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**EVIDENCE**

**Thursday, November 3, 2011**

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**Chair**

**Mr. Pat Martin**



## Standing Committee on Government Operations and Estimates

Thursday, November 3, 2011

• (1535)

[English]

**The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)):** I'm going to call this meeting to order.

Good afternoon, everyone. Welcome to the 15th meeting of the Standing Committee on Government Operations and Estimates. We are reaching the third or fourth week of our study into the effectiveness of the Office of Small and Medium Enterprises, OSME, and the Canadian innovation commercialization program. Further to that study, we have witnesses today, in person, from Virtual Marine Technology Incorporated. Captain Anthony Patterson is the president and chief executive officer.

Good afternoon, Captain Patterson.

By video conference from Edmonton, Alberta, we'd like to welcome Geoff Hayward, the president and chief executive officer of DataGardens.

Welcome, Mr. Hayward. Can you hear us in Edmonton?

**Dr. Geoff Hayward (President and Chief Executive Officer, DataGardens):** Yes, I can.

**The Chair:** Very good. This will work just fine.

We'll ask the witnesses then to make their brief presentations, and then we'll open it to questions.

We'll ask you to begin, Captain Patterson, from Virtual Marine Technology Incorporated.

**Capt Anthony Patterson (President and Chief Executive Officer, Virtual Marine Technology Inc.):** Thank you very much. It's a pleasure to be here.

I'll just give a quick description of VMT and our experience with the CICIP program.

Virtual Marine Technology is Canada's largest marine simulation company. We enable our customers to implement enhanced, immersive, safe, and cost-effective training environments, mainly to improve safety on board ships and offshore structures. We were established in 2004 as a spin-out company from the National Research Council and Memorial University of Newfoundland, and we hold the exclusive worldwide licences to commercialize small craft training technology from those two organizations.

We are a small business, in that we are less than 50 people. We are privately held, incorporated under the province of Newfoundland and Labrador, with a branch office in Victoria, British Columbia, and

our primary market is the offshore oil and gas industry, with secondary markets in shipping and defence.

Our experience with government to date is that we've had great support from the federal government on our innovation agenda. The federal government co-invested with the oil and gas industry in Newfoundland to develop the types of technologies that we're bringing to market. We've also had great support from the federal government for marketing of our technologies, particularly through ACOA and the trade commissioner's office in the Department of Foreign Affairs.

However, we've been unable to sell products directly to the federal government, primarily because a company like ours, which is relatively small, with new technologies, is normally screened out on risk assessment criteria, either financial or technical. In our view, CICIP is the only practical way for the federal government to procure new innovations, like the ones we have, from us.

Our experience with CICIP is that the particular project we are offering is to improve the training for small, high-speed craft operators—for instance, for people who operate search and rescue craft, or law enforcement. The scope is to evaluate the effectiveness of our new product in meeting return on investment criteria. The department that picked up our technology was the Canadian Coast Guard, and it will be deployed at their training school in Bamfield.

As for what's good about CICIP, the online application was a great innovation. I think you should do more of that. The staff have been very helpful, and the bid and negotiation process was typical for government procurement. So there were no shortcuts; this was a full-on procurement with the federal government.

There are areas where we see room for improvement with CICIP. There's no contract extension capability within the procurement vehicle. We actually had three divisions of the federal government that wanted to procure our technology, and once we selected one, it blocked the other two. And if you're not careful how you structure your program with CICIP, you may be barred from future procurement opportunities with the federal government.

In conclusion, I would say that CICIP is a great program. It's an essential but missing part of the spectrum of Canada's innovation strategy. We're very good at innovating things, but we're not great at bringing them to market. This program I think will help that. I would say that the CICIP program needs to be made bigger. Perhaps things like IRB set-asides could fund portions of something like the CICIP program. You need to enable departments to buy more units under the same procurement vehicle if the trials prove to be successful, and I think the program scope needs to be expanded to include the purchase of early stage products instead of prototypes.

Those are my opening remarks. Thank you.

**The Chair:** Thank you very much, Captain Patterson.

I hope during the question period we learn a little bit more about what Virtual Marine Technology actually does and some of the difficulties you may have had in marketing your product to your own government.

Could we hear, then, from Mr. Geoff Hayward, from DataGardens in Edmonton.

Mr. Hayward, you have the floor.

**Dr. Geoff Hayward:** Thank you very much for the opportunity to speak to the standing committee.

I'd first like to tell you a little bit about our company, DataGardens, and some of my observations about the challenges faced by ICT companies in western Canada and more broadly in Canada; how CICIP plays a role in addressing those challenges; some of our particular experiences through the CICIP program; and, finally, some of the benefits and costs to us as a company in participating.

First, to tell you a little bit about DataGardens as a corporation, we were founded in September of 2007. We've done something that we feel is quite remarkable, and we've been fortunate to receive international recognition for our capabilities and our technology. There is a revolution that's happening all around us in the field of computing, and it's called cloud computing. Cloud computing traces back to the capability to take physical computers and abstract all the essence of their processing, put them into software containers called virtual machines, and have many of these virtual machines running on one physical computer. Each of these virtual machines has its own operating system running quite independently and logically disconnected from all the others. But through this miracle of virtualization I'm able to take one physical box and run 20 computers on it, 20 of these virtual machines.

What DataGardens developed is the capability of moving these virtual machines, while they are still running, over large geographic distances. This is something that many companies have wanted to do for a long time, and we were the first to succeed at it.

Through this innovation we were fortunate to be recognized in 2009 as the number one start-up in the virtualization sector in the world by Virtualization Congress; selected by IDC as one of the top ten cloud computing companies to watch this year; and we've won several other awards, including top technology awards at IEEE GRID and Open Grid Forum.

I say all of this not to boast or in any way try to claim some special status, but to point out that like a lot of companies we feel we have

excellent technology, and yet we are very severely challenged as we struggle to commercialize that technology. Canada has many powerful programs—IRAP, notably—that help companies like ours develop these incredible technologies. And yet there are tremendous challenges that we confront in finding the capital and the management resources to successfully commercialize those.

Particularly in western Canada, we feel that most companies like ours are poorly capitalized—have excellent technology, yes—and have some weaknesses in sales and marketing.

