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Chair

Mr. Pat Martin

Standing Committee on Government Operations and Estimates

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• (1530)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): I call the meeting to order.

Welcome to the ninth meeting of the Standing Committee on Government Operations and Estimates.

Today we are hearing testimony.

We have two witnesses from the Department of Public Works and Government Services: Mr. Pablo Sobrino, the Associate Assistant Deputy Minister of the Acquisitions Branch, and Ms. Shereen Benzvy Miller, the Director General, Acquisitions Branch, Office of Small and Medium Enterprises.

Today we will be looking at the Canadian innovation commercialization program.

I know that witnesses are eager to ask questions, but I understand you'll have opening remarks first.

Mr. Pablo Sobrino (Associate Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services): Thank you, Mr. Chair.

I'm very pleased to reappear before you today to discuss one of the programs under my direction, which is the Canadian innovation commercialization program.

We touched on this topic briefly during our appearance earlier this week and welcome the opportunity to speak about the program in more detail.

Returning with me is Ms. Shereen Benzvy Miller, the director general who oversees the Office of Small and Medium Enterprises and the client engagement sector of the acquisitions branch.

The goal of the Canadian innovation commercialization program is to bolster innovation in Canada's business sector by assisting Canadian businesses in commercializing their innovative products and services. A key driver for the creation of the program was this committee's 2009 report entitled "In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement".

In response to that report, the government stated the following:

The Government recognizes that innovation drives business competitiveness, quality and productivity improvements and ultimately economic growth for Canada. In the past, the Canadian government has used different procurement programs to support innovation in high technology sectors.

Through the modernization of the procurement process, the Government will work towards making the procurement process less prescriptive, improve

considerations of quality and favour the incorporation of innovative goods and services.

[Translation]

Consequently, Budget 2010 included a commitment by the Government of Canada to promote economic growth through innovation.

The Canadian Innovation Commercialization Program was launched in September 2010 on a pilot basis for two years. The program covers four broad areas of innovation: environment, health, safety and security, and enabling technologies.

The program works with Canadian businesses to match their innovative ideas and products with a federal department, to test, evaluate and receive critical feedback on their innovations.

The program is based on two complementary components; the first component is an innovation procurement fund and the second component is an outreach strategy that informs and educates Canadian businesses.

The innovation fund is delivered as a procurement. Consequently, Canadian businesses must be successfully pre-qualified through a competitive call for proposals process.

These calls for proposals require that Canadian businesses submit information on their innovations, business plans and testing requirements.

The evaluation process is completed in three stages.

[English]

The first stage of the evaluation is completed by Public Works and Government Services Canada, and it serves to verify whether each proposal is in compliance with the mandatory criteria. This includes whether the business is Canadian, the proposed innovation includes 80% Canadian content, the proposal is under \$500,000, and whether it is at the appropriate stage of development for the program.

Those that are compliant move forward to the second stage. This constitutes reviewing the level of innovation provided by the proposal, the business and commercialization plans of the business, and the benefits of the innovation to Canada. This stage of the evaluation is carried out by the National Research Council's industrial research assistance program in their capacity of recognizing and understanding innovations. PWGSC receives a ranking of proposals from highest to lowest.

The third stage of the evaluation is completed by an innovation selection committee, which is currently comprised of mostly private sector experts with relevant experience in innovation and commercialization. The selection committee reviews the top-ranked proposals to validate the conclusions of the second stage of evaluation. To protect the interests of the bidders, members of that selection committee are required to sign non-disclosure and conflict-of-interest agreements.

Following the validation by the selection committee, PWGSC selects the highest ranked proposals based on available funding for that call for proposals. These bidders are notified of their pre-qualification and can begin a search for a test department that is suitably matched to test, evaluate, and provide critical feedback on the innovation. To support this search, the program works with the pre-qualified businesses to identify potential test departments and to facilitate communications.

• (1535)

[Translation]

Once a pre-qualified innovation and a test department are matched, contract negotiations proceed and the specific details of testing are worked out between the business and the applicable department. In some cases, negotiations will take into account the size and scope of the proposed test and the capacity of the department to accommodate it. The final step is the issuance of a contract, which outlines the final costs, the timelines and the expected outcomes.

To support the promotion and education of the opportunities that exist through the program, as well as other opportunities that may exist to do business with the federal government, an outreach strategy has been included as an integral component of the program. The outreach effort is delivered by the regional offices of the Office of Small and Medium Enterprises, allowing it to build on its experience working with small and medium enterprises.

Additionally, the program also reaches out to other government departments to allow for an opportunity to identify what potential innovations exist in Canada that may support their operations and mandates.

[English]

To follow this overview of the program, I will now provide you with information of what has been achieved to date.

There have been two calls for proposals released since the launch of the Canadian innovation commercialization program in September of 2010. It's been one year.

The first call for proposals was released in October 2010, and in response the program received 375 proposals. Based on available funding, 27 proposals were pre-qualified to be matched with government departments, the majority of which have already been matched. The second call for proposals was released in July 2011. We have received 335 proposals, and the evaluation process is currently under way.

Given that this program has been operating for only one year, no products have completed their testing. It is anticipated that up to five

to ten years may be required for full commercialization of many of the successful program participants. Such is the notion of innovation.

One measure that we can report against is the budget 2010 commitment for the program to support up to 20 innovations. It is anticipated that this commitment will be exceeded in the first round, with over 20 of the 27 pre-qualified proposals proceeding to negotiations and to contracting.

[Translation]

However, the current best measure is early results and feedback from Canadian businesses and associations, which have shown a strong desire for a program like the Canadian Innovation Commercialization Program. With over 710 proposals submitted for two rounds of calls for proposals, feedback from businesses suggests that demand exceeds the resources available through the program.

