, and to the Department of Fisheries and Oceans. We have seen the EI program changes decimating the region. We have seen search and rescue cuts.

In relation to this shrinking of your agency, is it the government's intent to keep bleeding ACOA until it doesn't make sense to have it anymore?

**Hon. Bernard Valcourt:** If you look at the core funding of the main programs of ACOA, they have been relatively stable since 2006.

You are using the fact that, according to the economic action plan—for example, the community adjustment fund, which is a temporary sunset program, the Recreational Infrastructure Canada program—these account for \$71 million. These are sunset programs—

**Hon. Geoff Regan:** I'm just looking at your numbers here.

**Hon. Bernard Valcourt:** Yes, these are the numbers.

**Hon. Geoff Regan:** They show it going down, and down, and down.

**Hon. Bernard Valcourt:** I'm trying to explain to you, but you will not accept “yes” as an answer. Yes, there was a cut: \$71 million for sunset programs. If you are arguing that we should keep these temporary programs on a permanent basis, make the case.

**Hon. Geoff Regan:** The point is—

**Hon. Bernard Valcourt:** But don't say that we're cutting at the core funding of ACOA, because we're not. They're very tiny reductions.

**Hon. Geoff Regan:** Minister, the point is that you are doing less and less, and in the meantime you're cutting thousands of jobs in Atlantic Canada. Your government is doing that. It doesn't seem to me that anyone is speaking up for the region at the table.

Let me ask about another issue, because you said that ACOA plays of course a central role, a crucial role, in ensuring a strong economy in the region. I wonder if you agree with some of your colleagues in the Senate who think that part of the solution to these issues is maritime union.

**Hon. Bernard Valcourt:** I think part of the solution is the provinces working together better, which we are doing. Just look at the energy sector, for example. Last September, all four Atlantic energy ministers, along with Minister Oliver and me, disclosed the results of the study that promotes better cooperation among provinces, which would yield great economic benefits for Atlantic Canadians.

There are other sectors. We have the energy gateway that is proving to be a productive look at the agreement between Nova Scotia and Newfoundland and Labrador for the Muskrat Falls project. That is cooperation. Atlantic premiers and ministers at the provincial level are all indicating this desire to cooperate.

• (1200)

**Hon. Geoff Regan:** I think that's a “no” to Senator Duffy's idea.

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

**Hon. Geoff Regan:** Thank you very much.

**The Chair:** That's all the time in that round.

I want to thank you very much, Minister Paradis and Minister Valcourt.

We will need to suspend between ministers. That's all the time we have.

**Ms. Hélène LeBlanc:** If I may, I just have a very quick question...?

**The Chair:** There is no agreement, Madam LeBlanc. If there were, then I would....

We will need to suspend for three minutes. That will allow the ministers to leave and to have Minister Goodyear come forward.

• (1200) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1200)

**The Chair:** Ladies and gentlemen, we're back in order now.

Before us we have the Honourable Gary Goodyear, Minister of State, Science and Technology and the Federal Economic Development Agency for Southern Ontario. With him are Bruce Archibald, the president of the Federal Economic Development Agency for Southern Ontario, and Robert Dunlop, assistant deputy minister, science and innovation sector.

Minister Goodyear, please go ahead with your opening remarks.

• (1205)

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

Good morning, ladies, gentlemen, and colleagues. I want to thank all of you for this great opportunity to be here this morning. It is indeed an opportunity to speak to you, exchange various ideas, and answer some questions from the committee members.

As you know, my honourable colleague, Minister Paradis, has touched on how this government has supported Canada's capacity in science, technology, and innovation to build a knowledge-based, globally competitive economy. I would like to expand a little on his remarks. Given that my portfolio also includes the Federal Economic Development Agency for Southern Ontario, I will address some of its programs, in addition to speaking about our government's overall efforts on the science and tech file.

Since we introduced our science and strategy in 2007, we have worked to leverage the benefits of S and T and innovation. We have strengthened federal support for advanced research in numerous ways through the three granting councils. We have also introduced the Vanier Canada graduate scholarships, the Banting postdoctoral fellowships, and the Canada Excellence Research Chairs program in order to attract and retain world-leading research talent.

These organizations and programs, along with others like the Canada Foundation for Innovation—or CFI—and Genome Canada, have received significant federal investments to support their research mandates. Indeed, this year alone, we announced an additional \$500 million over five years to CFI through the economic action plan 2012.

We also preserved and protected funding for the federal granting councils' core programs aimed at supporting basic research and for student scholarship programs. According to the Organization for Economic Cooperation and Development, the OECD, Canada continues to lead the G-7 in higher-education expenditures on research and development expressed as a percentage of our GDP.

Beyond the dollar figure, though, we know these investments are paying off. In fact, last month, the Council of Canadian Academies—or CCA—published a report on the state of Canadian S and T. They came to the conclusion that Canada's research domain is healthy and growing, internationally competitive, and well respected among the world's leading scientists. It included this key finding: among authors of the world's top-cited scientific papers, Canada's research enterprise was ranked fourth overall, behind only the United States, the United Kingdom, and Germany.

Canada is clearly punching well above its weight in its production of scientific papers overall and those referenced by global researchers. This speaks not only to Canada's productivity in science, but also to our reliability as a source of sound knowledge. Discovery-driven basic research remains essential to our government's approach, but we also believe in the transformative potential of science in the marketplace and the need to improve business expenditures on research and development.

Last year's Jenkins panel report—which you're all familiar with—on federal support for R and D in the private sector outlined challenges and made a number of recommendations. Our government is acting on several of them through measures already announced in this year's economic action plan.

