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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, October 7, 2014**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, October 7, 2014

• (1530)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call to order meeting number 47 of the Standing Committee on Finance. Pursuant to standing order 83.1, we are continuing our pre-budget consultations 2014.

I want to welcome all our guests here on our first panel this afternoon. Thank you so much for being with us here today. We have in order of presentation, first of all, from Canada's Research-Based Pharmaceutical Companies, Mr. Mark Fleming and Mr. Walter Robinson; from the Canadian Rare Earth Element Network, the chair, Mr. Ian London; from the Mental Health Commission of Canada, the vice-president, Ms. Jennifer Vornbrock; from Polytechnics Canada, the CEO, Nobina Robinson; and from TRIUMF we have the director, Jonathan Bagger.

Welcome to all of you. Thank you so much for being with us. You have five minutes maximum for your opening statement per organization.

We will begin with Mr. Fleming.

**Mr. Walter Robinson (Vice-President, Government Affairs, Canada's Research-Based Pharmaceutical Companies (Rx & D)):** Thank you, Mr. Chair.

My name is Walter Robinson, and I'm the vice-president of government affairs for Rx and D. I'm joined by Mark Fleming, the director of federal affairs and health policy at Janssen, the pharmaceutical companies of Johnson and Johnson, who also serves as vice-chair of our national affairs committee.

[Translation]

Rx&D represent 55 international and Canadian research-based pharmaceutical companies who discover, develop and deliver new medicine and vaccines to Canadians.

The appropriate prescribing and use of innovative medicines and vaccines can be a key enabler of health system sustainability, as they can reduce the number of unnecessary visits to the doctor, avoid lengthy stays in hospital and, in some cases, eliminate the need for invasive and costly surgical procedures.

[English]

Our members also partner with governments on the front lines of public health and seasonal influenza and other vaccination campaigns. Through this work our industry supports close to 46,000 direct and indirect high value, high skill, and high wage jobs across the country. Our members contributed over \$3 billion to the

Canadian economy last year, with more than \$1 billion into R and D investments and approximately \$322 million devoted to patient assistance and community contributions. Indeed, over 75% of this amount was devoted to more than 3,000 industry-funded clinical trials, which provide hope to patients who have not responded well to other therapies and further the frontiers of medical knowledge.

**Mr. Mark Fleming (Director, Federal Affairs and Health Policy, Janssen Inc., Canada's Research-Based Pharmaceutical Companies (Rx & D)):** Earlier this summer we provided the committee with a series of recommendations to help drive further investment into research, development, innovation, and commercialization. These recommendations support the economic action plan, Advantage Canada economic framework, and the global markets action plan. Stability and predictability are the focus of our comments this afternoon.

To start we congratulate the government on signing the comprehensive economic and trade agreement, CETA, with the European Union. Swift implementation of the IP provisions within CETA, including the right of appeal for innovators, patent term restoration, and enshrining eight years of data protection will send an important signal that says Canada is serious about harmonizing its IP regime to global levels.

Last month my company, Janssen, announced an agreement with the University of Toronto's Centre for Collaborative Drug Research to form an open source collaboration focused on new therapeutic approaches to the treatment and management of mood disorders and Alzheimer's disease. This project called neuroscience catalyst is a unique collaboration between government, industry, and the research community. This important global Johnson and Johnson investment was strongly influenced as a result of the successful IP negotiations within CETA. IP improvements will better arm companies like mine and our other members to compete globally within our own organizations to attract investment mandates into our country.

While CETA addresses some important IP issues, there is still more work to do. For example, a series of judicial cases has resulted in a test for patent utility that is higher than the bar applied in other countries. Fortunately, this issue will be considered by the Supreme Court shortly. We sincerely hope that their decision will align Canadian standards with those applied to our major trading partners.

**Mr. Walter Robinson:** Another area of focus critical for business stability and confidence is safeguarding confidential business information. In June this House passed Bill C-17, which modernizes Canada's Food and Drugs Act. To be clear, we support the principles, objectives, and direction of Bill C-17, as it essentially codifies the manner in which our members already work with Health Canada to ensure and promote patient safety. However, we are concerned about last minute amendments made to the bill prior to its passage by the House, which deal with the standard for disclosing confidential business information or CBI.

As currently written, CBI in the bill is understood broadly to include business information that is not publicly available. It is information that has economic value to a business or its competitors but may not be related to patient safety. Rx and D is strongly supportive of providing the Minister of Health with specific powers to respond to the threats to the health of Canadians, which may include circumstances where it is essential to disclose CBI to address an imminent and serious risk to human health without notice or consent. Indeed, this is the approach in the Canada Consumer Product Safety Act and the Human Pathogens and Toxins Act. The threshold in both of these acts permits disclosure only when the risk is serious and imminent. Using these acts as benchmarks, we think the language in Bill C-17 is problematic and imprecise. It is also inconsistent with the benchmark used by the FDA and the EMA. We have amendments that we can talk to you about during our closing our remarks.

•(1535)

**Mr. Mark Fleming:** Although we've focused our remarks around business stability, we trust that you'll review all nine recommendations in our summer submission, which address, among other things, improved clinical trials, environment, regulatory modernization at Health Canada, and more accurate reporting of R and D by our industry in Canada by the Patented Medicine Prices Review Board.

Thank you for your attention today. Merci.

**The Chair:** Thank you very much for your presentation.

Now we go to Mr. London, please.

**Mr. Ian London (Chair, Canadian Rare Earth Element Network):** Good afternoon, Mr. Chair and members.

On behalf of the Canadian Rare Earth Element Network, known as CREEN, please accept our sincere thanks for the invitation to appear this afternoon. We appreciate being able to inform you about this compelling opportunity for the strategic and economic benefit of Canada.

CREEN wants to deliver three main points today.

First, Canada has the real opportunity of securing a leadership position and its commensurate economic benefits in the global rare earth supply chain outside China. Canada has the best undeveloped rare earth resources and some of the most advanced development projects in the world.

Second, there are challenges unique to rare earth projects that must and can be resolved to enable industry to bring them into production. The Canadian rare earth sector is a collection of junior or

small cap mining companies without the individual financial or technical resources to address these challenges alone.

Third, government support through research, innovation, and demonstration is necessary if Canada is to capitalize on this unique and time-sensitive opportunity to leverage Canadian rare earth resources into an engine of economic growth. Someone outside China is going to seize the opportunity. We believe it should be Canada.

Rare earths are a group of 17 elements with unique properties that are essential to many modern technologies, including advanced transportation, national defence, renewable energy, computer and network communications, lighting, health care, and consumer electronics. The current global market for rare earths is valued in the order of \$4 billion annually, a number that is expected to roughly double in the next five years. Growth over the last 10 to 15 years has been 8% to 12% per annum, growth which most experts agree will continue.

Developing the five most advanced projects in Canada would create about 1,400 direct jobs with \$4.3 billion in estimated capital construction costs and \$1.2 billion net present value in estimated future taxes. These figures do not include Canadian downstream value-adding industries that will be developed if the rare earths are mined and processed in Canada. The small cap miners have already invested \$200 million in Canadian projects.

As you and many know, China has a virtual monopoly on rare earth production and processing and controls about 85% of the overall global production. China has managed to exert further control of important downstream manufacturing and technology value chains. These actions have created a real supply risk of critical materials to the rest of the world, including Canada.

An economic development model, similar to the China model, could be considered by Canada and its trade partners if we had the local production. Manufacturers and technology innovators are undeniably looking for secure, sustainable, alternative supplies of rare earths. There are clearly national strategies among our key trading partners and allies in Europe, the U.S., Korea, Japan, and Australia, to obtain secure critical rare earth supply chains, and they are looking to Canada for leadership. For example, the European Commission, in its report on critical raw materials for the EU, deemed heavy rare earths to be critical with the highest supply risk relative to economic importance. The EU created the European Rare Earths Competency Network or ERECON, a group of government, industry, and academic partners that will be presenting its final policy recommendations later this month. Canada, through CREEN, is a permanent observer of this group. CREEN has also been invited to address NATO next week on critical material supply in electric power systems.

Canada and EU cooperation in this area would be a great step forward in the context of the historic CETA agreement and Canada-EU strategic partnership agreement. The U.S. Department of Energy deemed rare earths as critical for energy and advanced green technologies and provides funding support to the Critical Materials Institute in the order of \$125 million over five years. The U.S. Department of Defense has also allocated funds for stockpiling specific rare earth materials. Korea and Japan have also launched initiatives to address both government and corporate interest.

What is Canada's position? A January 2014 article by Postmedia reported that the Government of Canada has deemed rare earth elements to be critical to the country's economy. Nine of the 28 most advanced rare earth projects in the world are located in Canada. Canada is uniquely positioned with its world-leading expertise in mining and metallurgy to capitalize on production and develop new industries.

There is a global competition and as such Canada's window of opportunity is narrow. The Canadian players recognize there is a need to work together and collaborate as an industry and as a country. CREEN was formally launched following two workshops hosted by Natural Resources Canada and the round table in October 2013 with then Minister of Natural Resources, the Honourable Joe Oliver. CREEN, with its current 25 members and growing, is a member-led, multi-stakeholder network. It provides a platform for industry, academia, commercial and national labs, and experts who deliver collaborative solutions that will enable Canada's rare earth sector to produce.

- (1540)

CREEN is also focused on acting as the face of the industry to engage international governments and institutions, and on working with universities to develop the highly qualified personnel needed to support the industry.

**The Chair:** Mr. London, could you wrap up, please?

**Mr. Ian London:** Yes.

Basically, CREEN is requesting funding support of \$25 million over five years. The estimate will leverage Canada's leading rare earth resource position and technical reputation, cement Canada's position in global rare earth product supply chains and international trade, develop highly qualified personnel, and create and sustain jobs and economic growth in an emerging industry.

Thank you.

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

We'll now go to the Mental Health Commission of Canada, please.

**Ms. Jennifer Vornbrock (Vice-President, Knowledge and Innovation, Mental Health Commission of Canada):** Good afternoon, Mr. Chair and committee members. Thank you for the opportunity to speak to you today.

My name is Jennifer Vornbrock, and I'm the vice-president of knowledge and innovation with the Mental Health Commission of Canada. I'd like to speak with you about the work the commission has accomplished in the last seven years and about our desire to move forward with a mental health action plan to improve mental health for all Canadians.

The Mental Health Commission was created in 2007, with the support of all parties in the House of Commons. Here I would be remiss not to acknowledge the support of the late Jim Flaherty. He was a champion for mental health and encouraged our work, both publicly and privately, over a number of years.

Today I am asking to continue our work together to help all Canadians from coast to coast to coast. The commission has completed all of its goals in its current mandate three years ahead of time and on budget. In seven short years, we have worked with national stakeholders across the country to create a national mental health strategy for Canada. We have trained over 110,000 Canadians to deliver mental health first aid in 2,640 communities across this country. We have launched the world's first national standard for psychological health and safety in the workplace. We have led a national youth anti-stigma campaign, evaluating anti-stigma programs in over 50 schools, and are currently working with 20 schools to implement the most effective programs. We have created an internationally recognized knowledge exchange centre to help mental health professionals share research and best practices across Canada and around the world. This summer, we started conversations in the community on suicide in collaboration with members of Parliament from all political parties. We continue to work closely with the Government of Canada to develop a federal framework on suicide prevention. Finally, the commission oversaw a major five city homelessness research project, delivering results that showed that for every \$10 spent on housing first, \$20 was saved.

Throughout our work, the commission has leveraged the government's investment, dollar for dollar, with over 350 partnerships that provide funding, resources, and expertise in kind. I sincerely hope there will come a day when the Mental Health Commission is out of business, but today there is still much more work to be done.

The commission's actions to date have drawn international acclaim for made-in-Canada best practice. The mental health strategy for Canada is considered one of the best in the world. We now have a road map that was created by Canadians. A renewed mandate will allow us to put those plans into action, working with the provinces and territories, stakeholders across the country, and people living with mental illness, to implement a mental health action plan with concrete goals and measurable outcomes.

Our original mandate allowed us to move the needle on workplace mental health stigma and homelessness. This new mandate will allow us to confront even more mental health issues that Canadians are seeking solutions to, such as suicide, PTSD, and support for seniors, children, youth, aboriginal, and new Canadians.

I am pleased to say that consultations on the mental health action plan are already under way. We have begun this work quickly and effectively due to the strong relationships we have built over the last seven years. With the provinces and territories, the commission has become a coordinating agent that can gather input and build consensus across all levels of government. We have also collaborated extensively with the Canadian mental health community because we know how critical it is that mental health issues are not addressed in a manner that includes silos.

To this end, I am pleased to say that Dave Gallson, co-chair of the Canadian Alliance on Mental Illness and Mental Health, known as CAMIMH, an organization that represents 18 national mental health care organizations, has joined me here today in support.

The commission is already a hub of research and development, and our organization is a natural investment point to fund mental health innovation. Working with community stakeholders, we can address critical issues in mental health and encourage collaborative efforts between mental health stakeholders and government research bodies.

The Mental Health Commission has proven that it can deliver results faster and for less money. We have budgeted responsibly, and we can continue our current funding until 2017. It is in the next federal budget that we are seeking a strong signal to our stakeholders across Canada that our work would be able to continue until 2025.

Mental health reaches virtually into every Canadian household in this country. In any given year, one in five Canadians will experience a mental health problem, with a cost to the economy of more than \$50 billion. Without action, these challenges will only intensify.

• (1545)

However, we believe that by working together and investing in a concrete action plan, we have the opportunity to improve the lives of Canadians living with mental illness and to position Canada as a global leader on mental health innovation.