We have a huge challenge in confronting what I call the commercialization gap, and what the CICIP also calls the commercialization gap, of proceeding from an early stage pilot capability or beta capability and pushing that forward into the market as a game changing product. I feel that CICIP is one of the most important initiatives, if not the most important initiative, that I've seen come out of the federal government for helping companies like ours address this commercialization gap. It is critically important for a number of reasons. The benefits we have received...

Actually, maybe before I get to the benefits, I should tell you a little bit about the division of the federal government that found a desire and a need to adopt our capabilities. This ability of moving live virtual machines...powerful though it may be in principle, what's the use case? What is the application? Why do companies want this? One of the most important applications for it is the ability to provide non-disruptive disaster recovery protection for a business. If my business goes down or my data centre goes down, I'd like to have the capability to evacuate all my live virtual machines to a remote location and keep them running without any interruption in service whatsoever. That's the capability we offer. We believe it is quite disruptive in the industry.

We were fortunate enough that the CTO's office of Public Works recognized that uniqueness of our capability and selected us as one of the technologies they would like to deploy. They had three use cases for us. Public Works now, as Shared Services Canada, has the challenge of taking over 300 data centres and consolidating them down to about 20, to achieve efficiencies of operation to avoid some of the excess expense that we, as Canadian taxpayers, are bearing.

● (1540)

To use our product to live migrate virtual machines, to move an entire data centre from one site to another without anyone noticing any interruption in service whatsoever, is a tremendous capability for the federal government to have, and for that capability to be exposed just through software that can be deployed by their engineers in a very facile fashion, moving without any need for engineers to actually go on-site, is a tremendous capability. That's use case one: consolidating data centres.

The second use case was to provide disaster recovery protection, or what's also called business continuity protection, to all the divisions served by Shared Services Canada as a service—business continuity as a service—a revenue-generating centre for Shared Services Canada, while providing this data protection service to the divisions of the federal government.

The third use case was for Shared Services Canada to use our product for their own internal data protection. We have gone through extensive testing now with Shared Services Canada. We're now launching on a phase of an actual production deployment with one of the divisions served by Shared Services Canada, and we're very excited about that development.

Now with that background, I would like to just take what time is left—a couple of minutes, I hope—to tell you about the benefits that we have received from participation in the CICIP program.

First, to put it in the most blunt fashion possible, we have received \$500,000 of revenue, which is vital to an organization of our size. But looking beyond the obvious, the customer reference is critical. We are now working with some of the largest managed service providers, or cloud providers, in the world, multibillion-dollar organizations. Actually, they look for customer references—who has deployed your product before. The fact that Shared Services Canada is a customer is a very important reference point for us.

Customer feedback, help to improve our product...we've received tremendous help from Shared Services Canada as we struggle to improve our product to better meet their needs and the needs of other cloud providers.

Follow-on sales opportunities—we hope to secure additional sales to Shared Services Canada over the coming year. We expect that Shared Services Canada will influence other government departments that aren't served by Shared Services Canada to look favourably upon our product.

We have also received help from Shared Services Canada to secure financing for our company, and new channels and strategic partners. So there are tremendous benefits.

In terms of shortcomings to the program, there are none that have affected us directly. I would point out that there is a significant overhead for companies in going through the due diligence to determine whether they will be accepted into the program. That's a risk factor for a lot of companies. There's a lot of effort involved in it, but it's something that we are very much appreciative that we went through.

I'd like to summarize by saying that CICIP has been a vital component in our corporation's growth, and we would like to see the program expanded in the future.

• (1545)

**The Chair:** Thank you, Mr. Hayward, for a very interesting presentation. You're very well represented here in the room. Actually, there are four large monitors and your face is on all four of them.

Your message is very well received. It's like a cloud, one of my colleagues says.

We're going to go to questioning by committee members, and first, on behalf of the NDP, is Mathieu Ravignat.

[Translation]

**Mr. Mathieu Ravignat (Pontiac, NDP):** Thank you, Mr. Chair.

Thank you to our witnesses for appearing to share with us their experience with Public Works Canada.

As a member of the opposition, I am concerned with the quality of the information this program provides to businesses. Mr. Pablo Sobrino, the associate assistant deputy minister, appeared before this committee and explained that the CICIP assessment was made up of two stages. First, each proposal is assessed for compliance to mandatory requirements. And the second stage deals with the degree of innovation in the proposals. In each of these stages how good was the information provided to you by the office?

[English]

**The Chair:** Captain Patterson, go ahead.

**Capt Anthony Patterson:** Our company has experienced, mostly through the previous lifestyles of the people in it, dealing with government procurement and picking the essential information out of calls for proposals. In the criteria that were published it was very easy for us to make an assessment quickly as to whether or not we qualified for the program and what our chances of success would be.

We had, I would say, roughly seven days from the time we were aware of the program to the finalization of the call for proposals. We had to do that very quickly, and within the first hour or so we knew we were qualified.

From that perspective, we did get sufficient information to see whether we fit or not and whether we had a chance of being successful.

• (1550)

[Translation]

**Mr. Mathieu Ravignat:** Mr. Hayward, would you have something to add.

[English]

**Dr. Geoff Hayward:** Yes. Thank you very much.

I thought the selection criteria were very clearly spelled out. I was pleased to see that it was obviously a very fair program. Sometimes there's a downside to that, in that they're totally inflexible on deadlines, but I appreciate overall the fact that this program was very fair, and obviously so.

There were some challenges, though, in the actual submission process. We were part of the first submission process, and I think true to the whole spirit of CICIP, they were trying to innovate by using a new company to prepare the online application process. There were some hiccups with that, frankly, but I think they've worked their way through that now and I think the program is working very well.

[Translation]

**Mr. Mathieu Ravignat:** Do you think the Canadian innovation commercialization program has an adequate definition of the term "innovation"? If not, what would you add to this definition? Do you have any suggestion on this definition?

[English]

**Capt Anthony Patterson:** One of the things I really like about the CICIP program is that they tag innovation to the technology readiness scale, which is something that we commonly use, even within our own company, to determine whether technology is ready for commercialization or not. It was very clear where it tagged. The improvement, I would say, though, is that.... There is almost a catch-22: to be really successful, you had to have a product that was ready for commercializing, but you couldn't have sold it yet. Companies arrive at that blessed period for hopefully the minimum period of time.

So I would suggest, as an improvement to the thing, that the concept of an innovation should also include products that may have had a few customers, not very many, because for that first three years of a new product's life cycle there's intense reworking of the product. I don't think that because you've sold one thing to somebody it should disqualify you from this program.