For example, we are doubling the size of one of our most successful initiatives, the industrial research assistance program—or IRAP—to significantly enhance support for R and D performed by small and medium-sized companies. We also announced \$67 million to help the NRC in its efforts to refocus on industry-relevant research.

Our government remains committed to making investments in basic science as well. We are also working to promote innovation and the commercialization of ideas. One does not have to come at the expense of the other. We know that Canada can become an international leader in both basic and applied research.

As the minister responsible for the Federal Economic Development Agency for Southern Ontario—or FedDev—I can tell you about the initiatives that are having a very positive effect throughout that region as well.

• (1210)

Ontario's economy continues to improve, as is shown by pre-recession employment and GDP levels. To date, FedDev Ontario has directly committed nearly \$1.1 billion through core program funding, as well as through other government programs in the region. However, there is still work to be done. Ontario's private sector research and development levels are lower than in many other advanced economies, and commercialization output is not where it needs to be, which is consistent with national trends.

Now, we know the key to innovation and economic growth lies in creating partnerships. They involve small and medium-sized businesses and post-secondary institutions that have vast resources in terms of research capacity, equipment, and talent, so we developed the applied research and commercialization initiative, where we have devoted significant effort to establishing partnerships between post-secondary institutions and the private sector.

The research and testing capacity that 24 participating colleges and universities offer is now helping more than 540 businesses across southern Ontario to develop new products and expand existing market opportunities. This is an enormous success.

We are also addressing challenges that small businesses face in southern Ontario in regard to access to risk capital for new ventures. Through our investing in business innovation initiative, \$117.9 million has been leveraged in private sector investments to help start-up businesses in their critical early stages. The number of angel and venture capital investors in the region as a result of this program has risen from 250 to 650. This is another enormous success.

In fact, I'd like to give you an example. With a contribution of approximately \$755,000 through this initiative, Wave Accounting Incorporated, a Toronto company that developed online accounting software for small businesses, was able to leverage \$1.5 million more from angel investment. It created 46 new jobs, more than four times what we thought they would do. Further, the company has raised an additional \$17 million since our first round of funding. It has more than 250,000 small business clients around the world now and is projected to continue strong growth going forward.

Through our prosperity initiative, we are making strategic investments to develop economic growth areas for southern Ontario. These include high-speed computing, advanced material manufacturing, digital media, food processing, and green construction, among others. Through some of our funded projects, post-secondary institutions—again—are working with small businesses to bring to market innovative products and processes that will help put southern Ontario on the map as a place for business in these high-growth sectors.

For example, we recently invested \$20 million in the University of Toronto to form a collaborative research innovation platform. This has now brought together a consortium of seven other universities and a lead industrial partner, namely, IBM Canada. The investment is helping develop a high-speed, high-performance cloud computing infrastructure. This will assist researchers and businesses to develop products and services that require the ability to analyze large amounts of data, often referred to by the scientific community as “big data”.

I can tell you that we now have the most powerful computer in the country working in this project. In so doing, this group will address some of the world's most complex problems in fields such as resource management and urban infrastructure, all the way through to and including neurological disorders.

Colleagues, we have committed almost \$207 million in 44 projects through this one fund alone, the prosperity initiative, and we have leveraged more than double that amount as a result. It's a total

of \$577 million, in fact. Investments such as this will have long-lasting results for the economy of the region.

• (1215)

To address the need for improved business productivity and competitiveness, we have collaborated with regional stakeholders, such as the Canadian Manufacturers & Exporters. This has leveraged \$95 million, while helping more than 800 manufacturers all over southern Ontario. According to the CME, our support will contribute to the creation of 5,000 new jobs.

FedDev Ontario also delivers some national infrastructure and community-based economic development programs through programs such as Community Futures. We work with partners to ensure that rural communities have access to economic development opportunities.

We are very proud of the progress we have made through direct investments in the Southern Ontario Advantage initiatives. As of August, those initiatives had leveraged \$963 million.

As a resident of Cambridge, born and raised in southern Ontario, I know that southern Ontario has incredible people in its communities. I'm lucky enough to see this first-hand through the many visits, round tables, and ongoing discussions with stakeholders that I undertake as a member of Parliament and Minister of State. This enables me to see the potential of this region and the impact of FedDev's work going forward.

Mr. Chair, I'd like to close my comments now and give committee members the opportunity to ask me any questions they may have with respect to the supplementary (B)s.

Thank you.

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

Now we'll move to our rotation.

Mr. Wallace again is first up, for seven minutes.

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

Thank you, Minister, for coming today. We appreciate your presentation and the work you're doing.

I have a couple of questions on the actual supplementaries and one question for you, or maybe a comment, on your plans and priorities document, which I'm sure you can answer.

First of all, I have a question on vote 70, which is not in the southern Ontario supplementaries, but in the NRC supplementaries. There is \$90 million for the increase to IRAP. I know that you mentioned in your speech that we're doubling it. Is that the full doubling or is it partial? Is it just for this year? Can you explain what that is?

**Hon. Gary Goodyear:** The quick answer—and I'll let Rob go into detail—is yes: it's just the ask for this year.

**Mr. Mike Wallace:** Is that a doubling, that \$90 million?

**Mr. Robert Dunlop (Assistant Deputy Minister, Science and Innovation Sector, Department of Industry):** Yes, because in terms of IRAP delivering the IRAP program, last year they had \$90 million, and this doubling will—

**Mr. Mike Wallace:** To \$180 million—

**Mr. Robert Dunlop:** Yes, to \$180 million. There's another element to what was announced in the budget, which is increasing their value-added service—the concierge service—and that's what's being ramped up. The full ask for that is not being made at this point.