Thank you. Merci.

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

We'll go to Ms. Robinson, please.

**Ms. Nobina Robinson (Chief Executive Officer, Polytechnics Canada):** Thank you.

Our thanks to you for including us in your important annual hearings.

I'm Nobina Robinson and I'd like to recognize Dr. David Ross, president and CEO of SAIT Polytechnic in Calgary, one of my board members and someone whose support is critical to our advocacy success.

Polytechnics Canada's 10 recommendations for next year's federal budget encompass two of your themes: increasing competitiveness through R and D, and maximizing job opportunities for Canadians.

In fact, innovation and jobs are vitally linked in our view. It is people who innovate, not institutions. So we need a 21st century workforce that knows how to innovate, and you know that I will continue to advocate that college and polytechnic advanced applied

education build the much sought-after innovation skills for all Canadian workers. I will provide concrete examples today that underpin our recommendations, but I hope you will ask me more about our substantive ideas to improve innovation, labour market, and trades training outcomes in Canada.

Our 11 members are publicly funded, research-intensive colleges and institutes. We are demand-driven and industry-responsive in all that we do. Your committee's focus on competitiveness is absolutely correct. So let me share a small example of how our members are enabling a whole industry sector to compete.

In 2012 the college and community innovation program, CCIP, awarded Sheridan College in Oakville a five-year grant to establish the Screen Industry's Research and Training Centre. A year later, 36 local regional companies and organizations from Ontario's digital media industry have partnered with over 180 Sheridan students and faculty on industry-led applied research. If you want an example of how colleges and polytechnics spur commercialization, then consider how Red River College in Winnipeg is using another CCIP award to purchase tools and equipment to serve the needs of an industry consortium involved in an all-electric transit bus project designed to test lithium battery life in Manitoba's extreme winter weather.

If you want more such success, then we recommend an increase to CCIP, the sole NSERC program supporting college-applied research, and now stalled because demand for our R and D collaborations is outstripping supply. Worse, thousands of small Canadian firms are now forced to put innovation on hold.

And then consider how neither Sheridan nor Red River nor any of our other members nor other colleges can access the same supports for their indirect costs of research as their university counterparts. This leads me to our second research-related recommendation, namely to increase the funds for the indirect costs of research programs and to allow the CCIP I just mentioned to be eligible. We can find no policy rationale for this exclusion. Stable, predictable funding helps to build our industry liaison capacity and to increase our industry-driven research projects.

Your other concern for maximizing job opportunities requires that we as a country and more importantly, that the federal government once and for all recognize the consensus that now exists, after a year or more of skills debate and labour market turmoil, that Canada needs to invest in reliable accurate and timely labour market information. Your own committee's hearings this spring on youth employment recognized the need for action on this important issue. This is why we recommend the creation of a labour market information council that will make both demand and supply side data available to all Canadians, learners, workers, educators, and parents alike.

With the persistent threat of not enough certified journeypersons in high demand trades professions, the same labour market information council could modernize how we track Canada's 400,000 apprentices. Through the creation of a national registered apprenticeship number, we could gain crucial information about progress, mobility, and barriers faced by apprentices. And if demand is outstripping supply of talent for the skilled trades profession, consider our recommendation on high-demand training capacity needs. Each of our members has examples to give you of the numbers of qualified applicants we are turning away due to lack of space, lack of instructors, lack of equipment.

• (1550)

Above all, we need to de-risk investment in trades training if we're to grow the number of certified people. This is why we have recommended an employer tax credit for employers of record who see a Red Seal apprentice through to certification.

The modern innovation process is far more collaborative than ever before, involving teams of researchers, technicians, specialists, and even tradespeople. Connecting talent to polytechnics should be a high priority for your committee's deliberations.

Thank you.

**The Chair:** Thank you very much for your presentation. We're going to Dr. Bagger, please.

**Dr. Jonathan Bagger (Director, TRIUMF):** Thank you, Mr. Chair.

[Translation]

Thank you for the opportunity to speak to the committee today.

I am here representing TRIUMF, Canada's national laboratory for particle and nuclear physics research.

[English]

For this year's pre-budget consultations, TRIUMF submitted a proposal recommending the creation of an initiative to strengthen Canada's innovation in science, medicine, and business. Dubbed CAPTURE, Canada's Accelerator Platform To Unleash Research Excellence, the proposal seeks to unlock TRIUMF's capacity to produce scientific, economic, and societal benefits for all Canadians.

Before I describe CAPTURE, however, I'd like to speak briefly about TRIUMF. Owned and operated by a consortium of 18 Canadian universities, TRIUMF is a national hub for leading edge research in nuclear and particle physics, fields in which Canada ranks as a global leader, according to the Council of Canadian Academies, and fields in which TRIUMF plays a significant role in sustaining Canada's global research excellence.

In recent years, TRIUMF has expanded its mission to include materials science and nuclear medicine, new fields, I will argue, in which TRIUMF's expertise can add to the prosperity and well-being of Canadians.

In line with the theme of this session, I would also like to highlight TRIUMF's long history of translating its scientific expertise into competitive advantage for Canadian industry. Amongst its peers in the international subatomic physics community, TRIUMF stands out for its record of exceptional collaboration with industry. Starting 36

years ago, through its partnership with Nordion for the production of medical isotopes, TRIUMF has fostered the growth and competitiveness of domestic companies, such as ACSI and PAVAC Industries. In addition, the laboratories also generated economic benefit through its work with large multinational firms, including CISCO, Intel, and Toyota.

In 2008, to increase its commercial engagement, TRIUMF created its own non-profit company, Advanced Applied Physics Solutions, or AAPS. During the past five years, AAPS has spun off five new businesses, each of which is adapting TRIUMF technologies to industrial needs, providing new capabilities in sectors ranging from mining to medical imaging, for the benefit of Canada.

Now let me return to CAPTURE, the laboratory's proposal to the pre-budget consultation. With CAPTURE, TRIUMF seeks to build on success and secure Canada's world leadership position in isotope science. The most critical element of CAPTURE is to strengthen TRIUMF's core capabilities, allowing the timely completion of ARIEL, the laboratory's newest and most advanced facility. Under construction since 2010, this \$100 million facility, currently two-thirds complete, represents the future of TRIUMF. ARIEL is on time and on budget. When complete, it will nearly triple TRIUMF's output. It will keep the laboratory on the cutting edge of research excellence, and increase opportunities for engagement with industrial partners.

CAPTURE also seeks to transform TRIUMF into a true multi-disciplinary laboratory by augmenting its programs in nuclear medicine and materials science. These are strategic moves that will unleash the full value of past investments in the laboratory.

Medicine and materials are promising areas with great economic relevance, both of which will leverage ARIEL. Strengthening them will help Canada make breakthroughs in commercially relevant sectors, ranging from the treatment of cancer to the development of advanced batteries.

Triumph has been a tremendous success for Canada. It is remarkable what TRIUMF has achieved with a base operating budget that is set to be frozen from 2005 through 2020. The proposal we are making for Budget 2015 is that with CAPTURE, an additional investment in this remarkable facility, Canada can truly benefit from TRIUMF's untapped potential in isotope research, nuclear medicine, and materials science.

[Translation]

Thank you for the opportunity to speak to you today.

• (1555)

**The Chair:** Thank you for your presentation.

Starting off our round of questions will be Mr. Caron, who will have seven minutes.

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you kindly, Mr. Chair.

I will begin with the pharmaceutical representative.

I could go through all of your recommendations, but the fourth one, in particular, caught my attention. It calls on the Government of Canada to "amend Health Canada's mission, vision, core values and objectives to incorporate the promotion and acceptance of innovation into its culture, mandate, processes and procedures."

Health Canada did that in other areas. For instance, the Pest Management Regulatory Agency more or less did it by including that new mission in its public protection mandate.

And in that connection, the environment commissioner indicated that "the agency's mandate [was] dual and often incompatible", its mandate being to serve the industry and protect Canadians' health. Following your recommendation would lead to a similar situation.

Could we run into problems around a dual mandate if we were to amend Health Canada's mandate, as you recommend?

[English]

**Mr. Walter Robinson:** *Merci, monsieur le président.*

Through you to Mr. Caron. Very quickly, as we pointed out in our submission, the promotion of health and patient safety is not incompatible with innovation for the FDA. It is not incompatible with the role of innovation for the European Medicines Agency. Indeed, the Government of Canada, through the leadership of federal health minister, Rona Ambrose, has embarked on a health innovation panel to drive the sustainability of the health system, the thing that federal government is working toward, and which includes the provincial and territorial partners in that regard. They all see health innovation and medical science innovation as a key enabler of driving health system sustainability.

To your specific question with respect to the PMRA, in a former life, as some of you know, I've testified before this committee wearing various hats. By way of disclosure I worked for a corporation that had an interest in some of the products that the PMRA regulated. The pursuit of innovation and science was to ensure that you had a science and evidence-based risk management framework through the PMRA. Again, I didn't find at the time that those objectives were incompatible. I appreciate the environment commissioner's report, but as long as human health and safety is paramount and driven in an evidence-based way, science and health care can co-exist. We think that making human health sciences a priority as you move into budget 2015 and the asks that we have made don't involve any money or any disclosure, or disbursements of the forthcoming federal surplus, but a lot of policy and regulatory-based change.

So in short we think it can be done and that Health Canada in that respect should mirror what other leading jurisdictions have done in ensuring that there's a health and innovation mandate and, indeed, we are encouraged by the health innovation panel that the federal Minister of Health has appointed. We'll be making submissions to them in short order with this recommendation.

• (1600)

[Translation]

**Mr. Guy Caron:** You can appreciate that concerns may linger around a dual mandate and the problems it could give rise to. You would agree that special oversight would be required to ensure that both mandates could be carried out without interference, would you not?

**Mr. Walter Robinson:** At the end of the day, the protection and promotion of the safety of Canadian patients is the top priority, for us as well as for Health Canada. And as long as that takes precedence over all other priorities, no dual mandate exists.

**Mr. Guy Caron:** Thank you very much.

Now, I would like to speak with you, Mr. London.

I would imagine you followed the debate around the Canada-China Foreign Investment Promotion and Protection Agreement, known as FIPA, quite closely.

We know that China has a virtual global monopoly over the world's rare earths. And we are trying to break that monopoly using Canadian investment, and the exploration and development of rare earths on Canadian soil.

Are you currently aware of any Canadian companies active in the rare earths industry in China?

[English]

**Mr. Ian London:** Those are very good questions. As for whether it is easy to break a monopoly, the world and major manufacturers are looking for and seeking alternative sources of supply. It's not just a monopoly issue, but one of security of supply and new innovation, including by the Chinese. The Chinese are also looking for alternative sources of supply and protecting their own resources. So regarding the traditional model that they are monopolistic, that is not as big a threat because the Chinese themselves are also looking for alternative sources of supply.

**Mr. Guy Caron:** Do you know of any Canadian companies or operators that are actually operating right now in China in the rare earth industry?

**Mr. Ian London:** The one company that was Canadian and has since been bought over by Molycorp was Neo Material Technologies. It was Toronto-based and had about 1,000 employees, and 900 are in China. In effect, it is not a Canadian solution, but a Chinese solution. This is not to batter the Chinese. It was a very effective strategy by them.

[Translation]

**Mr. Guy Caron:** But does FIPA pose a risk to Canada's growing industry, which is precisely trying to provide an alternative to the virtual monopoly China currently has? Could the agreement enable Chinese firms to seize a larger share of that global market?

[English]

**Mr. Ian London:** Organizations like General Electric, Siemens, the Asea Brown Bover, and the Europeans are looking for alternate sources of supply, as are the Chinese.

Could the Chinese or any company in a free market system want to get acquisitions of those companies, that's possibility. But new innovation, new technologies, are going to be driven off of the availability of materials, and Canada, with European, Japanese, Korean partners, can innovate and leapfrog some of the traditional businesses that have existed to date.

[Translation]

**Mr. Guy Caron:** A number of your recommendations focus on research and development support.

The members of the Canadian Rare Earth Element Network, known as CREEN, include a number of universities, such as the University of Toronto, Université Laval and the University of Saskatchewan. With members like those, what are your specific R and D needs, given that you already have universities that can seek out the relevant funding on their end?

[English]

**The Chair:** Okay, a very brief response, please.

**Mr. Ian London:** That's an interesting one.

This would be member-driven: driven by solutions, not driven by research. The traditional terminology is R and D. What industry needs are practical solutions to bring projects into production. It would be membership-driven. The academic community can support it. The traditional mechanisms are for education purposes and pure research, not industrial development. These universities are interested in getting involved in industrial development and seeking a solution for today. If the research does not give you the right answer, you shut that project down and find a solution. The aim: go into production and then expand the value chain.

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

I apologize, but members are limited in their time.

Merci, Monsieur Caron.

Mr. Saxton, please, for your round.

**Mr. Andrew Saxton (North Vancouver, CPC):** Thank you, Chair.

Thanks to our witnesses for being here today.

My first questions will be for Polytechnics Canada, so here's to you, Mrs. Robinson.

**Voices:** Oh, oh!

**Mr. Andrew Saxton:** Historically it was thought that Canadian youth needed university degrees to succeed in the job market, but polytechnics are proving that this is no longer the case.

Can you share with us what your member institutions are doing to help prepare Canadian youth for the job market and what barriers still exist from encouraging more Canadian youth to go into skilled trades?

•(1605)

**Ms. Nobina Robinson:** Thank you very much, Mr. Saxton, for your question.

I'm sure that my time is limited, Mr. Chair, so the main point is that I'm going to pick up on a question that Mr. Keddy asked of our university friends the other day.