**The Chair:** Mr. Hayward.

**Dr. Geoff Hayward:** I would agree with that observation.

My understanding is that the rules are a little bit more lax now, and maybe we should go back and talk to the people who run the program. My understanding is that you can have had a few products into the market, so there is a little bit of latitude there now.

I would be fully in agreement that it was clear from the outset that this had to be a very, very innovative product and it had to be also at the stage of a pilot trial.

**The Chair:** Thank you Mr. Hayward.

Thank you, Mr. Ravignat. Your time has expired.

Next, for the Conservatives, is Mr. Ron Cannan.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thanks to our witnesses.

Captain Patterson, we had a chance to briefly chat before the meeting, and as I mentioned, I represent the Okanagan, Kelowna—Lake Country. You said you have an office in Victoria as well as in St. John's, so you're covered coast to coast in that respect. I commend you for your innovation and your company's continued creativity to use that technology to help oil and gas exploration up the coast.

If you could clarify, in your opening statement you commented that you had screened out on the risk assessment criteria. Maybe you could expand a little bit, say what exactly happened, and your recommendations as to how we could maybe.... The focus of this committee is that we're looking at the small business office and how we can make OSME and the CICIP program more flexible and adaptable to utilize those Canadian technologies.

Maybe you could expand on your experience a little more, please.

**Capt Anthony Patterson:** The best example would be something that actually happened in the course of this year. We were not screened out of CICIP, but we were screened out of an opportunity with the Canadian Commercial Corporation to sell a similar type of product to a foreign government. At the same time, we were accepted by Exxon Mobil as a supplier for essentially the same

technology within their procurement system, and as well by a major defence contractor in Germany to supply the German navy.

So what I saw was that for essentially the same technology—the same company, the same financial status—we were good for the super majors, but we weren't good enough for the Canadian Commercial Corporation. Speaking with the Canadian Commercial Corporation, it's basically that their rules are such that new technologies and new companies are very difficult for them to deal with, because of high-risk factors. I think something like the CICIP can bridge that gap to a certain degree, because it seems to have a lower threshold, let's say, than CCC for accepting companies.

● (1555)

**Mr. Ron Cannan:** I appreciate that. I think it's a good nugget that we could include in our report to take back, to make sure we do all we can to help encourage and support those innovative ideas in Canada.

To Mr. Hayward in Edmonton, I believe you said you were born and raised there, and you moved out west once you got the 35 below weather. Hopefully you still don't have your snow coming yet. I have a lot of good friends in Alberta. I know they have the tech park there and have done some great things. I applaud you on your few short years and what you've been able to accomplish with your company.

I mentioned to Mr. Patterson that buyandsell.gc.ca is a government website. Are you familiar with that website?

**Dr. Geoff Hayward:** Yes.

**Mr. Ron Cannan:** As the chair mentioned, this committee has been going on for a few weeks, and some of the witnesses had no idea, had never heard of the CICIP or the buy and sell website. So I'd like to ask both of you, where did you find out about CICIP and the buy and sell website?

**Dr. Geoff Hayward:** I did not know about the buy and sell website before my experience with CICIP. A colleague introduced me to the CICIP program. Actually, it was another company, now that I recall, that was making an application. We weren't directly aware. We hadn't received any notification about it, but another company that was applying let us know. We thought there was still time left, so we did apply, and through the application process became aware of the buy and sell government site.

**Capt Anthony Patterson:** Our experience is very similar. We found out through an industry association that we're part of in Newfoundland—OceansAdvance—that this call for proposals had come through, and then going onto the buy and sell...we became more aware of the website there.

We're very familiar with MERX, for instance, but not with that other website.

**Mr. Ron Cannan:** A very small percentage of the members of the Canadian Federation of Independent Business, for example, were aware of it, so I appreciate that. We'll continue to pound the message and do all we can to get it out.

I have one last question before my time runs out. Mr. Hayward, you mentioned capitalization as a big challenge. Is that in your specific industry, or is that as a new start-up company? Have you had work with venture capital and the angel investors?

**Dr. Geoff Hayward:** Yes. We have been working with angel investors and venture capital firms and have had significant interest from them. I do think that in western Canada, and particularly in Alberta, there is a challenge that a lot of the capital is naturally directed to the energy sector. There's a shortage of companies like us and the financing for companies like us. In many ways, I think the venture capital industry out here for the information technology sector is in need of a lot of work. There's a real shortage of venture capital out here, I believe. We have a lot easier time looking for capital in Silicon Valley than we do in our own backyard.

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

Thank you, Mr. Cannan. It's the end of your time.

For the official opposition, Denis Blanchette.

[Translation]

**Mr. Denis Blanchette (Louis-Hébert, NDP):** Thank you, Mr. Chair. Thank you also to our two guests today.

My question is for Mr. Hayward.

Where you come from, consolidation of data centres is not something new, basically. But some criteria were linked with the innovative dimension of your solution.

Could you talk about your experience of applying for this program? How did you demonstrate that you had a really innovative solution that was acceptable for the program?

•(1600)

[English]

**Dr. Geoff Hayward:** We were fortunate to have received a lot of international recognition for our technology. There were a lot of independent validation points, if you will. We won awards at international technical conferences, and we were selected one of the top 10 ICT companies in Canada a few times in a row. So there were a number of independent validation points. We had also been successful in winning some important grants for our technology development. I think there were some independent benchmarks there that would help the evaluators.

In terms of the capability that makes this special, when you're talking about consolidating data centres, traditional methods are to shut down all the servers in one site, physically move them to another site, or do data transfers, file transfers, which leads to a lot of downtime. Our technology allows those data centres to be moved without any interruption at all in service—and that capability is new.

[Translation]

**Mr. Denis Blanchette:** Thank you very much.

In your presentations, you said you worked with Public Works Canada and Shared Services Canada. Since you worked with both these organizations which are not necessarily linked to one another, strictly speaking, I would like to know what your experience was, working with these two organizations on the same project.

[English]

**Dr. Geoff Hayward:** Perhaps I can jump in there, because we were the ones who had the primary interaction with Shared Services Canada.