**Mr. Mike Wallace:** The full ask is not being made?

**Mr. Robert Dunlop:** That's right.

**Mr. Mike Wallace:** Okay.

Do we have the resources on the ground to be able to get the IRAP money to those companies that can use it?

**Hon. Gary Goodyear:** I would say yes. In fact, you might remember, Mike, that a few years ago we added \$200 million to the IRAP program as a stimulus fund, and the IRAP people, through the NRC, were very, very good at successfully delivering that money and having a significant impact on the economy right across Canada. I have no doubts that they have the resources in place to handle that money.

**Mr. Mike Wallace:** Okay. Thank you.

From your own agency supplementaries, on the \$23 million that is for the community development fund—the community investment fund—just explain it to me. Is that half of...? Is it over two years? I'm assuming that it's been divvied up across the country. Is it done by per capita...? How is it determined how much you would get?

• (1220)

**Hon. Gary Goodyear:** If I'm not mistaken, I think the \$23 million is actually a top-up. The community infrastructure investment fund is \$24 million—

**Mr. Mike Wallace:** It's \$24 million—sorry.

**Hon. Gary Goodyear:** Is that the one you're talking about?

**Mr. Mike Wallace:** Yes.

**Hon. Gary Goodyear:** Yes. This is obviously over a two-year program. This first year is the \$24 million. The entire allocation for Ontario is just over \$49 million. It is in fact based on population across the country. It was a \$150-million national program in the economic action plan 2012, but it was a two-year program. This is the ask for Ontario for the first year.

**Mr. Mike Wallace:** You're also transferring money out to Shared Services. Is this the last time I'll see money transferred to Shared Services? Are they not going to be fully funded by now...?

**Hon. Gary Goodyear:** Actually, this is an opportunity for us to increase efficiencies without affecting programs and the delivery of the programs.

I might want to refer to Bruce on this, but this is having audit functions and human resource functions....

**Mr. Mike Wallace:** There's another line for audit functions, Minister.

**Hon. Gary Goodyear:** Okay. So these programs are actually being delivered by a central basis, which actually is saving the agency money.

**Mr. Mike Wallace:** Right: I understand Shared Services. I just want to know are we done sharing the... We're starting a new program, we're starting a new department, and departments are sending money to that department. Is this the last time I will see that happen? That's my question.

You don't have to answer that. They can. Thank you.

**Hon. Gary Goodyear:** All right. I'll let Bruce answer that.

I do know that FedDev was already pretty lean in the beginning.

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

With the creation of Shared Services, they picked up the responsibility for looking after phones for the agencies, and e-mails, so the cost you're looking at here in the supplementary (B)s is basically a transfer to them for taking on that service and providing those services to the agency.

**Mr. Mike Wallace:** I understand. Are you done sending that money to them? That is my question.

**Dr. Bruce Archibald:** This will now become part of their ongoing budget going forward.

**Mr. Mike Wallace:** It will be theirs so we won't see it in yours anymore.

Also, I understand the audit is being centralized so you don't have an audit function anymore within....

**Dr. Bruce Archibald:** That's correct.

**Mr. Mike Wallace:** Okay. That's great.

I may have one more question, but I want to ask about this before my time is up, because my time flies. In your plans and priorities document for this year, one of your programs is “Technological Innovation”. One of your performance indicators is to increase the number of employees in southern Ontario “that are considered highly skilled and qualified personnel”. Underneath that is the definition of highly skilled and qualified personnel, which is defined by Statistics Canada as “individuals with university degrees at the bachelors' level”.

Minister, is there any way we can change that definition to include those highly skilled individuals who have college? I think a lot of innovation and development can happen at the college level among and those with that skill set and knowledge. My own personal concern is that we spend a lot of money on university students and advanced technological stuff, but a lot of good quality work can be done at the college level. Would you like to comment on that at all?

**Hon. Gary Goodyear:** Yes, I would, and thank you. That's a very good suggestion and I will take it under advisement. We'll look into that.

That said, just as a backup to it, our government over the years has been focusing more and more on colleges. In fact, you will remember that the knowledge infrastructure program was \$2 billion from the federal government, and about \$600 million of that, for the first time ever, went to colleges.

But to your point as to what is defined as a highly skilled worker, I have absolutely no objection to your point and we'll take that under advisement.

**Mr. Mike Wallace:** My final question, which you may not have the answer to, is in the same area. One of the targets is to increase “the amount of investment in research and development by Ontario businesses”, which I completely agree with. You have a base here of a target of \$279 million, and I guess that's in 2002 dollars. What kind of increase is that? Is that a 5% increase? A 4% increase? It doesn't tell me that. The other target has a number of people, which is easy to measure. I don't know what that means, that \$279 million in southern Ontario. Is that a lot more...?

**The Chair:** Very briefly, please.

**Hon. Gary Goodyear:** I'm not aware of the actual percentage change from 2002, but we can get back to you with that answer, if that's okay.

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

Thank you very much, Mr. Wallace.

Mr. Stewart, for seven minutes.

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

Thank you for coming today.

I have a larger budget question, although it's related to the supplementary estimates. I'd like you to situate these estimates in a larger context. According to the latest StatsCan bulletin, “Federal science and technology spending for fiscal year 2012/2013 is anticipated to decline 5.9% from 2011/2012...”. When adjusted for inflation and shown in real dollars, we are looking at something like an 8% cut. Do you dispute this assessment?

• (1225)

**Hon. Gary Goodyear:** I can tell you that our government has invested more in science and technology, in real dollars, than any government in the history of this country. That includes an \$8 billion increase in new funding, as you would know. Some of that funding, as I mentioned earlier to our other colleague—\$200 million for IRAP, the industrial research program—was a short-term, temporary stimulus funding.