We have data to show you on all of our programs, whether they be one-year certificates, our four-year stand-alone bachelor's degrees, the new credentials we have for the general arts and science bachelor's graduate from a university, who needs to come to us to get career-specific certification. I can certainly provide you with the full scope of all of our data points. We also had 41,000 apprentices last year alone, going through our 11 members.

There's a range of options that a large urban, research-intensive, trades-training focused polytechnic can offer the learning population. Many of our institutions are also doing things that I don't usually talk to you about. In their large areas, they're servicing newcomer integration needs as well.

I think the issue is the barriers. That's the part that I will go to. In general, when you're talking on so many issues here, let me keep it at a high level. There is societal bias that we have to break that says that going to university is the only surest way to guarantee income security over the course of one's working career. There is now a corpus of data that shows that is not so. Some of our western Canadian schools would show you graduates with earning powers that far exceed that of a bachelor's graduate.

We need to get this information. That's the barrier, that people don't know. As soon as I tell you, then you'll say, "Yea, but I know someone who's son...and my nephew went...". The plural of anecdote is not data. We really need the data on our talent supply. When Canadians have it, then they'll be able to make choices. I think that's the next step.

**Mr. Andrew Saxton:** Thank you.

Can you explain how the apprenticeship loan program that we introduced in Budget 2014 is going to help encourage more young Canadians to go into the skills trade?

**Ms. Nobina Robinson:** You're asking me to talk about the past. It's in a state now where the regs are being designed by ESDC. So, with respect, I don't know the nitty-gritty yet. It hasn't been announced to the public.

But I know in regard to what we lobbied and advocated so strongly for, that one of the disincentives to coming back to our schools and to level up...because the way apprenticeship works is that you have to come back, leave your employer, and spend eight to ten weeks in class, 40 hours a week, training.... One of the barriers was the cost of leaving the employer and the cost of training.

When we looked at it, the philosophical case that you can be a student in a university, take a 60% course load and get a Canada student loan that I think is tax free—but I can be corrected on that—and you're an apprentice and you get no help and you've got to pay out of pocket for the training.... That was the change that the Canada apprentice loan aimed at addressing, and I'm so delighted it was put through by Budget 2014. We're waiting now for the regs to go through, because it is causing a bureaucratic crunch: how are we going to actually do this and will they use the loan?

My commitment is to publicize the loan as soon as it is launched.

**Mr. Andrew Saxton:** Thank you very much for that.

My next questions are for Mr. Bagger of TRIUMF. Mr. Bagger, as you know, I recently had the opportunity to tour your very impressive facility at the University of British Columbia. Thank you for making that tour available to me.

Canada has long been considered a leader in medical isotopes. How will your proposal help to keep Canada a leader in this area globally?

**Dr. Jonathan Bagger:** Thank you, Mr. Chair, and honourable member.

TRIUMF has a long history of working and developing medical isotopes that stretches back to the founding of the lab some 35 years ago. This new facility, ARIEL, will allow the laboratory to expand that program by developing new medical isotopes that which will enable new types of diagnostic procedures to occur, and therapeutic treatments as well.

One can imagine taking the radioactive isotopes and delivering them to cancer cells where they will kill those cells.

So what the laboratory will be doing is embarking on a new research area with focus on the health of Canadians.

• (1610)

**Mr. Andrew Saxton:** What commercial value will this proposal add to the Canadian economy?

**Dr. Jonathan Bagger:** There are multiple venues for commercializing the new developments that will occur through this laboratory. We are certainly talking with partners right now, including Nordion, and other companies as well, for ways we can supply the isotopes to them, so that they can then put them into the drug supply.

We are not going to become a drug producer ourselves, but we will be inventing the techniques and developing the tools that these companies can use to sell their products, both in Canada and abroad.

**Mr. Andrew Saxton:** Thank you very much.

My last question is for Canada's Research-Based Pharmaceutical Companies. Last year our government made a major investment in post-secondary research with the Canada first research excellence fund. How can we ensure that pharmaceutical research succeeds into the future through this framework?

**The Chair:** A brief response.

**Mr. Mark Fleming:** Certainly.

I think it's critical that the Canadian government continue to put forward programs like the one that you mentioned. Others, such as SR and ED, CIHR, that help to put Canada on the global map as far as attracting research and development investment from our major companies....

It is a competitive environment out there. Each and every day we compete not with the Pzifers, the Mercks, and Glaxos, but with our own operating companies within the J and J world globally.

Canada needs to put its best foot forward through programs like the one you mentioned, like the IP enhancements through CETA, that allow us to better compete for those global R and D dollars. We

can then in turn bring to Canada programs like the one I mentioned earlier at the University of Toronto, a neuroscience catalyst, and as well even in your backyard when you think about the Centre of Excellence for HIV and CDRD.

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

We're asking very good questions, but I encourage members to leave enough time for witness responses as well.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Shame, [*Inaudible — Editor*].

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

**The Chair:** Actually I'm going to the one who's the expert at it.

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

**The Chair:** We'll go to Mr. Brison.

**Hon. Scott Brison (Kings—Hants, Lib.):** Mr. Chair, that gratuitous and nasty comment cut into my time. Can we start the clock again, please?

**The Chair:** We will start the clock right now.

**Hon. Scott Brison:** Ms. Robinson, you've referred to the poor labour market information available and the resultant exacerbation of the job skills mismatch. Recently, a resolution at one of the Canadian Chamber of Commerce's meetings called for the restoration of the long-form census.

Would you agree that it could contribute to better data for young Canadians and for educators?

**Ms. Nobina Robinson:** Who can disagree with wanting better longitudinal, detailed, granular information? So, yes.

But what I think is the most important point now is that when you actually look at all of Statistics Canada's existing tools, they represent a rusted toolkit measuring backwards for the twentieth century. Now we need new data that really helps, including graduate employment rates and earning power. Are people finding jobs in the field they studied? How many work-integrated learning opportunities do the programs offer? From an employer perspective, what are the actual barriers? Qualifications are not the same as actual skills, so clearly there is a disconnect there.

I will tell you that I contribute a lot of my thinking to the Canadian Chamber of Commerce through its HR skills committee, and what I think is superb is that there is this alignment now on the need for better labour market information. The council of CEOs is saying it, the Canadian Chamber of Commerce is saying it. It's not just that they want demand-side data, but supply-side data. They don't know what's in our talent supply chain. They don't know how many graduates we're going to have in mechatronics two years from now. That's the kind of information we need the federal government to put out.

So regarding your question on the census, I think we need a re-look at the whole of the evidence.

**Hon. Scott Brison:** Sure.

If we restored the funding cut to Stats Canada, ensured that there were the proper resources and the right mandate, could the labour market intelligence agency function as a unit within a properly resourced Stats Canada?

**Ms. Nobina Robinson:** You're asking a very good question, Mr. Brison.

We're now calling it the labour market information council, and we've adjusted since our early August submission to you.

I struggle with this question all the time. I go back to my days at the Jenkins panel. The machinery of government question is bedevilling. There is this antipathy to creating more federal bureaucracy. That's why my thinking, and our thinking, is to have an arm's length, independent entity—we can provide you more information on this—with the private sector and the education community on its board. You almost want to now take it out of Statistics Canada, out of the ESDC, and create, through shared jurisdiction, with the forum of labour market ministers working together, something that is credible and not bureaucratic. I think we have examples for you. In Australia they've done this. It's called the workforce productivity council. You can do it here.

•(1615)

**Hon. Scott Brison:** Could we also launch, as a national government, a national campaign to restore the honour of professional trades in Canada to get young people thinking about professional trades earlier, in addition to providing them with better labour market data? Should that be something we're thinking of as a government?

**Ms. Nobina Robinson:** You know, with respect, that's been going on year after year. We put some money out to promote the trades, try a trade program. There are how many different ads that we've seen in the Winter Olympics—

**Hon. Scott Brison:** Just providing the data and the information may be the best, and let them—

**Ms. Nobina Robinson:** Yes, I'd say it's much more important now to get the data on the earning power of the trades professions, the high-demand trades, and really what you can earn as a power engineer, a power line technician, etc.

**Hon. Scott Brison:** Thank you very much.

Ms. Vornbrock, we met yesterday with Michael Kirby, the original chair of your organization, who spoke to us and gave a very compelling presentation on his organization's work on the whole area of youth suicide prevention.

How would you help us distinguish between the laudable work that he's doing, in terms of youth suicide prevention, and the work that you're doing as an organization? Can you help us understand the difference in terms of the nature of the work done by each organization in this area?

**Ms. Jennifer Vornbrock:** Thank you for the question, Mr. Brison.

I would probably say that the work the commission has been doing and actually started by Mr. Kirby carries on in a similar way. What the commission is particularly proud of is the degree and the

extent to which we have secured a number of really critical national and local partnerships on suicide prevention.

In particular, I would want to draw your attention to the work we've been doing with the Public Health Agency and others around the federal framework for suicide prevention, but also the work we've been doing in the communities, in community-led conversations on suicide prevention, which we think is critically important.

**Hon. Scott Brison:** There has been a significant increase in the incidence of suicide among veterans of the Canadian Armed Forces. What do you recommend to the committee in terms of resources for mental health within the Canadian Armed Forces? Should we be making a significant increase in mental health resources both for active enlisted men and women in the Canadian Armed Forces and also for veterans?

**Ms. Jennifer Vornbrock:** For many years we've had very active partnerships both with the Department of National Defence and with Veterans Affairs, in particular around operational readiness in dealing with those men and women who are serving abroad.

There is some fantastic programming called the "Road to Mental Readiness", and we've been partnering with that program to bring that into civilian police forces as well. I think there is some really critical work that's going on, and we continue to partner with them to support that work.

**Hon. Scott Brison:** Do we need to increase resources given the dramatic increase in the incidence?

**Ms. Jennifer Vornbrock:** Well, I think there has been an increase in resources, and I do think there continues to be a need to increase resources. I want to comment particularly around Veterans Affairs.

We have been working with the Department of Veterans Affairs and others, because one of the really critical things we've realized is that the transition from the armed forces into the community is a critical juncture and an opportunity to increase support. We're very pleased to see some of the real partnerships that are beginning to take root with Veterans Affairs around things like mental health first aid, expanding the Road to Mental Readiness, and other critical programs.

**The Chair:** Thank you.

Thank you very much, Mr. Brison.

We'll go to Mr. Keddy, please, for seven minutes.

**Mr. Gerald Keddy (South Shore—St. Margaret's):** Thank you, Mr. Chairman.

I welcome our witnesses.

I want to pick up on Mr. Brison's comments on the Canadian Armed Forces, the work that Veterans Affairs has done on suicide prevention, and the application of mental health issues in general straight across that department.

I guess one of the things we see in the political world, unfortunately, is sometimes the raising of rhetoric around suicide. Everything you're ever taught in suicide prevention is that you don't bring attention to it: all of a sudden you have a cluster and that cluster starts to grow, and you get copycat incidents that spread as a cancer that is almost impossible to stop

Do you have any suggestions on how we handle that very important need—because it's politically sensitive—to have a positive suicide prevention program and yet not inadvertently be part of the drivers?

• (1620)

**Ms. Jennifer Vornbrock:** I thank you for that question, because I think it's a critically important one.

In regard to the way in which the Mental Health Commission and others have approached the conversation about suicide, I would quote Harold Albrecht. I think he has stated that the approach of not talking about suicide isn't working. So we need to start talking about suicide. But we need to do that thoughtfully, because you raise some very important points about where the conversation can go if it's not done carefully and thoughtfully.

The national mental health strategy exists. We do not need another national strategy on suicide prevention. We need to take action on suicide prevention.

In particular, we want to be cautious and not focus on particular populations. I think suicide is an issue that is complex in nature. I think it reaches into families, adult males, seniors, children and youth, the veterans, and the armed forces. By focusing on particular populations, I think at times we run the danger of losing the full breadth and scope of the complexity of the issue, and we miss the opportunity to look at how communities can support those individuals across the lifespan.

**Mr. Gerald Keddy:** Thank you very much for that answer.

Mr. Fleming and Mr. Robinson, I just want to try to get this straight. You talked about the obvious need we have in Canada to harmonize our IT sector with the global economy and the rest of the world and the modernization of the Food and Drugs Act, Bill C-17, which was an attempt to do it. Yet you're concerned about two different issues.

You have patent protection, and we understand what patent protection is. That gives you roughly 20 years of protection, and after that it's out there in the mainstream and anyone can copy it. But most companies also have proprietary information, which is not patented. There is no protection for that proprietary information. Are you suggesting that there needs to be some type of built-in mechanism to have protection for proprietary information?

**Mr. Walter Robinson:** Through you, Mr. Vice-Chair, to Mr. Keddy, in the context of our presentation today, in terms of a driving an innovation environment that fosters Canadian competitiveness, the stability and predictability of the Canadian business climate is important for life sciences investors and, I would dare say, for some of the other industries that are represented across the table today. Your question goes specifically to Bill C-17. We testified before the House health committee and before the Senate last week. Bill C-17—and I know this is not the place for it, but with respect to the question—is trying to do two things, and doing neither very well. One is to ensure that the minister has the right to disclose clinical trial information, emerging trends, and things that are of a serious or imminent risk, in the interests of the health and the promotion of the safety of Canadians. We fully agree with that. But the bill also defines confidential business information. That stuff is proprietary. It may not be intellectual property on the molecule or the biological...

but it speaks to issues of proprietary manufacturing processes, packaging, and a variety of other things that Mr. Fleming and other members have to disclose to Health Canada to get a notice of compliance in order to get a medicine approved as safe and clinically effective. We're just trying to ensure that the patient safety data, the stuff that is needed, has to be there.