There's an important transition going on right now from Public Works to Shared Services Canada. We have the sense that there's still a lot of uncertainty in how that will all shake out. But our experience has been pretty good through that transition. The people we worked with before, we're continuing to work with now, and they are directly responsible for service delivery, the cloud services, if you will, for Shared Services Canada. So we have not been directly affected by the transition, although I know it's very disruptive to many divisions of government.

[Translation]

**Mr. Denis Blanchette:** Mr. Patterson, I would like you to explain your relationship with the government. How did you adapt to the federal government when it was time to roll out your application?

[English]

**Capt Anthony Patterson:** In our development cycle we've had an awful lot of interaction with the federal government, including the coast guard and navy, through the prototyping process. So we were all very familiar with how the federal government works, and with the people on the ground there's absolutely no problem.

As I said before, the main issue we run into when we're dealing with the federal government is through the procurement process. It's not because we don't have good technology or we're not an intelligent company; it's just that we're small, with new technologies. That's normally where our only source of friction is with the federal government. Every operational person or research person employed by the federal government has been very good and easy to work with.

[Translation]

**Mr. Denis Blanchette:** Are you satisfied with this relationship?

[English]

**Capt Anthony Patterson:** Yes, absolutely. The National Research Council is one of the licence holders for the technology that we exploit.

One thing we have seen, though, is that the ability of the National Research Council to keep the flywheel of innovation going is starting to slow down. That's about the only thing I would note in the day-to-day relationships we have, which is something we're looking at with a little bit of concern.

[Translation]

**Mr. Denis Blanchette:** Thank you very much, Mr. Patterson.

[English]

**The Chair:** That concludes your time, Mr. Blanchette. Thank you very much.

Next we have Mr. Jacques Gourde for the Conservative side.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you very much, Mr. Chair.

Thank you to our witnesses, Mr. Patterson and Mr. Hayward, who are appearing through modern technologies.

You said earlier that you heard about the Canadian innovation commercialization program through friends or the website. Did you need the help of another federal organization to fill out the forms or could you manage by yourselves?

• (1605)

[English]

**Capt Anthony Patterson:** I can speak from the Virtual Marine Technology point of view. We've had experience in working with the federal government before, mostly through its innovation programs. We have a good idea of how to interpret what's being asked for and how to submit a compliant bid. So we were able to do this on our own.

As I said in my opening remarks, I actually view this as one of the strengths of the program. There were no real shortcuts in the application process. I think if a company has aspirations of supplying the federal government, and this is their first time doing it, it's very important that they learn the ins and outs of how it's actually done.

**Dr. Geoff Hayward:** We filed our submission ourselves. We didn't seek any external help.

[Translation]

**Mr. Jacques Gourde:** I am quite glad to hear that. The very fact that entrepreneurs can submit by themselves applications shows that our programs are accessible and straightforward.

You said this program was a turning point for your companies and that it was filling a gap in financing, whatever the stage your company was in. Could you mention examples showing that this program is vital for the future of companies like yours?

[English]

**Capt Anthony Patterson:** From our perspective, we already service the oil and gas industry, so we have a well-known reputation in oil and gas.

To break into the defence and security market, especially on export...if a Canadian company cannot sell their own products, which the Canadian government helped to develop, back to the Canadian government, this is viewed by foreign buyers that there's something fundamentally wrong with either the company or the technology. Having an example where the Canadian government has actually bought technology that they sponsored the development of helps prove that VMT is actually a well-run and honest company. Without being able to do that, the rest of the world doesn't interpret this non-procurement of Canadian technology by the Canadian government through our eyes; they look at it through their eyes, and in their eyes this would be because there's something wrong with us.

It's crucial. If we can't supply the Canadian government with stuff that they've helped to develop, we don't have much of a hope to sell it to anybody else.

**Dr. Geoff Hayward:** I could provide an example from this week, perhaps going on right now.

Forrester Research is a major industry analyst organization in our sector that has global influence in terms of identifying key technologies that are disruptive. We had a detailed interview with a woman who was part of Forrester Research. She was identifying

the top new data protection technologies; she's writing a report on these companies. Normally we have to pay \$40,000 or \$50,000 to be mentioned in such a report. She was very impressed by our product demonstration, which we gave her through the Internet, and she asked for a customer reference so that we could be included in her report. I gave them the contact name of the individual we've been working with at Shared Services Canada, actually the CTO, Jirka Danek. My belief is that he will provide us with a very good reference, and that will help us be mentioned in the Forrester report and get all the corresponding media attention.

[Translation]

**Mr. Jacques Gourde:** Thank you for these remarks that are quite relevant. I would like to emphasize your leadership that helps your companies differentiate themselves. We are always glad to have witnesses from successful Canadian companies. We are glad to meet you, we congratulate you, and we emphasize your success. Thank you.

[English]

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

They were right on five minutes.

I would now like to welcome a member for the Liberal Party substituting on the committee, Sean Casey, from Charlottetown.

Welcome, Sean.

**Mr. Sean Casey (Charlottetown, Lib.):** Thank you, Mr. Chairman.

I am not, have never been, and will never be the chief economist for the Royal Bank, but I'll do my best, and in five minutes or less it will all be over.

I'm going to apologize off the top, Captain Patterson. You mentioned in your opening remarks about being screened out due to risk assessment. I realize you've already answered a question on it, but I'm still not clear. When you answered the question about being screened out due to risk assessment, I think what I heard is that it isn't in relation to the CICIP program but to something else?

• (1610)

**Capt Anthony Patterson:** Yes, that's correct.

For the CICIP program we were accepted. This was a parallel activity that was going on through CCC, the Canadian Commercial Corporation, to accept us as a supplier. The Canadian government would then do a government-to-government transaction with a foreign government.

**Mr. Sean Casey:** Another thing you said in the course of your opening remarks was that if your proposal—and excuse me if my wording is clumsy—is improperly structured, it may preclude you from participating at a later date.

Do I understand you correctly?



**Capt Anthony Patterson:** This came from the briefings that were given to the bidders in round one. It comes from the principle that if a consultant helps the federal government define the performance standards or the specifications for an object, this group then is barred from bidding and supplying the same object. In our case, we already had something that was completely developed and fully defined, but if you had something that was at an earlier stage and you were using this as a prototyping opportunity, and from the prototyping opportunity the federal government was going to define the specifications for something they would ultimately buy, you could end up being viewed as the consultant who developed the spec for them and therefore not be able to supply them.