Overall, I would say to you that science and technology has been strongly committed to by this budget. The numbers—

**Mr. Kennedy Stewart:** But do you dispute the finding by Statistics Canada that we're cutting 5.9%—and, in real terms, about 8%—from last year's budget?

**Hon. Gary Goodyear:** Well, I dispute your interpretation that we're cutting. I'd be happy to—

**Mr. Kennedy Stewart:** It's a reduction in funds.

**Hon. Gary Goodyear:** I would have to take a look at the Statistics Canada form that you're looking at—

**Mr. Kennedy Stewart:** But you should know it, because you are the minister of state for this.

**Hon. Gary Goodyear:** Well, I'm telling you—

**Mr. Kennedy Stewart:** I'm sure you've seen it.

**Hon. Gary Goodyear:** I haven't seen the Statistics Canada—

**Mr. Kennedy Stewart:** You don't know that there's a 5.9% cut to your budget.

**Hon. Gary Goodyear:** There is not a 5% cut to my budget.

**Mr. Kennedy Stewart:** It is 5.9%, according to StatsCan. But you're unaware—

**Hon. Gary Goodyear:** According to budget 2102, which you voted against, there were 35 million additional dollars, \$35.7 million—

**Mr. Kennedy Stewart:** Yes, but it's a simple question. If your overall budget... Statistics Canada is saying that your S and T budget is reduced by 5.9%. It's a very simple question: is this something you dispute or do you acknowledge that this is the case?

**Hon. Gary Goodyear:** I'll have to look at the document.

**Mr. Kennedy Stewart:** But you don't know now? You've come before us to talk about budgets and you don't know your overall budget—

**Hon. Gary Goodyear:** I'm trying to answer the question as I do know it. That is, since 2006 we've added \$8 billion in new dollars to the science and tech sector, and you voted against all of it.

**Mr. Kennedy Stewart:** Is it that you just won't admit there's—

**Hon. Gary Goodyear:** No, you're asking me to comment on a piece of paper that I've already acknowledged I haven't seen.

**Mr. Kennedy Stewart:** You haven't seen the Statistics Canada report that talks about your—

**Hon. Gary Goodyear:** I don't read Statistics Canada. I look at my budget

**Mr. Kennedy Stewart:** You don't read Statistics Canada and you're the science minister?

Okay.

Maybe I'll go to my next question, then. On page 95, the estimates deal with the NRC. You say that you envision the NRC as a 1-800 number concierge service for industry.

John McDougall has been before this committee. He said that he's busy restructuring. I'm just wondering if you provided any instructions to Mr. McDougall for this restructuring, and if you could table these if you provided anything specific. Or are you just letting him kind of run wild within the NRC?

**Hon. Gary Goodyear:** The NRC, as we've stated in public, is being transformed into a research technology organization and will include—

**Mr. Kennedy Stewart:** Do you have—

**Hon. Gary Goodyear:** If I can finish...?

**Mr. Kennedy Stewart:** Yes, sure.

**Hon. Gary Goodyear:** It will include a concierge service, which I've described as a 1-800 number. The reason we did that was that one of the largest reasons that businesses don't use the very generous programs put forward by the federal government is that mostly they don't know about them.

It seemed to us, after consultation with industry and many other stakeholders, that one of the answers to this problem—one of the answers—was to have a source that businesses could call up to explain what their needs were and then be directed to an appropriate program. That answers the concierge question.

The other point that I think you probably do know is that Canada is very strong in basic research, and we're very proud of that.

• (1230)

**Mr. Kennedy Stewart:** Although you're cutting your funding.

**Hon. Gary Goodyear:** We—

**Mr. Kennedy Stewart:** I'm asking specifically about written directions to the new director of the NRC and whether you could table those for us, because right now there's nothing written down that we point to, to see this major restructuring of the crown jewel, really, of Canadian science...it's being restructured without any public knowledge of what's going on.

For example, Mr. McDougall said that they're going to be cutting a lot of scientific positions and replacing those positions with business managers. I would like to know, for example, how many scientists are going to be replaced with business managers, and I think the Canadian public would want to know. So I'm wondering if

you have written instructions for the new president, and whether you could table those here.

**Hon. Gary Goodyear:** Well, what I have said to you before and what I have said in Parliament and the media is that we are in fact undergoing some transformation at the NRC to a business/industry-facing organization. So that does mean that while we have a number—thousands, actually—of scientists and great resources at the National Research Council who already do significant business-facing research, we will ask the National Research Council to be more responsive to industry.

We want to do that because we know from statistics that over 90% of our businesses in Canada have less than 50 employees, which means that many of them do not have research capacity—

**Mr. Kennedy Stewart:** But you're refusing to table a public document.

**Hon. Gary Goodyear:** If you'd let me answer the question, I'd be happy to—

**Mr. Kennedy Stewart:** Well, you're going in generalities. I'm asking for specifics.

**Hon. Gary Goodyear:** Well, if you want the information—

**The Chair:** Order.

Gentlemen, we're televised, and when both of you speak like that, they are confused about where to put the camera, and the audio has a problem as well.

**Mr. Kennedy Stewart:** Okay.

**Hon. Gary Goodyear:** Thank you, Mr. Chair.

So one of the things we need to do is match up that deficiency with the resources at the National Research Council. That is to allow businesses in Canada to recognize that we do in fact have research capacity for them, not only in our universities and colleges, but also at this National Research Council.

I have nothing to table for you—

**Mr. Kennedy Stewart:** Are you in charge, though, or is Mr. McDougall in charge? If you're in charge, could you table something so that we can read what the restructuring plan is? Because right now there are only quotes out of the media, and we'd like to see something more substantive.