Positive feedback has also been received from high profile and well-known Canadian innovators. For example, in September 2010, W. Brett Wilson of Canoe Financial stated:

[English]

[The program] is about the government recognizing that the gap between innovators' ideas and the marketplace is simply someone willing to bet on them, willing to take a chance on their product, and then willing to give them feedback so they can grow their business.

[Translation]

We trust this program provides this type of opportunity through a unique approach to procurement that can support Canadian businesses and innovation in Canada.

I would be happy to answer any of your questions.

Thank you.

[English]

The Chair: Thank you, Mr. Sobrino.

I know there are committee members interested in asking questions.

First, for the official opposition, is Alexandre Boulerice.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chairman.

I would like to welcome you once again.

Last time, we had the opportunity to enjoy your web site. You'd think there's something in the air because we also talked a little about web sites today. I just hope it didn't cost \$73 million.

You're presenting a program to us. A key driver for the creation of the program was a report entitled, "In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement".

In response to that report, the government stated the following:

Through the modernization of the procurement process, the Government will work towards making the procurement process less prescriptive, improve considerations of quality and favour the incorporation of innovative goods and services.

The program is a consideration.

Certain environmental proposals were accepted. Reference was made to a New Brunswick business that farms sturgeon—*Acipenser brevirostrum*—on a sustainable basis. The fish is being processed for caviar and flesh.

For exactly what department do we want to produce caviar? Who do we want to supply?

• (1540)

Ms. Shereen Benzvy Miller (Director General, Acquisitions Branch - Office of Small and Medium Enterprises, Department of Public Works and Government Services): Thank you for your question, sir.

It's important to know that we aren't buying caviar. We will be buying information of prime necessity from our departments in order to carry out our mandate, which is to ensure that food products are well tested and that the tests meet approved international standards.

In overall terms, we are going to review this company because it has an innovative way of manufacturing the desired product. Then we're going to test it with the federal government to ensure the process meets all international food products standards.

It's true that this is a small New Brunswick company, but what is interesting is that it is operated in the context of the regulations made under what is called

[English]

CITES, Convention on International Trade in Endangered Species.

[Translation]

Those regulations prescribe all the conditions for keeping and preserving various fish specimens.

In this situation, it is the information this company produces that we're buying.

Mr. Alexandre Boulerice: Thank you very much for your answer.

My second question is a little less surprising. I'm going back to the F-35 question, a controversial issue for which I won't recall all the details.

However, it would appear that, for one of the pre-qualified proposals, the government is spending money on the "development and demonstration of environmentally benign technology for life extension of the F-35 gun system, a major component that will make the entire aircraft system green."

I didn't consider F-35s or gun systems as environmentally benign devices.

I would like to have your opinion on that issue.

Ms. Shereen Benzvy Miller: The CIGP is an innovative program that relies on a fully competitive procurement process. The objective of the program is to acquire the innovations of Canadian companies in four priority sectors, as Mr. Sobrino mentioned: enabling technologies, environment, health and safety and protection. This last priority sector is closely related to the defence sector, and that is why this purchase will be made.

We have opened up these four priority sectors, which cover a broad range of industries, to Canadian enterprises. The program excludes no innovation based on the industry from which it originates. It is an entirely open procurement process.

We do not decide on the products that will be put forward for the program; it's the industry that proposes them. If an innovation meets program requirements and the needs of the federal departments, it will very likely be purchased for testing purposes.

In this case, this is an example of a product that enhances the effectiveness of something that is of interest to the federal government. It also offers environmental benefits.

Mr. Alexandre Boulerice: I have a somewhat technical question to which you may not have an answer, but I would like to know how the life of a gun system can be extended in an environmentally benign way.

Ms. Shereen Benzvy Miller: When products are tested in order to be commercialized, that is done, among other reasons, to test all the statements made by the companies. In this case, the company is saying that the project will produce a more environmentally benign gun. Consequently, it will be tested in the context of the program.

Mr. Pablo Sobrino: I would clarify one point because I have considered the same question.

The process used to manufacture the gun has a significant impact on the environment. The company is proposing a method that has much lower impact at the stage at which the metal used in the device is treated. This method has potential defence system applications that go beyond the F-35 itself.

This is also a small company testing an idea. We are facilitating the interaction between that company and a department that may use the product.

• (1545)

[English]

The Chair: I'm afraid that concludes your time.

The first speaker for the Conservatives is Jacques Gourde.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chairman.

Thanks once again to the witnesses for being here today.

I'll be asking some questions to help small and medium enterprises benefit from the Canadian Innovation Commercialization Program.

For what kind of business is this new program intended? Please try to illustrate your answer.

Ms. Shereen Benzvy Miller: That's a very good question. This program is intended for any business in Canada that has innovations that have not yet been sold, that is to say that are at the pre-commercial stage. In the research field, for example, we're talking about a product that stands somewhere between a prototype and a product that is already being sold, commercialized.

Any company with new ideas can put them forward in the context of this program. Moreover, that is why we created four very broad categories of goods and services, to include as many businesses as possible.

Mr. Jacques Gourde: Some examples were cited earlier. Can you give us other examples of Canadian enterprises that have already passed the first call for proposals stage in the process? The idea is to see what kind of products we're talking about and what type of businesses this program is aimed at. Certain small and medium enterprises in my constituency may have similar products, but they may not think they're eligible for this kind of program. So I would ask you to give us some concrete examples.

Ms. Shereen Benzvy Miller: I'll be pleased to do that. With all due respect, I'll answer in English and use the appropriate language because I wouldn't want there to be any translation mistakes.