**Mr. Sean Casey:** Okay.

Mr. Hayward, you made reference, and I think I saw it in your deck there as well, to the significant overhead in going through the due diligence process. I'm just trying to find a benchmark here, and perhaps you could help me with that in terms of comparing the due diligence that you would undertake for participation in this program with something you might do with another level of government, with the private sector, or even with another federal government program, like the SR and ED program or something like that. Can you give me some point of reference in terms of the due diligence in this program compared to something else?

**Dr. Geoff Hayward:** Sure. Comparing it to the SR and ED program, there is vastly more due diligence required than for the SR and ED program—vastly more. Compared to IRAP, I would say considerably more than IRAP but in the same league.

One of the reasons I found it challenging, and maybe different companies will have had a different experience, is that each of the sections requires a specific number of words—150 or 200 words—to tell them about an aspect of our technology. Multiply that by 40 or 50 fields that all need to be filled out and it becomes like writing an epic poem in 200-word stanzas. It's a little challenging and time consuming.

Having said that, I don't really think of this as a major issue. I think as a taxpayer I want to hold the government accountable, that they are doing their best to find the best companies. I don't think the effort that was required of me was excessive—time consuming, yes, and a risk factor—but it's ultimately up to the companies to make the decision whether or not they want to take that risk.

**Mr. Sean Casey:** I take it from your answer that you have had occasion to participate in the SR and ED program in the past. Do you have any comment you can offer with respect to the effectiveness and efficacy of this particular program vis-à-vis the SR and ED program?

**Dr. Geoff Hayward:** A very important difference between this and the SR and ED program, a vital difference, actually, when it comes to raising financing for a company like ours, is that this is revenue, and investors evaluate companies based on revenue, whereas SR and ED is a tax return. So here's a customer, here's customer feedback, customer reference, and revenue. It's very different.

**The Chair:** Thank you, Mr. Casey. That concludes your five minutes.

Next, for the Conservatives, is Scott Armstrong.

• (1615)

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** Thank you both for being here.

I'm going to start with Captain Patterson. I read that your company was established in 2004. When did you engage the CICIP program? When did you start a relationship with them?

**Capt Anthony Patterson:** The first round of CICIP was announced last year, in late 2010, so that's when we established our link with them.

**Mr. Scott Armstrong:** Before you engaged in that program, had you tried to engage the security departments of the Canadian government, DND, others, the coast guard, to try to sell some of your products?

**Capt Anthony Patterson:** Yes, actually. The things we have for them are a crossover from oil and gas. We perfect it in oil and gas and then we bring it over to defence and security. We've been actively pursuing both departments since 2007, with no success, really.

**Mr. Scott Armstrong:** But now you're engaged in this program. Do you view this program as a way for your company to actually break into the federal government, particularly those two departments, so that way you can get this reference client to start selling internationally? Is this a big breakthrough for you to be engaged in this program?

**Capt Anthony Patterson:** It's a big breakthrough, but I'm not sure if it's going to be the big breakthrough to supplying the Canadian government. Again, this is a one-shot deal. They can't use this procurement vehicle to buy multiples of the same product. They have to go back through the normal procurement process, which then puts you back to the same problem: we're a new company with new technology and we don't hit the thresholds for risk tolerance.

Where the breakthrough for us will be is that this will help us sell to other places, and by getting those reference clients, five or ten years later we can come back and sell here.

**Mr. Scott Armstrong:** Does the recent announcement of the federal investment in shipbuilding, both in British Columbia and in Nova Scotia, at the Irving shipyard, show a commitment by this government to shipbuilding, and would that, in the end, possibly help your company some time down the road?

**Capt Anthony Patterson:** Yes. These are enormous procurements and fairly complicated. The key for us is to get into the supply chains of the major contractors, which we have been able to do through the Halifax class modernization, not for our products but for our services. We see that our excellent performance on the Halifax class modernization project is going to stand us in good stead for getting a seat at the table, so to speak, at the shipbuilding procurement process.

**Mr. Scott Armstrong:** How many employees do you currently have?

**Capt Anthony Patterson:** We have 20 full-time and about 40 virtual employees, plus we have about 20 associated researchers at the university who help us develop new technologies.

**Mr. Scott Armstrong:** It's kind of an evolving market you're breaking into. I wish you the best of luck.

**Capt Anthony Patterson:** Thank you.

**Mr. Scott Armstrong:** Mr. Hayward, you're working with Shared Services Canada. Can you describe some of the services you're providing the federal government at this time?

**Dr. Geoff Hayward:** Yes. Our software, as I was mentioning, provides the capability of moving these virtual machines while still running between sites. This capability is very important, particularly for Shared Services Canada, as they evolve into what I would call a cloud provider. They're providing information technology services to many different government divisions in a consolidated, centralized fashion, or trying to centralize much more than they have been in the past. From the point of view of reducing the number of data centres they have as a one-time operation, the ability to move servers between sites without any interruption of service is important.

But looking at the longer term, the real value is to protect those regional data centres, ensure that they can continue to operate, provide services locally, and still have centralized protection in Ottawa for all of their data, so if anything goes wrong there will be no data loss as a result.

Those are the major applications of the product.

**Mr. Scott Armstrong:** So the upgrading by that department to modernize their technology and their data storage and data transfer systems has provided you with an advantage because you have a product that meets those demands?

**Dr. Geoff Hayward:** That's right.

**Mr. Scott Armstrong:** You talked about data storage and data mobility. Does your product actually protect data?

**Dr. Geoff Hayward:** Yes. It keeps a replica of the data in a remote location. One of those replicas is active and the other is passive and hidden, and when I want to change from one site to another, move the server and have everyone believe that it moved from one location to another, all I'm doing is exposing the hidden replica and hiding the original one. In this fashion, I don't actually have to transmit all the data across the network. You could think of it as a very sophisticated shell game.

• (1620)

**Mr. Scott Armstrong:** That's exactly what I was going to say—

**The Chair:** Actually, Scott, I'm afraid you're well over your time.

**Mr. Scott Armstrong:** Thank you very much.

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

That concludes our first round of questioning, and we'll go right into our second round.

For the NDP, Ève Pécelet.

[Translation]

**Ms. Ève Pécelet (La Pointe-de-l'Île, NDP):** Thank you, Mr. Chair.

I thank the witnesses for being here today.

Mr. Patterson, in your presentation, you said it was difficult to get federal government contracts.