In the other areas, they need notice and consent because those do have a competitive advantage, and Minister Fast, with the global markets action plan, is out there speaking about Canada's brand. The late Minister Flaherty and the current minister speak to Canada's brand as a stable and predictable place to do business. That's what we're trying to get at.

**Mr. Gerald Keddy:** Okay, thank you for that answer because it wasn't exactly clear in your presentation.

Mr. London, you present a case in which Canada has nine deposits of rare earth elements that could possibly be developed. You talk about secure, stable, and sustainable supply. You're looking for a fairly substantial investment over five years—it's not a small investment—by the Government of Canada. At the same time, there is potential to grow from a \$4 billion industry worldwide to an \$8 billion one—it's something that's going to double—and there's been 8% to 12% growth over the last 10 years in that field. Those are all fantastic statistics, but you talk about how we match up the academic support for the industrial development? I ask because with junior mining firms, you generally that don't have that expertise, quite frankly, to move into industrial development, let alone the ability to partner with that academic community.

• (1625)

**The Vice-Chair (Mr. Nathan Cullen):** Thank you, Mr. Keddy.

You have a little less than a minute to respond, Mr. London.

**Mr. Ian London:** That's an interesting question. I agree that junior mining companies do not naturally collaborate. However, it is clearly recognized today, and with the establishment of CREEN and the active involvement of many of those companies right now, that they know what has to be done. Each of the companies possesses the capabilities and the knowledge. There are a number of national and commercial labs that have worked on every project, but because of the rules of confidentiality, they don't share. It's now a global competition, and these players have now said they need a platform and they can collaborate.

We have since held three major symposiums. I've chaired them since 2012. We were just in Vancouver. One-third of the conference of metallurgists was around rare earths. Last year there were 54 papers from 17 countries. Canada can collaborate. You're right that it doesn't happen naturally, but a number of the folks recognize that it needs to be done and have the enthusiasm and ability to do so.

**The Vice-Chair (Mr. Nathan Cullen):** Thank you, Mr. London.

Thank you, Mr. Keddy.

Mr. Rankin, go ahead for up to seven minutes, please.

**Mr. Murray Rankin (Victoria, NDP):** Thank you to all the witnesses for attending. It's very interesting and there's not enough time to do justice to all of you.

I want to start, if I can, with Mr. Robinson and Mr. Fleming of the Research-Based Pharmaceutical Companies.

You say in your brief that Canada secures less than 1% of global R and D from the innovative pharmaceutical industry despite being a global leader. You're asking, it seems, for more federal funding despite being part of what I would have thought was a very profitable sector. Do you have suggestions for how we can get increased R and D in this country? How can the federal government be a driver of scientific innovation? Is it simply a question of adding more money from the federal government? What are your suggestions?

**Mr. Mark Fleming:** You know, I don't think we were asking at all for additional funds or money from the federal government. Walter actually made that fairly clear that this is one of the unique parts of our submission, that we're not looking for incremental money. We're looking for support for key policy changes that help create Canada as an attractive environment on the global R and D stage.

The steps forward with the free trade agreement with Europe that have enhanced the intellectual property regime for Canada helped us level the playing field with Europe and the U.S. and other countries. So we're asking for support from this committee and the House to move that forward.

There are key programs already in place that the government funds, if you think of CIHR or the SR and ED tax credits. These are all very competitive programs that we look to take advantage of, and it's not just us, the large pharma companies. It's also the small biotech ecosystem across this country that those programs are absolutely critical for. The future of innovation in Canada rests a lot on the shoulders of the small biotech companies and the partnerships that are created between companies like ourselves at Johnson and Johnson and those small companies as they emerge.

**Mr. Murray Rankin:** Thank you.

My next questions are for Ms. Robinson of Polytechnics Canada. You made a number of recommendations. One was that there be an increase in the college and community innovation program of \$12 million. You gave an example of how the demand was exceeding supply for those programs, and innovation was therefore put on hold. How did you come up with the \$12 million figure? Why isn't it way more or way less?

**Ms. Nobina Robinson:** Today the program is \$50 million per year, made up of different kinds of multi-year grants. There are, I think, 96 eligible colleges and polytechnics bidding for that \$50 million program. We have seen that, over the last three years, 73% of peer-reviewed, good quality applications cannot be funded, because the multi-year approach means that the forward moneys are tied up. So we believe the \$12 million increase is about 25%. We are not calling for the doubling of the program, but simply that it allow more projects to come on stream.

There is a need to be careful here. If you double the program, you could cause an excess of funding. We would never pretend to be what we are not.

• (1630)

**Mr. Murray Rankin:** All right. I appreciate what you're saying. I'll continue with you, if I could.

You are making a big plea; and I'm building on what my colleague Mr. Brison asked you about, these labour market information plans. You mentioned that other agencies like what you're proposing, in other countries like Australia, Germany, and the like. But this is an old movie, isn't it? We've had cuts to Statistics Canada, eliminating a number of surveys, elimination of core funding of sector councils, use of Kijiji data to make a jobs plan. Why are you suggesting this new mouse trap? Why don't we just get the government to restore the money that it had in StatsCan and elsewhere to do some of the very things you've been asking for?

**Ms. Nobina Robinson:** Restoring money is not the same as asking Statistics Canada or ESDC or any bureaucrat to do something new. We need to do something new. So now—and we have seen this through the whole debacle of the temporary foreign worker issue—we really don't know what the publicly funded institutions of higher education in this country have in the pipeline. Currently that is provincial information, because it is now getting into a shared jurisdiction issue. We need to be able to incent the creation of this information and let anybody take that data and package it and market it to the community for whom they're targeting the workers.

**Mr. Murray Rankin:** This next question is for Ms. Vornbrock. As you heard, Senator Kirby was here to ask for \$100 million over five years for the national suicide prevention fund. You're asking to complete the excellent work that your organization has done on the mental health action plan. There's only so much money, so how would you prioritize between your ask and his?

**Ms. Jennifer Vornbrock:** The critical part of going forward for the commission as part of the new mandate is the mental health action plan. That's a document on which we intend to have—and have already started—broad consultation with provinces, territories, and national stakeholders. As I said in my statement, with over 350 partnerships, we believe it will be an interesting and challenging task to come up with what we think the priorities for Canada should be. But we have a guide in the mental health strategy for Canada.

We are seeking resources of about \$25 million a year for 10 years. We do not think \$100 million national suicide fund is necessarily required, because our conversations with communities across the country have yielded some really interesting information about the kind of resources and community assets that already exist in the community. Our job would be really to leverage the partnerships that already exist in those communities and really see some of the innovation and some of the solutions that we believe already exist around suicide prevention.

**Mr. Murray Rankin:** You introduced in a very tantalizing way the work that you've done on the five-cities homelessness project. I think you said that for \$10 spent, \$20 was saved. I would like you to elaborate more on that, on your success to date and what you're proposing to continue with on homelessness.

**Ms. Jennifer Vornbrock:** Thank you for that.

Very quickly, the five cities that were part of the At Home/Chez Soi initiative did exactly find those key findings, which led to essentially 18 more communities implementing a housing-first approach. The Mental Health Commission, with resources that we already have in the coffers, is investing in technical and training assistance on housing first. Another 44 communities in waiting will also be part of that housing-first continuum across the country.

This is definitely with the support of provinces and territories and stakeholders. This is definitely an initiative that is snowballing and is really starting to take root in terms of rapidly ending homelessness. Just looking at my fast facts, results show something in the neighbourhood of reducing hospitalization costs by 72%. We are seeing significant results as a result of this intervention.

**Mr. Murray Rankin:** Thank you very much for your great work on that.

**The Vice-Chair (Mr. Nathan Cullen):** Thank you, Mr. Rankin.

Mr. Allen, over to you for five minutes, please.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you, Chair, for the opportunity.

Thank you to our witnesses for being here.

Ms. Robinson, I think I'll start with you for my first two questions. You talked in your submission about a national registered apprentice number. You're fully aware of some of the challenges we have across jurisdictional issues nationally and with the provincial governments, and even in fact with some of our tradespeople being restricted in going from one province to another.

Can you talk about the labour mobility? It's more than just scholarships and grants and that type of thing. How would you see this working in the context of a fragmented, piecemeal labour market like that?

•(1635)

**Ms. Nobina Robinson:** Right: good question. Let me unpack it in a couple of different ways.

The first issue is that we just don't have a grip as a country, or even in any province, on what are the different barriers being faced by apprentices. To answer the bigger question that I think all of you should ask yourselves, why don't we have more tradespeople certifying? The nature of that training, the nature of that kind of acquisition of skills, is that you must learn from a master craftsperson. If we don't have master craftspersons, journeypersons, then we will not be able to train the next generation. So completion is the problem.

I also believe we need to recognize that the federal government has year after year tried to attack the problem by giving more incentives to individual apprentices. The time has come now to get a grip on the data. That's what this is. This would be a voluntary

number assigned, like a SIN, a social insurance number, to those applying for federal supports so that over time you would be able to track them.

We actually spend \$7 million on a national apprenticeship survey once every decade. Going back to the earlier question that Mr. Rankin asked me, on the speed at which Statistics Canada crunches the data, the last time we surveyed the apprentice population in this country was 2002. We didn't get the data until 2009. Now we're in 2014, on the other side of the recession.

That's why I think we need a real-time data set on apprentices. You would find willing apprentices giving their number.

**Mr. Mike Allen:** Thank you.

You hit a little bit on the reporting mechanisms and the strength of the reporting mechanisms that you have at the polytechnics. I'm not sure, but you're probably aware that Minister Kenney made a statement a couple of weeks ago with respect to the federal transfer, the \$12 billion for education, and wanting to get more reporting back on that. I think the community colleges and polytechnics tend to do more reporting than the universities do.

Do you see starting that dialogue with the provinces as a way to start to get more reporting, and understanding more of the job success that some of our students are having?

**Ms. Nobina Robinson:** First of all, as publicly funded institutions, whether universities, community colleges, or polytechnics, everybody has their reporting tracking. They have to in order to get their operating grant from the province and the provincial capital funding for "bum in seat". So the issue is, who's not making it public and who's distorting the data? That's the challenge right now.

The other issue is that all of these institutions are providing it to the provincial capital but not the federal government. I do believe we gave away the levers at the federal level when we didn't seek accountability. The Canada social transfer and the post-secondary education escalator set aside within it—we don't know what we're getting for it. Now it's coming home to roost, and we're asking.

That's fine; things change a decade later, so let's actually look at this again. But it would be no burden to ask us to give you the data. What's shocking to me is when I go to ESDC and they're asking me for the data because they can't get it from the provinces. Some sort of incentive has to be created to allow the existing data to be put into the hands of the people who need it.

**Mr. Mike Allen:** Thank you.

Do I have some time left?

**The Vice-Chair (Mr. Nathan Cullen):** You have a little less than a minute.

**Mr. Mike Allen:** Thank you.

Ms. Vornbrock, I'd like to ask you about your submission and the chart, "Momentum of Mental Health Commission: Diffusion of Innovation". You say "Canada is here", and you're coming here now, two years ahead of when the funding is going to expire. Can you talk really quickly about the "Adaptations of the Strategy" and the "Facilitated Uptake of the Strategy" and what those two next steps would be?

**Ms. Jennifer Vornbrock:** Yes. Thank you for the question.

The reason we're here now is twofold. One is to signal to the government and to all parties that we have completed the mandate we were asked to do, on time—and actually ahead of time—and on budget.

But for the mental health strategy for Canada, which we think—and as we've heard from our colleagues across the globe—is a best-in-show, really, in terms of a strategy, we do not want to see that document ending up on the shelf. We want to make sure that document doesn't end up on the shelf, so putting it into action.... In fact, this week is actually Mental Illness Awareness Week; we're wearing our orange bracelets. I think the theme of it is acting on mental health. For us, to really accelerate the momentum, to see that innovation, and to really see it take root is wanting to translate the strategy into action. That's what will really be the foundation for the work of the commission going forward.

• (1640)

**The Vice-Chair (Mr. Nathan Cullen):** Thank you, Ms. Vornbrock.

Thank you, Mr. Allen.

I'll take a few minutes of questions here, and I'll continue with you, Ms. Vornbrock, for a second.

In an answer to a question from Mr. Rankin about the effectiveness on homelessness with those suffering from mental illness, you got into the answer, but I don't think you were completely able to finish. Could you add a bit to that in terms of the effectiveness of the program?

**Ms. Jennifer Vornbrock:** Yes. As I said in my opening statement, for \$10 spent, it's \$20 saved. For somebody who's worked for many years in a hospital setting, cost avoidance means as much, sometimes, as cost savings, because it means that money can be reinvested into other more innovative solutions that exist in hospital care, acute care, and, more importantly, in mental health community care.

Also, individuals who were in a long-term hospital space for mental illness and were part of the cohort study for Housing First were discharged 116 days sooner, with support. That's a savings of \$12 million.

**The Vice-Chair (Mr. Nathan Cullen):** Let me catch you there. They were discharged earlier with support, so it's less of a burden on the health care system.

**Ms. Jennifer Vornbrock:** Absolutely.

**The Vice-Chair (Mr. Nathan Cullen):** My question would be on the need for either provincial or national affordable housing strategies to complement the services being provided. If we're discharging people earlier yet they still don't have reliable and affordable housing, is it a concern for your group? I apologize if this was in your earlier testimony.