For example, we already have a contract with DataGardens.
[English]

The contract is for a cloud federation system that allows virtual machines to be migrated and protected across sites. That's an Alberta company and the testing is starting shortly within government.

Another example of a cool thing we're buying is the G2 Robotics—I love this name—ULS-100. I'll tell you what it is. It's the underwater laser scanner capable of creating digital three-dimensional recreations of underwater environments. So it allows you to actually re-create it digitally and then work on it for research and things. That's a company from Ontario and that is in the safety and security domain.

Another one would be Amika Mobile Corporation's server emergency alerting edition, which is a patented emergency mass notification and network vulnerability platform—say that ten times fast—auto-discovered wired and wireless devices in airports, on campuses, and in arenas. That helps, obviously, in emergency situations. That also happens to be an Ontario company.

Another one that might be of interest is Virtual Marine Technology's MissionQuest multi-task simulator, which is a marine training solution. It helps as a simulator designed specifically for coast guard, navy, and water-borne enforcement agencies for tactical small boat crews. That's a company from Newfoundland and Labrador.

Those are some of the ones we are already beginning testing on. We have a number of others that are currently in negotiation for matching with federal departments. Obviously, and I do need to stress this, even in the pre-qualified innovations, only those for which the government could have a use—in other words, we have a match for—will actually go to contract.

[Translation]

Mr. Jacques Gourde: Mr. Chairman, I'm pleased to see that the work we're doing in this committee is leading to the creation of new innovation programs. Canada's future truly lies in the jobs of tomorrow, jobs in the high technology field, high calibre jobs that make their contribution at the world level. I believe this is the kind of program our government has put in place. However, very competent people have established them, implemented them. That enhances our committee's role, and I'm very proud of that.

Thank you.

• (1550)

[English]

The Chair: That concludes your time, Mr. Gourde.

Mathieu Ravnignat.

[Translation]

Mr. Mathieu Ravnignat (Pontiac, NDP): Thank you, Mr. Chairman.

Thanks to the witnesses for being with us again.

I'm quoting from the Library of Parliament briefing notes:

According to PWGSC, 70% of Innovation Selection Committee members were from the private sector and were chosen based on their experience in investment and entrepreneurship, knowledge of innovation and commercialization trends, and knowledge of international business practices.

In your presentation, you referred to conflicts of interest. What specific mechanism have you put in place to prevent all conflicts of interest, both real and perceived, between members of the Innovation Selection Committee who come from the private sector and the enterprises that will be taking part in the CICP?

Mr. Pablo Sobrino: That's definitely something we took into consideration. For the first time, we formed a selection committee outside the government. That committee included innovation experts, lawyers with knowledge in the intellectual property field, entrepreneurs with some knowledge of finance and certain representatives of companies operating in the field of innovation. We asked them to complete a declaration form stating that they had no conflicts of interest. We also made calls to check references.

However, we understand that there are concerns. A number of small companies are taking part in the program. Consequently, we are trying to establish another model for the future. Members of universities who have considerable innovation knowledge would be more involved, and the industry would be less so. That's another model that we're examining in order to resolve this problem.

Mr. Mathieu Ravnignat: Could you tell us whether there are any regional, linguistic criteria, perhaps even by private or public sector, for choosing selection committee members?

Ms. Shereen Benzvy Miller: The answer is yes and no. We tried to find people in various fields, as Mr. Sobrino mentioned, taking Canada's geography and diversity into account. We therefore tried to create a quite representative committee, but one that would also have very useful expertise.

I would just like to mention the other measures we have taken. Committee members saw no documents before the meeting. During the meeting, they read the portions of the proposals they needed in order to conduct the evaluations. However, they were not allowed to keep any documents.

Mr. Mathieu Ravnignat: Thank you for your answer.

Mr. Chairman, do I have time to ask another brief question?

[English]

The Chair: You have one and a half minutes left.

[Translation]

Mr. Mathieu Ravignat: For greater transparency, are you considering publishing the criteria for the selection committee members, in addition to the details?

Do you also think a list of the names and qualifications of selection committee members should be published?

Ms. Shereen Benzvy Miller: That would be a possibility, since this is still a pilot project. We aren't opposed to that.

However, I wouldn't propose to publish the list until the evaluations are completed or the contracts signed because it's important to keep the evaluation process closed in every case since it concerns an acquisition. Then we could publish the names.

We could indeed publish the criteria. For the moment, I would note that we have requested recommendations from the associations to see whether there were any experts that we had not considered.

• (1555)

[English]

The Chair: Thank you, Mathieu.

Peter Braid.

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

Welcome back to the committee. It's great to have you back. We were looking forward to your presentation this afternoon, after the preview earlier in the week.

You mentioned one of the companies that's participating in the program, 2G Robotics, and you described it as an "Ontario" company. It's actually a company in my riding of Kitchener—Waterloo, just for the record, and we're very proud of it.

With respect to the businesses that are participating in the program, are they primarily start-up companies, or are they existing companies that are innovating new products? Or is it sort of a blend between both?

Ms. Shereen Benzvy Miller: Thanks for that question.

It's actually all kinds of companies. It's companies of inventors who have an idea, who have proposed it because it's ready to go, it's ready to commercialize, and this will help them in that last phase of testing. It's also larger companies that have already a known track record for innovation.

So it really covers the waterfront—every-sized company, in all areas, in all industries. It's really been an exciting program to watch, from that perspective.

Mr. Peter Braid: There are some start-up companies that are participating.

Ms. Shereen Benzvy Miller: Absolutely. One of the people we entered into a contract with, for instance, thought we were going to show up with a cheque and didn't realize, for example, because they had never done business with the Government of Canada, that there was going to be an invoicing involved. That's how start-up they were. They had never done business with us. They had no idea of even how the process worked.