As to you, Mr. Hayward, you talked about a

[English]

struggle to commercialize that technology, finding the resources to do it.

[Translation]

The federal government website promotes a service that helps SMEs bid for federal requests for proposals.

I would like both witnesses to deal with impacts. It is a known fact that Canada will soon sign a free trade agreement with the European Union. European companies will be allowed to bid on requests for proposals of the Canadian government.

What is it the Office of Small and Medium Enterprises can do to help SMEs compensate the impact of this opportunity that will be awarded to European companies to bid on federal contracts? What will be the impact of this competition between Canadian and European companies on SMEs?

[English]

**Capt Anthony Patterson:** I can speak to that from our oil and gas experience, because our main competitors are all Europeans and we beat them. If they want to come to Canada, we'll beat them here.

The issue, though, is a small company against a big company in a procurement system that I think heavily favours a bigger company because of the lower risk factors. I think if you're going to let the smaller companies flourish in bringing new technologies to market in Canada, there has to be a way, like the CICP program, or some other mechanism, where you can offset some of the risks that some of these departments will take, in taking a risk in dealing with a smaller company.

But head to head, technology to technology, person to person, we can beat the Europeans.

**Dr. Geoff Hayward:** I'd almost want to echo every single word the captain just said.

I'm not so worried about the Europeans, but it is a challenge competing against some of these enormous companies that have many representatives already embedded within the federal government that have established relationships. I take it as a given that my technology or product not only has to be better, it has to be drastically better than the products that are available from these large companies, or we have absolutely no chance at all. We must prove that we're vastly better than the products available from the large companies.

These companies are all multinational, whether they're European or...it doesn't really matter.

[Translation]

**Ms. Ève Pécelet:** My question was on SMEs.

Last Tuesday, a witness told us 43% of SMEs were bidders and were getting government contracts.

Do you think SMEs will be able to maintain this 43%?

With free trade with the European Union, the government will be bound to give the contract to the lowest bidder. Do you think SMEs will be able to keep their current share of 43%?

[English]

**Capt Anthony Patterson:** I think it still comes down to economies of scale for big companies versus small companies.

Where the larger companies can have an advantage is if there are layers upon layers of due diligence, risk, bonds, or whatever, just added on top of contracts, or you bundle a bunch of smaller contracts into one super contract. That is a huge disadvantage for smaller players. They just can't get in there. Even if their technology for a piece of it is better, just to address all of the issues...they just can't do it.

•(1625)

**Dr. Geoff Hayward:** I think the challenge is that a lot of the RFPs are designed with the capabilities of larger companies in mind. Again, yes, it's very challenging for a little company to break in.

[Translation]

**Ms. Ève Pécelet:** Do I have a little more time?

[English]

**The Chair:** You have about 30 seconds, Ève.

It's about 10 seconds now.

**Ms. Ève Pécelet:** Okay. So much time....

**The Chair:** I'm afraid you're out of time.

Thank you very much, Ève. I appreciate that.

Bernard Trottier, five minutes, please.

**Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC):** Thank you, Mr. Chair.

Thank you, witnesses, for coming in.

Recently there was a report that came out, which you may or may not have had the opportunity to read, called "Innovation Canada: A Call to Action", otherwise known as the Jenkins report. It talks about innovation and research in Canada, and one of the things they talk about is the CICIP program, kind of echoing some of the things you talked about, where I think you both had very positive things to say about CICIP. It's an effective way to improve commercialization and it helps get Canadian SMEs to the next level.

I guess you concur with the general statement in the report—and maybe you could affirm that—that you'd like to see the CICIP continued and perhaps expanded. Is that correct?

**Dr. Geoff Hayward:** Absolutely.

**Mr. Bernard Trottier:** Absolutely. I didn't want to put words in your mouth.

In terms of the demand-pull measures, can you talk about the parts of CICIP that need to be expanded more and the parts of CICIP that maybe don't need to be expanded as much, if you thought about the program holistically? I know you've had some limited exposure to it, but could you give us some feedback on CICIP and where you would like to see it expanded?

**Capt Anthony Patterson:** In the CICIP program itself, this idea of being able to do follow-on contracts for successful demonstrations I think would be a very good expansion to put in.

The second one is not really related to CICIP; it's related to export. On our side we're going to make the money on the export to other countries. You have the Canadian Commercial Corporation as an excellent vehicle to do that sort of thing. So it may not be exactly a CICIP-like thing, but maybe there's what you could call an insurance policy for CCC that they could draw upon and take a risk with smaller companies with new technologies, and then they can help us, bring us to the foreign markets.

I think those two things would be the things I would vote for.

**Mr. Bernard Trottier:** Thank you.

Mr. Hayward.

**Dr. Geoff Hayward:** I'm at a little bit of a loss, because, to be honest, we're at a critical stage. We have completed successfully the phase one and phase two testing. We're about to start a commercial deployment, or you would say a production deployment, of our product with Shared Services Canada. If that goes well we believe there will be follow-on business. So it may be that we have managed to traverse that very difficult chasm that separates a small business from opportunities within the federal government. We don't know yet.

At this point I would say that CICIP has given us an enormously important helping hand, and we hope that no further helping hands are necessary.

**Mr. Bernard Trottier:** Thank you.

Just expanding a bit, you have products, but usually in the wake of products that you've developed comes a variety of services. Could you describe your companies in terms of how much of your revenue is services versus product? In your case, software is considered a product.

**Capt Anthony Patterson:** Sure. The company survived from our starting days until the middle of this year on services. That was 99% of our revenue; it is for services. We were in an intense R and D phase to take our IP and productize it. This year has been the crossover year, primarily through sales to the offshore oil and gas industry, where now product sales are surpassing our services sales. But in our early history it was absolutely services.

**Mr. Bernard Trottier:** What about you, Mr. Hayward?

**Dr. Geoff Hayward:** Primarily product; I would say 80% to 90% product.

**Mr. Bernard Trottier:** Captain Patterson, you mentioned how St. John's, where your company is based, is becoming this fountainhead of talent, and you're able to export your talent around the world and then go into other markets and provide that service and expertise.

Are there certain elements of CICIP that allow you to export that talent, on that services basis, to go out there and conquer those markets?

