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**EVIDENCE**

**Tuesday, November 26, 2013**



**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, November 26, 2013

• (1400)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** We'd like to call our meeting to order.

We want to thank our witnesses for coming forward.

We're into this afternoon's sessions on the discussion and study of the Canada-European Union free trade agreement. We are excited to have our panellists with us. We will yield the floor to them and hear from them, and then we'll get into questions and answers.

From the Canadian Manufacturers and Exporters, we have Ann Janega, vice-president of the Nova Scotia division. From the Halifax Port Authority, we have George Malec and Cathy McGrail.

Thanks to all of you for being here. We will get started right away.

Ann, the floor is yours.

**Ms. Ann Janega (Vice-President, Nova Scotia Division, Canadian Manufacturers and Exporters):** Thank you very much, Mr. Chairman.

Thank you, members of the committee, for this opportunity to make a presentation about CETA.

From the recent presentation made to you by Dr. Jayson Myers, our president of the Canadian Manufacturers and Exporters, I think you know a little bit about our organization.

Here in Nova Scotia, we represent a dedicated group of manufacturers, exporters, suppliers, and stakeholders. Like our colleagues across Canada, we are working hard to find new markets and customers and to create employment.

We estimate that about 24.5% of Nova Scotia's labour force is directly and indirectly employed in manufacturing. These jobs are important, because generally they pay, we estimate, about 14% more than the provincial average wage, and many of them are based in rural communities that depend on these anchor employers and industries.

As Jay Myers would have told you, we see the CETA announcement as positive, comprehensive, and substantial for our country and for our manufacturers. Here in Nova Scotia, our members see the agreement as a platform, really, to promote some of our current advantages, to crystallize some new and lucrative partnerships, and, importantly, to position our economy for future growth.

I understand that some of the committee members may be able to tour the infrastructure of our port and airport soon. If you're able to do that, you may see some of the advantages that allow us to boast that Halifax is Canada's most connected port with Europe.

Recently, our region, including the four Atlantic provinces, quantified more than \$115 billion in so-called megaprojects. These are real projects in the offshore and onshore for gas and oil, mining, shipbuilding, and manufacturing. They're notable projects, but combined with the opportunities of CETA, they've really given our businesses what we call an added spirit of optimism. We think that CETA will allow organizations like the Canadian Manufacturers and Exporters to remind our businesses that we really have a lot to grow on.

And growth is necessary. At a recent conference here in Halifax entitled "4Front Atlantic", some members of the CME focused on the challenges of going global. Like the rest of Canada, the numbers here were a little disappointing. Only a minority of our industries are true exporters, and this group numbered only 500 true exporters in Nova Scotia. We think we can do way better than that.

CETA will give us, Nova Scotia, and organizations like the CME an opportunity to show that growth through exports is possible and desirable. We think it will allow us to jump-start into some really valuable partnerships.

The role for organizations like CME and other non-government industry groups—perhaps some that you will be hearing from—is quite significant. We try to facilitate the success of our companies. We can't do it for them, but we try to help.

How are we doing this? Here in Nova Scotia, CME is working in collaboration with governments and with partners such as the Port of Halifax, the airports, our universities, including Saint Mary's University and Dalhousie, and with other collaborators such as, for example, the Halifax Marine Research Institute. We're trying to share information, and we're trying to fast-track progress. We're working to help our firms prepare and to become more competitive.

Here in Nova Scotia, our local group has launched a new CME export and market readiness action group. One small example of the approach we'll be taking is to help firms make connections with some of the resources and opportunities that already exist, even in the EU. For example, an initiative called "Horizon 2020" has an impressive price tag attached to it. It's a funding program in the EU of 70 billion euros over seven years for research and innovation.

•(1405)

Why do we need to know about that? Starting in January, this fund will be available to Canadian partners in certain key areas. They need to know what the areas are, and we need to help them access them.

We'll be supporting our CME members in different ways. Another small example: examining and challenging the issue of procurement—I think you will probably hear about that at the committee level—and how to provide our firms with earned access to contracts at home and abroad. We are going to be promoting our natural advantages here. CME will work more with Canadian partners, with importers and exporters. For example, our partners, even here at home, are not aware that cargo arrives in Halifax two days more quickly than at any other east coast port.

We are going to be helping our members find new partners and funders, and I have provided one example of this through our work with the National Research Council. They deliver a program in Canada called EUREKA, which is an international network that supports R and D through technology. That's available worldwide, not just in Canada. We're helping our members connect with those opportunities.

One key thing we'll be trying to do, as all the CETA information filters through, is helping manufacturers to find markets in Europe by finding those markets now. For example, we'll be offering access to the Enterprise Europe Network.

Our responsibility here was assigned by Minister Ed Fast earlier this year. CME is the Canadian entry point for our firms who want to connect, not just with Europe but with 54 countries worldwide. We will be trying to promote this access for companies so they can immediately start to see what it's like to enter these new markets.

I have given a summary of that program.

What's next with CETA? There are still many questions and much work to be done. We are encouraged that we have time to prepare, and we are going to start now.

With our president, Jay Myers, and on behalf of manufacturers and exporters in Nova Scotia, we congratulate the Government of Canada on this massive first step and the enabling mechanism that is offered through CETA.

Thank you very much.

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

Just to clarify part of your testimony, you said that the port of Halifax is two days faster than any other east coast port. Is that in America and Canada?

**Ms. Ann Janega:** I think I will defer to my colleagues here to answer that question. I don't want to get into any trouble.

**The Chair:** I found that a very interesting comment.

Maybe we will get that from the Halifax Port Authority. We have George Malec.

The floor is yours.

**Mr. George Malec (Vice-President, Business Development and Operations, Halifax Port Authority):** Thank you, Mr. Chairman.

Thank you, committee members, for the invitation to appear before you this afternoon.

I will address that question in the second part of my comments. What I would like to discuss during the next 10 minutes is port infrastructure and then supply chain management, because those are inextricably linked in what makes Halifax such a valuable piece of the Canadian supply chain puzzle as we go forward with this excellent development—CETA.

In terms of port infrastructure, many of you will be somewhat familiar with the port of Halifax. For those of you who aren't, let me position us geographically. We are a land bridge. We are the closest point of contact for a major seaport between ourselves and Europe, or in fact the Southeast Asia market transiting through the Suez Canal. Both of those are particularly key markets for Halifax. Right now, 38% of our volume is Canada-Europe trade, so it's a very significant and substantial part of our business.

Over the last decade and a half, this port has been consistently built out to accommodate the ever-increasing size of the larger vessels that are currently seen being deployed on the global trade lanes because they are more efficient. We are in a period of time right now when it's intensely competitive to move cargo globally. In fact, we're seeing an ever-accelerating movement towards shipping lines using bigger vessels to economize and deploy on their trade lanes.

Halifax is the only post-Panamax build-capable east coast port in Canada. Our water depths of 16 metres to 16.2 metres at our four major container berths are unrivalled down the east coast of North America, with the sole exception of Norfolk. We are deeper than other Canadian container ports on the east coast.

We are also one of two right now, aside from one port in New York, that can handle fully laden post-Panamax container vessels at a water depth of about 13.5 metres to 14 metres. You have to have at least a metre and a half for under-keel clearance. Ships don't go very well bouncing along the floor of the ocean.

Now, in terms of our infrastructure, we have two dedicated container terminals each supplied with super post-Panamax cranes. Those are cranes that can reach across—22 container bays wide—the breadth of a vessel. That's the essence of what post-Panamax means, that it's simply too wide to go through the current Panama Canal.

We are seeing a lot of ships of that size being deployed around the world's trade lanes. We built this port out in Halifax specifically to accommodate that type of vessel and to take advantage of the fact that we are on trade lanes and trade routes that are the closest of any major port to Europe in particular. When you're travelling on a great-circle sailing route leaving Europe, you will hit Halifax approximately 36 hours faster than you will by transiting up the St. Lawrence Seaway or by going to the port of New York. And it's 48 hours faster than Norfolk. So when we talk about trade lane connectivity, that's very important to bear in mind in terms of getting your product to market.

One of the other key things about port infrastructure here is the fact that with the four container berths at each of our two terminals cumulatively, and the four miles of on-dock railway network that we have between our two terminals, we can turn vessels quickly. Velocity and reliability are key in terms of your infrastructure. We have built this port out to accommodate these ships to make sure they are not delayed in their global trading patterns, because if you get a reputation for being an unreliable port in terms of vessel congestion, that will affect your marketability. A lot of these shipping lines are operating on very tight sailing schedules. They can't afford to be delayed.

In terms of port structure, as you will see tomorrow during our port tour, we have a lot of port infrastructure that's been built out very recently. We've added two more super post-Panamax cranes to the stable of cranes that are available now in the port of Halifax. We are completing a \$110 million capital infrastructure program as we speak.

The amount of \$35 million was recently invested at the Halterm container terminal in the south end of the city to provide an extension to the berth as well as a new state-of-the-art plaza for truck-gate handling. As well, \$73 million is being invested right now into Richmond Terminals to build that facility out as a modern multi-purpose break bulk terminal for major projects and the expectation of rehandling some of the cargo around megaprojects in Atlantic Canada.

Let me tie that into supply chain management, because that's really the "so what" factor. I spoke about the integrity of the port in terms of its reputation for velocity and getting people in here on time, productively, with a very skilled trained labour force, so it's reliable, it's productive, it's efficient.

● (1410)

The "so what" factor is what do we actually connect? Currently, the port of Halifax has 16 different shipping lines that connect Canadian trade to European trade. That's more than any other port in Canada right now. We also offer the only roll-on/roll-off container service, so for heavy equipment, trucks, project cargo, or vehicles, for example, carried on the Atlantic Container Line, one of the long-standing members of the port of Halifax's suite of companies, you'll see that this offers us the ability to continue to leverage the trade networks and the trade lanes in support of bilateral trade between Canada and the EU. Those service connections have a reverse flow. It's not just one way. The shipping lines that operate connecting Canada through Halifax into the EU offer both sides of the equation and the opportunity to function in an effective supply chain system.

Augmenting that, of course, is the outstanding CN Rail network in the port of Halifax. I alluded to the fact that we have four miles of on-dock rail between our two terminals. That's a tremendous amount of trackage available to position rail cars to facilitate the flow of containerized goods on and off the terminals. In addition to that, we have multi-purpose break-bulk facilities, which also handle project cargo and extra-dimensional cargo. We're one of the major trading ports, for example, between Canada and Cuba right now. Even though we're talking specifically about CETA today, it goes to the whole concept of supply chain management that Halifax affords as a critical land bridge to facilitate Canada's trade.

That CN rail network I referred to of course gives us unparalleled transit times, so when the container is offloaded here and we track every box in terms of its velocity, how long it takes, the dwell time on the terminal to get from the ship onto the railcar and for the railcar to get inland and headed to its destination, that is an extremely impressive time. We are into the Toronto market consistently within 48 to 72 hours of the container being discharged in the port of Halifax. That is something that again comes to the forefront when we talk about supply chain optics, as well as profitability for shipping lines and the reliability for shippers and users of the port.

So when we talk about the potential for Canada-EU free trade, we're not talking simply about what that impact is for Atlantic Canada. We're talking about the fact that the Port of Halifax facilities can be leveraged to punch right across the country both ways. So in many respects we function as the port of Toronto; we function as an Ontario conduit on the land bridge between Europe and Canada. Our market reach is considerably more robust than what most people would associate with a port based in Atlantic Canada. That's how we're designed. That's how we market the port. That's how we're built out. It's towards these efficiencies of scale by handling as much potential Canadian traffic as possible that we continue to offer the reliability, the service, and the highly trained labour system that we have here in the port.

With that, Mr. Chair, I conclude my preparatory remarks and I welcome questions.

● (1415)

**The Chair:** That was very good and a very thorough answer to the question I asked. I didn't quite expect that thorough an answer.

Mr. Davies, the floor is yours for seven minutes.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chairman.

Thank you to all the witnesses for coming.

Ms. Janega, can you give us some examples from the manufacturing sector in Atlantic Canada of how EU tariffs as they exist now are negatively affecting Atlantic Canadian exports to Europe?

**Ms. Ann Janega:** I don't have detailed knowledge of all the sectors, but I know the one that has been highlighted the most for us is in the seafood area. I think you probably heard some representations this morning that there are tariffs now that will be completely eliminated. I think they're in the range of 20% on things such as cold water shrimp and lobster. I would defer to my colleagues in the seafood industry to give the specifics there.

**Mr. Don Davies:** I'm sure seafood can be considered a manufactured product, but when I think of manufactured products, I think of machinery, goods, something with value added, such as tires and those kinds of things. Is there any other sector that you think CETA will particularly benefit through the reduction of tariffs?

**Ms. Ann Janega:** I think there is, but I regret that I don't have the answer to that question, largely because I haven't been able to plow through the entire agreement. I have some questions in certain areas. For example, I had an inquiry yesterday from a firm that deals with gravel processing equipment, aggregate. They purchase equipment. Often, they're forced to buy that equipment and have it shipped through sources and countries through which they would prefer not to. If they buy their equipment from Germany, for example, does it have to come through the U.S.? What will the cost impact be? We're concerned about some of those details, and we realize we're going to have to do more research. Perhaps the answers aren't even known yet.

**Mr. Don Davies:** Do you have any estimate to give to us along the lines of how many jobs in Atlantic Canada your organization estimates CETA will create? Do you have a number on that for us?

**Ms. Ann Janega:** No, none that I'd be comfortable sharing at this point, I'm sorry.

**Mr. Don Davies:** Finally, in terms of pharmaceutical products, I think it's almost certain that the intellectual property changes we've made to CETA will inevitably increase drug costs, which are often a cost driver for employers, particularly those that have drug plans for their employees. Do you have any concerns among your members—you represent the manufacturers and exporters—about increases to their drug plans costed in business? Has anybody expressed that to you?

**Ms. Ann Janega:** I recognize that it has been targeted as a point of interest, primarily through the media. I'd have to say that where pharmaceutical manufacturers are concentrated outside of this region, it hasn't been an area that I have personally focused on. I think my colleagues in the national office have looked at this.

I know that Jayson Myers, when he spoke to the committee, looked at the very base number of 80,000 jobs in general across the country, without allowing for growth, getting back to your earlier question about the possibilities the agreement will offer.

But on pharmaceuticals, I'm sorry, I can't offer any specifics.

• (1420)

**Mr. Don Davies:** Fair enough.

I've looked at some numbers from Industry Canada. The trade deficit between Canada and the EU for the last 13 years has averaged \$19 billion. For each \$1 of goods that Canada exports to the EU, we import \$1.52 worth back. That's the quantitative issue. Qualitatively, though, they also point out that across 23 sectors, Canada's total goods to Europe comprise a much higher percentage of primary or barely processed goods, and we're importing a lot of manufactured items back from Europe. I have a chart here that shows that of the top ten Canadian exports to the EU, seven of them are gold, diamond, iron ores, uranium, petroleum products, wheat, and coal and solid fuel. That's seven out of 10. The top ten Canadian manufactured imports are medications, motor vehicles, turbo jet propellers and turbines, aerospace parts, wines, blood and blood

preparations, machinery parts, and medical instruments. Some people argue, including Jim Stanford, that reducing tariffs will exacerbate that trade imbalance and will make the flows of barely processed goods increase to Europe and increase the manufactured items back.