We are working with a gamut of business people out there, and it has really been very rewarding to see people who have never done business before having this experience for the first time.

Mr. Peter Braid: One of the clear goals, I suspect, is seeing some of these very small companies grow and prosper and create jobs.

Ms. Shereen Benzvy Miller: Absolutely. At the end of the day, this is a response to the private sector's cry, which we heard loud and clear, that the Government of Canada was very hesitant to be the first buyer of innovation. They wanted the Canadian government to step up and be the tester, because that's what's called a reference buy, when they can go to other people who may be interested in their product and other governments and say "my government bought it". That's really a good endorsement. So it is to really help, as our minister says, kick-start Canadian companies.

Mr. Peter Braid: I have a question about the testing process. Is testing provided to companies only in cases where there is a contract or a potential contract?

Ms. Shereen Benzvy Miller: Yes, the testing is under contract. We buy it. This is a procurement, so it's not like an R and D early stage of development test. It's actually a late stage of development. You have to be technology-readiness seven to nine on a nine-point scale. It really is in the pre-commercial stage, and we will test it and it has to be under contract as something we have purchased.

Mr. Peter Braid: I suspect that, in addition to the scenario where the company sells to government, you would be assisting these companies in selling to other customers outside of government as well. Is that correct?

Ms. Shereen Benzvy Miller: No, we don't. This is a procurement program, so our money is intended for purchases made for the government to test. All kinds of different departments and agencies will be the testing sites and the partners for the testing, because obviously different innovations require different testing environments.

Mr. Peter Braid: I am interested in the matching process, or the matchmaking process between the companies and departments. Could you explain a little bit about how that process works?

Ms. Shereen Benzvy Miller: That is actually a really fun part. I refer to that as the eHarmony part of the project. It's actually really great because it's very exciting when we see, for instance, people from Health Canada labs read about what we're thinking of buying and they say they have been trying to get that for so long—spectrometers and cool things.

When we originally thought of the program we thought it might be difficult to engage other departments, that they may not see a need for it, but we were completely mistaken. The enthusiasm that departments have shown for being the testing sites and the willingness to meet all the terms of the testing plans has just been phenomenal. We're trying to keep up with the demand but the demand has been spectacular.

• (1600)

The Chair: That wraps up your time. Thank you very much.

Welcome, from the Liberal Party, Dominic LeBlanc.

Hon. Dominic LeBlanc (Beauséjour, Lib.): Thank you, Mr. Chairman, and thank you to the witnesses.

The discussion around the innovation and commercialization aspects of your work is interesting. I want to bring you back if I can to the small and medium-sized enterprise piece of your work.

I represent a riding in rural Atlantic Canada. In your binders you probably have a list of success stories of small and medium-sized businesses in New Brunswick that have successfully competed for federal procurement. I hope it's a long list; don't pull it out and read it. I hope you'll agree with me that there is a general sense among some small-business people, which is probably born out of a certain ignorance or intimidation around a competitive process, that the process is getting more complicated or more burdensome, and I'm not suggesting it shouldn't be. There are examples in the past where perhaps it wasn't precise enough and there were mistakes, so we are where we are. But the business people I talk to have a general sense that either they won't be able to successfully compete because the economies of scale of a company that would be in a larger region of the country or closer to Ottawa or closer to a large urban centre may have an advantage they don't have. I'm not saying it's necessarily true, but these are some of the impressions they leave on us.

I'm wondering if you could tell us what your office has done and what more could perhaps be done. It's almost an information campaign. I know you've done some good work. As I said, I meet business people who talk enthusiastically about their success, but they tend to be younger-generation business people. I'm not sure if their parents ran the company previously. They might have been adventurous to go online and look at some MERX system. There is a general hesitancy.

I'm wondering if we can do more from a regional perspective. The same must be true in other regions of the country.

[Translation]

I'm not just talking about New Brunswick, but also about the regions of Quebec and northern Ontario.

[English]

I have a sense that we could do more. Your previous minister, who started this in 2005—the small and medium-sized business office—represented rural Nova Scotia. I remember he used to talk to us, quite concerned about his sense that many of them don't compete because they don't understand that they can and should and that they will be successful if they offer the best value.

I'm wondering what more we can do to change that culture—in addition to what you've already done, I think quite successfully.

Ms. Shereen Benzvy Miller: As I mentioned on Tuesday, we have six regional offices that work all across the country in all rural and urban centres. That has led to an outreach to about 140,000 businesses and suppliers.

But within the CICP program, a large portion of the funding for the pilot is for outreach. In the one year we've been doing this program, we have done about 350 events in order to reach out to businesses across the country. We have reached a lot of businesses across the country and are trying to leverage as many media as possible, including our 1-800 line, including newsletters, including chamber of commerce newsletters, different industry newsletters. We speak at trade shows; we speak at the various events we're invited to.

What I would say is that when people come to you and say it's hard to do business with the Government of Canada, give them my number.

Hon. Dominic LeBlanc: You may regret that.

Ms. Shereen Benzvy Miller: It's 1-800.... No, really; we are open for business.

Hon. Dominic LeBlanc: Would you give us your cell number, maybe?

Some hon. members: Oh, oh!

Ms. Shereen Benzvy Miller: Do you know what? That won't help them. But I'll put them in touch with people who can give them real answers.

Hon. Dominic LeBlanc: You're right. It's a perception, often, more than a reality, but it's unfortunate, because the government may not get the best value for the money you're spending, and these businesses may not get the best chance to compete.