**Hon. Gary Goodyear:** I'm quite sensitive to the need for you to see something more substantive, since there has been a history of misquoting and taking the words that I've said out of context. What I can tell you is that this process is ongoing right now, and in due course, we will be more than happy to share with you the outcomes of this transformative process.

**Mr. Kennedy Stewart:** But people are being laid off right now, so you're going to come up with a plan later and lay off people now? So there is no plan now...? You're just kind of letting Mr. McDougall do whatever he likes.

**Hon. Gary Goodyear:** Once again, you're putting words in my mouth.

**Mr. Kennedy Stewart:** Well, I'm asking you to answer the question and table the document.

**Hon. Gary Goodyear:** I answered the question.



We are transforming the National Research Council. There have been some changes that are not necessarily or directly related to the transformation process. There were some full-time equivalent positions lost as a result of reductions. We made a commitment to Canadians to find efficiencies with the NRC. There are some organizations with the NRC that we now see are better served in the public space, or, I should say, in the private space by industry. This is not unusual for the National Research Council. They have a history of spinning off companies quite successfully.

So the natural process is that there will be a fluid and constantly changing enterprise here. That is good. We don't believe in stagnation. We believe that the economies of the world have changed. The needs of industry have changed. Technology has changed. The pace of technological advancement has changed. In the best interests of Canadians, we will make sure that we can change to continue the growth in our economy and the strength and the protection of families, businesses, and their resources.

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

That's all the time we have there.

Mr. McColeman, please, for seven minutes.

**Mr. Phil McColeman (Brant, CPC):** Thank you, Minister, for being here.

It's interesting to hear this dialogue. I'm not going to spend a lot of time on it, except to say that the opposition, the NDP, are obviously focused on job creation just for the sake of job creation, not for results.

All your comments as you delivered them earlier today are on the results, the things that have been achieved, and the better efficiencies that have been achieved. Of course, their line of thinking is just to create more and more bureaucracy and administration and everything will be fine.... That's their job creation program.

I would like to talk to you about some of the results, and in particular, those that you have achieved in FedDev, sir. Those results that I'd like you to speak about relate to something that's very near and dear to municipalities.

The Federation of Canadian Municipalities talks about it constantly, and it's in the front of their minds all the time now: public infrastructure. I'd like you to speak about some of the investments that FedDev specifically has made, or some of the overall guidelines for FedDev programs in terms of assisting municipalities as well as other organizations in developing infrastructure in Ontario specifically.

**Hon. Gary Goodyear:** I think that's a great question, in this sense. FedDev was created for two reasons: one, because the nation was about to face a very significant economic downturn, not of our doing but coming to us from beyond our shores; and two, Ontario has some unique issues to deal with, such as the automotive industry and those types of things.

In the beginning at FedDev, we obviously had to stimulate the economy as quickly as possible. We chose the route of partnering with people who had experience on the ground: folks like the Canadian Manufacturers & Exporters, the Business Development Bank of Canada, and IRAP, to give you examples.

We looked at areas where we could move money into the economy. I will admit that, in the beginning, creating a job was necessary. We saw applications come in for rebuilding arenas and these sorts of short-term jobs—paving, infrastructure in terms of curbs—and we would approve those jobs. As the economy started to change, we also changed. We did not stagnate. It was vitally important that we remain nimble and quickly adapt to the changing economy.

Around that time, we started to look at.... I'll give you an example. If we were going to pave something, it would be an airport runway, meaning that this would not be just two weeks of paving jobs and stimulation in the economy, but that there was some future economic benefit because the runway would now be longer and could potentially handle larger aircraft.

Our thinking changed as well in moving forward around the advantages for Ontario. That means assistance in terms of venture capital for folks who are starting up, and assistance for businesses in entering some of these new export markets that we've opened up with these new trade agreements.

We would work with scientists, getting their products into the marketplace more quickly. We would work with putting students and recent graduates into businesses, so they had a job close to what they were trained to do. That would be a great advantage to the businesses, as we've mentioned, that are weak on research and development.

Those are the kinds of programs we now have. They are better-quality, longer-lasting jobs, completely aligned with the needs of the economy and with some very forward-thinking projects like the water consortium and this cloud computing project with the University of Toronto that I mentioned. Those are the areas that we believe are the high-technical, high-knowledge types of jobs that we want and need for Ontario, but with peripheral and transferable benefits across the nation.

• (1235)

**Mr. Phil McColeman:** To carry on with that, I would like to mention a couple of investments that FedDev has made in businesses in my community. I'll focus on one very cool company that started in the digital and software area of warehousing, as well as equipment, and their particular focus has been the United States market. They wanted to expand. They were small here in Canada, but they had clients, and now they've been able to move into the U.S. market with the assistance of a FedDev loan, repayable to the government, to bridge a gap in their financing. They didn't have the ability to do that through conventional financing.

It was interesting to discuss this with the owner and the angel investors, who were there the day we celebrated the fact that they had succeeded in opening up the U.S. market. Now they have quite a number of what you would call Fortune 500 company clients as part of their customer base. It was exciting to see the overwhelming acceptance, and I would say endorsement, of the angel investors themselves, and that we would bridge it with this kind of gap.

I bring that example to the table today, sir, because to those small entrepreneurs, to those small companies that have a desire to move forward but sometimes don't have the sophistication and such to do that, FedDev offers a whole menu of opportunities in different categories for those kinds of companies.

Since FedDev was created, what have you seen in terms of the key things—the best bang for the buck, as was mentioned earlier—coming out of FedDev for companies right across southern Ontario? It's no secret that southern Ontario is one of the most fragile industry-based...it is still very fragile.