As a representative of manufacturers in Canada, do you have anything to tell us about that?

**Ms. Ann Janega:** I think I'd refer back to the number I mentioned in my comments about the low number of firms that are actually exporting right now. These are companies that are presumably profitable, are doing business, perhaps doing business in the U.S., or perhaps only doing business in Canada, and for whatever reason they haven't looked at expanding their markets beyond our borders. I see that as a big opportunity for... If you can assume that exporting is good and brings other people's money into our country, then we see CETA as a platform on which to build that growth.

Perhaps to address some of these other issues that I mentioned in terms of accessing equipment, if companies here are purchasing equipment, for example, and they're required to take a circuitous route to get there—

**Mr. Don Davies:** It may help them as consumers.

**Ms. Ann Janega:** That's right. So we see it as an optimistic and positive boost.

**Mr. Don Davies:** Thank you.

Mr. Malec, what industries do you see increasing their shipments, their exports to the EU out of Halifax, because of CETA?

**Mr. George Malec:** Your previous question addressed a number of the shippers. Statistically, they were already engaged in the traffic. We can anticipate an acceleration around some of those.

Specifically, the one that we understand will be a net beneficiary under CETA is the Atlantic-based seafood exports, which are a very vibrant part of our export economy. The significance for the port of Halifax is that seafood exports generally are always shipped in what are called refrigerated containers. These are high-value containers that demand a premium freight rate for a shipping line. In fact, that underpins the rationale for several major shipping lines to come into Halifax and actually use the port facilities.

Now, the multiplier effect of that, sir, is that when you've already brought your ship in and you're loading snow crab, lobster, things of that nature that are going back to the European market where they command a premium value, the chances are very good that you'll maximize your port time, and the rail connectivity of CN will do even more volume. So it is in fact a definite multiplier effect for us. When you say that one particular commodity under CETA, such as Atlantic-based seafood, will definitely benefit, there will be—and we anticipate it very clearly—an aggregate benefit because those ships will have longer port times and will be more compelled to use their time cost-effectively to reduce the amount of port time they might have to spend in another port, like New York, offloading cargo that's destined for either Toronto or Chicago.

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

Mr. O'Toole, seven minutes.

**Mr. Erin O'Toole (Durham, CPC):** Thank you, Mr. Chair.

I'd like to thank all of you for taking the time to come. It's important for us to get out of Ottawa and listen to people in the field, as they say, not just to talk about the agreement, but also to talk about how the country and our key sectors can prepare for it as we bring it through to conclusion.

My friend Mr. Davies bemoans with regularity that there are only sector by sector marketing materials, as he describes them. But I'd invite him to actually read them, because then, Mrs. Janega, he'd see that machinery and equipment manufacturers face between a 2% and 8% tariff rate with Europe; electrical parts and equipment, between 3% and 14%; scientific and precision instruments, between 3% and 7%; rail products, between 2% and 4%; and plastics and moulds and pipe fittings, in the 6% to 8% range. As each industry and as manufacturers dive down, they're going to realize that their goods will be most cost-competitive in Europe right away.

But that prelude leads me to a question from your actual testimony, which is that you have a key statistic that 24% of the workforce in Nova Scotia is employed with your members, within the manufacturing sector. But then later you said only 500 could be categorized as true exporters. How do you think we can get more of those critical manufacturing jobs to look at markets beyond Canada?

• (1425)

**Ms. Ann Janega:** I think it's a question of being risk-adverse and also being educated.

One of the things that CETA is opening up for us is the opportunity to talk about some of the issues here today, the questions, the concerns, those that we can address or otherwise. It also allows them to hear about the resources available through facilities such as the port. By showing these firms the opportunity is there and having collaboration among facilitators, like the governments, like agencies such as CME, we can examine it carefully and work towards it. But unfortunately I don't have an immediate answer.

**Mr. Erin O'Toole:** Mr. Risley, who appeared just before lunch, spoke about how his company has a bit of a natural advantage to benefit from this deal, but also with other markets opening up and diversifying trade because of their scale, because of their size. He has a sales and marketing team already in place to take advantage of new markets.

Do you foresee within the manufacturing sector in Atlantic Canada more consolidation, so that manufacturers might achieve size for scale to be competitive in Canada, North America, and then Europe? Do you see that as a trend?

**Ms. Ann Janega:** No, I don't think I've seen that. Clearwater is an exceptional company in many respects, and we're proud to do business with them. I think many of their competitors would like to be on the same level as they are.

One trend I do see is in the area of continuous improvement and a reliance on such things as lean manufacturing technology and lean management techniques, where firms work very hard to remove waste from their organization and become more efficient and more productive. That's one trend we have identified.

**Mr. Erin O'Toole:** Thank you.

Mr. Malec, Ms. McGrail, thank you very much for appearing. I like key statistics from presentations, and one I found very compelling in yours, Mr. Malec, is that 38% of your volume as a port authority are goods from Europe coming ashore here.

My two questions are, first, what are you doing in terms of marketing within Canada to be the choice for exporters? And within Europe, we heard from the Gateway people yesterday, but what are you doing to be that first, two-day earlier, port of entry for European exporters to Canada? And then after that, what are the priorities for your capital campaign, your capital infrastructure, in the coming years?

**Mr. George Malec:** Thank you.

In terms of the first question, we recognize very clearly that, as we said, this is bilateral trade; it must benefit both parties—the Europeans and the Canadians. So to that extent, we have to be out in the market building awareness and knowledge about supply chain efficiency using the port of Halifax to facilitate that trade.

You heard yesterday from the Halifax Gateway that we've done a recent trade mission, for example, to Europe on that, and we have a regular outreach in Europe. In fact, we have a business agent in Europe who we've had for the last number of years. Personally, I and other members of the business development team are frequently in Europe working on that. That's half the equation.

The other half of the equation is, of course, the domestic Canadian knowledge and awareness. Approximately two months ago, we had a gateway session in Toronto itself, and as I alluded to before, in many respects we consider ourselves to be that port of Toronto in terms of accessibility for major areas for importers and exporters in this country.

We had exactly the same type of concept. We're inviting the freight forwarders, third-party logistics operators, manufacturers, importers, and exporters to these information sessions, where we, in conjunction with entities like CN Rail, Nova Scotia Business Inc., and the Halifax international airport, talk specifically about the supply chain that we offer to shippers, how that can be advantageous to them, and establish that connectivity so that when they have questions they need to drill down into, they know who to speak to, and we follow up with them on a consistent basis about how we can do that.

We also take very keen statistical databases with us wherever we go and develop those. We drill down into, for example, exporters and importers over the port on a commodity basis, on a tonnage basis, so we get very detailed shipping profiles, and again follow up with companies like that. We also invite major Canadian companies, such as Canadian Tire, to participate in some of our major trade events. For example, the Port Days event celebrates the port of Halifax on an annual basis. In past years, you will have seen major Canadian enterprises like Canadian Tire as the keynote speaker. This particular year, CN was the keynote speaker at Port Days.

So it's very much an integrated strategy, encompassing the fact that we have to be active on two complementary markets—the Canadian market and the overseas market in Europe—to promote and accelerate the opportunities around CETA.

In terms of infrastructure, as I alluded to earlier, we're just on the cusp of completing \$110 million.... Over the last number of years, we've kept a running tally of all the infrastructure in the port of Halifax. We plow back in much of the revenue we generate through the operation of the port of Halifax, as the port authority, because we recognize we have to have top-quality infrastructure in the port to support this supply chain. That's why we built out both container terminals over the last number of years; that's why we're building this multi-purpose break-bulk terminal.

We've put money in the Halifax grain elevator, for example, to build a tip-and-load facility, which is nothing more than the opportunity to take soybeans from Prince Edward Island, bring them by truck into Halifax, have those converted from truck into the 20-foot containers we have on the trade lane surplus that's created here, and then ship those out to countries that are particularly well-suited towards containerized Canadian agri-exports. In this particular case, it was 10,000 tonnes of P.E.I. soybeans going to Indonesia. That type of project is first and foremost what we do in our business planning. We identify both the market opportunities in the business, as well as the infrastructure needs and demands.

We've just recently completed another couple of upgrades as well.

• (1430)

**The Chair:** I'm sure you'll have another opportunity to answer that question in a more fulsome way, but our time is gone. I have to yield the floor to Mr. Pacetti. It sounds like you win coming and going; you can't lose on this one.

Go ahead, Mr. Pacetti.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Good point, Mr. Chair.

Thank you to the witnesses for appearing.

First, Ms. Janega, you spoke about your manufacturing sector here in Nova Scotia. I'm just wondering if you have a particular concentration. Is there a particular industry that's more predominant than others?

**Ms. Ann Janega:** Traditionally, the emphasis has been on natural resource-based industries, anything related to the sea, as we mentioned, and wood and wood products. Those industries continue to thrive. I would say one of our growing and important industries relates to aerospace and defence. There are a number of companies that are involved in the manufacture of equipment that relates to those industries, for example, a growing ocean resources industry, underwater acoustics.

**Mr. Massimo Pacetti:** I come from Montreal, and our manufacturing sector is not moving. It's actually decreasing because of the competition we get from China, so it's good to see that the manufacturing sector is a little different here in Nova Scotia.

The number 500 is quite small, I think. That means companies that you're representing here in Nova Scotia must be small?

• (1435)

**Ms. Ann Janega:** Well, there are many more companies than that. These are the ones that clearly identified as international exporters. Other firms are vibrant and viable, but selling internally.

**Mr. Massimo Pacetti:** Comments that I receive are usually because these companies are too small and don't have the proper financing to export. Is that what you're seeing? Is there going to be the ability for these companies to go and get the investment required to export to Europe? It's going to require some type of investment. It may not necessarily mean capital. It could mean hiring an extra person to handle the exporting part of the business. I'm not sure—

**Ms. Ann Janega:** There are a number of obstacles, and we can access a few studies that show what the key obstacles are. I think these firms can do it. They're going to need help. They're going to need information.

**Mr. Massimo Pacetti:** That's the question. Where can they get this help? Are they going to be going back to the government and asking for help?

**Ms. Ann Janega:** No, I don't think so.

I'd also like to raise the opportunity of suppliers as well, firms that are in the service industry. I think there are opportunities for those firms as well to become exporters, which traditionally they have not been.

With our organization, with CME, we partner with groups such as the Export Development Corporation, which provides services to make it easier for firms to become traders. That's our challenge, at agencies like CME, to demonstrate the opportunity. You can't do it for them.

**Mr. Massimo Pacetti:** Yes, that's what I was asking.



Mr. Malec, my time is limited, so I have a couple of quick questions. First, for information, who's your biggest competition in terms of a port city? Would it be New York, as you mentioned, or would it be more a Canadian city, like Montreal or Toronto?

**Mr. George Malec:** I'd say when we look at it in strategic terms, it's more likely New York. Most people don't realize that only a year ago, CN, the Port of Montreal, and the Port of Halifax embarked on a joint trade mission together through Southeast Asia. In many respects, we were having a strategically complementary business trip on that, because for the vessel operators that are operating these key bigger vessels that are too big to go up the seaway, Halifax is the port that's competing directly.

**Mr. Massimo Pacetti:** Which were the three? Montreal, Halifax

**Mr. George Malec:** They are Montreal, CN, and the Port of Halifax. So on face value, you'd think Montreal and Halifax are competing for this. On a strategic level, we both bring something very unique to the market to support Canadian enterprise and business. Montreal has a very good track record of working direct...a complete discharge and loading vessels of a smaller scale to go to the seaway. Our sweet spot is handling the bigger vessels that cannot transit that way.

The important thing here is for us to be out in the market offering the purveyor of the goods and the carrier of the goods the commercial wherewithal to come to Canada.

**Mr. Massimo Pacetti:** How long does it take for a vessel to cross the Atlantic? What would be a major port? Would it be London, Barcelona—

**Mr. George Malec:** There are several. Feed ports could be Bremen, they could be London, Le Havre, Antwerp. Two of the bigger ones we service right now are Antwerp and Bremen. Now, the transit time, generally at an economical steaming speed, is about five days. So it depends on the—

**Mr. Massimo Pacetti:** So if you're able to save two days out of five days, that's huge.

**Mr. George Malec:** It's significant, sir.

The other important thing is what trade lane that ship is on. If it's going down the east seaboard of North America, starting in Halifax and going all the way down to Savannah, that's a specific trade lane. If it's going down and then through the Panama and around the world, it's a specific trade lane. If it's just going point to point, Montreal to Le Havre, for example, that's a specific trade lane. The important point is we have to be able to service those ships.

**Mr. Massimo Pacetti:** In your earlier comment—

**The Chair:** Time is gone.

**Mr. George Malec:** I love to talk about this.

**The Chair:** And it's very interesting to the committee. I was blown away that you can compete with New York two days faster. I wouldn't have believed it if you hadn't said it, and I trust you.

Mr. Cannan, the floor is yours.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

Thank you, ladies and gents, for being here this afternoon.

I will continue on in that vein. The chair was minister of state for transport a few years back. I come from British Columbia; in Prince Rupert it is similar with Asia—we have that day competitive advantage on our west side. I think it's something we need to definitely tell the world about. I'm glad you are expanding your marketing.

Looking at some of the investments that have taken place over the last few years.... My colleague, Gerald Keddy, the hard-working member of Parliament from out here in South Shore, used to be on the trade committee.

I think the government has invested over \$52.5 million, including \$17.5 million recently, to expand your south terminal. Have those investments been able to put you in a competitive advantage or keep you competitive with what's happening in the shipping world?

• (1440)

**Mr. George Malec:** That is absolutely crucial.

The Government of Canada's 50% investment in the \$110 million worth of projects that I just referred to, which we're completing now, is essential.

As I mentioned earlier, it's really about reliability and velocity, in addition to the pricing and supply chain. If you cannot turn those marine assets, those ships, fast, then you're taking yourself out of the market. You're just unreliable. There's too much global pressure on these ship lines to maintain the integrity of their sailing schedules.

The profit margins are very tight. If you're not a reliable port that can turn them around because you have the correct “infrastructure”, and you cost them lost time. For example, if they're sailing up the east coast going to the Suez, there's a convoy canal system there. If you blow your ETA on that, you could knock that ship 24 hours off its schedule and then jeopardize its berth windows in other key ports.

It's very important to have the infrastructure that can handle these things.

**Hon. Ron Cannan:** In the trade committee, in 2008, I think it was, we were in Panama. Nobody has mentioned what will happen next year when that port opens up and it creates more competition. I'm glad we're able to partner with a great port authority.