**Ms. Jennifer Vornbrock:** It wasn't.

It's not currently a concern, because what we're actually seeing are some really creative ways to think about housing going forward. One

of the most interesting partnerships that I think emerged out of At Home/Chez Soi was the partnerships with landlords.

I came from the city of Vancouver, where vacancy is challenging, but you were seeing landlords stepping forward offering sweets to the mentally ill, which I think blew a lot of people's minds, really. What they were getting, though, was secure tenants, with support. I think for us what we have yet to really tap into is some of those really innovative housing solutions. That's what At Home showed us.

**The Vice-Chair (Mr. Nathan Cullen):** Thank you very much.

I'll go to Mr. Fleming and Mr. Robinson. Again, my apologies if I repeat something that's already been said, but I had to be in the House at the beginning of this meeting.

I have a question around a recent story about changes being sought by some in the pharmaceutical industry to allow permission for earlier-stage testing of new drugs on younger Canadians. That is permitted in the U.S. and Europe. I didn't notice it specifically in your submission. Maybe you referenced it earlier. Could you illuminate what you're asking for, if the industry is?

**Mr. Walter Robinson:** We didn't allude to it, Mr. Cullen. On the story that I think you're referring to, I don't believe that any.... Rx&D has not formally asked for that. It was a study commissioned by the Council of Canadian Academies on the need for pediatric clinical trials and the subpopulation.

**The Vice-Chair (Mr. Nathan Cullen):** Are you in support of this?

**Mr. Walter Robinson:** We're looking at the study, and in general, yes, in the context that if there's an opportunity to have rigorous Health Canada-approved trials to ensure that the medications that doctors are prescribing to children and to other subgroups as well.... The Senate committee has studied a lot of this. If we can further science safely and ensure that our clinicians are prescribing medications that have been tested in pediatric populations to improve patient health, children's health—I'm a father—and to reduce unnecessary adverse events, with proper science, that would be a good thing.

**The Vice-Chair (Mr. Nathan Cullen):** Thank you for that.

Ms. Robinson, it's nice to see you again.

We were talking about the gaps. There were a number of questions from my Conservative colleagues about bringing people up into the trades, more emphasis on the skilled trades, and ticketed apprenticeships.

Is there a role for government in that gap that seems to exist in regard to the reluctance from some employers in the heavy industries to take on those apprentices? Apprentices are sometimes perceived as expensive, and you don't get as high a quality of work. Also, there's been this overlay of what you called—and I don't want to misquote you—the disastrous temporary foreign worker program that allowed an easy solution to a complicated problem. Is there any role for government in closing that gap when a young person in particular has received their tickets, yet struggles to find the full apprenticeship placement they need? Is there a role for the federal government in this?

**Ms. Nobina Robinson:** For the benefit of those who don't know—and I always run into people who don't know—apprenticeship is at least a five-way maze in the relationship between the individual, the employer, the training institution, the province that knows the seat purchase, and the federal government that's doing a whole bunch of financial supports. So, of course, there's a federal role.

The question, though, and I think it's important.... We are finding that enough young people are enrolling for the first level of apprenticeship. The country's challenge is to get people to see through to the last level of their training, challenge the last exam, and get the certification. When we say young, we have to be careful; the average age of an entry apprentice is 27.

There is a role for government to promote and get them in to things like pre-apprenticeship—learning how to hold a hammer, how to work with an automotive engine. The real role right now is working with employers and finding financial incentives to get them to help with completion.

•(1645)

**The Vice-Chair (Mr. Nathan Cullen):** Thank you, Ms. Robinson.

Over to you, Mr. Van Kesteren, for up to five minutes, please.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Chair.

Thank you all for coming.

I don't know where to go. There are so many interesting discussions that have taken place.

Ms. Robinson, I'm going to go back to you. You suggested, and I think rightly so, that more information is needed to find out what is needed in the workplace.

Is there provision, or are you making a recommendation, for the other end, which is the student end, so that when kids come out of high school, they know that here's where their opportunities lie? Is that—

**Ms. Nobina Robinson:** Thank you very much for the question.

That's exactly what we think the function of a new labour market information council should be: to have one stop where the supply side and the demand side are put together. I think the real users of such good new data would be high school guidance counsellors, parents, students in grade seven and eight who are trying to see....

We've been doing voodoo science projection, something called COPS, where we try to see what the labour market forecast will be ten years out. We need to know where we're going to be three years out, five years out. That's the sweet spot that will help the high school student.

**Mr. Dave Van Kesteren:** That's most helpful. I think you're absolutely right.

I want to tell you a little story, and I'm going to ask you to comment on this too. This is in regard to the colleges and the different programs that are offered.

In my own circumstance, I have a number of sons who are policemen. It's a great job. I was addressing a group of tradespeople,

and we were having a discussion about the pay of the one as to the other. I made the suggestion that maybe we're attracting more people in those jobs than in the actual trades. One guy responded and said, "You're bleep bleep right." He said, I told my son—I think this guy was a plumber or something—that there's no way he was going to take this job; he was going into the police services.

Are you competing against those types of jobs? Second, is there a role to play for governments to recognize that when they compete for talent they're actually making it more difficult for young people to enter the trades, or at least choose the trades as opposed to some of these other government jobs?

**Ms. Nobina Robinson:** Sorry, for some clarification on the second question: a role for government, when they...? Who's "they"?

**Mr. Dave Van Kesteren:** Well, young people coming out of colleges are oftentimes choosing government training jobs as opposed to the trades that you're advocating for and saying we need so much.

Is that part of the equation too? Are we leaving that out of there as well?

**Ms. Nobina Robinson:** I want to say that we have 300 or 400 trades professions; not all of the trades are in high demand. What we really need is to know which trades—and I would add further, the occupations, the professions—are in high demand from the employer side.

We are seeing demand for some of our programs. I can't tell you that every program is bursting at the seams, but I can tell you which ones are.

**Mr. Dave Van Kesteren:** If I could interject quickly, how important is it for us to keep the cost of CPP, keep the cost of EI, keep those costs.... It's ultimately the employer who is going to hire these young people. If they're challenged in those areas, then how important is it for us, as a government, to make sure....

I guess there are two parts to this equation, probably three.

**Ms. Nobina Robinson:** Many.

**Mr. Dave Van Kesteren:** Yes.

We're leaving a very important part of that discussion out.

**Ms. Nobina Robinson:** I'm maybe not totally hearing your question.

With regard to the anecdote you gave about the police officer and the plumber, we don't know the earning power options. We just don't have the data. We know it in our local reality, but we need to make this available. That's number one.

There is a role for the federal government in supporting all of this. Absolutely. There are some things—job creation tax credit—but we now need to look at sharp financial incentives that target the problem. If the employers are telling you they don't have enough welders, do they know that at NAIT there are welders who are being turned away? Why is that not known?

I'm perhaps not answering you completely correctly, but, to me, there's a role for government in getting the data out.

•(1650)

**The Vice-Chair (Mr. Nathan Cullen):** Do you have one very small question, Mr. Van Kesteren?

**Mr. Dave Van Kesteren:** I think I'll pass. It's pretty difficult to do that. So thank you very much.

**The Vice-Chair (Mr. Nathan Cullen):** Perhaps you can commune with Mr. Adler. He has five minutes to ask questions and he could ask it for you.

**Mr. Dave Van Kesteren:** He probably has lots of good questions himself.

**Mr. Mark Adler (York Centre, CPC):** Thank you, all, for being here this afternoon.

I do want to just begin with Ms. Robinson. You mentioned early on—and I want you to expand on this—that we must learn how to innovate. Could you speak more about that, please?

**Ms. Nobina Robinson:** I think it was in my opening remarks. I believe that all workers can innovate and that innovation skills are what we really need to be imparting to all our learners.

**Mr. Mark Adler:** How do we do that?

**Ms. Nobina Robinson:** I think the best way to do it is through applied education where you combine the theory with the practical. That's my philosophical commitment to polytechnic applied education.

But you see, up to now—and I say this with all the experience I gained from the R and D review panel, also known as the Robinson panel, but truly known as the Jenkins panel—we've said that innovation is an elite game. I sit here with august research bodies and I feel as if one of these things just doesn't belong, as on *Sesame Street*. I don't hear those who are talking about Canada's science achievements saying that we need the makers, the people who build the prototypes, who do the cost avoidance studies, and who do the scaling up. So I think that all workers need to be innovative. That's my absolute conviction.

**Mr. Mark Adler:** Okay, thank you.

Mr. London, what are some of the constraints around producers right now of REEs? Are there any in Canada right now that are an impediment to further development of REE?

**Mr. Ian London:** Financial markets are soft, but we're bringing things into production. Rare earths are not commodities. They're not like copper or any of the base metals, and you have to complete a supply chain.

They also present some unique chemistry issues, so producer A can produce a concentrate, producer B can produce its concentrate, and no two deposits are ever the same. One of the challenges is how you separate them. And all rare earths appear the same; there are 17 elements that all come together and they have to be peeled off, like an onion. Can we develop a centralized facility to take feeds from different units? The answer is yes. But no two feeds are the same, so you now get into questions like what the chemistry issues are, what the innovative solutions are, and then whether you can demonstrate it. The answer is that I think you can.

There are a number of other technical.... As I said, we've brought together a group of innovators—the theme talked about before,

which I liked—where engineers from the technical leaders from each of the companies got together and said, “No, we can't talk”, “No, we don't have any problems”. But at the end of the day they prioritized seven common projects and said, “We have a similar kind of issue. We are finding that this reagent scheme is probably the best. It's only produced in one location and happens to be controlled by the Chinese. It could be re-engineered. How about we collaborate and solve this problem, reverse engineer it, tweak it as need be, and move forward?”

It's that collaborative platform. As I commented before, with CREEN and the Conference of Metallurgists, we've demonstrated that the ability is there for the juniors to do it and draw upon some of the bigger organizations. In conversations with the CIM, the Canadian Institute of Mining and Metallurgists, and the Mining Association of Canada, some of the larger folks are asking, “How do we support you, and how do you draw on some of the capabilities we have to solve problems we don't even understand, but individual skills are there and that's what innovation is. I have solutions and how do we apply them?”

**Mr. Mark Adler:** Okay.

Mr. Robinson talked earlier about brand Canada. How important is this for Canada?

**Mr. Ian London:** As I mentioned in my opening remarks, China is integrated. The Critical Metals Institute is in the U.S. under the DOE. I've been invited by Erocon to talk to the European Community next week.

Did you notice that I didn't name a country? I named nations or individual companies.

The Rohstoff Allianz, an association of German manufacturers, is saying, “I have this demand, you have that demand”. They don't necessarily want to share what their individual demands are, but by aggregating them, these become national interests. To the Europeans I think the European free trade agreement is a perfect opportunity to bring.... Europeans are manufacturers, they're assemblers, and they bring equipment. Canada brings mining and metallurgy. Together we can combine that to develop a.... That doesn't mean selling one product to the other, but it could, if Canada takes interest in some of these further downstream and as an end user looking upstream and saying, “We can work these out”.

But if you look at it, there are actually U.S.-EU-Japan trilateral meetings handled annually—that's nation to nation to nation—and they bring the industry and the collaborators together.

•(1655)

**The Vice-Chair (Mr. Nathan Cullen):** Thank you very much, Mr. London.

Thank you, Mr. Adler.

We're out of time.

I would like to thank all of our witnesses for presenting today. It's been very informative.

- (1655) \_\_\_\_\_ (Pause) \_\_\_\_\_
- (1700)

**The Chair:** I call back to order meeting number 47 of the Standing Committee on Finance. We are continuing with our 2014 pre-budget consultations.

I want to welcome our second panel of witnesses here this afternoon. In order of presentation, I have, first of all, the Canada Green Building Council president and the CEO, Mr. Thomas Mueller. Welcome. Second, we have the Canadian Manufacturers and Exporters. The president and CEO is Mr. Jayson Myers. Welcome back. We have Mr. Shawn Murphy from Co-operatives and Mutuals Canada. Welcome to the committee. From the Information Technology Association of Canada, we have the chair of the tax and finance committee of ITAC, Ms. Karen Atkinson. Welcome to you.

[Translation]

We also have with us Martin Beaulieu, from Société de promotion économique de Rimouski. Welcome to the committee.

[English]

You will each have five minutes for your opening statements, and then we'll have questions from members.

We will start with Mr. Mueller, please.

**Mr. Thomas Mueller (President and Chief Executive Officer, Canada Green Building Council):** Thank you, Mr. Chairman.

The Canada Green Building Council is an industry-driven organization that has been in existence for 12 years. We focus very much on market-driven solutions. One reason that green buildings—these are environmentally responsible, high-performance buildings—have been successful is that for the owners and the developers there is typically a very good return on investment.

Globally the construction industry is a \$6.8 trillion business. It's one of the largest industry sectors in the world. Buildings also have a tremendous environmental impact in terms of carbon emissions—about 30% to 35%—water, waste, etc., aside from the amount of land they consume. So this is a significant opportunity for reduction of environmental impacts and for innovation globally.

Canada was one of the early adopters of green building and we are considered to be a global leader. We are often visited by delegations from all over the world, including China, Europe, and Latin America, for our expertise in the area of designing high-performance buildings and communities.

Globally green building has been on the rise, particularly around new construction, but also around the retrofit of existing buildings. It's now firmly established. Over a hundred countries in the world have strong green building programs and, as I said, Canada is a leader in this area.

This is an innovation opportunity to really achieve high-performance and low-impact buildings. I can give you an example of some of the countries that have been served by a study done by McGraw Hill Construction on the construction sector for the world body in 2013.

Between 2012 and 2015 there will be an increase of between 20% and 30% in firms and businesses doing green buildings. That's a significant increase in green building activity.