Ms. Shereen Benzvy Miller: Absolutely. The Office of Small and Medium Enterprises was created because there was a recognition of the fact that, actual or perceived, there are barriers potentially and that those barriers ought to come down in order for the crown to get the best value and in order for suppliers to have the best access. We are only too happy to be of service across the country.

Hon. Dominic LeBlanc: As a final question, maybe, with respect—I'm sure you've heard this before—one thing is that of those who are successful in the procurement process, small and medium-sized businesses often have difficulty with respect to cashflow. It's not only large corporate customers who may not pay their bills except at 89 days. Sometimes it may be their fault, if the paperwork and so on wasn't appropriate, but you must be hearing also that there's a concern about rapid payment.

One thing about a government cheque, I always tell them, is that it's going to clear; you don't have to worry about the thing coming back NSF. But they often wait a long time for it. I remember from when I practised law that a government receivable is about the best one you can have; you could actually bank on it. But it doesn't make them feel better, if they're waiting a long time. I'm wondering whether that's a problem as well.

● (1605)

Mr. Pablo Sobrino: That's certainly an issue. We covered some of this on Tuesday, but fundamentally we're working with the Office of the Comptroller General to ensure that there are financial policies in place for quick payment and to get payments out immediately—within 30 days, generally. We've also included this as a management measure. We assess how managers are managing, and part of it is that piece.

But it is a process. We're well aware of the problem. It also involves honouring interest on late payments; that's an additional element.

The Chair: Thank you, Mr. Sobrino. Thank you, Dominic.

Next is Kelly Block.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Thank you again for being here today. I too was looking forward to this meeting and to hearing more about this project.

In keeping with the government's commitment in 2010 to promote economic growth through innovation, this program was launched, and your year one is coming to an end. You have another year of the pilot project.

You mentioned that you're in your first year, so no products have reached completion; is that correct?

You also mentioned that you do procurement testing and that typically these products are ready to go to commercialization. How long does that take? You mentioned five to ten years, but at what point are you procuring these products for testing, and how long will it take for you to know whether or not they will be successful? And how many of the funded projects are expected to be successful?

Mr. Pablo Sobrino: On the first question, we take the product at a point where it has been invented but not yet commercialized. They haven't monetized it, they haven't figured out how to sell it, but they need to assess whether it's a useful product.

That's essentially the contract that the federal government is offering: you have a product that you think is worth something, that can do something, and we have many government departments with many interests. Hopefully we can find somebody who's actually interested in that product and will take it, test it, and give you feedback on whether it works, how it works—all those things. Then you can go back and do the work on it.

We won't do the commercialization side. There are other agencies—the Business Development Bank, other kinds of programs—that can help commercialize, that deal with taking the product from an idea.

We're at the point where the idea has been had, they've developed a prototype, and we're assessing the prototype. Then, if that prototype with our feedback can be made better, they can move to commercialization.

As to the notion of five to ten years, and I'll have Shereen correct me if I'm wrong, the experience in the United States, which has a kind of program like this—it's a bit apples and oranges, but they have an innovation program like this—is that it takes, from the time the idea comes out to testing and to getting it as a commercial product, five to ten years. That's how long it takes to get an innovation to market. We're just one step along that way.

Ms. Shereen Benzvy Miller: The second half of your question was what percentage of the products will be successful.

There's no way of even defining what successful is, because when a product is tested, between prototype and commercialization a lot can change from the feedback as to what needs to happen. They may potentially have to go back to the drawing board.

In the innovation world, they say that 50% of innovations make it to commercialization. We don't expect our ranking to be any better or worse than that, but we have no way of knowing, really, and the truth is that we've never really set the program up on the basis of our not being commercialization experts. What we are is experts in helping businesses and leveraging government procurement to help businesses.

Will we be successful in that? I think we'll be successful in that 100% of the time, whether or not the company is actually successful in commercializing that particular innovation.

Mrs. Kelly Block: Do I have any time left?

The Chair: You have one and a half minutes to go, Kelly.

Mrs. Kelly Block: A couple of days ago you mentioned that you had just had cake, that you were celebrating the *buyandsell.gc.ca* website, and that it was quite a thing to celebrate because you were also in the process of the first year of this pilot project.

What has the impact been on your office of this expanded mandate to help innovators in this area?

• (1610)

Ms. Shereen Benzvy Miller: Where do I begin? In the Office of Small and Medium Enterprises, we like to describe ourselves as small but mighty. When the government, in a budget that really didn't have a lot of new money, gives you \$40 million for a two-year pilot, you feel a lot mightier.

We have really taken that responsibility very seriously, and everybody in our regional offices, for example, has become involved in the outreach. We were already doing seminars on how to do business with the Government of Canada, but now it's not only how to do business with the Government of Canada, but “Did you know that we might also be interested in buying the things you haven't sold yet?”

It adds an element of offering and service that the industry is very hungry for. The feedback we've had from industry, which is the only way I can really measure the impact, has been phenomenal. The two things that have been said that would be somewhat negative are that it's only a pilot—that's a bummer—and that \$40 million doesn't seem like enough money to buy all the innovations in Canada.

I figure that's pretty good feedback, and the impact, obviously, of the good feedback has been to really energize us to buy as many great things as we can.

Mrs. Kelly Block: Thank you.

The Chair: That's the end of your time, Kelly.

That's the end of the first round. Just as a point of clarification—and this may be repeating your testimony from Tuesday, but I forget—what is the number of FTEs that you have in OSME, and what is the annual budget, and what is the size of your American counterpart's office?

Ms. Shereen Benzvy Miller: I can't even tell you the full size of my American counterpart's office. I know that they have 1,000 ground personnel who go out into the field, and we have fewer than 20 who do that. Their budget is \$842 million. The budget of OSME per se, for salaries, is, with the regional offices, close to \$6 million. We also have separate moneys allocated for the government's electronic tendering system. As I mentioned, we're responsible for that contract.