Moving to Mrs. Janega, I appreciate the excellent work of the Canadian Manufacturers and Exporters—Mr. Myers and the thousands of members who represent the businesses and the employees. We appreciate the work that's happening and the partnering with our provinces.

One comment you made in your opening preamble was that growth through exports is possible but desirable.

I wonder if you would expand a little on that, please.

**Ms. Ann Janega:** I was referring to the low number of firms that actually export.

I think we can conclude that it may not be obvious to firms that by trading and becoming a trading company they will not only gain new business but may exponentially gain new business.

We need to demonstrate the value proposition that exporting—which does have risks, costs, and other side effects, as mentioned by your colleague at the table—can be worth it. We have to demonstrate that value proposition, and groups like CME will be trying to do that because there are risks and it can be a little scary.

**Hon. Ron Cannan:** This growth is all based on partnerships. There's only one taxpayer and we need to work together.

We had Mayor Savage here this morning, from Halifax. We are working with our provincial partners, and obviously the federal component across the country, which includes our post-secondary institutions. We'll hear from St. Mary's and Dalhousie representatives later this afternoon.

One of the comments we heard from witnesses today, and throughout different testimonies, is the challenge of skilled labour with our aging workforce, not only for the future but today.

From the CME perspective, do you think the private sector can play a bigger role in working with our provincial partners to train up our future workforce so they can get the skill sets upon graduation to be employed, rather than graduate with a piece of paper and not being able to fit into the workplace?

**Ms. Ann Janega:** I do agree. I think there is a huge opportunity there for employers.

The graduates are there and the training programs are there, but somehow we're not making the optimal connection. I think that here in Nova Scotia we work very well with the Department of Labour and Advanced Education and a very strong community college network. So the pieces are in place.

You did mention that partnerships are essential. We agree with that, but markets are necessary too. I think we have to start at a basic level and show firms that once they find the markets, these other pieces are available to them. CETA will help us make that market connection.

**Hon. Ron Cannan:** I have a question for both of you based on where we are with this agreement and the partnerships.

One of the comments we hear is on Canada's level of productivity.

Do you think this 21st century agreement with CETA will help the productivity level in Canada?

• (1445)

**Mr. George Malec:** First of all, productivity gets very close to the comment I made about reliability and velocity.

The CETA agreement, by strengthening the bilateral trade between the EU and Canada, should help us go to the best models, best cases, best scenarios. We already work very closely at understanding best practices in other ports. The close relationship we have developed as a result of what we've done now, and then building on CETA, should help to foster that.

**Ms. Ann Janega:** I would concur with that, and perhaps also make reference to the emphasis on continuous improvement as one of our tools towards productivity. It works well.

**Hon. Ron Cannan:** From your members to date, what do you see as the biggest opportunity?

It's going to be a couple of years before we get to the big drive. I think it has to be translated into 23 different languages, receive the legal scrub, and be passed in Parliament in Canada and in the European Union.

In the next two years, how can the government work with CME to take advantage of this leg-up on the U.S.? They don't have an agreement in place and we're hoping to be first out of the gate, which would be an advantage to Canadians.

**Ms. Ann Janega:** I think it's already working in discussions like this. We're improving awareness of our current assets, infrastructure, and opportunities. I mentioned the EUREKA model, CME's program for matching markets. That is there.

The final comment I'd make is that there is a big challenge for non-governmental organizations like Canadian Manufacturers and Exporters and some of the seafood associations. We're going to be working really hard to help translate this information and provide opportunities to our members. As well, it's a bigger opportunity for us to work with government.

But finally, we see it as triggering a spirit of optimism. It is going to be a real help, especially where economies have been struggling in the past.

**Hon. Ron Cannan:** Thank you. I love the optimistic attitude.

**The Chair:** Yes, there you go.

Thank you very much.

Brian Masse, the floor is yours.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair, and my thanks to the witnesses for being here.

Ms. Janega, you quoted a study saying that about 80,000 jobs would be created. That study was done in 2008, with data from prior to 2008. Since 2008, we've had a major global financial crisis. We've had issues in Greece and Europe that have been significant, and the dollar has changed in value.

Why is that study still valid? Is there a particular point of it that continues to give you confidence that we're going to have 80,000 jobs? Of those 80,000 jobs, how many will go to an eastern area like the Atlantic region?

**Ms. Ann Janega:** I don't think I can say the specific number we would predict. We can look by sector in Nova Scotia and see the areas that will benefit. I know we've had a lot of discussion about the seafood industry, but we've also heard from the authorities at the Port of Halifax that it is a big customer. So there is a lot of potential for growth already in that area.

Some of the other areas we have available that we haven't discussed are, for example, plastic producers and products that relate to the home-building industry. These are opportunities that will soon be improved, as I understand the immediate benefits of CETA.

Regarding the study you referenced, I think it's probably the most recent one we have to use to reference. I predict, though, that there will be some more coming soon, so we'll have better numbers to reference shortly.

**Mr. Brian Masse:** That would be good, because things have changed since then.

You mentioned plastics. That's an added one. What other products do you have as good examples? Manufacturing is different in my area from out here in the Atlantic area. Can you cite some areas we can target to get some actual action in increasing trade to Europe?

**Ms. Ann Janega:** In wood products, we have particle board and strand board. This doesn't sound very exciting, but these are key components in the housing industry. These components currently have a 7% disadvantage, and I know they are manufactured here in Nova Scotia.

**Mr. Brian Masse:** You mentioned that members need more help on this. The government has cut funding to some of their foreign service trade councils and support systems, and they'll continue to cut.

CBSA is another good example. Over the next number of years, from 2012 to 2015, there will be a \$160 million cut. They've moved the maritime strategic operations to Toronto, and they've also removed 19 detector dogs from our ports and our border entries across Canada.

Should the government continue to cut these services, or do we need those services to facilitate trade and exports?

• (1450)

**Ms. Ann Janega:** Services are required to boost trade, and we have some valuable services already in Atlantic Canada. Perhaps with CETA, as the demand grows, we'll have an added opportunity to make a case for even more resources here.

I would refer to my earlier comment, though, that non-governmental organizations will continue to improve these connections and promote government programs, whether it's at the federal level or the provincial level. That's what we do. We try to facilitate business matters for our members, and we'll continue to do that.

**Mr. Brian Masse:** Thank you.

Mr. Malec, with regard to your operations, the Halifax Gateway Council came here saying there was sufficient infrastructure in place to meet CETA and to grow as well.

What percentage of your shipping goes to the United States versus the percentage to Europe?

And lastly, on the Panama Canal and its expansion, will you have the capabilities to sufficiently service both those expected growth needs, if it is as predicted and the results are as sought?

**Mr. George Malec:** The trade line right now that we handle with the United States is that approximately 17% of the business that

comes in and out of Halifax by containers is destined to originate from the United States.

When we look at the European trade model, and what CETA is the framework for, except for very high-value air carried cargo, that's all water-borne. That's a huge business for us. It sounds simplistic, sir, but I don't think we can underestimate that our Canadian-U.S. traffic is on rubber tires primarily and our European traffic is on the water. For port infrastructure and port operators like us, this is a major play.

**Mr. Brian Masse:** I have 10,000 trucks a day that go through my riding to the U.S.

**Mr. George Malec:** So you can see that the trade lanes are completely different in how they are going to be conveyed.

**The Chair:** Thank you.

**Mr. George Malec:** Am I out of time?

**The Chair:** You are.

We'll go to our last questioner, and then we'll allow you a little wrap-up on that question.

Go ahead.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair.

Witnesses, thank you for coming here this afternoon.

Ms. Janega, my understanding is that your sector is composed mainly of small and medium enterprises, 95% in fact. In my view, 80% of jobs in Canada are created by SMEs.

Considering the potential opportunity you see once CETA is implemented, and of course the position of the Port of Halifax is an extra advantage to boost business in this region, my questions are as follows.

How well prepared are the smaller enterprises you represent to jump into the EU market of 500 million consumers? What are the challenges for smaller enterprises wading into such a marketplace? Is your organization doing anything to help prepare them to take full advantage of the opportunities CETA offers? Lastly, is there an EU expansion strategy specifically aimed at manufacturers and exporters in Nova Scotia?

**Ms. Ann Janega:** Thank you very much.

How well prepared are small companies? I think obviously it varies by sector and by the individual company. I think most very small firms probably don't even think in terms of... You mentioned the issue of creating jobs. I don't think their starting point is how many jobs they can create today. I think the starting point for most of these firms is whether there is a market there, if they can deliver value to their customers, and obviously if it can be profitable.

The answer to that question will vary by sector, and as I mentioned, some sectors are more progressive here in Nova Scotia than others. Aerospace and defence, for example, often have international partners that could be a key to success.

The challenge is waiting. I think whether it's access to information or help with some of the barriers, whether related to tariffs or language or customs, many partners are available to help with some of those challenges.

From CME's point of view, one of our most exciting initiatives is the one I mentioned earlier, related to the Enterprise Europe Network. This is an existing network that provides a matching service for opportunities with partners. CME is now the Canadian delivery agent for the Enterprise Europe Network. We've captioned it the Enterprise Canada Network. That's going to be a very easy, free way for a company to put its toe in the market and see what opportunities are available.

Finally, in terms of a European export strategy, our organization, which is a relatively lean operation in terms of staffing, has a presence in Europe and has the ability to communicate better with some of the opportunities and partners.

• (1455)

**Mr. Devinder Shory:** Today and yesterday we have heard from some witnesses who had reservations about CETA. What is the reaction of those you represent? Do they share those reservations, or is there a sense that increasing exports outside of North America will be overwhelmingly positive for small and medium-sized enterprises?

**Ms. Ann Janega:** Our organization would present questions about CETA that are yet to be explored, things like how the agreement will handle rules of origin, product certification, regulations related to business travel for people who are coming back and forth to support these opportunities. I mentioned government procurement. That's a question mark for us, and even issues such as dispute settlement are areas that we're keeping an eye on.

**Mr. Devinder Shory:** Mr. Malec, before I came to Canada we used to own a transport company, and the best scenario is when you can have loads, as we used to call it, both ways, going and coming.

You talked about supply chain efficiency, which will definitely benefit the port because of the loads you get from both sides. I'd like you to continue making your comments. You were cut off by this generous chair.

**Mr. George Malec:** Is it time for the Panama Canal?

**The Chair:** Yes, it's time for the Panama Canal. Go ahead and answer.

**Mr. George Malec:** Thank you.

On that note, let's extrapolate on that specific question on the Panama Canal. The impact we foresee on that is neutral to positive, because what's happening right now is shippers sending goods around the world on different services that are transiting the Panama Canal are doing it in ships that are basically carrying about 4,000 to 4,500 containers as their capacity. When the Panama Canal expansion is completed in 2015-16, that will allow shippers to economize by going to bigger ships. So instead of sailing two 4,000 TEU capacity ships—twenty-foot equivalent unit ships—it can be

handled by one 7,500 TEU or 8,000 TEU ship. The fuel, operating costs, and a lot of things are more efficient.

Now, you're operating those ships on a round-the-world service. Let's say you're starting from Asia and coming through the Panama Canal and continuing on the east coast of North America and then on to the Suez Canal on your service. Coming to Halifax on that rotation will allow you to take that big ship and load it to its maximum carrying capacity because of our deep water and our container infrastructure, and of course every single container, every tonne of cargo you put on there makes that particular voyage more cost-effective.

That's how we foresee that the impact of the widening of the Panama Canal will be positively beneficial. It won't hurt us. It won't take anything we have right now, because much of the traffic you're looking to divert is going to be something that's going all water now to west coast ports, and it is being taken on a land bridge, by rail usually, to the eastern half of North America. The opportunity now for shippers will be to bring that on an all-water route and then discharge it directly into east coast North American ports. The sweet spot for us will be that added advantage of talking to shippers and saying "You can maximize the value of that voyage on that round-the-world service by using our deep-water infrastructure to load up that ship to its absolute maximum safe carrying capacity, instead of stopping in New York, where you're constrained by water depth on how much you can load out and what water mark you can load out at."

Does that answer that question?

• (1500)

**The Chair:** Yes, no doubt.

Just as a follow-up on previous testimony, you could double the port capacity right now?

**Mr. George Malec:** We could triple it, sir. We can triple the container volume on our two terminals right now, and CN can triple the amount of freight volume it's carrying on its major rail artery connecting central Canada to the eastern seaboard here.

**The Chair:** It's a tremendous opportunity.

With that, I want to thank you all for your testimony. We look forward to great prosperity ahead as we capitalize on the opportunity of CETA. Thank you very much.

With that, we'll suspend as we set up for the next panel.

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

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• (1515)

**The Chair:** We'd like to call the meeting back to order. We have our second panellists here with us.

From the Eastern Shore Fishermen's Protective Association, we have Mr. Peter Connors, president. From the Halifax International Airport Authority, we have Jerry Staples, vice-president, air service, marketing, and development.

We're very pleased that you could join us for this time. We look forward to your testimony before committee.

We'll start with you, Mr. Connors. The floor is yours.

**Mr. Peter Connors (President, Eastern Shore Fishermen's Protective Association):** Thank you very much, Mr. Chair.

I'm Peter Connors, and I represent fishermen from the eastern shore between Halifax and Canso. I represent a small community and the very beginning of the supply chain, I guess you could call it.

I don't have much expertise in trade. That's really somebody else's purview. It's not my expertise, by any stretch, but I wanted to come as a fisherman and explain to the committee the hopes that we, as small fishermen and small communities, have for the opportunities that might come out of the European free trade deal. I'd also like to pass along some of our concerns for your consideration, which I hope you might be able to allay, or at least take note of, and that may be of some benefit to you.

I represent 220 independent businesses, really. They are individual enterprises: fish harvesters from the eastern shore of Nova Scotia from Halifax to approximately Canso. Most of these are inshore harvesters who fish lobster, snow crab, and groundfish, which is right now limited to halibut, but also herring, mackerel, and tuna. It's a multi-species fishery really, although the groundfishery is presently limited to halibut.

While our exclusion from the groundfishery was a blow to our area in the late eighties, the increase and abundance of snow crab and lobster could have somewhat compensated for the loss of the income that we had from groundfish had the marketing capacity been able to correspond.

If existing world markets cannot economically absorb the sustainable production of our seafood, it is needless for me to point out how important new markets and reduced tariff barriers are for our industries. To that end, we support the efforts by our trade delegation to expand trade with other countries. I must caution, however, that our support is tempered by our concern for local sovereignty over what is considered essentially a strategic asset for our regions, it being the main reason—the resource, that is—for our existence and the only immediate prospect for our prosperity.

We are concerned for our capacity to maintain the policies that we have worked hard to have put in place to protect local control of this strategic resource, and effort and benefit distribution. While we are anxious to trade what we produce, we are not prepared to trade our means of production or our self-reliance for any price. We support trade being an implement of integration with other communities, and even a degree of equalization, but never an instrument of acquisition or conquest.