**Capt Anthony Patterson:** I'll be honest with you. St. John's is at a crossroads because of the oil and gas industry. The oil and gas industry is more likely to take a chance with new technologies and new products, and they're a global industry. That is the launch pad where most Newfoundland companies are moving. They prove themselves in oil and gas, and then they cross over into the harder market, which is the government market. You have to have a lot of intestinal fortitude to go into government procurement.

• (1630)

**Mr. Bernard Trottier:** And deep pockets.

**The Chair:** Mr. Hayward, did you have anything to add to that?

**Dr. Geoff Hayward:** Not much. Services are not as important for us. Nevertheless, we do believe that we've gained a lot of expertise through the collaboration with Shared Services Canada. There are some very talented people there, and we've benefited from those collaborations.

**Mr. Bernard Trottier:** Thank you, Mr. Hayward.

**The Chair:** For the New Democratic Party, Denis Blanchette or Mathieu. You're going to split your time, I understand.

**Mr. Mathieu Ravignat:** That's right.

I share your worry about what you were referring to as institutionalized large suppliers that seem to have an advantage with government procurement. I'm trying to understand why that is. There are a lot of factors. OSME, for example, defines small and medium-sized business as 500 employees and less and doesn't take into consideration numbers of business or the *chiffre d'affaires*, profit and so forth.

I was wondering if both of you might be able to share your thoughts on what an ideal kind of definition would be for the federal government to be using.

**Capt Anthony Patterson:** In some other places they talk about micro businesses, which are 20 or less. I think when you're looking at brand-new products that are coming out, that's generally where they are—in that really small industry. They either have to make it or they fail. It's a really short life cycle for those folks.

I would say that there probably needs to be a special definition around that type of group, because as Geoff has mentioned, obtaining capital in this country is almost impossible. If you have revenues coming from government procurement, which is targeted at these really small companies with new things, I think that would help those companies kind of bridge that gap and attract capital after they're successful.

**Dr. Geoff Hayward:** I have nothing to add.

[Translation]

**Mr. Denis Blanchette:** Mr. Patterson, you said you would like the program to be available to companies who sold on the market only a few units of an innovative product. To me, this means you need more than just help for the commercialization of new products.

What would be your recommendations and Mr. Hayward's on an improved program that would support innovation in our SMEs?

[English]

**Capt Anthony Patterson:** I think this is critical. There is a lot of program support, whether it's SR and ED or IRAP or whatever, to bring you up to the end of the prototyping stage. That's not where the problem is. Getting those prototypes into products takes about three years of experience out in the marketplace with a few crazy customers who are going to take a chance on you.

The CICP has to recognize that, that just because you've sold a couple of units to somebody doesn't mean you're finished your development work. You have an awful lot of work and investment left to go before you can say you have the final product. I would say open the gate wider.

On the oil and gas side it would be technology better than level 6. I'm not sure what that is in the NASA scale, but it's just that one step.

**Dr. Geoff Hayward:** There are two directions one might be inclined to go in. One might be to continue the helping hand a little bit further down the path, and that means that once you've done this pilot and you've gone through this pilot program and you've established that you've had a successful pilot, it's to have some assistance in moving to the next step in entering the mainstream with a procurement program. I'm certainly not going to argue that that is not needed; no doubt it is needed.

I would put a lot of emphasis, though, on trying to equalize the playing field. I don't think I particularly am looking for an unfair advantage. I do want a level playing field, though, and I feel that we don't have one right now. If you look at the procurement process and getting registered for procurement opportunities with the federal government, there are all sorts of financial risk assessments. There are steps that we need to go through that filter us out, and understanding that financial risk is a natural thing for the federal government to examine, I would invite you to examine ways to try to equalize the playing field so that small businesses are not necessarily pre-selected out of the process.

• (1635)

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

That concludes the time for that round.

For the Conservative Party, Mike Wallace.

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

I want to thank our guests for coming today. Often I'm asked who I meet that impresses me the most, and I often answer entrepreneurs. I want to thank you both for taking the risk and having the vision—much more vision than I have, to be perfectly honest with you, on lots of things. It is organizations such as yours that are driving the economy and will make the difference for us in the long run.

I have a couple of questions for you. I appreciate your comments. The recent report on whether we're getting bang for our buck on innovation was mentioned, and it looked at IRAP and SR and ED. It looked at this program, and it looked at the sustainable technology development corporation. It probably doesn't fit into either one of your organizations, but there are models that we are using. At the end of the day, the report said maybe we'd be better off doing more of a direct subsidy to businesses than offering tax credits, because you're not sure what you're going to get, the bang for the buck.

My question for you two, because you are involved, which I've asked of others is this. What do you believe the role should be for the Government of Canada in picking winners and losers in that? Is that a problem or not?

The overall concept of this report—I'm not sure you've had a chance to see it, as I know you're busy doing other things—basically is that maybe we should be moving away from the SR and EDs and the IRAPs, particularly SR and EDs because it's the tax side, to a more direct subsidy, such as sustainable technology development, for which you would need a business plan and we'd help you. We're angel investors, in a sense, to get you to commercialization. I know this is a one-off program, and I want to come back to that, but how do you feel about the Government of Canada being involved in picking winners and losers?

I will start with you, Captain.

**Capt Anthony Patterson:** I think you should stay away from it, to tell you the truth. I don't think subsidies are a good thing. We can all stand on our own feet. We can compete with anyone.

Now, I see that tax offsets and all this stuff to encourage innovation are good. It's going to generate revenues and employment over the long run. Where the federal government can really help is to help remove the barriers for the technologies to be implemented, whether it's internal procurement or to help facilitate government to government procurements with other countries.

If a company is making revenues, they can attract investment. Let the investment community take the risk of putting in the investment. Let them pick the winners and losers.

**Mr. Mike Wallace:** Okay.

Mr. Hayward, do you have a...?

**Dr. Geoff Hayward:** Yes. I don't disagree with anything the captain said. I would point out that the SR and ED and IRAP programs—that money is tied to research and development. SR and ED obviously is directly tied to R and D efforts. Similarly, the grant you receive from IRAP is for R and D. Yet our companies frequently have very strong technology and are missing in the sales and marketing expertise—the commercialization expertise—to bring that technology successfully to market.

I don't want a subsidy, no, but I would point out that the way in which we reward innovation puts undue emphasis on just the research and development portion of innovation and not the commercialization portion of it. That's one gap that the CICP program is effectively filling. We probably have much more of a gap than they can possibly fill here. Yes, I would invite you to all consider other options than just funding straight core engineering or research and development, because it leads to companies with unequal balance—far too much technical expertise and not enough in sales and marketing.