**Hon. Gary Goodyear:** It's a difficult question to answer, because there isn't one area. The fact that we've more than doubled the amount of angel and venture capital available to new entrepreneurs is a great story. There's the fact that we have businesses that would never have thought of going to their local college or university for help in perfecting a product or improving a process actually doing it, and, as a result, becoming far more competitive in the global market. These are all good stories. I think that overall it's the partnerships being created between academia and industry that will be the most long-lasting.

We have done work on arenas in the recreational infrastructure program. These are great for communities. Healthy communities are always attractors for people to come from around the world and live and work. I have to say that I believe so strongly in collaboration and partnership, working together as a team, competing against the rest of the world—

• (1240)

**The Chair:** Thank you, Minister. I have to partner with you on that on time.

Mr. Hsu, you have seven minutes.

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

Thank you, Minister, for being here today.

I want to start by talking about CANARIE, the high-speed Internet backbone that is very important for researchers across the country. There's a line on page 91 of the supplementary estimates for CANARIE. As you know, Minister, the funding for CANARIE has gone down a bit this year compared to previous years.

I want to read a press release from CANARIE from August 8, 2012. They say, and this will be no surprise to you: "In confirming the \$22 million in funding for the third year of the mandate, the Government also reaffirmed a requirement for CANARIE to explore and implement cost-sharing strategies with its user community."

I want to note that further on in the press release they talk about CANARIE's user community. Among those in the user community, we have universities, colleges, and hospitals.

My question for you, Minister, is whether you will tap CANARIE on the shoulder and say, "Please don't download my government's budget cuts onto universities, colleges, and hospitals."

**Voices:** Oh, oh!

**Mr. Ted Hsu:** Just ask them to be careful about how they go about implementing the cost-sharing strategies they have to implement because of cuts to their budget.

**Hon. Gary Goodyear:** I appreciate the question very much, Ted.

Number one: the fact is that we consult, as I've mentioned before, with all the stakeholders we can possibly talk to. It's almost all I do. When I'm not in the House answering questions in QP, I phone presidents of universities and deans of research. We have round tables. Folks come to Ottawa, and I meet with them.

I met with the CANARIE people. I specifically asked them if they needed all this funding. We have an obligation to Canadians to be more efficient in these difficult times. The CANARIE people were very kind. They had that team spirit and were quite willing to work with the rest of Canadians who want to see a more efficient governance. They were the ones, in fact, who suggested to me that they could do with less. That's number one.

Number two: it makes perfect sense, when you have a product that people need and want, that some of them should pay for it. Not everything in life is free. I know you might want to say that it would be our universities and our students and these poor researchers; that's exactly who it is not. In fact, there are users of this incredible network who have the ability to pay something for it. It just makes sense that the Canadian taxpayers could have a bit of a break and that these users could pay a little bit more to it.

We will very carefully and softly transition—

**Mr. Ted Hsu:** And you'll be careful about the universities and hospitals? That's all I want to know.

**Hon. Gary Goodyear:** We will indeed.

**Mr. Ted Hsu:** That's all I want to know, Minister.

My second question is about an announcement you made on November 13, which I think was a good announcement. It was \$17 million over five years for the college and community innovation program. I note that one of the grants available under that program is the applied research tools and instruments grant.

So great: if you like money for colleges to purchase research tools and instrumentation, you'll also know that researchers are upset about the cuts to the research tools and instrumentation program of NSERC. These would be university researchers.

Last night, in fact, I talked to some engineers who do applied research. They expressed to me how upset they were. If you like the applied research tools and instruments grants for the college and community innovation program, why not provide the funds to NSERC so that it doesn't have to cut back on the main research tools and instruments program?

•(1245)

**Hon. Gary Goodyear:** Well, as you do know, this year alone we provided NSERC with an additional \$15 million—\$200 million in additional dollars to NSERC since 2006.

The program you're talking about—and I know that you know this, Ted—averages approximately \$100,000 per institute. There are about 37 institutes that draw on that program. The federal contribution is very small. It's about 15%, which means they have other partners—multiple partners.

And as much as I guess we would all like to fund everybody all the time and forever, difficult decisions have to be made. NSERC chose this program. As I said in my opening remarks, my instructions were that we would protect basic discovery science and fellowships—in other words, people. This was an area that was offered up, and it is what it is.

**Mr. Ted Hsu:** All I want to point out is that I know we have to cut certain things, but in terms of priorities, I think scientists, engineers, and other researchers have really spoken out quite loudly about their concern about the cuts to RTI.

Let me go on to my last question, Minister, and that is about the number in the supplementary estimates for NRC of roughly \$61 million for refocusing the work at NRC. I understand the idea behind it, but I am concerned about the time it's taking to sort out all the programs. This concern doesn't just come from me; it comes from people I talk to. You'll know what I mean by “programs”; it's the new way the research work at NRC is being organized.

For example, as of a couple of weeks ago, in the engineering division, only two programs—and those are the two flagship programs— have reached final approval. There are four steps to approving a program. Only two of these programs have reached final approval. My concern is that there will be a lot of people in NRC waiting to see what happens. While they're waiting, their research is not part of any approved program. I think most of them really love their research and are continuing to work on what they're working on.