We would ask that our negotiators take extreme caution as to the possible application and consequences of provisions proposed by other countries and even corporate interests of our own business community and the international business community. Please appreciate the vulnerability of these rural communities and the consequences that the failure to protect their economic interests would have on the democratic structure and the social fabric of our regions.

● (1520)

With regard to the theme of the effect trade has on economic, operational, and social structure, let me give an example of how this may be relevant to the independence of our region, which is a primary concern for us.

If trade is pursued by a particular corporate interest for their own interest, and subsequently is controlled by that interest—if the trade is controlled by the corporate interest—it could impact significantly on the operations of a free market system. That would diminish the capacity that local producers need to encourage local private investment, and it would, in effect, make us a ward of those corporate interests, with a loss of social structure. In that case, we would become a more unionized employee society, rather than independent business communities, with all the business spinoff effects, especially profits, being transferred to who knows where.

That's an important one for us, control of the resource and ownership of the resource, which, as of late, has been traded, and we're very concerned about how that might play out.

Many believe that circumstance is already prominent in the marketing of our products—the capacity of these international corporations to arbitrarily set the price of our product in whoever's interest they decide. Drawn to its conclusion, this power would completely control and alter the economic and political system we now refer to as a free market system governed by democracy.

Politically and economically, we are at a crossroads, and we will be watching for the signs that indicate how we must structure our response. We in our industry feel that in order to maintain our heritage as a small boat fishery, fishing shallow water harbours, fishing near the small communities—these small communities that exist just for that purpose, so that these fishermen can fish near them, which is the necessary way to fish that area—and marketing our product as coming from those sorts of enterprises, and being supported to do just that, we would need a trade conduit, if you will, or a trade highway that is accessible to small business, to all independent business, so that they can operate independently of monopolized businesses or corporations, in order to prevent the levers of trade power from consolidating and allowing monopolized toll-gating of an otherwise competitive free market system.

Democratic governments or otherwise universally democratic institutions, if we are to remain democratic, must control these mechanisms. As part and parcel of such a trade highway, there may also have to be some national mechanism considering the export value of some of our products, so that predator pricing by overcompetitive corporations...especially in times of abundance, as we find now with our all-important lobster industry.

According to a report by Gardner Pinfold, our national lobster exporters are subject to the negative consequences of competing against each other for foreign markets. This whole pricing regime/guidelines and the trade conduit-sharing mechanism to protect the competitive system is something that could be addressed by an integral body skilfully facilitated by those who have the capacity to bring power to bear. As of now, it still remains within the purview of our democratically elected governments to affect the nature of our politics, our economy, and social structure going forward as a consequence of trade.

• (1525)

Societies are all about trade, both personal and international. Modern-day governments will ultimately—through these decisions on trade now—have to take responsibility for future judgments by future societies that will be moulded by the provisions of trade agreements they make now.

Again, we are not prepared, for any price, to relinquish local control of local resources and our independence. I appreciate the competing individual versus collective business philosophies and the inherent need for both. Whether they operate competitively, side by side, or whether they can be incorporated into a singular integrated structure is a consideration and a negotiation that is well worth the effort if we are to construct a solution to the competing strengths and enjoy the benefits of both those systems, rather than constructing an acrimonious confrontation going forward and all the stress that accompanies it.

As I stated earlier, we are at a crossroads, and it is a strategic time for the formidable neutral powers to intervene. I'm applying to you, senators, as sober, thoughtful intellectuals to champion the propagation of this message to the appropriate negotiating powers.

I thank you for your time.

• (1530)

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

We're actually members of Parliament, not senators. The hair went up on the back of our necks, but nonetheless....

**Voices:** Oh, oh!

**Mr. Peter Connors:** It's a standing committee, and I misunderstood that from the beginning, or things might have been different.

**The Chair:** That's fine.

Mr. Staples, the floor is yours.

**Mr. Jerry Staples (Vice-President, Air Service, Marketing and Development, Halifax International Airport Authority):** Thank you, Mr. Chair.

Good afternoon. I am Jerry Staples, vice-president of air service, marketing and development for the Halifax Stanfield International Airport Authority.

Tom Ruth, our president and CEO, sends his regrets and greetings. He is unable to be here because of schedule conflicts.

I'll give you a bit of background. On October 25, the airport authority went out with a news release with the headline "Airport

Authority Applauds CETA". We support this program, primarily because of our strategic objectives to grow cargo, air cargo.

Further to Peter's comments, lobster is a huge, important commodity for us at Halifax. In fact, lobster accounts for 80% of what's moving as air freight. It's a high-value, dense product and the carriers like that.

We have target markets, which are in Europe. Frankfurt is one of them. We currently enjoy service with Air Canada and Cargojet: Cargojet to Europe, Air Canada to London Heathrow daily. It's a passenger aircraft, a 767 aircraft, that has belly capacity. I point that out because with airlines operating under very thin margins, the ability to haul cargo can be the top-up that makes them profitable and allows us to sustain the passenger activity.

We also have demand for dedicated freighter aircraft, which is the Cargojet I referenced, an all-Canadian—the only all-Canadian—cargo operator with dedicated freighters and with international service. We enjoy their business at Halifax.

Working with them and other carriers, there's an opportunity to grow as lobster and other seafood commodities.... These are in fact commodities such as silver hake, which as a species is not eaten in this market, but for which there is demand in Europe. So we see opportunities there. This is very well aligned with what we have been pursuing for our strategic objectives.

In fact, we processed 29.5 million kilograms of cargo in 2012. We look at doubling that over the next five years.

Although there are unknowns with the CETA agreement, we will do our homework and our research and work with industry partners to get that supply to move by air. We have that capacity, and it's a reasonable expectation to double.

We've made an investment. The airport authority, along with private companies, Gateway Facilities Inc. built the common-use cargo facility. I'm suspecting most of you will be departing by air, and as you approach the airport, you'll see that facility on your right as you exit the main highway. That facility is a 40,000-square-foot facility, with 7,000 square feet of climate-controlled space. When that was built, it was a bit of a chicken-and-egg situation to accommodate better handling of the cargo, the perishable products.

Actually, north of Miami, with direct airside access, that is the largest and most modern efficient facility that exists. It's a hugely important asset for us.

Just about a year ago, actually it was mid-November 2012, we brought online the runway extension of 10,500 feet. We thank the federal investment and provincial investment that helped us make that possible. But the sole reason we did that was not for passenger activity; it was to align with our cargo strategy. A wide-body heavy aircraft needs that extra length to go out fully loaded.

So, again, those are two key pieces of infrastructure that are in place at this point.

There's more in my speaking notes. Basically, the airport is an economic generator. We're doing over \$1.27 billion in terms of economic impact. Passenger and cargo clients have access to markets across Canada, the U.S., the Caribbean, and Europe. It's a 24/7 operation, with no noise restrictions. That's key, and that's a huge part of our value proposition, because as we look at CETA coming online and we see our competitors in the U.S.—basically Boston and the New York airports, Newark and JFK—those airports have noise restrictions. So after a certain point in time, usually somewhere just before or at midnight, those airports shut down, plus they are very congested airports. That's not the case in Halifax. We're wide open 24/7, with customs service, which creates a huge advantage.

• (1535)

Cargo has to move in two directions on aircraft, so we've been in the unique position at Halifax of having an imbalance, in that most airports in North America are importing, are net importers, and we're net exporters. Again, it's the seafood. One of the things we see as a possibility is repatriating some of this import activity that's arriving at Boston and New York for North American markets, bringing it through Canada, and putting it on trucks or moving it further by air into major markets within 13 or 18 hours, thereby creating jobs and increasing the tax base for the enjoyment of Canadians.

We're a world-class airport. Our mission statement is quite clear: "a world-class airport creating prosperity for our region by connecting Atlantic Canada to the world through flight". We've been focused on growing the air service, as I said, on the cargo side, but it's important to remember that the cargo will sustain the growth on the passenger side. We are really focused on two key things.

I think you heard from Joyce Carter and Nancy Phillips from the Halifax Gateway Council yesterday. I was able to participate in that recent mission. We focused on the CETA announcement, which, coincidentally, coincided with our planned trip to Europe. The \$115 billion in megaprojects that are on the books for Atlantic Canada were very well received, but from my perspective, there's a huge opportunity, an obligation on some of our parts, to get this message out in Europe. It's just not as high up on the radar as it needs to be, in my opinion.

The elimination of tariffs on fresh commodities like live seafood is going to boost our cargo demand. We see a very strong upside. This, combined with the elimination on forestry and fresh agrifood products such as blueberries, bodes very well for us at Halifax International. After all, if you look at Oxford, Nova Scotia, it is the blueberry capital of Canada.

The workforce movement component is equally important to us. When you're looking at the \$115 billion worth of megaprojects on the books, the actual horsepower, if you will, does not exist in Atlantic Canada to deliver on all those projects, so it's probably going to mean, from a skilled labour perspective and on the professional side, that people will have to come in from other countries to work this coast. We see that in the CETA agreement. Again, that hasn't unfolded yet, but we see what the intent is, I guess, and we look at that positively.

These early days are critical, again, to enhance the awareness of CETA. We'd like to be part of that, in particular, in the European

markets. I guess I would add also on the European side that as we become successful at attracting more cargo capacity to Europe, these aircraft have the ability to move beyond. If you're looking at Frankfurt, which is a destination high up in our strategic priorities, the connections that would give us to Asia, the Middle East, and Africa would be huge. That's also possible through other major centres. While the finer details of the agreement will be worked through, we're going to need to focus on quantifying the potential for ourselves and the positive economic impacts that it will bring.

With regard to aligning the administrative interpretation among the various government departments, it has been our experience with the Canada-EU Blue Sky agreement or Open Skies, if you will, that there were several departments involved in making that possible. These are early days, and I would ask that consideration be given to coordinating the various departments, be they Finance or DFAIT, as I still call it—I understand the acronym has changed recently. The various departments that have legislation and regulations they have to administer and interpret need to be talking together sooner to avoid becoming an impediment to implementation, because in some cases I see two years in this document, and five or six years in other cases, depending on what aspect you're looking at. From an administrative perspective, that can go off the rails quite easily. It has gone off the rails in the past. We'd encourage you to look at that.

• (1540)

Thank you for the opportunity to share a few thoughts.

**The Chair:** Thank you very much, both of you, for your testimony.

We'll now move to questions and answers. We'll start with Mr. Chisholm.

The floor is yours, sir, for seven minutes.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you, Mr. Chairman.

Thanks to both of you, our guests, for being here this afternoon and sharing your thoughts with us on this important issue.

First of all, Mr. Connors, you came through loud and clear. You represent a group of 226, was it?

**Mr. Peter Connors:** Yes. It's approximately 220.

**Mr. Robert Chisholm:** Yes. They are individual enterprises and small businesses in communities throughout the eastern shore, from, as you said, Halifax to Canso. They harvest a resource that is, as we've talked about in the past few days, something that people talk about as a very valuable commodity in trade with Europe. What I sense is that there's some concern about losing your members and about the small businesses losing some control over that.

I just want to seek some clarification. I understand that this probably comes out of activity over the past couple of years on the owner-operator fleet separation and the question of control over licences and effort. Would you describe that a little more for the committee?

**Mr. Peter Connors:** Yes, that's where we're at. For this resource, we're probably looking at some \$30 million or \$40 million worth of resource in the areas I represent. They're small communities. There's nothing else there to attract industry other than that resource. The value of that resource, the ownership of it, the quotas—we call it allocation—and then the access to it, which is the ability or the licence to catch it, which are two different things.... We have to maintain the value of that resource in order to finance our communities and keep them there, because that's the only source of independent income and sustenance we have.

That's come under threat. There are corporations, of course, that would like to buy the resource, just like any other resource, like oil or anything else. It's valuable, and it's only going to get more valuable. We appreciate that.

**Mr. Robert Chisholm:** Right, and right now there are policies in place that prevent the purchasing of and the gathering together of those licences.

**Mr. Peter Connors:** That's right. We have a fleet separation policy that provides for owner-operators. In other words, the individuals who live in those communities are the only people who can hold licences right now. Because we consider it a strategic asset, we've pushed for that. There's an element with regard to adjacency there, too, in that you have to live adjacent; you have to live in these communities.

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

**Mr. Peter Connors:** That distributes the benefits of the resource among all the communities adjacent to that resource.

**Mr. Robert Chisholm:** Right. In other jurisdictions, the controls have been lifted for that allocation or, as you said, that quota. As a result, ownership of that resource has been concentrated in the hands of fewer and fewer people. I think particularly of the west coast. A lot of coastal communities have suffered as a result. I think that's the concern—am I right?—that you and your members on the east coast have.

• (1545)

**Mr. Peter Connors:** That's right. In the first part of my presentation, I alluded to the fact that in British Columbia now, most of the fishermen there, who used to have lucrative incomes, have had that resource bought up. Now they simply fish for the companies or the investors—oil money or whatever—that bought that resource. They're just employees now, making very small wages.

**Mr. Robert Chisholm:** It was raised by an earlier witness whether or not parts of CETA, CETA itself, or one of the appendixes or whatever, might somehow threaten those policies. I don't have an answer to that yet. We're still looking carefully at it. There are some suggestions that it won't, but the next deal, the TPP deal, might have....

Anyway, I appreciate you bringing the concern to our attention. It's something that we're quite aware of, and hopefully, in terms of marketing the resources, some of the recommendations from the maritime lobster panel, if they're put in place, might help the industry and the individual enterprises to maintain control.

**Mr. Peter Connors:** That's right, and that's a work in progress.

Right now, part of my concern, on the marketing side of it, is that there were some buyers who came in who had niche markets. They could pay us more for our product, but of course they were sabotaged. They were brought into the fold, if you will, to use a certain conduit. They couldn't pay the price; they had to do a follow-the-leader sort of thing. They were confined as to how they could do business. That restricts the fostering of competition.

On our end, we're looking for competition. More and more, the competition seems to be consolidating. If you look at a competition bureau, they'd look at a bunch of people price fixing, but when a bunch of people buy one another out until there's only one or two left, well, then the pricing becomes.... There is no competition.

**Mr. Robert Chisholm:** We'll hopefully get a chance to look at that for a bit in the fisheries committee.

Mr. Staples, I wanted to ask you a question in regard to the fisheries resource. We had a representative from the Nova Scotia Fish Packers here yesterday, and he said they now truck their fish down to Logan—

**The Chair:** Very quickly.

**Mr. Robert Chisholm:** He kind of scoffed at the possibility that Halifax could compete with Logan in terms of being able to transport that amount. Could you comment on that? I didn't get to ask him.

**The Chair:** A very quick answer.

**Mr. Jerry Staples:** There is a challenge in the pricing because the belly capacity in a passenger aircraft is sold off at wholesale prices compared to a dedicated freighter operation. My point for Halifax was that as we build passenger services on larger aircraft, we get a belly capacity that will be cheaper. There is still a market for premium product on dedicated freighters from Logan.