• (1640)

**Mr. Mike Wallace:** My second and final question is regarding... My NDP colleague across the way brought up the issue of free trade. We fundamentally disagree.

My question to you, as entrepreneurs—as someone who has been developing a company, knowing the size of the marketplace here in

Canada and knowing what the potential marketplace is worldwide—is this: do you, in your long-term business plans, have a vision for your company to be able to sell your products duty-free in other countries around the world? Are you mostly, when you start up—because I've never started up a company—just looking at the domestic market, or do you have a vision for being a world competitor, competing in markets around the world? I'd appreciate your answer to that question.

**Capt Anthony Patterson:** There are going to be two dominant simulation companies in the world: CAE and VMT. We are looking at world domination. We have to have 95% of our revenues coming from export. It's impossible to make the money in Canada. In fact, we have already started to export. We have venture capital in our company because our venture capital people believe we can be successful in export.

Trade barriers are a bad thing. We're looking at this thing in the United States. This is very bad because that's a potential market for us. Our business plan would fail if all of the trade barriers went up and we could only sell to Canada.

**Mr. Mike Wallace:** Thank you very much.

Mr. Hayward, do you have anything to add?

**Dr. Geoff Hayward:** Yes. We definitely aspire to be a global company. Absolutely. Whether or not we will be is very much in the balance.

One of our closest competitors—I'm going to leave the name out—is much less mature than we are. They don't even have a product yet. They have no revenue. We have three-quarters of a million in revenue and very soon we'll have more than \$2 million in revenue. Yet they have been able to raise, within Silicon Valley, \$22 million of venture funding. We have been able to raise nothing in venture capital. Again, if you look at the technology, ours is demonstrably superior and more mature.

That is the core problem that needs to be addressed. Without financing and investment of a scale that's competitive with what you're seeing in Silicon Valley, it will be difficult for Canadian companies to become global. We will continue to exit early, as we do, for pennies on the dollar, being acquired by big U.S. corporations.

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

**The Chair:** Thank you, Mr. Hayward. Thank you, Mr. Wallace.

Sean, thank you for being so patient. It's your turn again.

**Mr. Sean Casey:** All of my questions have been asked and answered.

I commend both of you for what you're doing and how you are developing your companies. I have nothing to add.

Thank you.

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

**Mr. Mike Wallace:** We're done.

**The Chair:** Okay.

Given that few minutes of opportunity, I have two questions of my own, if the chair can take the liberty to ask two brief questions here.

First of all, two things that both of you identified are the bundling factor and trying to compete as a small competitor, to elbow your way into government procurement with such dominant large actors. The United States' office of small and medium-sized enterprise, or the counterpart, actually has a mandate to compel government to unbundle contracts, to the greatest extent possible, in order to enable the greatest number of smaller entrepreneurs to get a foothold and grow their companies to be big actors some day. Our Canadian office has no such mandate to recommend to government that they do that.

Would you recommend that there could be a secondary benefit in government procurement if it could facilitate more small entrepreneurs to incubate and grow and become large actors? That's my first question, the unbundling.

The second is that both of you have identified venture capital as an issue. Something I was working with in my past life, and we've had witnesses here representing venture capital funds whose source of money is the labour-sponsored investment funds.... The GrowthWorks organization that Tom Hayes represented here I believe was one of the venture capital firms that worked with you. Is that not right, Captain Patterson?

• (1645)

**Capt Anthony Patterson:** That's correct.

**The Chair:** I think the research shows that this is a relatively cheap way to loosen up venture capital and get it into circulation, by giving the tax credit to the labour-sponsored investment funds. Could either or both of you speak to your experience, or would you recommend that as a viable source of venture capital to get it into circulation?

So I'd be interested in the unbundling and the venture capital from labour-sponsored investment funds.

**Capt Anthony Patterson:** I would say it would be a good idea to unbundle, because if you don't do that, the small companies have to try to break into the supply chains of big multinational companies. It kind of depends on their geopolitical structuring whether or not they're going to tolerate you coming into their supply chain. So if you can unbundle where it makes sense, it makes sense.

Labour-sponsored venture capital.... As you said, GrowthWorks Atlantic Venture Fund has invested in our company. The money was really good, but the better thing was it made our company much more disciplined when it comes to structuring our company and looking for additional funding. We're talking about due diligence. Someone asked a question about the due diligence on this one. After going through a venture capital due diligence, this one was very

lightweight. When you go through a venture capital due diligence, you learn a whole lot of things, and you've got a lot of structure in place to answer the questions with other people.

So I'd say that we're in a better position to raise additional venture capital because we had GrowthWorks, and it's just because GrowthWorks taught us so much.

**The Chair:** Did they take an equity share in your company?

**Capt Anthony Patterson:** Yes, actually, that's what they do. They buy shares in the company. They came in with an archangel and the Province of Newfoundland and Labrador, and then through that we were going into all kinds of wild and wonderful things, like mezzanine financing and so on and so forth, which we could never think of in 2007 when all this started. We were very enthusiastic and very smart people, but we had zero track record on financing a company, and GrowthWorks brought us along.

**The Chair:** That's pretty good.

Do you have any views, Mr. Hayward, that you want to share on either of those?

**Dr. Geoff Hayward:** I'm afraid my experience is limited on both.

Let me just say, with regard to the bundling and unbundling, that we haven't competed on enough federal government contracts to really have a considered opinion on that. Most of the customers we have go to market strategies very much focused on private cloud providers, major companies like IBM and Savvis and Terremark. So we have not competed on many government contracts. As a point of principle, yes, it sounds great, but I just don't have much experience on that.

Similarly, on the labour-sponsored investment funds, I'm not aware of any such funds that are available to us in Alberta or that tend to invest in Alberta. There was one based in Quebec that did a few years ago, in a company called TechnoCap, but they're no longer around. We don't have a lot of experience with them out here.

**The Chair:** Okay.

I think that ends our rounds of questioning. I want to thank both of our witnesses for taking the time to share their views with us today. They were both very interesting and very useful presentations.

Thank you very much.

I'm going to suspend the meeting briefly and we'll reconvene for some private committee business.

*[Proceedings continue in camera]*









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