If you look at green building growth by sector in Canada, over the next three years there will be significant growth: 44% in the commercial sector, 44% in the institutional sector, 31% in the high-rise residential sector, and 51% in existing buildings. So across the board more and more buildings in all sectors are going to be built to higher environmental standards.

Our council, along with some of our industry partners, commissioned a study this year that showed us how green building activity in Canada will increase. In 2011, 37% of Canada's architectural firms, developers, and building owners built 30% or more of their projects green. By 2014, the current year, this has increased to 56%. So 56% of firms are now building 30% or more of their projects green, and it's expected that by 2017 that's going to be 71%.

So if half of those firms are building more than 60% of their projects green, that means that green building—design, construction, operation, product manufacturing, etc., including infrastructure—has become a core business for many firms in Canada, and that's mirrored in other parts of the world as well.

The issue is that many of those products and technologies that are being used in very advanced buildings, including those of the Government of Canada, which are built to a high green building standard, particularly the LEED building rating system, use products and technologies that are actually imported.

**The Chair:** You have one minute remaining.

**Mr. Thomas Mueller:** They are imported from China. They are imported from Europe. The question is why more of these products and services and technologies are not homegrown.

As I said, Canada is a world leader, but there is very little research at this point to support this relatively new sector. The innovation that's happening is really done by engineers and builders and designers who innovate as they apply these technologies and products and designs to new buildings.

It's a wide open field with significant opportunity for investment and for commercialization of new products and technologies and a great opportunity for Canada to stay globally competitive, because other countries, including the U.S. and Australia, are very aggressive in this area and Canada hasn't been.

Thank you.

- (1705)

**The Chair:** Thank you very much for your presentation.

We'll go to Mr. Myers next, please.

[Translation]

**Mr. Jayson Myers (President and Chief Executive Officer, Canadian Manufacturers and Exporters - Ontario Division):** Thank you, Mr. Chair. It is always a pleasure to meet with the committee members.

[English]

Thank you very much.

I'm joined today by Lorraine Royer from Williams Energy and Ken Faulkner from NOVA Chemicals, two of our members who have spent the last day and a half with a contingent of members in meeting about 150 MPs on the Hill to talk about manufacturing, the importance of manufacturing, and a number of challenges and opportunities facing the sector.

I'd like to focus on one specific set of issues. I've distributed copies of our latest membership survey, as well as some of the recommendations we've made in our pre-budget submission. I'd like to focus on two challenges or opportunities.

One is investment in some of the technologies that are radically changing the business of manufacturing, from 3-D printing to the Internet of Things, new materials, and mechatronics. We're facing right now a time when manufacturers need to make these investments simply to be competitive with the rest of the world. The second is the ongoing competition for investment, and the need to make a good business case for investment in new product and to retain product mandates here in Canada.

The one policy measure that I would like to speak to is the accelerated depreciation for investment in machinery and equipment. This has been an exceptionally important measure for manufacturers. It has given them an upfront cashflow of about 10.4% on every dollar of investment. As a result of this, we are now seeing record levels of investment in machinery and equipment in Canadian manufacturing. It's a very, very successful tax measure, not only to incent investment but also to attract the investment that we need to grow this very important sector.

I'd like to ask Lorraine Royer to say a few words. She's much more literate than I am on this issue, and she can speak to how important it is in her own business.

• (1710)

**Ms. Lorraine Royer (Manager, Stakeholder and Corporate Relations, Williams Energy, Canadian Manufacturers and Exporters):** Thank you. I'll stay within the five minutes.

As the chair knows, Williams is a large natural gas infrastructure company headquartered in the United States but with assets in Canada. We're that essential middleman that gathers, processes, and delivers natural gas and natural gas liquids to our customers. We have an innovative gas-processing business in Alberta. We capture natural gas from oil sands and we process and separate it and create marketable products like propane and ethylene. These things get turned into plastics and a whole host of other products.

We are actually well positioned to take advantage of supply growth coming from new shale reserves in the United States and in Canada. This means that we're a company with choices as to where to invest next. It's in this context that I can speak about the accelerated capital cost allowance.

We have a project that we have announced for Canada, in Alberta, which will be in the order of around \$1 billion and is still undergoing some internal scrutiny as we continue to refine our engineering and implementation plans. Not knowing whether the 50-50 flat ACCA will continue or whether the rate would revert back to the old 30% declining balance is one factor that could impact our economic decision here. What we do know is that the old declining balance of

30% is at a disadvantage when compared to what the U.S. system uses for depreciation of equipment used in the manufacture of chemicals and fertilizers—those specific comparisons.

Having examined the two systems, we calculate that with all other things held equal, the difference in CCA rates between Canada and the United States is in fact significant and can have an impact on our investment decision. We wanted to underline this as a current and real-life example of the things that can impact an investment decision in Canada.

Of course, there are many, many factors in any business decision, and Williams enjoys doing business in Canada for a variety of good reasons, but we in the Canadian office compete internally in Williams in North America for every investment opportunity, so every small measure counts, and we have determined through our analysis that this one is a significant factor. That's what I have for my experience.

**The Chair:** Thank you very much, Ms. Royer.

We'll go now to Mr. Murphy, please.

**Mr. Shawn Murphy (Manager, Government Relations, Co-operatives and Mutuels Canada):** Thank you, Mr. Chair.

First, please allow me to thank you as well as all the members of the committee for your kind invitation.

Today I'll be speaking directly to the topic of how the Canadian cooperative sector can increase the competitiveness of Canadian enterprises through its research, development, innovation, and commercialization.

I would like to start by making a recommendation to this committee. Co-operatives and Mutuels Canada is asking the federal government to provide concrete support to cooperative development by investing \$50 million in our Canadian cooperative investment fund. For years accessing capital has been a major challenge for cooperatives and mutuels, particularly start-up cooperatives. Whether it is for new cooperative ventures, business expansions, bridge financing for seasonal operations, or business succession, co-ops need capital to meet the needs of their members and compete in an increasingly competitive marketplace.

Unlike publicly traded corporations, co-ops don't have access to the stock market. Although they can seek financing from traditional lenders, member-owned businesses often find it difficult to meet the required equity and asset criteria. Capitalization is not a new issue for co-ops and mutuels. However, in 2012 the Special Committee on Cooperatives undertook a review of the Canadian cooperative landscape. The committee, like the co-op sector, found that capitalization was a problem for co-ops and made the following recommendation: that the Government of Canada review the issue of capitalization of cooperatives, including its causes, effects, and potential solutions.

This recommendation did not come as a surprise to the co-op sector. In fact, co-ops had been discussing the development of a national fund for some time to help the sector with its capitalization issue. The recommendation, however, solidified the sector's resolve for the development and implementation of our own national investment fund. Financed by the cooperative sector, the Canadian cooperative investment fund is designed to assist cooperatives to access capital that they might otherwise not have access to. It will be a national fund that is knowledgeable about cooperatives and mandated to structure investments appropriate to cooperative principles and the role of capital in cooperatives.

The goal of the fund is not to replicate or replace any of the current financing sources within or accessible to the sector. Rather, it is to assist securing such resources by topping up the cooperative members' investments through quasi equity, which will in turn leverage the currently available loan offerings provided by credit unions and other financial lenders. Ideally the fund will partner with financial lenders to provide cooperatives with a combination of traditional debt and subordinated debt beyond what may have been possible with the financial lenders alone.

At the moment, we have a total of roughly \$15 million pledged by seven organizations. This money all comes from within the co-op sector, from co-ops and credit unions that believe in the need for this fund. We are hoping to reach \$20 million very shortly.

Why, then, are we asking the federal government for \$50 million if we already have \$15 million? To answer that question, I must first state that the co-op sector is moving forward with our investment fund with or without a contribution from the federal government. However, let me tell you the difference this \$50 million could make. With a \$20-million fund, we are predicting that over 10 years the fund would provide 180 investments totalling roughly \$45 million and create approximately 3,600 jobs across the country. Now, compare that with a federal contribution of \$50 million, bringing the fund total to \$70 million. Over the same 10-year period, we are predicting 735 investments totalling \$183 million and the potential to create over 14,500 jobs.

The \$50-million contribution would be a one-time payment into the investment fund. We are not looking for a cooperative-specific program. We are looking for the government to invest into a thriving and stable sector of the economy.

Co-operatives and Mutuals Canada, CMC, is the national voice for co-ops and mutuals across the country. We represent more than 18 million cooperative members from 9,000 co-ops. I can guarantee that every member in this room has at least one co-op, credit union, caisse populaire, or mutual in their riding.

We have come to the table with a solution to the problem. We now kindly ask that you, the members of this committee, recommend a \$50-million investment into the Canadian cooperative investment fund.

Thank you.

•(1715)

**The Chair:** Ms. Atkinson, go ahead, please.

**Ms. Karen Atkinson (Tax Partner, Ernst & Young, Chair, Tax and Finance Committee, Information Technology Association of Canada):** Good afternoon.

ITAC is grateful for the opportunity to join you for this discussion on fiscal measures to increase business competitiveness through innovation and commercialization.

I'm Karen Atkinson and I'm with Ernst and Young, and I also chair ITAC's tax and finance committee. ITAC is the voice of Canada's information and communications technology industry. Some important points about this industry are that it contributes \$155 billion to Canada's economy, 1 million jobs, and at \$4.8 billion annually, it is the largest private sector investor in R and D in the nation by far.

We strongly believe that ICT adoption is the engine of growth and that it can power up productivity across all industries and all sectors of our economy. Our experience has taught us that the recipe for building sound businesses is based on new innovations. You start with a great idea, you add a great measure of smart men and women to develop and test the idea, and then you bring it to market. At the same time, you need to add some capital to keep those people, labs, and offices going, as you go through challenges and bumps on the road until you finally get to that sweet moment when you actually generate revenue.

The secret seasoning in this formula is at least one good customer to help you hone the product and help you tell the world how good you are. Our 2015 pre-budget submission suggested a number of ways that various policy instruments could be used to help make this recipe a success.

Let's start with the task of finding the idea. Since the earliest days of Charles Babbage and Alexander Graham Bell, the only reliable route to finding technological breakthroughs has been through hard-core, grinding-out research and development. Canada's own public policy innovations have created tax credits to encourage R and D, and those have helped us build a strong, innovative ecosystem in Canada and an ICT industry that punches above its weight globally.

We continue to believe in the importance of tax-based incentives to encourage investment in R and D. Our members include the top R and D performers in Canada. They stress the importance of the scientific research and experimental development credit to their ability to establish research mandates and the highly paid jobs that fulfill them in Canada and will produce the knowledge-based industry that Canada needs in the next century.

CFOs and CEOs of all these companies tell me that they have experienced job losses in R and D departments to other jurisdictions around the world—not just the U.S., but China, the Philippines, and India—due to changes made in the 2012 federal budget. Our recommendation is to restore some of the value removed from SR and ED by increasing the tax rate on SR and ED qualified expenditures from 15% to 17% and to return capital expenditures to SR and ED eligibility.

The second ingredient is talent. We believe we must do more to improve our lacklustre performance in the creation of engineers, scientists, technologists, and mathematicians to guarantee our ability to compete in a fiercely competitive technology-driven global industry. Only 13% of Canadian degrees are in STEM disciplines, 9% in engineering. In terms of Ph.D.s in science and technology, Canada ranks 25th among the 30 OECD member countries. We must address this poor performance if we want to compete with other nations and, in particular, India and China. It should be a national priority.

• (1720)

**The Chair:** You have one minute.

**Ms. Karen Atkinson:** Thank you.

We think our health care delivery system is an important area where increased ICT use would also be beneficial for preserving the health care system and advancing the smart companies that design solutions to improve efficiency. We are recommending continuing reinvestment in Canada Health Infoway, which is the national engine for the rapid evolution of an e-health enabled health care system.

But in an economy of 30 million people, we have to recognize that the most important customers for Canadian innovations are going to be found abroad. So we believe that we must continue to invest in programs such as the trade commissioner service and EDC to ensure that emerging Canadian companies have the services they need to penetrate foreign markets successfully.

That's a short summary of our recommendations for improving innovation and commercialization for Canadian innovation and firms.

Thank you.

[Translation]

**The Chair:** Thank you.

Mr. Beaulieu, the floor is yours. You have five minutes.

**Mr. Martin Beaulieu (Director General, Société de promotion économique de Rimouski):** Good afternoon everyone, and thank you very much for your time. Now for the French part of the afternoon.

I would like to begin by thanking the agencies that contributed to the brief submitted by Société de promotion économique de Rimouski. I am referring to Institut des sciences de la mer de Rimouski, Centre de recherche sur les biotechnologies marines and Technopole maritime du Québec. Joining me today is Ariane Plourde, Director of Institut des sciences de la mer de Rimouski. We really hope to highlight the strength of this network collaboration among Quebec maritime stakeholders.

As mentioned in the brief, I would like to point out the wide variety of sectors in the maritime economy that give rise to numerous collaboration opportunities. The maritime economy, or blue economy, extends far beyond coastal regions. In addition to marine activities such as transportation, fishing and marine biotechnology, we are now seeing geomatics-based projects as well as other projects emerging. So the maritime economy is not limited to coastal areas and now includes technologies that are traditionally based on solid ground.

You should know that the maritime economy, with all its sectors, is the second largest value-added economy in the world. It represents \$2 trillion, surpassed only by the agri-food industry. So that gives you a sense of just how big the maritime economy is on the global scale.