**The Chair:** Very good.

Mr. O'Toole, for seven minutes the floor is yours.

**Mr. Erin O'Toole:** Thank you, Mr. Chair.

And thank you both, gentlemen, for taking the time to come and present to us. We certainly know you've taken time out of your day, but it's important for us to hear from people directly, both their optimism or enthusiasm, or some causes of concern.

I have questions on both your presentations. I'll start with Mr. Connors.

You described that you represent in your association 220, as you describe them, individual business people, fishermen, the inshore fishery, from Halifax to the Canso—Cape Breton area, and that they bring in primarily lobster, crab, and halibut. You talked a lot about self-reliance, and certainly, having served in the military here, having worked with fishing communities as a Sea King person, and even having conducted some rescue operations, I know they're a tough and hardy group.

You said you had some concerns about making sure the EU deal was accessible to those small people. I'm wondering where that concern is coming from.



I imagine now as a single producer or harvester they would sell to an agent, or someone, either in their town or at one of the facilities next door, and that's how they would generally get into market. Can you describe that a little more?

• (1550)

**Mr. Peter Connors:** Yes, that's true, and most of those are local people. They're suffering right now. I'm not making any accusations there. I'm just bringing up concerns and observations that we've had over the year.

There seems to be some...I call it predator pricing. In any case, there's some price manipulation taking place that is consolidating the marketing sector, in our opinion. Right now, I know there's an abundance, etc., but there are a lot of better markets out there, more markets than there ever were, but we're only getting 50% of what we were getting for lobsters 12, 13, 14 years ago. At the same time, halibut is about four times as much as what it was just five years ago.

So it's sort of inconsistent. That raises suspicions about a consolidation of the marketing sector, and the larger the players get, the fewer benefits are accruing to the fishermen down our way. We're starting to consider taking our local buyers so we can maintain our local infrastructure and sell directly to these niche markets, hopefully in Europe.

Don't take me as being too negative. I think there's some opportunity here, if we can get the right kind of mechanism in place so we can take advantage of it. But if we are going to be subject to some awesome monolithic power that's going to dominate the markets and exploit us, then we're not going to get any benefit from it. So I'd just like you to consider that when you're making your recommendations.

**Mr. Erin O'Toole:** Sure. When it comes to lobster in particular, Mr. Connors, when I was living here in the late 1990s, early 2000s, one of my close friends was a lobster broker for Schwimms. I think the price of lobster specifically now has more to do with the global recession that Canada has withstood. But certainly our friends in the large markets in the U.S., like Las Vegas and a number of places that were large purchasers of lobster, have scaled back, and that has affected price.

I don't know if you were here for our morning session. There has been some concern about whether this deal is only good for harvesters, the men and women on the ships, inshore or offshore, and not good for processors. This morning we went over the fact that current European tariffs for processed seafood are much higher. So fresh lobster—to stay with lobster because I do like lobster—has an 8% tariff rate but a 20% tariff rate on processed lobster. There's a clear benefit to the processing industry and the harvesters with the removal of those tariffs, and in fact Mr. Risley, who was here, talked about it being good for both, particularly for jobs in processing in the long term with those 20% tariff rates coming off.

**Mr. Peter Connors:** Yes. Michael Gardner alluded to that at a Senate committee hearing, that the competition from our exporters was costing our national industries here a lot of money. I think that has to be addressed, but it might be a national issue. You know, it might be an industry issue that has to be addressed there.

But right now, with the amount of lobster that's coming in, and especially the quality of lobster that's coming in, the processors are

playing a more prominent role. The reduction in that tariff, if we can get the right kind of structure in place and the right kinds of agreements through the right kinds of negotiations that everybody seems so reluctant to enter into.... We've had such a slugfest, I guess, over the years, in competition, trying to sort these things out, that people are reluctant to get back into these divisive issues of sharing the resource and the benefits from the resource. But we're on the low end of that right now.

• (1555)

**Mr. Erin O'Toole:** We want to try to get a win for both the harvesters and the processors.

Thank you. I'm sorry I have to rush, but I have limited time.

I want to get one question for Mr. Staples. Thank you for appearing. I know the federal government was proud to partner with the Nova Scotia government on the airport runway extension with your airport authority, and increasingly the airport is becoming a hub for the industry, whether it's CHC, IMP, Cougar. Could you talk about the importance of that world-class international airport and the other hub that has built around it in terms of economic generation for Nova Scotia?

**Mr. Jerry Staples:** Thank you.

Yes, it is a world-class airport, and we win awards on a consistent basis. Having built the infrastructure and the cluster around that, there are not many airports in Canada that can boast two airlines being headquartered there: Chorus Aviation, through Jazz, flying for Air Canada; and Canjet Airline, both at Halifax. Then there is the whole aerospace there, which you probably heard earlier.

There's no question that this infrastructure has supported that type of development.

**The Chair:** Thank you.

Mr. Pacetti, you have five minutes.

**Mr. Massimo Pacetti:** Thank you, Mr. Chair.

Thank you to the witnesses for coming forward.

Mr. Connors, I'm probably repeating the question, but as a city boy, I want to clarify what exactly "control of your resources" means. Is that like a quota system, where you own the resource?

**Mr. Peter Connors:** Yes, we fought for years against quota because the fishermen—fishers, I should say, because there are several women involved in the fishery there now....

I lost track of the question.

**Mr. Massimo Pacetti:** What exactly does "control of your resources" mean?

**Mr. Peter Connors:** In the past, there were licences and seasons. The licence gave access to the resource, and it also gave the allocation. There were no quotas. There was no certificate of ownership, if you will, other than the access or the right—or the privilege, more so—to catch it.

But then they put a quota system onto it; that's a three-day discussion, the quota system. It separated the ownership of the fish from the privilege of going out and catching it.

**Mr. Massimo Pacetti:** At one point, you said you'll lose control of it. How do you lose control of it? What part would you lose control of, the actual fishing, the licensing, the quotas? What portion would you lose with free trade?

**Mr. Peter Connors:** If there are provisions, for instance, that would deem the policies we have in place now to protect local ownership, so that it had to go on the open market....

**Mr. Massimo Pacetti:** The ownership of the resource, of the fish?

**Mr. Peter Connors:** Yes, and the licences per se, like owner-operator and the—

**Mr. Massimo Pacetti:** Are you worried there would be no demand for your product?

**Mr. Peter Connors:** I'm not worried that there'd be no demand for our product, but I'm worried that big money.... As lucrative as the fishery is, I still don't represent anybody with enough equity to buy a two-million-dollar crab licence. When that licence goes for sale, it'll be somebody who has access—

**Mr. Massimo Pacetti:** Somebody who can afford it.

**Mr. Peter Connors:** Somebody who can afford it, and they'll buy it.

**Mr. Massimo Pacetti:** And dominate the market.

**Mr. Peter Connors:** Yes, that's right, and they can monopolize it that way.

**Mr. Massimo Pacetti:** You were alluding to something else called "marketing capacity". You said that when the fish species being caught are changed, you didn't have a marketing capacity to change your strategy for that.

Did I understand that correctly?

**Mr. Peter Connors:** I'm sorry? What did you say?

**Mr. Massimo Pacetti:** At one point, you said that you didn't have enough marketing capacity when your fish species were being caught and changed. I assume that if you're catching lobster, and then you turn around and catch another species, you have to change your marketing strategy.

**Mr. Peter Connors:** No. What I was alluding to there is that we're catching twice as many lobsters, but they're blaming recessions and a lack of markets for the poor price we're receiving, compared to what we got years ago. More access to more markets, and maybe even a different way of marketing, might bypass some of the bottlenecks that might be there now.

• (1600)

**Mr. Massimo Pacetti:** How would you access the additional markets? You would need capital, would you not? You would need more money.

**Mr. Peter Connors:** That's right.

**Mr. Massimo Pacetti:** Where would you get that money?

**Mr. Peter Connors:** That's the question.

**Mr. Massimo Pacetti:** Would you be looking for more help from the government?

**Mr. Peter Connors:** Well, that's an open question right now.

**Mr. Massimo Pacetti:** All right. That's fine.

I want to ask one more question.

Mr. Staples, you talked about perishable products. Are there any other types of products you can store or ship, or that there's a demand for overnight?

**Mr. Jerry Staples:** I guess I'm talking about perishable products, about products moving eastbound to Europe. The planes need full flights in both directions. If you look at products that are being brought in to North America, in particular to Boston and New York airports, and some of their competitive disadvantages to Halifax, bringing those back through Halifax and moving them into the major markets on the eastern seaboard....

There's also an environmental advantage—

**Mr. Massimo Pacetti:** I'm just talking about marketing risk.

Let's say the perishable products are coming from Nova Scotia—and they would probably be fish products—and there was a decrease in demand for fish products, would you be able to expand your revenue base to other types of products?

**Mr. Jerry Staples:** It's heavily dependent on fish at this point, but there are other fresh products such as blueberries that go fresh to market.

**Mr. Massimo Pacetti:** So there's potential to expand.

Thank you.

**The Chair:** Mr. Shory, the floor is yours.

**Mr. Devinder Shory:** Thank you, Chair.

Thank you to all of the witnesses for appearing before the committee this afternoon.

Mr. Connors, I'm sure you appreciate the opportunity to express your views and concerns in front of this committee. The committee members are really thankful to you for coming to share your views and concerns with the committee as well.

Mr. Staples, as the Stanfield International Airport is the closest international airport link between North America and the European Union, it is placed in a way to play a major role.

When the Canada-EU trade deal begins to generate more air cargo requirements, storage requirements, and other logistical needs, what plans does the Halifax airport authority have in place to deal with this increased demand on your facilities?

**Mr. Jerry Staples:** We have land that is earmarked for development in an airside subdivision that currently has cargo operations. Gateway Facilities is the largest, which I referenced in my remarks. The highest and best use for those lands will be further cargo development.

As we see Gateway go to capacity, that will precipitate us moving to develop the other land. It will not necessarily be the airport authority developing them; we'd like to see the private sector do it. There are countless cases in Europe in particular where airports and/or community partners have had to step forward and do the development first, as was the classic case in Belgium.

**Mr. Devinder Shory:** There is certainly potential, and I noticed the excitement with the majority of the witnesses.

Is the airport authority working with industry stakeholders to discuss their needs in these areas, and what could potentially be required to handle all the business potentials we expect once CETA is implemented?

**Mr. Jerry Staples:** Yes, on several fronts. We work one on one with particular companies that are exporting and/or importing. We are members of the Lobster Council of Canada. We host what I call a "focus on freight" forum, and it usually meets three times a year. They are freight forwarders and shippers, the players in the industry that have a need for air cargo. We're using them as a resource for building and aligning our strategies.

**Mr. Devinder Shory:** What are the challenges that you foresee, if there are any—and I'm sure there will be some challenges in your plans—that you would like to address?

• (1605)

**Mr. Jerry Staples:** I think there are two.

One, quickly, would be building the markets in Europe and having the financial resources to do that in a unified way as a community of various stakeholders.

The second would be to attract that capacity to actually move the product. The second one is probably less than the first, because if the demand is there to move the goods—as you know, airplanes are very mobile assets—they will move into the markets to do that.

**Mr. Devinder Shory:** We had Mr. Malec from the Halifax Port Authority here, and he was talking about some supply chain efficiencies, basically trade both ways.

Do you see that opportunity, and has the airport authority considered marketing in a way that you can arrange all the freights from both sides?

**Mr. Jerry Staples:** We do that. Quickly, we have a costing model we can show people who are moving goods how they'll save money by bringing it through Halifax instead of Logan and New York.

There is also the fact that one of the really simple things here is that you're hitting land in North America sooner. By putting the aircraft on the ground, you're saving a couple of hours of flying time into other major markets, say Chicago even, and in both directions. If you multiply that by \$15,000 to \$20,000 an hour to operate that aircraft—each flight costs money—plus the environmental emissions, since you're not flying aircraft half full...you're going to bring a full load into Halifax and you're always going to leave with a full

load out, primarily because of the imbalance that we enjoy here in terms of lobster exports.

**Mr. Devinder Shory:** Based upon the information you have now about the CETA agreement, do you see any downside to this agreement?

**Mr. Jerry Staples:** I guess there are still a lot of unknowns at this point. We see the timing issue as being important, and the fact that we need government departments to align what they need to do to remove the barriers. If there's activity, the growth potential can be achieved.

**Mr. Devinder Shory:** How much time do I have, Mr. Chair?

**The Chair:** You're pretty well done. Maybe one more quick question.

**Mr. Devinder Shory:** I'm done, Mr. Chair.

**The Chair:** I would like to take that question before we get into the second round.

Mr. Connors, you represent the small fishers on the east shore. Is that right?

**Mr. Peter Connors:** Yes, east of Halifax.

**The Chair:** Right. What percentage of those small fishers does your organization represent? Is it all of them?

**Mr. Peter Connors:** We represent all of the fishermen from Halifax down to approximately Marie Joseph, and from there down there's the Guysborough County Inshore Fishermen's Association. They have over 100 members, maybe 125 or 150 members.

**The Chair:** There's a question that begs asking. You're saying that what you would recommend is to cease the ability to be able to sell a quota so that you can retain ownership of the quota. Is that right?

**Mr. Peter Connors:** The quota system is in place.

**The Chair:** That's right. But if you couldn't sell it, you would be giving up, as you said, \$2 million for that one quota. Is that what you're advocating?

**Mr. Peter Connors:** We're at that crossroads now. The question of financing comes up, and that's a big question right now because a lot of the fishermen who have to hold that licence are going to corporations that can afford to finance that licence for them. So then they get into a controlling agreement.

**The Chair:** The only question is, are you advocating not to have that ability to sell?

**Mr. Peter Connors:** No.

**The Chair:** Okay.

**Mr. Peter Connors:** No, we're not suggesting that that be given up to the community or anything. There has to be some provision made so that those quotas can transfer and yet stay in the community. But the community has this open question of how we find financing for the community so that it can stay there, whoever owns it.

**The Chair:** It sounds like you want to sell it, but you want to sell to certain people.

**Mr. Peter Connors:** Yes, I guess that's it.

**The Chair:** Fair enough. I don't want to belabour that, but I wanted to get clarification of your testimony.

Mr. Morin, the floor is yours for five minutes.

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** Mr. Connors, from what I see, the people who harvest the seafood at this time can hardly get a price that covers their operation costs. We've seen the lobster fishery in New Brunswick being delayed because the fishermen were not prepared to sell their product under cost. That's one of the threats, I think, because we see the retail price of lobster, say in Montreal, and we say "How come those guys can't make a living with that?"

Do you think this problem might increase if there's pressure to export to Europe? Will the people who own the export system put pressure to get the product even cheaper?