That's not all salary; that's salary and O and M.

In terms of the number of people, the reason I'm not being particularly specific is that we're in the process of melding. As you may have heard Mr. Sobrino say, I'm now the director general actually of two sectors: not just the Office of Small and Medium Enterprises but also the client engagement sector. We're in the process of trying to do efficiencies—

The Chair: What you've told me is helpful. I'm just trying to see by ratio and proportion where we stand with our American counterparts and our commitment to not only service to medium and small enterprises but to the commercialization of innovation. As I understand you, there are roughly 1,000 people doing this work in the States, and it's a country 10 times the size...and you have roughly 20.

Ms. Shereen Benzvy Miller: That's the outreach for their field personnel.

The Chair: Okay, that's helpful.

We're starting the second round with Denis Blanchette for the official opposition.

[Translation]

Mr. Denis Blanchette (Louis-Hébert, NDP): Welcome once again.

In his presentation, Mr. Sobrino talked about the qualification process for enterprises. It's very detailed, and we appreciate that. I would like someone to explain to me a little how the selection process operates. For example, in the first selection, how did you whittle 300 businesses that had pre-qualified down to 27 businesses? What were the criteria? Are sectoral quotas determined in advance and so on? I'd like someone to give me a bit of an explanation of the mechanism.

Ms. Shereen Benzvy Miller: I'll be pleased to do that.

The process takes place in three stages. The first is carried out by our department. We verify the mandatory criteria. For example, we determine whether the proposal amounts to less than \$500,000. That is the maximum amount allocated for a purchase. We also determine whether the innovation has already been commercialized, in which case the proposal is rejected. We determine whether the company is Canadian because this is a program intended solely for Canadian companies. We also determine whether the goods or services in question have 80% Canadian content.

Mr. Denis Blanchette: I understood all that. That's the pre-qualification.

•(1615)

Ms. Shereen Benzvy Miller: You don't want me to tell you about the specific criteria?

Mr. Denis Blanchette: I'd like you to tell me about what happens after that.

Ms. Shereen Benzvy Miller: Once we've determined that a proposal is eligible under the program, we send the documents to

[English]

NRC, IRAP, the National Research Council industrial research assistance program.

[Translation]

Those people conduct two independent evaluations of the documents and then submit a list to us in the order in which the proposals have been scored. We then go down the list until we reach the amount allocated for that round.

[English]

We cut the budget at that round and then we take the resulting companies. So a list of 40 in the first round went to the innovation selection committee, which is the external committee, and they looked at all of the proposals under that round to confirm that the rank ordering was accurate. Where they had questions or where they had doubts, those went back to NRC IRAP for re-evaluation. Then we finalize the list based on the amount of money to be spent in each round.

Mr. Pablo Sobrino: As in most procurements, requests for proposals go out, proposals come in, we assess whether they meet the mandatory criteria. The mandatory criteria get knocked off, and then you're left with a bunch, and then you rank-order them in terms of how they meet certain evaluation criteria. Shereen has just explained some of the evaluation criteria. Then you have 1 to 40, and we have money for 25, so it's 1 to 25 that are granted this. You don't get passed up the list. The list is set. Then we allocate the money that way.

Ms. Shereen Benzvy Miller: But I do need to say we don't necessarily buy all the pre-qualified innovations, because even after that we need to make sure, first of all, that there is a department that would be interested in testing it so there's a usefulness in government and also that the company is actually ready, because sometimes some of the innovations may not actually be ready to be sold. So they have to be ready for contract.

[Translation]

Mr. Denis Blanchette: There's currently a two-year pilot project, but you're saying that, in some cases, it will take five to 10 years for the innovations financed in this manner to become commercializable. How will you be able to assess the program after only a two-year pilot project?

Ms. Shereen Benzvy Miller: The purpose of the program is to help companies as they move along the path toward commercialization. The question for us will ultimately boil down to whether they've commercialized their goods or services, although the fact remains that that is not the main purpose of our program. In principle, it's designed to help them. For us, these are measures related to the commercialization process and to the path that companies take to bring a good or service from the idea stage, that is from prototype, to commercialization. We're going to use the feedback from those companies. For example, we'll determine whether our test helped them improve their products as they moved toward commercialization and whether the industries improved as a result of that. We will also determine whether this subsequently generated sales for them. That will be another measure, but further on down the road.

Mr. Denis Blanchette: Only two of the 27 businesses that pre-qualified were from Quebec. Is there some weakness or something that might explain that? Was that because few businesses from Quebec submitted a proposal? What happened?

Ms. Shereen Benzvy Miller: I'll look at the figures. In the first call for proposals, 72 submissions came from Quebec, whereas there were 78 in the second call for proposals. For the first round, the percentage of submissions from Quebec was 19%, but it was 23% for the second call for proposals. In proportional terms, considering the distribution on the basis of 100,000 businesses, for example, we see that the distribution by province was more or less good. Obviously, however, we're using those figures to create greater awareness and to try to reach out to more businesses in order to get them interested in the program.

• (1620)

Mr. Denis Blanchette: That was the purpose of my question.

[English]

The Chair: I'm afraid we're well over time. Thank you.

Next, for the Conservatives, Mr. Scott Armstrong.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): I want to thank the witnesses for their presentation.

I think this is quite exciting. I can tell that you're excited about this, and I'm sure you'll be back again in two years asking for more money to continue this type of project.

Ms. Shereen Benzvy Miller: Will I have to wait for two years?

Some hon. members: Oh, oh!