We are convinced—and hope you will be, too, after today—that oceans and coastlines can play a decisive role in solving numerous challenges facing the global economy. The sector holds tremendous potential, and initiatives are emerging all over the world. We believe that Quebec's maritime region and, more specifically, Rimouski, owing to its unique centre of maritime expertise, are well-positioned to contribute to Canadian maritime initiatives.

It is important for you to know what is happening in the blue economy around the world. The European Union approved 20 projects, launched under the theme "The Ocean of the Future" and funded with an overall budget of €180 million. The U.S. established a national ocean policy, which now makes it possible to bring together all sectors of the maritime economy under a single project type.

A growing number of countries are not just entering the maritime economy, but also taking a very active role in it. Traditionally, France and Norway were very present, but today, we are seeing Ireland, Portugal and China becoming more and more involved.

The model that was put forward 15 years ago in Rimouski was based on the creation of the Institut des sciences de la mer de Rimouski and the Technopole maritime du Québec. Ten years ago, the Centre de recherche sur les biotechnologies marines and other research centres came on the scene, rounding out the region's offerings in the area of research and technology transfer. This facilitates the optimal transfer of technology among the various users. Complementing the expertise in Quebec's maritime sector, the ACCORD strategy emerged about seven years ago. It is a provincial program that promotes increased collaboration within our maritime cluster. The strategy's recent renewal has given the members of the cluster an opportunity to engage in joint strategic planning. Armed with a common strategic vision, we are looking to the future and believe that Canada can, and must, play a leading role in the maritime sector.

Synergies like those in our maritime cluster can be established between businesses and institutions. It is important that our cluster maintain its traditional role, and by that, I mean our role in leadership, research, networking, industry partnership and, ultimately, marketing. And that role is increasingly vital if we want to compete on the world stage.

For Rimouski, specifically, keeping our scientific expertise in the region is imperative. I want to point out that we are open to different funding methods that would afford greater flexibility around maintaining regional expertise as well as collaborating with research centres and industries elsewhere in the country.

Our vision for the future also takes into account a variety of challenges that must be overcome. I would be happy to discuss them in greater detail should you have questions in that regard. As I was saying earlier, in addition to the current infrastructure, we have certain considerations we must address in the short term in order to keep our important place as far as the Technopole maritime du Québec is concerned. Even with our leading edge analytical capacity, we are faced with the challenge of maintaining that capacity from a scientific publication perspective.

Obtaining results hinges on having high-quality equipment, a source of ongoing concern for us. Our international activities are expanding, and it is essential that support for those activities be the overriding concern of every stakeholder. Funding for clinical studies in the case of marine biotechnologies and health applications is a worry for many of our members.

Similarly, the financial investments required to support efforts in the field—oceanography, vessels and sampling—are tremendous.

• (1725)

We would also like to put simple and flexible projects in place in order to take advantage of research findings, and to that end, more flexibility is needed around how often funding is renewed.

Thank you very much for listening.

**The Chair:** Thank you kindly for your presentation.

Mr. Caron, we'll start with you. You have seven minutes.

**Mr. Guy Caron:** Thank you, Mr. Chair.

I would like to thank all our witnesses for their compelling presentations on an equally compelling subject.

I am from Rimouski, so my comments are directed at you, Mr. Beaulieu.

When you talk about the maritime economy, I don't think you are talking only about Rimouski. It extends from Vancouver all the way to Halifax, Nova Scotia. It's a fascinating sector that we don't hear much about as far as all of Canada's industrial and research sectors are concerned.

In your brief, you talked about the European Union, the U.S. and China but little about what was happening in Canada.

Do you think we have missed the boat, not to be funny, when it comes to the blue economy or, more specifically, the sectors of the future such as biotechnology and research areas with commercial potential in the maritime economy?

Where would you rank Canada in terms of what's happening in the rest of the world?

**Mr. Martin Beaulieu:** At this point, Canada's position is still enviable, but competition is fierce. Some have already bet on the benefits of the maritime economy, establishing a national maritime strategy that draws on governments and departments to advance the maritime economy. On the one hand, they saw the sector's economic development potential. On the other hand, the blue economy is very closely linked to the green economy, and so sustainable development is quite often front and centre in the minds of researchers, developers and businesses active in the maritime economy.

That's also something we are seeing in the shipping sector. Concerns around sustainable shipping exist across the board. Canadian shipowners transit the world and must compete with all the other shipowners who have already implemented projects to save energy and optimize shipping routes, in order to cut costs. Those are the kinds of research projects we are working on in Canada, precisely to help our partners in industry remain competitive internationally.

• (1730)

**Mr. Guy Caron:** We are familiar with a number of the sectors affected by or involved in the blue economy because we hear about them. Offshore oil and gas development, shipping, port operations and marine infrastructure come to mind. But when it comes to marine biotechnology and other sectors of the future with a heavy R and D focus, what products are we talking about exactly? Could you give us some examples of research-based products that are consistent with a vision for the future?

**Mr. Martin Beaulieu:** In the biotechnology sector?

**Mr. Guy Caron:** Specifically, yes.

**Mr. Martin Beaulieu:** In the biotechnology sector specifically, health applications are especially promising. Traditionally, many applications focused on cosmetics. But more and more applications are emerging in the area of nutrition and a lot more pharmaceutical research is being carried out.

That's why I mentioned the challenges associated with clinical trials earlier. Researchers are seeing very positive results at the in vitro or animal stage, but the challenge they ultimately have to overcome is gathering the clinical evidence. And that is where we need to be more effective and efficient in terms of the number of clinical trials that can be done on certain marine-based products.

Keep in mind that new products very rarely emerge from pharmaceutical R and D owing to all the regulatory barriers. And marine-based products probably represent the family of molecules most likely to produce positive clinical results.

**Mr. Guy Caron:** That is also the direction R and D tends to take in the U.S. and the European Union, in particular.

**Mr. Martin Beaulieu:** It's a global trend.

**Mr. Guy Caron:** Very well.

In your recommendations, you don't ask for money. But some of them are quite appealing, especially the one on R and D.

What you are asking the government is to "reconsider the parameters involved in the financial support application processes and the credits for research and innovation, both for businesses and for institutions, in order to reduce the burden of identifying and renewing funding for all sector organizations and businesses."

In your view, what are the barriers that make a review of that nature necessary?

**Mr. Martin Beaulieu:** I'll answer your question in part, and then I'll ask Ms. Plourde to round out the answer. As the director of a research centre, the question speaks to her daily reality.

As someone in charge of coordinating economic development in a region that is home to numerous research facilities, I see executive directors spending a considerable amount of time putting the funding they have received in place and turning their focus to the next funding request shortly thereafter. They might dedicate a year or a year and a half of their time in a three-year funding cycle to the funding renewal process alone.

A research facility's executive director is a precious resource. Not only are they skilled researchers, but they are also experts in team management and business development. The more time they spend on funding applications, the harder it is for them to seek out international markets, where they can market the fruits of their research, for instance.

**Mr. Guy Caron:** You rely heavily on funding from Canada Economic Development for Quebec Regions.

Is the situation you're describing the same across all the country's regions?

**Mr. Martin Beaulieu:** Having managed projects in Quebec and the Maritimes, I can tell you that there are some differences, though not significant ones. What I would say is it's easier to bring projects to fruition in regions outside Quebec. That said, however, I don't have any specific examples in mind.

Looking at the projects carried out under the ACCORD strategy I mentioned earlier, I would say that, empirically speaking, of a total budget of \$14 million for a research project, the Government of Quebec provided about \$2.5 million and Economic Development Canada provided around the same.

In terms of coordinated initiatives, Economic Development Canada's contribution is quite considerable and very much appreciated.

• (1735)

**Mr. Guy Caron:** What recommendation would you give the federal government in order to make Canada a leader in the blue economy, marine biotechnology and sectors of the future?

**Mr. Martin Beaulieu:** In addition to supporting the existing structures, it would be to help us build networks, which could then submit development projects that put our research findings into application. That would also provide an interface with the end user, those responsible for application, be it at the industry or institution level. Basically, the recommendation would be to support the building of networks such as these, a bit like what they do in Europe and the U.S., as I mentioned earlier.

**The Chair:** Thank you.

Thank you, Mr. Caron.

[English]

We'll go to you, please, Mr. Saxton, for your round.

**Mr. Andrew Saxton:** Thank you, Chair.

Thanks to our witnesses for being here this evening.

My first questions will be for the Canadian Manufacturers and Exporters and Mr. Myers.

Mr. Myers, as you know, our government's trade agenda has already made Canada one of the most open and globally engaged countries in the world, most notably with the recent signing of the comprehensive economic and trade agreement with the European Union, which will open up 500 million new consumers for Canadian businesses.

Can you explain how this CETA with the European Union and other trade agreements that our government has engaged in will help Canadian businesses, primarily manufacturers and exporters?

**Mr. Jayson Myers:** Thank you very much for the question.

I think our comprehensive economic and trade agreement with Europe is a real game-changer, and it's for Canada's advantage here. Very shortly, we will be the only country in the world with access not only to the European market but to the American market, without a lot of the hindrances and trade obstacles that stand in the way. It's not only tariffs. The reality of international business today is built on partnerships. It's built on investment that flows back and forth. It's built on the ability to move people within companies to get fast product approvals to take advantage of large infrastructure procurement markets.

In particular, even in manufacturing, the money is made in service, engineering and design, and technology. In my mind, that's where CETA focuses. I have nothing but the best to say for our negotiators on this agreement. I think it's a fantastic agreement.

What we're doing to follow up, though, is working with the European Commission. We've become the Canadian hub of something called the Enterprise Europe Network. We're calling this the Enterprise Canada Network. We've been working on it for about a year. It's set up with other organizations to identify opportunities for technology partnerships between Canadian companies and European companies. In just over a year, we've concluded 63 technology partnership agreements already, so it's a tremendous opportunity, I think.

In the field of technology, in marine sciences, which is a very large part of this, the importance in Europe is to get in at the product development stage. We're not going to be doing business with Europe on product lines that are already developed. It's about getting in at the early stages of product development, leveraging European technology to grow businesses in Canada and North America, and taking part in supply chains through European companies to do business not only in Europe or North America, but perhaps even in China. In my mind, this agreement just makes all of that a lot easier.

**Mr. Andrew Saxton:** Thank you.

In addition to bringing down trade barriers internationally, our government is also focused on bringing down trade barriers that still exist within the provinces, within Canada. How will it benefit Canadian manufacturers and exporters once we bring down those interprovincial trade barriers?

**Mr. Jayson Myers:** This is also extremely important. My fear is that we may have freer trade between Canada and Europe than we will within Canada itself, particularly in areas of transportation standards, moving people across the country; the restrictions we have on apprentices, for example, moving from one province to the other and recognition of professional certifications. All of these are extremely important.

The one area where I think we should be focused on, because it covers so many issues, is regulatory cooperation. We have a regulatory cooperation initiative with the United States, which is very important, but I think we need to replicate that across the provinces. In my mind, the federal government has a leadership role, and it's one I would imagine the entire business community in Canada would be very, very supportive of: eliminating the unnecessary regulatory compliance obstacles to moving product and people across this country.

• (1740)

**Mr. Andrew Saxton:** That's in addition to cutting red tape, which is what we've been tackling very aggressively.

**Mr. Jayson Myers:** In manufacturing, everybody is focusing on delivering customer value and eliminating all of the processes that don't add value. That, to me, is what regulation should be about: delivering the outcomes—the health, safety, environmental performance—and doing that in the least costly, the least complicated way possible. It's removing all of the complicated compliance requirements that don't add anything to the outcomes.

I'm amazed. When I go into a room of business people and I ask how many have a NEXUS card, a lot of hands go up. Then I ask how many people who have a NEXUS card have been drawn into secondary inspection. It's amazing how many hands go up. The reason is because inspectors in the United States are now inspecting to see if you're compliant with NEXUS, with a system that is supposed to speed up because you have security clearance.

In my mind, that's a perfect example. Why do we need this? It's not adding to greater security here; it's simply putting in place another set of compliance requirements that are totally unnecessary. It's apparent in many, many other areas of regulation, and that's exactly the type of thing we should be looking to eliminate.

**Mr. Andrew Saxton:** Thank you very much.

Chair, how much time do I have?

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

**Mr. Andrew Saxton:** Very quickly, to Co-operatives and Mutuals Canada, you've asked for \$50 million in investment from the federal government in your fund.

My question is, what sort of investment is this intended to be? Also, you mentioned that cooperatives are very successful and stable. If that's the case, why do you need the federal government to help out?

**Mr. Shawn Murphy:** We're looking for the development of this fund to help with the innovation side. Cooperatives are formed when there's a need within a community, within a region, within a group of people. When these individuals set up, there will come a time when they hopefully would like to expand, to grow. But there are a lot of

barriers that they face. They can't get traditional forms of lending from traditional banks, or even credit unions for that matter.

Therefore, if they want to innovate and grow, these barriers continue to present themselves. We would like to have a stand-alone fund designed for cooperatives. It's primarily for SMEs, for the smaller and medium-sized cooperatives, to give them a hand to move on.

**The Chair:** I apologize for interrupting, but, again, we can't go over the member's time. We have to be fair to certain members. We will come back to that point.

Mr. Brison, please.

**Hon. Scott Brison:** Thank you.

Mr. Myers, would an EI premium holiday for new hires help your members create jobs?

**Mr. Jayson Myers:** When companies are looking at creating jobs, they're especially looking at the total expense of employment. A reduction in premiums tied to job creation, I think is a very useful policy measure.

**Hon. Scott Brison:** Thank you very much.

For Ms. Atkinson and Mr. Myers, have recent changes—I'm saying in the last couple of years—to the SR and ED program had a negative impact on investment in research and commercialization for your members?