• (1610)

**Mr. Peter Connors:** Yes, part of my previous answer was about the niche markets and the domestic market. We had meetings here just three weeks ago with chefs who would like to buy fresh fish, but they can only buy a certain amount. The problem they have is the amount they buy.

It's the same as the niche markets with lobster, and any fish, for that matter. Sometimes the capacity isn't there to handle the volume we catch, so then we become subject to the commodity dealers, if you will, who ship everything as a commodity. Then it's all based on factors other than fresh fish quality and that niche market.

So you have two different markets, and it may impact on them, depending on the trade conduit and how that's set up, I would think.

**Mr. Marc-André Morin:** When the product becomes a commodity and it's dealt with on a broad basis, you're competing against other countries that sell the same product.

**Mr. Peter Connors:** Yes, we are.

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

**Hon. Ron Cannan:** Thanks very much, Mr. Chair, and thanks to our witnesses.

Thanks very much, Mr. Connors, for your testimony this afternoon. It has been very interesting and very passionate. We have heard from the fishing industry representatives from Newfoundland and throughout the Maritimes that it's part of our culture and part of the history of Canada, and it's a resource. I come from British Columbia, where we're very blessed with a diversity of resources.

I was trying to understand when you talked about how you're struggling right now as an industry. The revenue from lobster is down by about 50%, so it's fair to say that the status quo is not working.

**Mr. Peter Connors:** That's our opinion, yes.

**Hon. Ron Cannan:** Could you expand on or clarify this? If you were the Minister of Fisheries, what would be the right kind of structure or mechanism you'd like to establish?

**Mr. Peter Connors:** I'm not saying so much the federal government, but there has to be better organization of the whole

sector, because the free market system we had in place doesn't seem to be serving the industry very well now. So much consolidation took place in some sectors, and it doesn't seem to be working very well. I think there has to be organization and some proper facilitation of some negotiations. Put the industry in the Maritimes under some kind of a structure so that it can take the place of what we feel isn't working now, more an agreed upon structure, if you will, so that we can work together more, rather than with undue competition. We suspect some of the price manipulation is causing problems.

• (1615)

**Hon. Ron Cannan:** If you could open up a market with the EU, like 500 million more stomachs, that would be a great opportunity, right? You're saying you don't have the resources to put the infrastructure in place to take advantage of that, the way the structure is in place right now.

**Mr. Peter Connors:** That's my opinion. I think we could use some help bringing everybody on the same page and coming up with a better structure to address this opportunity that's coming up. I think we're going to have to.

**Hon. Ron Cannan:** As an association with over 220 members, have you ever considered establishing a co-op?

**Mr. Peter Connors:** Some have, some haven't. As I said earlier, there are always two schools of thought, and that's one of them.

We're transitioning. For years we had an owner-operated fishery. The federal government managed that fishery. In effect, the fishermen caught the fish, sold them to the buyers, and, like a free market system, worked under the management of the federal government. Now we're finding ourselves having to restructure, and we're pretty vulnerable because we don't have a lot of resources. Some of the organizations aren't all they could be. I think it's going to take some facilitation.

I wanted to reiterate how important it is to these local communities, how strategic this asset is, and where so many people in the outlying areas of Atlantic Canada are going to be if this isn't put in place. It could be something, but the way we're going it has the potential of dying out, and a lot of our rural areas with it.

**Hon. Ron Cannan:** It's at a crossroads, and I think it's very important that the association gets together to help retain that history and heritage in the community and the sense of community for future generations.

I wish you all the best. Thank you.

**Mr. Peter Connors:** Thanks.

On that question on the transfer of the licences and the selling of the quota, it's our hope.... The restriction we wanted to have put on that is that it would have to transfer to the next generation, so that intergenerational change can happen in order to sustain these communities.

**The Chair:** I'd be surprised if all of your membership would agree with that, because some of them would be compromising a tremendous amount of assets. But I don't know that. I'll let you answer that.

**Mr. Peter Connors:** No, I alluded to that. There are these two trains of thought. There is the individualistic interest and consideration and there's the community consideration.

**The Chair:** I know, and you're representing both here, so....

**Mr. Peter Connors:** It is so, yes.

**The Chair:** Okay. I thank you for that. It was interesting. I learned something here in this session.

Mr. Staples, thank you for your optimistic view of the airport, and congratulations on one of the greatest airports in Canada and in North America. Thank you very much for your presentation.

With that, we will suspend as we set up the next panel.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
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- (1630)

**The Chair:** We're going to call this meeting back to order. We are pleased that this is the last session of the day. We look forward to testimony from Dalhousie University and St. Mary's University.

We have Martha Crago from Dalhousie University. Thank you for being here, and we'll hear from you first. Then we'll go to Mr. Dodds from Saint Mary's after you. The floor is yours.

**Dr. Martha Crago (Vice-President, Research, Dalhousie University):** Dalhousie University is approaching its 200th anniversary. I thought you would want to know that. The universities are old on this side of Canada.

**The Chair:** That's before Canada.

**Dr. Martha Crago:** Right, that's before Canada.

It's situated in what I think is a very vibrant gateway community to the Atlantic rim.

I'm leaving tonight for Berlin, and on the PowerPoint that I was preparing somebody had written "northwest Atlantic". He was talking from the German perspective about our northeast Atlantic. We share this ocean.

Dalhousie is Canada's largest, most research-intensive U15 university east of Quebec and west of England. As such, we're enthusiastic partners with Europe and European universities. I want to describe some of the ways this partnership plays out with regard to a Canada-Europe trade agreement.

Dalhousie is one of Canada's leading ocean science universities. We have the largest collection of Ph.D. scientists who do ocean science of any university in Canada. Add to this the 350 Ph.D. scientists who work on ocean-related matters in the federal labs in Halifax and we have a very robust ocean science community serving the government and industry, and working closely with both. In fact, if you look at our ocean-related industries, we have the largest per capita number of ocean-related industries of any city in North America. Our scientists at Dalhousie work very closely with those industries, so we have a true government-industry-university cluster here in this area.

We very much welcomed the marine research alliance that was signed in Galway, Ireland, this May. We see it as a manifestation of the kind of ties that a Canada-Europe trade agreement is bringing in

its wake. This alliance between the EU, Canada, and the U.S. is a brilliant vehicle to increase the transatlantic and Arctic research that's desperately needed at a time when science is unlocking the potential of ocean resources. It is also needed to mitigate any risks associated with the extraction of these resources and with changes in climate.

The North Atlantic Ocean, which is shared between Europe and Canada, is a key region for what's been referred to as the "blue economy", a many-billion-dollar economy. Our scientists are key players in this economic and innovation system, particularly in regard to the North Atlantic.

Our ocean researchers work hand in hand with ocean industries and federal scientists in very large national and international networks, such as the ocean tracking network funded by CFI and NSERC for \$45 million, with approximately \$128 million of international money included in it. There is also the Marine Environment Observation Prediction and Response Network of centres of excellence. In addition, we have the Halifax Marine Research Institute, a consortium of maritime universities and industries.

Through these networks we have formal ocean research agreements that were witnessed at the highest level of government with France's Pôle Maritime, which is an ensemble of 23 research universities and research centres in Brittany. It is the heart of the maritime-government-industry-university cluster in France. It co-operates with three ocean-related Helmholtz Institutes located in Germany. We were pleased to host German Chancellor Angela Merkel in the summer of 2012, when we signed an agreement with these three Helmholtz Institutes. It is entitled "Change, Risk, Resources: a Transatlantic Arctic Approach".

We anticipate that the research ties with Europe will strengthen with this trade agreement, and any governmental initiatives that promote this are most welcome. We've noted that the EU has lined up substantial portions of their research funding in Horizon 2020, with ocean research aligned with the agreement that was signed in Galway.

We encourage the Canadian government, through the Canada Foundation for Innovation and things like the Natural Sciences and Engineering Research Council, to do the same: line up funding that can be used in strong partnerships for work that follows along the lines of the Galway agreement.

•(1635)

Joint collaborative research between European and Canadian scientists will greatly enhance the development of transatlantic approaches to resources and to risk issues that will impact upon this trade agreement, not the least of which are ocean transportation, ocean security, ocean mineral, hydrocarbon and fish resources, and ocean science and technology industry.

Our scientists who do work with industry and have spun off companies from Dalhousie encouraged me to note a particular difficulty they have with the Europeans through the lack of the harmonization of the CE mark with the Canadian Standards Association's mark and with the United States' Underwriters Laboratories mark. The requirement for the CE mark on the sale of equipment, particularly on underwater sensors that are very key to a lot of the very kinds of important research I've mentioned, is.... In fact, that CE mark is blocked because they don't want it to interfere with radio frequencies, but those frequencies don't penetrate into the water. So the blocking of these particular sensors doesn't make a lot of sense.

At any rate, it's impeding the successful use of science and technology that results from the collaboration of scientists with industries on both sides of our shared ocean. Obtaining the CE mark can increase the price of a single piece of equipment by \$10,000 to \$20,000, which makes the Canadian equipment not competitive in the European context.

This kind of equipment, which is produced in large numbers in Nova Scotia through our ocean science and technology companies, is used for science, and in many ways is encouraged through science. So we encourage the Canadian government to seek sensible harmonization on the various standards that pertain to crucial scientific equipment.

The other problem with filing for patents in Europe is another impediment: patents have to be filed for each country and in each language. There's a cost to each of those filings, so when dealing with Europe as a set of nations, this makes patenting extremely expensive.

As a second point, I also want to mention to you that we have a European Union Centre of Excellence. This is funded by European Union funds. It was established in 2006. It continues to receive support through an agreement between the EU and Dalhousie. It's currently one of three centres across Canada receiving such support.

The scholars and scientists working at this centre utilize cutting-edge research. They use it to inform policy, government stakeholders, the general public, and members of the academic community on a range of topics pertaining to EU-Canada relations, comparative EU-Canada public policies, and EU policies more generally.

This a great resource to you. We're happy to have you contact any of our scholars at this centre. One of the targeted areas in the program, actually one of the theme areas, is EU-Canada trade and economic relations, so we have real scholarly excellence in that area.

The research undertaken under that theme helps to highlight relevant lessons that partners on both sides of the Atlantic can learn

from each other. Their results feed into a range of outreach activities, from government policy to the private sector.

Finally, we are happy to receive, at this point, about 144 students from Europe. This number increases annually. The latest increase was by 8%. We hope it will continue to increase at that level.

One of our most successful graduate programs is a partner program between Dalhousie and Germany. It's sponsored by NSERC on this side of the ocean and by the Helmholtz Association on that side of the ocean. It involves about 25 Ph.D. students from each country. It has about \$5 million worth of funding to bring these students together and to place the German students in industry companies in Halifax, in ocean science industries, and to place the Canadian students into the same industries and government labs and university labs in Germany. They exchange back and forth. They get together twice a year, which they've just done in Halifax over the past month.

This kind of educational initiative will build strong ties that will be there for next-generation scientists.

•(1640)

We understand that public education is exempt in the trade agreement, and we applaud that. We did not find any indication in early discussions on the agreement that it would provide access to university education at domestic rather than international fees in either direction. I think this is important, because the universities on the two sides of this shared ocean are funded in very different ways. We know that international students require a different level of academic and student services, and our fees are set according to that and to our funding mechanisms.

The final point about education that I'd like to make is the recognition of professional credentials for the graduates from our professional programs—and Dalhousie has a wide range of professional programs. It will be very important for the free flow of highly qualified individuals between our nations to harmonize that professional accreditation, so that a physiotherapist trained here can work in England and one trained in France can work here. In that way, we will all benefit.

I just want to conclude by saying that we strongly endorse the potential of this trade agreement to strengthen educational scientific research and innovation ties between our two countries, and we hope, as a university, that will contribute significantly to that partnership.

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

We'll now look forward to Dr. Dodds' comments.

**Dr. J. Colin Dodds (President and Vice-Chancellor, Saint Mary's University):** Thank you very much, committee members. Meeting here before you this afternoon brings back memories of appearing before this committee at the time of the free trade agreement. So it's nice to be back to see what progress has been made over the years.

I do not see this, as my colleague from Dalhousie sees it, just as a trade deal in the narrow context. I looked at *The Chronicle-Herald* this morning and it said trade pacts. I see it as Martha does—very much in a broader context. Given that it is called a comprehensive economic trade agreement, I see it as a natural step with respect to the EU, because over the years, so many foundations have been built for this, and my colleague has explained some of them in great detail.

What I would like to do this afternoon is not just specifically focus on Saint Mary's, although we have many linkages, particularly sister institutions where we link formally, and students. I'd rather look at some broader issues of the trade pact that I'm interested in. Again, given that I did appear before the committee back in the eighties and have followed the NAFTA agreement in the nineties, I want to come back to some of the context—back in the nineties some of us had visions of a trans-Atlantic trade partnership. It's nice, then, to see that here we are, later on, building on that.

Of course, some of us also had dreams, following NAFTA, of a North-South America hemispheric trade agreement. We still have work to do on that. Various governments over the years have built bilateral trade deals, so you can sort of start to see a process of how that's emerging.

Of course, Canada has been looking at a trade agreement with India, and most recently we have the Trans-Pacific Partnership. I'm sure you've had lots of presentations that have rehearsed the various arguments back and forth with respect to these kinds of arrangements. I really don't want to develop on that.

I want to build on the theme that my colleague has talked about, which is knowledge collaboration, particularly in the area of science and technology, which she's addressed, but also in the issue of management. This knowledge collaboration would flow and build on what we've already achieved by greater cooperation between the EU and Canada, because as we know, the world we're living in is far more transnational, dynamic, and increasingly competitive.

I do want to remind the committee, which I know you know, that Canada places 14th in the global competitiveness index. At one point we were tenth, in 2010-11, then 12th, in 2011-12, and it's not so long ago that we were eighth.

If we take higher education, I would argue it is now the global currency, enough for a key driver for what we want to achieve from this comprehensive agreement. If I look at the breakdown of the global competitive index, what I see is that in higher education, on quality we rank sixth. In other words, we're up there. In the quality of math and science, we rank 14th; in quality of management schools, we rank fifth. So we've got a lot of things going into this that help us.

If I think back to when I was a member of the advisory panel to Minister Fast on international education, one of the aspects that we dealt with there was in fact the advantage we have of quality and quality education.

I certainly see the collaboration of higher education institutions between Canada and the EU as a positive-sum game, as I also see the collaboration of firms. If I go back and look at some of the data that I'm aware of with respect to the EU and with respect to some of the structural changes that are occurring, and if I look at what the EU

sees as its most innovative sectors and what it calls the European knowledge society, I see that these include life sciences and biotechnology, information society, energy and the environment, and sustainable growth.

● (1645)

Within that, their focus has been to support small and medium-sized enterprises, which we know are critical for innovation and job creation. They've also been involved in looking at the least developed areas within the EU, and also the upgrading of human capital. We all know the issues out there with respect to skills and the skills that Canada needs in the future. So if I look at those areas of interest within Europe, I think they match very well the interest within Canada.