Mr. Scott Armstrong: I don't think you'd ever wait for anything, quite frankly.

I have a couple of process questions. You send out a request for proposals. How do you promote this program? We mentioned there were some areas that might have had more proposals come in and that some areas had less. How do you promote this nationwide?

Ms. Shereen Benzvy Miller: We promote it any way we can think of. We use websites. We use other people's websites. We put out material. We go to trade shows. We go anywhere we're invited to talk about it.

That's why I'm delighted to tell all of you, because I'm sure you'll tell two friends, and they'll tell two friends, and they'll tell two friends. So don't kid yourself, I'm doing outreach right now.

It's about maximizing the outreach we can do through six regional offices and promoting it through any means we can.

Mr. Scott Armstrong: As MPs, we often have people come to our offices with ideas. An example of one that's come to me is Atlantic Combustion Technologies. They don't qualify for this program because they've already commercialized. They developed a chemical additive product that makes fuel burn more efficiently. It burns hotter and cleaner, so it's good for greenhouse gas emissions. They're trying to market to bigger utilities—Nova Scotia Power, and companies like that across the country, and the eastern seaboard of the United States. They've got a lot of data, a lot of background. They've established that the product works, but it's pretty innovative. It's a new thing, and they haven't got anybody to be first. Nobody wants to be the first to buy into this.

If that comes to one of us, or it comes to a community, could that be the type of project that might be referred to this program in the earlier stage?

Ms. Shereen Benzvy Miller: Yes, absolutely. One of the things we try to do is to help companies figure out when this program fits into their journey of commercialization.

We do it also by working with the various incubators across the country, and working with ACOA, WED, BDC, and all the agencies and organizations that help early-stage development companies, to help them figure out where we fit and to know about the program.

Mr. Scott Armstrong: Again, on the private side of things, very often nobody wants to be the first to try a new product or a new innovation. Why would you change when everything has always worked before? You really are a bridge to try to overcome that hurdle, especially the smaller companies starting out—a single-product company.

Do you see this project expanding? Depending on the results after you do your assessment after the two-year pilot project, do you see this as a program that could expand, that it could be a larger program to increase innovation?

Ms. Shereen Benzvy Miller: It's a supplier-driven program. We're not doing the usual government demand pull, we're asking for supplier push. It's really about how responsive the industry is and we will be responsive to their enthusiasm.

The truth is that one of the things that happens in a program like this is that it changes the nature of procurement. Historically procurement is about the government defining its need rather than asking suppliers for solutions to government problems.

This is a wide-open procurement that says bring us your untried ideas and let's give it a shot. That's why Brett Wilson's quote is an interesting one. He says the difference between success and not success is somebody believing in you. It gives companies that one-option opportunity to get the Government of Canada behind their product.

Mr. Scott Armstrong: I have one more question. How has your uptake from departments been? Have some departments been better advocates than others? This is the eHarmony stage we're talking about that you called it. How is your relationship with the departments? Do you have to go beat down their doors to get them to try these things? How does that work?

Ms. Shereen Benzvy Miller: We're doing a lot of outreach with departments the way we do with suppliers so that they can become familiar with this program, because it's new to them also. This is a whole new way of getting things into the fold. So we're doing a lot of outreach and we've had really unmitigated enthusiasm from departments. Over time it's one of the performance measures we're going to be reporting on: how well we integrated with government business. It is about making the government more efficient and making government business more innovative. So that's a success measure too.

So far, I have to say I'm very optimistic, although we are only one year in and we haven't really started the testing. The enthusiasm for being testers and for matching is why close to 27 of the 27 innovations we currently have pre-qualified have been matched. Those are the numbers I have, which speak for themselves.

• (1625)

Mr. Scott Armstrong: Thank you very much.

The Chair: Right on time, Scott. Thank you very much.

For the NDP, Alexandre Boulerice.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chairman.

Unless I'm mistaken, earlier you said that your American counterparts had thousands of employees and a budget of \$842 million. I get the impression that we don't have the wherewithal to provide our SMEs with the equivalent in order to help them promote innovation.

When I read your report, I was surprised at the total budget, which is only \$40 million. I admit that the idea is a good one. However, if you draw a comparison with our American neighbours, you realize that the ratio is two to one. So we are making half the effort they're making based on our respective populations.

We've also established a maximum of 20 projects per year.

Ms. Shereen Benzvy Miller: In fact, it's a minimum of 20 projects.

Mr. Alexandre Boulerice: It will be at least 20 projects; is that correct?

Ms. Shereen Benzvy Miller: Yes. The budget states that the minimum will be set at 20 projects during the program's pilot project. We already exceeded that minimum in the first call.

Mr. Alexandre Boulerice: How many projects do you have right now?

Ms. Shereen Benzvy Miller: In the context of the first call, 27 projects are pre-qualified.

Mr. Alexandre Boulerice: It wasn't 25?

Ms. Shereen Benzvy Miller: No, it was 27 projects.

Mr. Alexandre Boulerice: All right.

I checked, and there are slightly more than 1.6 million SMEs in Canada. But we're talking about 27 projects. Do you think that's enough?

Would you like to see the program, which is only in its first year of existence, grow and catch up to that of our American neighbours?

Mr. Pablo Sobrino: I would like to say that this is a new program, a pilot project. We have to determine the right way to do things.

It's difficult to compare it to the American program. The U.S. government has specific needs and is asking industry for innovations to meet those needs.

We're doing innovative things in Canada. We're questioning the industry about its ideas because we don't know exactly what we want. So we're asking the industry to provide us with new ideas that we can implement in our departments. We are asking it to make the

connection between itself and the departments that could use, or at least test, its ideas.