My question to you is this: are you at all concerned about the pace at which these programs are being set up and approved? Also, have you talked to the management at NRC about any concerns you might have? This connects a little to Mr. Stewart's question. Let me just add —

**The Chair:** If you want an answer, you have to let the minister answer. We have about 20 seconds.

**Mr. Ted Hsu:** Okay. I'll let the minister answer.

**Hon. Gary Goodyear:** Thank you.

Very quickly, yes, of course I talk to the management at the NRC. We have had meetings very frequently, especially of late—

**Mr. Ted Hsu:** Are you happy with the pace?

**Hon. Gary Goodyear:** Indeed, I wish it would go faster, but I have to respect that this is a major undertaking. This is a 100-year-old organization. It has 400 contracts around the world. It has over 4,000 scientists. It isn't something that we could or should change in haste. They are consulting with stakeholders and doing the job right the first time.

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

Now we'll go on to Mr. Braid for five minutes.

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

Thank you, Minister Goodyear, Mr. Dunlop, and Mr. Archibald for being here with us today.

Minister, there are a range of very important programs under the FedDev umbrella. You've touched on many of them. In my mind, one of the most successful FedDev programs has been the investing in business innovation program, or the IBI program. We're certainly seeing the very positive impact of that program in Waterloo region, where we now see the creation of an average of one start-up company every day.

In my riding of Kitchener—Waterloo, the centre of innovation in Canada, we're of course very familiar with the flagship companies like RIM and OpenText, but there are 1,000 other high tech companies in the Waterloo region.

Minister, could you speak to why IBI was established and to the impact you believe it's having?

**Hon. Gary Goodyear:** This is a great question, and I thank you for it.

This starts back when we were seeing the transition in the economy of southern Ontario. We decided to look at programs that would provide for better jobs and better job opportunities and really grow and diversify the economies of smaller communities in particular. We knew from our consultations and our round tables that venture capital was a serious impediment to this type of growth. That really was the genesis of this program.

This particular program was announced with the other ones, all within about four to six weeks back in the fall of 2010, again, as an initiative to show the change in FedDev's focus and that in fact we had a suite of programs that would pretty much fill most of the needs of any entrepreneur.

To date we have had about 172 applications approved under the IBI program for some \$102 million, but the leveraging goes way beyond that. In fact, last night I got a note that on *Dragons' Den* was one of the companies from Kanata that had received a very small amount of repayable money through this program. They actually got selected by all of the dragons; they turned them down, but took one of their offers.

I have to say that all the programs working together make up that ecosystem and support the entire system, which is a collection of parts. Venture capital is one of those parts. Skilled workers make up another one of those parts. We know that there are folks in southern Ontario who have great ideas but they can't get them to the market, so we have programs that will help move a product or a process down the development line to the marketplace much sooner.

But we also know that Canada's start-ups are very strong. We are one of the leading countries in the world with start-up capacity. Again, you add those factors together and it doesn't take too long to come up with a venture capital angel investor. I don't want to speak about the national history of venture capital, but it isn't that strong and it's certainly not that old. So we are now seeing under this program not just local investors, as investors now are being attracted from around the world, and his really is what the purpose of the program is.

We won't be there forever, but this initial start and the introduction of our capacity to the United States and other investors are the results that we want to see, so we are very pleased currently, and I am pleased that the outcome will be longer lasting.

• (1250)

**Mr. Peter Braid:** Thank you.

You mentioned the Jenkins panel, Minister, in your opening remarks. Could you briefly touch on what, in your mind, are the most important recommendations from the Jenkins panel and how any of the recommendations are perhaps reflected or represented in the supplementary estimates (B)?

**Hon. Gary Goodyear:** I think the Jenkins panel—which, as you know, took one year and consulted all around the world—was a team of highly experienced and expert Canadians. They did an incredible consultation process. They came up with a number of recommendations—about six of them—and there were some sub-recommendations in the report as well.

The recommendations did in fact surround things such as venture capital. Of course, that is exactly why we have venture capital in the economic action plan. It talked about reforming and transforming the National Research Council. This is exactly why we're undertaking that process.

I think the Jenkins panel gave us an opportunity to crystallize what we had been reading in a number of other reports. Deloitte has a report out, and there's the Red Wilson report. There are other reports that I have read, from years ago, that discuss the declining innovative capacity of our nation and the trends of declining productivity that are decades old.

This report was an opportunity for us to crystallize these other researchers' conclusions and not only put together an economic action plan that really dealt with many of the recommendations from the Jenkins panel, but also start on a process whereby we can improve the innovative capacity productivity of the nation—

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

**Hon. Gary Goodyear:** —and at the same time create jobs and economic growth.

Thank you—my apologies.

**The Chair:** That's all right.

We'll go on to Mr. Stewart.

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

In the House, Minister Goodyear, you're fond of saying that Canada is facing a brain gain, not a brain drain. I'm just wondering

on which figures you base these assertions and if you could perhaps table these.

• (1255)

**Hon. Gary Goodyear:** We have seen.... I can get you the figures, actually. They're not my figures. They're figures I get when I talk to university presidents about who they've had come in, where they're coming from, and so on, and it's information that I'm getting from my stakeholders, who tell me they have now had more applications—applications they can't fill—from folks in France, Germany.... Even our Canada Excellence Research Chairs program, which has been in the media of late, is mostly made up of people from other countries.

**Mr. Kennedy Stewart:** Well, this is anecdotal evidence that you're giving me. I'm wondering if you're tracking this in any kind of systematic way.

**Hon. Gary Goodyear:** Since the introduction of these programs such as the Canada Excellence Research Chairs, for example, and the Vanier program, which are new and, in my opinion, are some of the best in the world.... I would say it's too early to give you that data. It is anecdotal; I would agree with you on that. But we are tracking it, and I'm certain that Statistics Canada will have that report for you to read.