If I look further on this for higher education, what is apparent is that given the scope, complexity, and cost of dealing with many of these scientific issues in their various forms, collaboration is the natural way to move forward, as I described it as a positive-sum game.

Joint research centres, which Martha Crago has just talked about, between Dalhousie and its partners, the exchange of scholars and students, are there but could be developed further—sharing information. If I go back and look at some of the indices that are out there with respect to internationally co-authored papers, and if I look at the EU, they're increasing dramatically; if I look at the United States, they're increasing dramatically. I saw some recent data for Italy, for example; again, for internationally co-authored papers, the growth is quite significant. Again, there is a lot of potential for our scientists in our faculty to be involved in this.

If I asked the question, what assets and activities could Canadian universities—and of course we have a wealth of them in Atlantic Canada—build on to contribute to the international trade priority, specifically in the case of the EU, they would be: international students, coming back to the Chakma report that I mentioned I was part of the panel for; international faculty; international research and collaboration; partnerships and networks; and the global quality of the Canadian educational experience, as validated by the World Economic Forum in terms of the global competitiveness index. If I then think with respect to the knowledge and skills that our public and private sectors would bring to this, we have a wealth of cultures, a wealth of languages, history, societal—you name it, it's all there. Communication, decision-making, dispute resolution—we have it all in Canada.

If I then drill down further and say, what role could Canadian universities help play, both the public and private sectors, in accessing these knowledge and skills, then let me focus, first of all, on the brand of Canadian universities, which is very, very strong, to attract more international students. Expand the potential for student co-op and internship programs, linking in with the private sector, with our multinationals and firms that are operating in Europe. Expand the funding for the integration of university graduates into private sector research positions—so that goes beyond just the internship programs—with the idea, of course, as that report that we gave to Minister Fast talks about, of increasing the mobility of Canadian students. And certainly from the point of view of Atlantic Canada, Europe is really closer than the west coast of Canada, so there is a tremendous geographic advantage that we would have. There is potential to take the Canada research program and target researchers from Europe with respect to that. The potential of CFI funding has already been mentioned, so I won't go further on that. Again, there is the potential for more foreign-sponsored research to be done at Canadian universities from the European Union. There is potential, if there are any savings in the SR and ED program, to provide international research in commercialization projects, again geared towards Europe.

• (1650)

I think we could have more public policy forums with respect to the EU. I'm on the board for the Asia Pacific Foundation, for example, and we've been conducting across-the-country forums on what we call “conversations on Asia”. Again, conversations with respect to Europe would be very, very useful.

I will come back to my own institution. We have a number of research partnerships. We welcome a significant number of students from Europe. I think you're all aware that Europe—not just the EU, but the whole of Europe itself, and it extends to about 47 countries—in terms of the Bologna agreement, has gone through fundamental structural change. They have in fact been realigning their undergraduate and their graduate programs to more of an international norm. Again, I think there's potential for us there. We welcome many students, for example, from Germany on study abroad opportunities, typically in the fall semester. Those could be expanded into the future.

Members of the committee, I stand ready to answer any questions you may have.

My own university celebrated its 200th anniversary some years ago. Actually, Canada Post gave us a postage stamp in our honour. But as a stamp collector, I would be remiss if I did not acknowledge that some years ago Dalhousie Law School actually had a Canada Post stamp in their honour.

I stand ready to answer any questions, particularly if you want to get into the areas I'm really interested in, which actually would be trade and investment opportunities, because that's an area I do some research in.

Thank you.

• (1655)

**The Chair:** I have a feeling questions will probably be on trade in the trade committee.

Let's start.

Mr. Davies, the floor is yours for seven minutes.

**Mr. Don Davies:** Thank you, Mr. Chairman.

And thank you, Ms. Crago and Mr. Dodds, for being with us today.

Mr. Crago, I'll start with you.

You mentioned the difficulty that Canadian firms have with the patent process in the EU. If I have it correct, you said the difficulty is they have to be different applications, depending on the country, and in the different languages.

In your understanding, does CETA address that problem? Does it cure it?

**Dr. Martha Crago:** Well, it needs to cure it. I'm not sure that it's done it strongly enough. It's the feeling I got from the scientists, who feel that their inventions are so difficult to patent in Europe, although they would be very usefully patented in Europe.

Without having the expertise to say whether it has addressed it as well as it could, I want to just raise it and flag it as an issue, particularly for our scientists, who are producing things through their science that are patentable.

**Mr. Don Davies:** Thank you.

You may know that it's been the New Democrat position that we're positive about the prospects of deeper economic relations with Europe and are in favour of a deal with the EU. We're reserving judgment until we actually see the text of the agreement. In our view, there are a lot of issues that remain to be determined, and that's one of them.

What we have to work with is the “Technical Summary of Final Negotiated Outcomes”. I've read the part on intellectual property and there's nothing in there that bears on the question of whether or not we made any progress with that issue.

Ms. Crago, do you have information outside of that?

**Dr. Martha Crago:** No, I don't have any information outside of that.

**Mr. Don Davies:** Okay, thank you.

**Dr. Martha Crago:** I have kind of a lived experience that people reported to me.

**Mr. Don Davies:** It's an important issue. I think Canadians would like to see that streamlined, but what I'm saying is we don't know that at this point.

In terms of procurement, you did say that post-secondary education is exempt as an area, but the MASH sector and academia are subject explicitly to the procurement provisions of CETA.

I'm just wondering if either of your institutions has done any kind of study as to what the costs or benefits of those may be to your institutions.

**Dr. Martha Crago:** We haven't done that study, but actually coming here raised the issue to both me and the president that this was the kind of study we need to do. We need to understand more clearly exactly what any implications of that would be.



**Mr. Don Davies:** Mr. Dodds?

**Dr. J. Colin Dodds:** We'd be the same, yes.

**Mr. Don Davies:** Fair game. I think it's early days on this. I know that this document we have to work with is really a narrative. It's descriptive but doesn't have a lot of the details. It's our view that trade agreements—particularly the most complicated and comprehensive agreement in Canada's history, as it's being touted—require us to look at the details.

I want to move to credential recognition. That is a vexing problem in our country. We have tens of thousands of Canadians, if not hundreds of thousands, who are underemployed here because we don't recognize their credentials. It hurts them and it hurts our economy.

I'm looking at the credentials section of this agreement as well. Again, it's a narrative. It says that it's the “[f]irst time that substantive and binding provisions on licensing and qualification, as well as the mutual recognition of professional qualifications, have been included in any of Canada's free trade agreements”. It states that the “[p]rocess of recognizing foreign qualifications [is] streamlined” and that it “provides a detailed framework so that regulators or professional organizations may negotiate mutual-recognition agreements”. It also says, “Professional associations...have already engaged in discussions on mutual-recognition agreements.” As well, it says, “Other professions...have expressed interest in future engagements.”

What that sounds like to me is a description of a goal that contains an agreement to discuss. That doesn't strike me as a binding agreement that tells me we have achieved credential recognition in specified professions. Do you have any other additional information?

**Dr. Martha Crago:** I have a comment that I can make, based on my own past as a speech pathologist, which is that our own provinces in this country had a lot of trouble with this about 30 years ago, but they managed to sit down, discuss it, and sort it out. I believe that we've done similar things with the United States in the health professions that I know best. It's my anticipation that with goodwill one can sort these things out. It's just something we need to be aware of.

It's of benefit, if you will, for us to be able to profit from that kind of highly qualified personnel who are trained in Europe. We have many areas of this country that are underserved, I can tell you, in terms of speech pathology. We need more personnel. We don't have the capacity to produce them in our universities right now, so we would need personnel like that—

• (1700)

**Mr. Don Davies:** Sorry, but I will have to interrupt you. You should have told me that at the beginning. My wife is a speech pathologist, so I...

**Dr. Martha Crago:** Well, there you go.

**Mr. Don Davies:** Well, I'm a lawyer, and I know the difference between a binding agreement and an agreement to agree. I agree with you that it's good that we have these processes, but I just want to find out what CETA does and what remains to be discussed.

Have either of your institutions, any of your staff members, done a current economic evaluation of the costs and benefits of CETA? I'll

preface that by saying the only document we have is something that was done in 2008. It was an economic modelling that preceded the current deal we now have in front us. It preceded the great recession. It preceded the problems in Europe. It preceded the issue of currencies.

What we're looking for is a current evaluation, using the bones and flesh of CETA, to determine whether or not the job and the GDP growth are accurate at this point. Do you know if you have any staff members who are doing that work?

**Dr. Martha Crago:** I don't know that for sure, but what I do know is that the Centre for European Studies, or the European Union centre, does have people who look at these aspects, and this agreement is, as I said, one of its themes for focus and concentration. I am going to suggest that there will be people there, and I can certainly put you in contact with the head of that centre, who can inform anybody. Anyone is free, of course, to seek their advice on any of their scholarly work.

**Mr. Don Davies:** Is there anybody in Canada? I'm just wondering if we have any experts or academics in your institutions who are looking at that.

**Dr. Martha Crago:** I believe there are two, yes, who were hoping to be here yesterday afternoon and couldn't for reasons of conflict of time.

**Mr. Don Davies:** Mr. Dodds, do you have anybody in your institution?

**Dr. J. Colin Dodds:** Not specifically, no, but coming back to the whole issue of professional credentialling, not only is it an issue that Canada faced 30 years ago, it's an issue that we're still facing. It's rather ironic because, as we know, many of these professional designations are provincially recognized, and we don't have free trade in Canada. It's an issue that we just have to work on. We have to address it. It's particularly relevant, of course, in the professional schools.

With respect to actual degrees, that typically is no problem at all. If we're recruiting a faculty member from overseas, it's easily recognizable. It comes down to some of the professions. I would just caution you that in many instances we don't have a fully fledged system in Canada.

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

We'll now move to Mr. O'Toole for seven minutes.

**Mr. Erin O'Toole:** Thanks, Mr. Chair.

Thank you, Dr. Crago and Dr. Dodds, for bringing your perspective here.

I'll just make a quick comment. My friend Mr. Davies often decries the lack of specificity and detail, but now he is challenging your institutions to take the detail we have provided and come up with an economic assessment. Certainly there is a great deal of detail, and securing alignment of our 10 provinces and the territories towards the deal I think is a feat in itself.

First, I'd like to comment.

I had the good fortune, Dr. Crago, of speaking with the German ambassador to Canada last week, and he was still talking so positively about the Chancellor's visit to Dalhousie and the agreement struck with the Helmholtz Institute, which goes so much further than just bilateral relationships between countries to solidify those personal-professional relationships. It's a real tribute to the institution, and as a Dalhousie grad, I'm proud.

Dr. Dodds, I saw your op-ed last week in the *The Chronicle Herald* about St. Mary's University having 30% of its student population as foreign students. St. Mary's has really been the Canadian trailblazer in developing and selling our expertise abroad and in bringing students here. It's now an important contributor to our GDP.

I'm going to put two questions out that I invite both of you to comment on. The first is the skills gap. We had some testimony earlier today from folks involved in the aerospace industry in particular, talking about engineers for the IMP Group, or skilled trades people for the coming ship project. There is apparently \$115 billion in megaprojects for Atlantic Canada, but they saw a skills deficit and the need to bring in workers. We're wondering how your institutions can help us solve that gap.

The second would be to comment on the growing importance of bringing foreign students here for their education. Our government has been trying to work on the international credentialing with CIC and Mitacs, and there are a number of things we're doing to expand in these areas.

I throw those out for a comment from you both.

• (1705)

**Dr. Martha Crago:** I could start with the skills gap, and I'll just talk very particularly to the shipbuilding initiative. Dalhousie worked very hard with the Irving company to put forward what was called the value proposition for that contract, in which the company had to describe what having that amount of business, \$25 million, and now arguably slightly more, would mean and how they could use that to the wider value in the community.

We helped to design that value proposition, which they said got them high marks relative to other people competing for the same bid. In it is something called the marine partnership program and the design of that. That money coming from that portion of the value proposition that is already lined up with the existing money flowing to Irving is supposed to come into the Halifax Marine Research Institute as early as this December, to help to assemble a picture of what the training needs are, who is providing them, where in the country, and what else needs to be provided.

It's this assemblage of information, and we've been in constant communication with Irving, and all of our deans have been down en masse to have meetings, to ask what is it you need and what is it we can provide for you? Is it engineers? Is it a different kind of labour?

So this partnership program does not involve the university level only; it will also involve the college and high school level. But there is money coming forward from that shipbuilding contract to help diagnose the situation and figure out what programs we need to be coming up with. Certainly universities develop new programs. In

fact, our biggest problem is retiring old ones that are not so useful any more.

I think the hope is that by working on that marine partnership program with a variety of universities across the country, we will be able to provide the skills that are needed for that initiative in any case.

Did you want to comment, Colin?

**Dr. J. Colin Dodds:** If I could follow up with respect to that, I chaired the board of the Greater Halifax Partnership at that time, and our staff did a lot of work with respect to the spillover benefits that would extend not only to Nova Scotia but actually to other parts of Canada.

The chamber of commerce, of course, has a program called "Ships Rise Here"; the previous slogan was "Ships Start Here", which is really focusing on what benefits the small and medium-sized enterprises in the region might get from this particular contract and then sorting out what those particular needs might be for skilled personnel. Of course, it's not only in the area of engineering and so on; it's a whole vast area, and we want to be part of that, and will be part of that.

Coming back to the other question you raised with respect to international students, the figure.... The chair was talking about trade. For international student recruitment and everything associated with it—parents coming and spending time dropping their kids off, coming for convocations and tourism and so on—DFAIT's estimate is over \$8 billion a year. Certainly, this region is very, very significant, given our success in attracting international students.

I commend Minister Flaherty and Minister Fast for establishing that panel. The vision was to double international student enrollment. We're not going up to 60%, I can assure you, but right across the country.... The key part was for quality not to be lost. I do come back to that global competitive index, that we want do better even than being sixth in the world, but we also want our own Canadian students to benefit from study abroad, internships, co-op programs. I really see tremendous benefits in this region for our students, not only the faculty, to link into the various exporting firms and multinationals that we have, some of whom are based in Europe.

• (1710)

**Dr. Martha Crago:** I would say one more thing in relation to international students.

**The Chair:** Sure, go ahead.

**Dr. Martha Crago:** There's a wonderful example. One of the first 18 Canada excellence research chairs went to a man named Doug Wallace, who came to Dalhousie as an excellence chair in ocean science and technology. This is a person who first came to Canada when he was 22, to do a Ph.D. at Dalhousie. His wife came to Nova Scotia from Quebec to do her Ph.D. She is back here as a Canada research chair, tier one. He is back as an excellence research chair.

So these students that you train today return to you later, and they develop very, very strong ties with this region. I think we profit from that enormously, and I think that's the kind of link that international education is going to make. For programs like the one that's strongly partnered between the Helmholtz Association and Dalhousie, that's generations of scientists who will probably work in each other's midst and trade back and forth between the countries, and they are employed for a long time.