That's why this is a pilot project. We want to determine whether this is the right way to promote innovation. In addition, as Ms. Benzvy Miller said earlier, this program leaves the door open to new ideas. We don't know what innovations will assist us. We're working backwards in a way. A number of programs enable the government to commission ideas to meet its needs. However, this program is really designed to promote innovation among entrepreneurs and to provide them with government assistance.

That's why this is a pilot project. We're not sure it will work. However, people seem to be very satisfied with it because there are a lot of requests. We have to start somewhere, and this is where we're starting.

Mr. Alexandre Boulerice: I agree we have to start somewhere. However, I get the impression we've started a little late. We have to move forward and catch up. With regard to science and technology, we all agree that innovation is the way of the future in a world in which international competition is increasingly tough. We have major competitors, China and soon India, that can rely on hundreds of thousands of engineers and creators. If we don't promote innovation at home, in a country of 34 million inhabitants, we'll be in trouble.

I get the impression that, by supporting only 27 projects a year, we may be lagging behind where we should be. However, I like your approach of asking businesses to submit their ideas to us. I find that very promising. However, although it's a good start and we have to start somewhere, don't you think that \$40 million a year for 27 projects is a drop of water in the ocean?

• (1630)

Mr. Pablo Sobrino: We're doing what we can with the money we've received.

Ms. Shereen Benzvy Miller: You're the ones who organize the budget; so organize it.

[*English*]

The Chair: That pretty well wraps up your time, Alexandre. Thank you.

We'll see how much time we have, but the next speaker for the Conservatives is Mr. Bev Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman.

Thank you so much for coming. Well, I guess I'm the visitor. I've only been here once, and you've been here twice.

I have to tell you, this Canadian innovation commercialization program is exactly something many of us have thought about for a long while. It may be a pilot project and it may not be doing everything in terms of numbers we want, but I can tell you that if it wasn't a Conservative government in place it likely still wouldn't be in place, because we believe in entrepreneurial innovators. This gives them that opportunity in which the government is now going to become a partner to get something in place, which I actually want to talk about.

I'm actually on the international trade committee, and I can see the long way out for the opportunity for these small and medium-sized companies as they develop through the procurement. The government agrees and now this private or public company has a product they can actually take abroad. I think this is so exciting, because it gives our small and medium-sized businesses the opportunity in an area of procurement for government things that they didn't have.

I do have a question, and it's likely because I don't understand something. You have 375 applications and 27 were pre-qualified in that first round. Before we get to my question on something I might not understand, is there a balance of applications that are coming in through the four criteria?

Ms. Shereen Benzvy Miller: Yes. It's interesting, actually. We don't specify the distribution. There are no limits to how these get distributed across the various categories, so we didn't require them to be in one category or another. But in the first round, for instance, 100 were environmental; 38 were in the health category; 92 were in the safety and security field; and then 145 were in enabling technology. But I have to say that the enabling technology one is a kind of catch-all category to allow as many entrepreneurs to propose innovations as possible, so it wasn't surprising that category was the highest.

And in the second round that was the highest also, at 123. Environment was at 79 in the second round; 47 was for health, and 87 was for safety and security.

So it's a pretty good distribution across the four areas.

Mr. Bev Shipley: My riding, not unlike the riding of my colleague across the way, Mr. LeBlanc, is a large riding but it's very rural. So when I look, for example, at nanotechnology and biotechnologies, agrifood, and then we move to genetically modified plants, improved disease detection—and I'm assuming that means human and animal—and biofuels, can you explain to me a little bit so that I understand how a company will come forward with something like that, get it approved if it gets pre-screened, and how that will actually end up then being part of something they're going to be able to use in the commercial world and in fact actually be able to trade it or use as something we're going to be able to use to market, not only in Canada, but to other countries?

Ms. Shereen Benzvy Miller: I think you're asking me how useful really is the feedback they're going to get from the Government of Canada.

There are two things about participating in the program that I think are useful. The first thing is that they will get specific feedback about that good or service from end-users. So they will have qualified experts who know what they're doing in their field testing

their product and giving them constructive feedback on how they might improve it. So that's the first benefit.

But the second benefit—and that's the one that people like Terry Matthews were very keen on—is that when they do go to commercialize their goods or services internationally they will be able to say that their first buyer was the Canadian government and that the Canadian government liked it, or didn't like it like this and they changed that. They can actually use it to market their product or service.

Mr. Bev Shipley: Just one more, and then I'll wrap up, Mr. Chair.

You did talk about the question of how they help afterwards. They get the approval, and one of the things that is out there is the trade commissioner service that actually takes companies and helps them to market that in other places around the world. So I think there is connectivity in terms of communications as you move through this pilot for the successes of how we can actually then help them be marketers of a product that they have commercialized.

Thank you, Mr. Chair.

• (1635)

The Chair: Thank you, Mr. Shipley.

Is there a quick answer for Mr. Shipley?

Mr. Pablo Sobrino: Yes. Very simply, we're part of a continuum. We're filling a gap that was identified. It's what the former committee recommended back to the government, which was that there are inventors and there are mechanisms for commercializing, but it's that in-between stage. This is what this funds, that in-between before you become commercial.

Mr. Bev Shipley: My thanks to both of you again. It's amazing. Thank you.

The Chair: Let me also thank both the witnesses, Mr. Sobrino and Ms. Shereen Benzvy Miller, for coming back a second time. It was very useful and very helpful.

We only asked you to stay for an hour. We do have a delegation from Kenya, actually, coming to the committee next. So we'll thank you and excuse you.

I'll suspend the committee and we will reconvene in camera for our guests.

Thank you very much.

[*Proceedings continue in camera*]

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