**Voices:** Oh, oh!

**Mr. Kennedy Stewart:** Well, in fact, Stats Canada does have a little report, and it does say—

**Hon. Gary Goodyear:** From when?

**Mr. Kennedy Stewart:** —that for our scientific staff in the federal government, we used to employ about 39,000, and now we employ about 37,000. So we've lost 1,500 positions over the last year—

**Hon. Gary Goodyear:** Most of which I think you would—

**Mr. Kennedy Stewart:** To me, that's a brain drain internally.

**Hon. Gary Goodyear:** Well, hang on a second. I think we would have to break that down. Being a scientist yourself who has gotten funding from SSHRC and other places, you would know that throwing a number out like that without—

**Mr. Kennedy Stewart:** Well, it's not throwing it out—

**Hon. Gary Goodyear:** —telling us how many of those people are administrative and not researchers—

**Mr. Kennedy Stewart:** Most are social scientists. Most come from Statistics Canada themselves—

**Hon. Gary Goodyear:** Most have applied for research funding, and we have a very strict peer review process in this country. We can't fund every researcher. I'm very proud of our peer review—

**Mr. Kennedy Stewart:** Yes, these are internally, though.... These are employed internally by the federal government in places like the NRC, for example. So these are 1,500 positions that have been lost over the last year, according to StatsCan. I'm wondering if you have—

**Hon. Gary Goodyear:** There have not been 1,500 positions lost—

**Mr. Kennedy Stewart:** There haven't been?

**Hon. Gary Goodyear:** —at the NRC last year.

**Mr. Kennedy Stewart:** Again, it's another StatsCan report that's quite clear and—

**Hon. Gary Goodyear:** You just heard me say there were not 1,500 positions lost at the NRC last year, nor—

**Mr. Kennedy Stewart:** No, not at the NRC; this is overall.

**Hon. Gary Goodyear:** Then, as a scientist, you should qualify your numbers.

**Mr. Kennedy Stewart:** I just did.

**Hon. Gary Goodyear:** We appreciate quality research in this country.

**Mr. Kennedy Stewart:** Right.

Thank you.

**The Chair:** Mr. Harris, you have two minutes.

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

Thank you, Mr. Minister, for being here today.

Following up on some of these questions, obviously there's some dispute about the number of job losses. Earlier, you mentioned that the transformation of the NRC is ongoing and that we'll be informed about the outcomes after the fact, which, as a member, I find to be a little backwards.

You alluded to some full-time reductions, so my question, very simply, is, do you think it's appropriate for members of Parliament to be voting on a budget without knowing what personnel reductions and service-level impacts there are going to be in that budget—yes or no?

**Hon. Gary Goodyear:** I'm not sure I understand the question. Are you talking—

**Mr. Dan Harris:** Do you think it's appropriate for members—

**Hon. Gary Goodyear:** —about the NRC or the budget?

**Mr. Dan Harris:** All of the above: do you think it's appropriate for us to be voting on these issues without knowing at what level the impacts are going to be?

**Hon. Gary Goodyear:** Well, you're not voting on the transformation of the NRC. You were asked to vote on the doubling of IRAP within the NRC, and you voted “no” on that, so if you're not going to fund these sorts of programs, I would expect that job losses would be tremendously higher. I voted “yes” for the funding, protecting a lot of jobs.

**Mr. Dan Harris:** That's fine, Minister, if you don't want to say whether it's appropriate or not to vote before we know what the level of reductions or service-level impacts are....

As a result, at this time, Mr. Chair, I feel the necessity to introduce a motion: that the Standing Committee on Industry, Science and Technology ask the Minister of Industry, the Minister of State for Science and Technology, and the Minister of State for Small Business and Tourism to undertake to the committee to release

information to the Parliamentary Budget Officer that the Parliamentary Budget Officer has requested on the cuts in their departments.

**The Chair:** Mr. Harris, at the moment we're talking about supplementary estimates and the particular votes, so this would not be business that's germane to that. You could certainly move that motion, but that would require 48 hours' notice.

**Mr. Dan Harris:** Well, Mr. Chair, I believe this motion is in order because it does relate directly to the business under consideration. We're supposed to be voting on the estimates. In order to make a proper vote on the estimates, we need to know, as members of Parliament, what personnel reductions and service-level impacts there are for the departments.

I would simply like to note at this time that, with respect to the Federal Economic Development Agency for Southern Ontario, the NRC, NSERC, and the SSHRC, and even with respect to the ministers who were here before, with ACOA, Industry Canada, and the Canadian Space Agency, only one of all of those agencies I've mentioned has actually provided the Parliamentary Budget Officer with what the personnel reductions and service-level impacts are for their departments in this budget.

On that note, I would actually like to congratulate the Canadian Space Agency for being the only people to have provided that information to the Parliamentary Budget Officer.

I don't think it's appropriate for us to vote until we have that information.

• (1300)

**The Chair:** Thank you, Mr. Harris, but my ruling stands on that issue. If you want to give 48 hours' notice on that, you can certainly move it at our next meeting.

You're open to challenging the chair, if you wish. But you will need to do that very quickly, as our time is draining.

**Mr. Dan Harris:** I think we'll have to challenge the chair on that.

**The Chair:** All right.

Those in favour of sustaining the chair?

**Mr. Dan Harris:** We'd like a recorded vote.

**The Chair:** The clerk will call the names.

(Ruling of the chair sustained [See *Minutes of Proceedings*])

**The Chair:** The result is clear. The chair's ruling is sustained.

Thank you very much, Minister Goodyear, for your testimony.

Thank you very much, colleagues.

**Hon. Gary Goodyear:** Thank you very much.

**The Chair:** Next week, if all things remain as they are in the chamber, we'll be considering the draft report from our previous study.

The meeting is adjourned.





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