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

Mr. Pacetti, the floor is yours.

**Mr. Massimo Pacetti:** Thank you, Mr. Chair. Thank you to the witnesses for coming today.

I think everybody is in favour of exchange and international students and students coming forward, but I'm not sure how the free trade will have the effect of increasing students coming here and our students going over there. I haven't heard that.

Dr. Crago, you say research ties will strengthen. My question is, how? We're already doing it. Are you asking for the government to put more money into the Canada Foundation for Innovation? These things are not happening. They happen ad hoc and then they all of a sudden disappear. The comment that we're hearing is that we can't rely on those. We need that funding to be stabilized.

How are you going to be able to increase research and all those items? This is aside from the research. This is more like a finance committee pre-budget consultation type of request.

**Dr. Martha Crago:** Do you want me to explain with an example? I think I—

**Mr. Massimo Pacetti:** I only have five minutes. They cut my time, so you have to try to do it as quickly as possible.

**Dr. Martha Crago:** Okay, here you go.

We have something called the Canada Foundation for Innovation. This funds large-scale infrastructure equipment, and in ocean science that is very costly, very big equipment. Europeans want to work over here because we have some particular ocean conditions and we have arctic oceans. They want to work here, so the Canada Foundation puts up 40% of the money for this equipment and normally a province puts up 40%. In this case, you could have Europeans put up 40% and Canada put up 40%, and we could share that agreement together.

**Mr. Massimo Pacetti:** But we haven't seen that in the agreement, and that's the request.

**Dr. Martha Crago:** No, you haven't seen that in the agreement.

But let me tell you that the Galway agreement, I believe, comes in the wake of this agreement. We've never had that agreement in all the years we've shared the Atlantic, and now we do.

**Mr. Massimo Pacetti:** You should be requesting that, then. That's what we're looking for—

**Dr. Martha Crago:** That's what I just did. I did request it.

**Mr. Massimo Pacetti:** Okay. So we're asking for more money—

**Dr. Martha Crago:** Line it up with this agreement and you'll see very strong things happening as a result.

**Mr. Massimo Pacetti:** Right. Nothing is going to happen if extra money isn't invested—that's my belief—all the way from businesses to universities, education, non-profit, and whatever else.

**Dr. Martha Crago:** First, you need to line up what money there is. Horizon 2020 in Europe is extremely lined up—every project in the blue ocean section—with this agreement and with getting Canada on board. Every section in the blue ocean thing will give priority to projects that have Canadian researchers in them. That's European money coming to our researchers.

**Mr. Massimo Pacetti:** And we have enough to match that?

**Dr. Martha Crago:** We could. We have programs. If they're properly lined up....

The CFI had a meeting in Rome this year to discuss how to line up its funding with the European funding so that we could partner. This equipment is too expensive for all of us to have it. To have a German boat and a Canadian boat.... We need to line that up together.

A lot of this is coming in the wake and in the interest of this agreement.

**Mr. Massimo Pacetti:** Thank you.

I have a similar question.

Mr. Dodds, you spoke a lot about increasing the number of exchange students, international students. How is this agreement going to increase the bringing in of those international or exchange students?

• (1715)

**Dr. J. Colin Dodds:** As these other linkages develop, particularly research linkages and networks—

**Mr. Massimo Pacetti:** They already exist, do they not?

**Dr. J. Colin Dodds:** They already exist, but as they expand, automatically—

**Mr. Massimo Pacetti:** How do they expand? Do we need extra money? Just by signing the agreement they'll magically expand?

**Dr. J. Colin Dodds:** No.

**Mr. Massimo Pacetti:** Okay, that's what I want to hear.

**Dr. J. Colin Dodds:** But you create an environment in which they can.

Universities are extremely resourceful in seeking out funding sources to move forward on collaborative projects. The more you have that, and the more that students get involved, on both sides of the Atlantic, the more they will want to come to Canada.

**Mr. Massimo Pacetti:** Again, I'll go back to the funding. Will the funding be available on the other side of the Atlantic as it will here?

**Dr. J. Colin Dodds:** There's an expectation that it will be, yes.

**Mr. Massimo Pacetti:** Perfect.

**Dr. Martha Crago:** It's our hope that the Canadian government will start to align some of the money the way the European government did in its Horizon 2020 program. It would serve everybody's interest if we had that kind of alignment.

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

I'll give you one more question, just because I'm a nice guy.

**Mr. Massimo Pacetti:** Mr. Dodds, you said there's a whole bunch of joint research programs already with your university and—

**Dr. J. Colin Dodds:** They tend to be more on the arts than on the social science side of studies. These are usually faculty oriented.

**Mr. Massimo Pacetti:** Do we need a free trade agreement—

**The Chair:** No, I gave you one question.

Mr. Dodds, go ahead and answer.

**Dr. J. Colin Dodds:** As I said, what you do is create an environment for these to flourish and to develop, and to build up confidence and trust. That's what I see. I see this not only with the EU; I see a whole series of other trade agreements. My vision is to have these agreements throughout the world so that in fact we could be truly transnational.

**The Chair:** Very good.

Mr. Shory, go ahead.

**Mr. Devinder Shory:** Thank you, Mr. Chair.

Thank you to the witnesses.

I'm very happy to hear everyone touch on the issue I am passionate about—foreign credentials—because I have lived through it. When I moved to Canada, it took me eight years to get back to my profession of law.

I can tell you one thing. During the time I have been a member of Parliament, this government has taken this issue very seriously. It has invested in it, even though education, as we all know, is a provincial matter. But we believe—and I certainly believe—that education must be utilized. It is not to be wasted.

I prepared myself to touch on this issue, but I guess it has been touched on a lot. I can see some positive hope in it.

Let me start with this. Earlier, we heard from the Canadian Manufacturers and Exporters. They said that 24% of Nova Scotians employed are employed in manufacturing. They also said that only 500 businesses in Nova Scotia are exporting.

How do we build in an export focus for EU opportunities for Nova Scotian companies?

**A voice:** That's a good question.

**Dr. Martha Crago:** I think the CE mark is going to be one of the crucial issues in this. This is a certification mark. If that can't be harmonized.... Our equipment, of the kind I was discussing, which was invented by a Dow researcher when he spun off the company Satlantic, is costing \$20,000 more per piece in Europe, and therefore fewer people in Europe are buying it. That's not encouraging us to export to Europe. That's something that needs sorting, this particular CE mark. The European companies, probably to protect themselves,

are very demanding of that, so some kind of effort in that direction is certainly warranted.

**Dr. J. Colin Dodds:** I would see the service sector being a particular benefit in terms of exports. We've got huge resources in this area in terms of environmental firms that are involved in doing work around the world in environmental sustainability. I see it not just in manufacturing, but I see it particularly in the service sector.

• (1720)

**Mr. Devinder Shory:** Ms. Crago, during your presentation you mentioned that you already have some connections in Europe related to ocean research, and you also anticipate that research ties with Europe will strengthen. Can you give me some examples of where an industry has benefited from this type of research?

**Dr. Martha Crago:** There are a couple of different companies here that now sell.... There's a company called Vemco Amirix that produces tags that go on fish and receivers that pick up the signals emitted by those tags, so that we can track fish around the world. This company, which began as a spin-off from Dalhousie in somebody's garage, now has several European markets for these tags, largely because people become involved in our network and they use the same tags and receivers as we're using. This is an example.

The company has expanded and developed their tags and receivers, because as the science goes forward, the scientists of course always demand the "next step better" pieces of equipment. So by working together, science has developed the equipment, and it has marketed it internationally to a set of people in an international network reaching around the world. There are several lines of these receivers and tagged marine animals in Europe.

We know that the tuna off Cape Breton travels back and forth across the Atlantic a few times in the summer.

**Mr. Devinder Shory:** Thank you.

Coming back to foreign credential recognition here, could both of you actually tell us, as we draw closer to the EU, if there has been any progress on mutual recognition of professional credentials in any fields or other types of collaboration that you are aware of?

**The Chair:** I'll let you answer that and then we'll split the remaining time between our last two questioners and finish it off.

Go ahead.

**Dr. Martha Crago:** I can't tell you that for sure, but I can tell you from my experience in speech pathology that we now receive students for internships from Europe into our hospitals on an absolutely pro bono basis, and students from Canada go into European hospitals to do their internships. I can't tell you for sure right now where that profession, which I know well, is in negotiating things with Europe.

**Dr. J. Colin Dodds:** I can't add much to that either, except I've been on various panels on immigration and the constraints on immigration, and I know it's a huge issue in various professions, including the health and medical professions. It's just going to take time.

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

We're going to split the time between our last questioners; you have four minutes each.

Mr. Chisholm, go ahead.

**Mr. Robert Chisholm:** Thank you, Mr. Chairman.

Thank you to our guests.

We've been sitting here for a couple of days now, talking with folks about the deal, asking them what impact a deal is going to have on their sector in particular and what they know about it. As my colleague said, it's a technical summary, and we are trying to find out a little more about it and what impacts it has, positive and negative.

You both have raised more questions, frankly, and more potential and possibilities than anything. There are a couple of issues, including the patent stuff and the standardization issue, which is something we need to get some answers to. We tried to get some information from the Manufacturers and Exporters about whether they know what sectors are going to benefit and what sectors aren't, and by how much. Do either one of your institutions plan to do any research on this, so that we, as Atlantic Canadians, know better what the story is here before we're asked to sign on?

**Dr. Martha Crago:** Yes. As I said, one of the four themes of the Centre for European Studies for this next five-year period of funding is on European trade relations. So we have people who are studying it right now. Unfortunately, I'm not one of them, but we have them, and you can certainly access them.

• (1725)

**Mr. Robert Chisholm:** Will they have access to the deal?

**Dr. Martha Crago:** I don't know.

**Mr. Robert Chisholm:** It would be helpful, right?

**Dr. Martha Crago:** It would be helpful, but they sent me animated emails over the weekend about how happy they are and how eager they are to share any information they have.

**Dr. J. Colin Dodds:** If I could just add something, we know that in this area the largest concentration of business is small and medium-sized enterprises, and certainly in terms of our business development centre and our Sobey School of Business with trade nations and so on, we're there to assist. Frankly, a lot of that work in the past has focused on South America or Asia, but it can easily be transferable to countries in the European Union.

We stand ready to assist any of the small businesses in that kind of work. We have students who can use it as part of their course work. There is a very minimal charge for this kind of work. The students are all supervised.

We're ready, and it's a question of our going out and knocking on doors and firms coming back asking how we can help them, if we have people with particular language skills who could help them in a market, whether it's Germany or wherever it is, because we teach all

these languages. If we had all the languages that we teach in the city, with Dalhousie and ourselves, we have it covered.

**The Chair:** Thank you.

We'll now move to our last questioner, Mr. Cannan.

**Hon. Ron Cannan:** Thank you very much, Mr. Chair, and to our witnesses.

Dr. Crago and Dr. Dodds, thank you for taking time from your faculties. I have the honour of representing constituents of Kelowna—Lake Country, the home of UBC Okanagan and Dr. Deborah Buszard. I had a good conversation with her on Friday. We have about 8,500 students, and the university just continues to grow and bring so much to the community.

I know that your institutions have a great reputation, not only locally but around the world.

Part of budget 2013 is \$23 million over the next two years for Canada's international education strategy. Dr. Dodds, you've been working with Minister Fast on that, and I appreciate that.

One of the issues that you talked about, and I know it's a passion with Dr. Buszard at my university and at Okanagan College and throughout Canada, is innovation and commercialization. You talked about the Canada Foundation for Innovation, and we have Mitacs as well, which was in Ottawa last week making some presentations for some recipients of great ideas.

Do you think there are some opportunities for the post-secondary sector to partner with the private sector, and even some European partnerships for innovation and commercialization, for your R and D from your post-secondary campuses?

**Dr. Martha Crago:** Yes. Let me just talk a bit more about this German-Dalhousie program that has these Ph.D. students, because they come and they are funded by a CREATE grant, which is something that NSERC funds. It insists that the graduate students get placed in industry and get placed in foreign country laboratories. In this case, they're going into German laboratories, they're going into German industries, and the Germans are coming into our industries and to our laboratories, both university and government laboratories here in Halifax.

When they had their workshop, they did a "Dragons' Den", at which they had to present ideas for what they could commercialize from their science. This was such a fascinating and powerful evening as they talked about how they had to work as a partnership, a German and a Canadian student, and present what might come out of their science as a commercializable entity.

So that is an objective of that program. It's all focused around ocean science and technology, and what technology is needed to promote ocean science and make it better.

They had wonderful ideas, and many of the spinoffs that have come from Dalhousie, like the one that invented the tags and receivers, and like Satlantic, are from scientists who need a tool to do their research.

The sooner we start these students, and if we start them together... This is a brilliant program, where the funding came partly from Germany, partly from Canada, and it was hooked together. They're feeding back and forth, and of course Germany is a very strong nation in terms of commercialization and manufacturing. This should provide a very powerful set of students coming out of this over six years.

Meanwhile, would you send regards to my good friend Deborah?

• (1730)

**Hon. Ron Cannan:** I'd be happy to.

**Dr. J. Colin Dodds:** Can I reciprocate? I know Deborah as well.

The whole area of entrepreneurship is key, not just for this region but for Canada. We have a new program that is attracting students from overseas; it's a master's in entrepreneurship, innovation, and technology. Again, that has an internship component. These are, in many instances, not necessarily 21- or 22-year-olds; these are more mature people. Many of them have already started businesses. Again, I see a great potential.

We have various programs on our campus that are based on pitching ideas—"What's the big idea?", that kind of thing.

We can do more. I think there are areas where we can cooperate, Dalhousie and Saint Mary's, for example, and if we take Mount Saint Vincent, it has a women in business centre. There are a lot of things that we could actually do together.

This agreement is a broader agreement. It might provide, if you like, the dynamism and the impetus to move forward. A lot of our students, of course, speak both English and French. Again, from a European context, when our students study abroad, a lot of them actually do want to go to Europe.

So I think we can start to marry these things together. If we sat down as institutional leaders in this area of Halifax and Nova Scotia, we could come up with ideas as to how we can actually move this forward.

**The Chair:** That takes you to the end of our session.

With trade deals, usually you think trade; you don't think of our educational institutions and the advantage that is presented. This has been refreshing, in the sense of educating Canadians, and certainly to our trade committee with regard to what you're doing to capitalize on those opportunities.

Congratulations for doing that. We look forward to a great success because of the deal.

Dr. Crago and Dr. Dodds, thank you for testifying. And Dr. Dodds, happy birthday.

**Dr. J. Colin Dodds:** I don't know how you knew that, but it is—

**The Chair:** We're from the government.

**Voices:** Oh, oh!

**Dr. J. Colin Dodds:** You know everything.

**The Chair:** Yes.

That takes us to the end of the session. Thank you very much.  
We are adjourned.









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