**Mr. Jayson Myers:** You go ahead.

**Ms. Karen Atkinson:** Thank you.

Our members have told us that it has caused reductions in their R and D spending in Canada, both in terms of real jobs and, more importantly, in terms of longer-term projects. Although the SR and ED program is complex and can be cumbersome, the main thing that our members value about the program is that it does offer some predictability and a consistent way of ensuring development across all sectors.

That is true for both large R and D performers, who really are the backbone of innovation, because when those companies grow, fail, undergo changes, they generally spawn new smaller technologies, and for the SMEs because they need the larger companies there to provide support and technological expertise as they fail, which they always do as they go through innovation.

• (1745)

**Mr. Jayson Myers:** I'd focus particularly on the elimination of capital expenditures from the SR and ED. I know the logic behind it, at least in the Jenkins report, was to make it easier to file and to remove some of the complication from it. But I can tell you for many of our companies if they're going to make R and D investments the issue is not necessarily whether or not they would make the investments; it's whether they would make the investments in Canada.

**Hon. Scott Brison:** Thank you very much.

Mr. Myers, making permanent the accelerated capital cost allowance, would that increased certainty help your members invest in innovation and productivity enhancement in Canada over the current situation of two years?

**Mr. Jayson Myers:** Yes, I think it would. In many companies, like Lorraine's and Kevin's for instance, the investment horizon or planning cycle may take four or five years to do and, of course, you're not eligible for the accelerated writeoff until the equipment is actually in place.

So there are many companies that can't take advantage of this in their planning cycle and, therefore, revert to the old 30% depreciation rule in their business plans, which makes it more difficult to secure the investment.

**Hon. Scott Brison:** Great stuff. Thank you very much.

Mr. Murphy, we have two trends right now that I think cooperatives might be able to help us address. One is that 50% of the small businesses in Canada will be sold in the next 10 years, which creates a lot of economic uncertainty.

Secondly, we have sustained high youth unemployment and underemployment issues. Could the cooperative movement and this \$50 million be leveraged in such a way that it could help management and workers within these small businesses form cooperatives to succeed and take over small businesses that are currently in play?

**Mr. Shawn Murphy:** Definitely. The models that we have used to create this national fund are based on several provincial and regional funds that currently exist. One of the great examples is Arctic Co-op. It's based in Winnipeg, but as the name implies it deals with the territories and it's exactly that. So where a small business in a community, say a local grocery store, is about to shut down and the employees want to develop a workers' co-op to take over that business, this is the exact intention of the fund. It is to help those workers out.

The workers themselves don't have the capital to come to the table and buy the business outright, so they need that extra little help. If they go through a bank or a credit union to get that loan, the banks simply say sorry, and even the credit unions will say sorry. So the fund is to be on the side to assist with that group to access that capital.

**Hon. Scott Brison:** Thank you very much.

Mr. Mueller, you were saying that Canada is not doing as well as the U.S. in terms of investing in green building. First of all, when the eco-energy retrofit grants and tax credits were operating, did they help? Did the cancellation of those lead to a reduction in those kinds of investments?

Secondly, how can government procurement help create more green investment in general, but also more greening of design and construction in Canada?

**Mr. Thomas Mueller:** Thank you.

I think the cancellation of the grant has certainly had an impact on activity, particularly in the housing retrofit sector. It did provide the seed funding to homeowners to do the audit on what needed to be done, and then additional funds to actually see through on the audit. It was advantageous because the homeowner had actually made quite a significant investment in the home to get a better-performing home, particularly on energy.

With the disappearance of the grant, obviously that is no longer the case. Some provinces, I think, are still maintaining a program, but not to the same extent. In terms of the housing retrofit sector, we have 12 million homes in Canada, so it's a big sector with lots of emissions, lots of energy and water use and so on. So it hasn't had a positive effect, and it hasn't really been replaced in a meaningful way with anything that we have seen.

So in housing, there are many homeowners who go through our programs but mainly on the new construction, because we don't have a retrofit program. We're trying to get the new housing stock to be better-performing, but the existing housing stock is in big need, not of figuring out how to do it but actually incentivizing to do it. We know how to do it; we just need the seed funding to actually follow it through. We need money for energy improvements.

On your second question—

• (1750)

**The Chair:** I'm sorry, we are over time. We'll have to return to that.

I apologize, but I'm trying to be fair to every colleague. Sorry.

We'll go to Mr. Keddy, please.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

Welcome to our witnesses.

I'll just continue to pick up on Mr. Brison's theme—for a moment, at least.

**Voices:** Oh, oh!

**Mr. Gerald Keddy:** I'm not sure that the whole idea of green building is one that we have to sell to Canadians. I think Canadian consumers have already bought in. Your own statistics show that in 2011, 27% or 30% of projects were green. In 2017 you're expecting 71% of projects to be green. People are not putting in oil furnaces, but geothermal heat. People are buying air exchanges now, because the quality and the technology are so superior to what they used to be.

So you know, we can legislate until the cows come home, but how much of this will be consumer-driven?

**Mr. Thomas Mueller:** How much of it will be consumer-driven? In terms of the average consumer, who is the homeowner, we estimate that probably about 20% to 30% of homeowners are interested in having better homes. There are more products and technologies available now to green your home, from flooring to all kinds of furnaces and so on. But that's new construction. We talk about the retrofit of existing homes because they are the bulk of the 12 million homes that already exist. How can you improve the performance there? It's quite different; our energy prices are very low, so there are not favourable paybacks for homeowners. There is investment required to actually reduce the energy use. In Canada, because of climate mainly, in heating and cooling loads we do rank fairly high globally in terms of energy use in buildings.

I think the consumer-driven approach will be limited just because of the low energy prices; it will be until they go up. The driving comes actually from the commercial sector right now. It's the developers, it's the landlords who want to make a bigger investment in buildings. They want to have access to better and better technologies that are homegrown and where they don't necessarily have to deal with technology and products that come from China and Europe. If there's a big issue, they can be better serviced and they also get the results they're looking for.

You're talking about very low-energy buildings. For very advanced buildings, where investments are at half a billion dollars per building, they want to be very high-end. The strive is to be net zero, to be net positive, across the commercial office sector right now.

**Mr. Gerald Keddy:** I appreciate that, but I have to cut you off there for a second, because my point was that a lot of this will be consumer-driven. I truly believe it is consumer-driven, and I would disagree on the energy prices. Energy prices may be inexpensive when compared with other jurisdictions around the planet, but energy prices are expensive compared with what they used to be in Canada.

Even on retrofits and new rebuilds, you're putting in thermal pane windows and doing everything you can do to bring your energy costs down. In jurisdictions like New Brunswick, like Ontario, like Nova Scotia, where energy costs are high, you'll do everything you can, and that should feed into your business all by itself. I'm not sure if government regulation of it is just some overkill.

But I appreciate your—

• (1755)

**Mr. Thomas Mueller:** We're not asking for regulation; we are asking for market-driven solutions. The council is well known. We do not ask for regulation. We certainly support increases in the building code, as they apply to all buildings in Canada, but we are really looking for market-driven solutions, because as I said we know how to do it. We know how we get a return on the investment. Just home retrofit is not a place where you have a big return on your investment. In the other sectors you do get that.

**Mr. Gerald Keddy:** Thank you. I appreciate that.

Mr. Myers, welcome back to this committee. It's good to see you. One of the asks you have is that the 50% straight-line depreciation rate be made permanent. If we look at that, make it sustainable, make it predictable, do you have any numbers that would prove what you see, to predict what the increase in use by business would be? I guess that is the question I want to ask.

**Mr. Jayson Myers:** Since 2007, we've seen approximately 8,000 manufacturing establishments disappear from Canada as a result of the recession. Yet on the other hand, we're at record levels right now of investment in new machinery and equipment. That investment has increased from approximately \$8 billion to \$15 billion over the last five years. So I think a great deal of that is the need to retool and to invest in new technology. I wouldn't want to say that the accelerated depreciation has been the only factor, but I think it has been a very important factor in that. There are some companies where it doesn't figure into a long-term investment decision, and I think giving some

certainty there would help to secure even more investment as a result of that.

The best case would be to make the existing system permanent. I think we also need to take a look at it more strategically in the way that, if we do go back to some form of a declining depreciation system, at least we are as competitive as the United States. Frankly, if we do go back to a declining depreciation balance, that would mean a 45% rate on a declining balance. That would make us at least competitive. I think we should be more competitive.

**The Chair:** Okay, thank you.

Thank you, Mr. Keddy.

We'll go to Mr. Rankin, and we're going to do five-minute rounds.

**Mr. Murray Rankin:** Thank you, Mr. Chair.

Thank you to all of the witnesses.

I'd like to start with Mr. Mueller of the Canada Green Building Council and invite you to complete the answer to my colleague, if you can remember what the question was. If not, I have an open-ended one that might get you there.

**Mr. Thomas Mueller:** I do remember the question. It's a very easy answer. I think that the Government of Canada is one of the largest building owners in the country, if not the largest one, and the Government of Canada also leases a lot of office space and so on. It's an opportunity through procurement to require high environmental standards for the office space, or the spaces that it leases. It doesn't make sense for all building types, but for office space it certainly does, because that contributes not only to your pocket book, but it also contributes to the well-being and productivity of the employees who work in those buildings.

**Mr. Murray Rankin:** I was trying to formulate a question for you as well on a broader level. You came and your presentation was excellent—your brief, that is—and you say Canada is not very aggressive in this field compared to Australia. I think those were your words. You said that you are seeking market-driven solutions. You mentioned that the building code is one change that you might be interested in. So I guess my open-ended question to you is this: what should the federal government do, beyond the procurement idea, to incent the green building revolution?

**Mr. Thomas Mueller:** There are two items that come to mind immediately. One is to establish a centre of excellence around research in sustainable construction. I know there are federal programs around a centre of excellence. I mean there's the NRC that has the Institute for Research in Construction. Invest in that more, because there's a commercialization component to it now, which is very good, working directly with the industry as these technologies and products are applied.

The other one is the Energy Star program that's now in Canada and has been applied through Natural Resources Canada. It provides benchmarking services to the industry. That again is a program that could be in the next budget, that could be further supported and expanded, as well as consideration of techniques and practices such as building labelling, which would really help in driving this market forward.

•(1800)

**Mr. Murray Rankin:** Thank you. I appreciate that.

Mr. Myers, your fourth recommendation was for the establishment of a capital investment fund, and I was a little unclear about that. Are you suggesting a joint industry-government program? How much money were you thinking of, and is this open to the criticism that governments are being asked to choose winners, which is oft criticized?

**Mr. Jayson Myers:** First of all, I think governments around the world are playing a role as a partner in investment, and often that money doesn't have to be that large. Here we have maybe three major funds that have been put aside that support very important sectors of industry, particularly the automotive investment fund and the aerospace funds. They're structured so that the government can play a role in securing an investment, and it's important if that's a strategic investment that drives an awful lot of suppliers and service companies. The footprint of those investments are very large. Our recommendation is to have a discretionary fund, a structured fund, where the government can play a role in an investment. Perhaps a quarter of a billion dollars per year would allow the government to actively make an investment where necessary.

**Mr. Murray Rankin:** Would industry fund that as well, or is it simply a government ask?

**Mr. Jayson Myers:** The way this is run right now is that this is a long-term repayable loan, so it's hardly a grant.

**Mr. Murray Rankin:** So that's what you're recommending?

**Mr. Jayson Myers:** Yes, because it's a long-term loan.

**The Chair:** You can ask a very brief question.

**Mr. Murray Rankin:** This may not be possible, but Mr. Murphy, how did you come up with the number of \$50 million that you're asking for?

**The Chair:** Make a very brief response, please.

**Mr. Shawn Murphy:** We're hoping to have \$25 million for the fund from within the sector, so it's a 2:1.

**The Chair:** Okay, thank you.

Thank you, Mr. Rankin.

We'll go to Mr. Allen, please, for five minutes.

**Mr. Mike Allen:** Thank you, Mr. Chair, I appreciate that.

Mr. Myers, I want a little follow-up on the accelerated capital cost allowance, and specifically the numbers that Lorraine took us through, indicating that when you compared us to the U.S. there was a significant difference between the countries. Is that based on the calculation or the rates because, as you said, 40% on a declining balance would put us more in the game?

I know that various business units within your large multinational companies are competing for projects too. So you can decide to locate a project here in Canada, the U.S., Europe, wherever it happens to be, based on potential tax policy. From what I understand, the lowering of corporate taxes in Canada has been beneficial in getting the companies to locate here. The question now becomes, how does that business unit compete on a global scale?

How do we compare? You said we don't really compare in the U.S. How do we compare to other countries?

**Ms. Lorraine Royer:** Yes, and I think the word I used was "significant", not "huge". So I want to make sure that's clear.

**Mr. Mike Allen:** Are you saying you're not huge?

**Ms. Lorraine Royer:** "Significant" means it's meaningful, but not huge. We have plus and minus columns for investing in Canada versus other jurisdictions and we have regulatory certainty. Sometimes it takes a while, but it's certainly clear. In Alberta in particular, we have incredible long-term feedstocks, lots of natural resources. We have favourable corporate tax rates. No one argues about that in our company. The biggest barrier right now is capital expenditures, the capital cost of building the project. We've done some work on that, and indeed had to because our company had these choices of locating on the Gulf Coast or Alberta, especially in this particular instance. We've done a lot of examination on the difference in capital expenditures, and we're finding a 20% to 40% factor difference to build in Alberta or to build on the Gulf Coast. That's largely labour, and when I say that it's also because you can't bring in a large module on the water and put it on the coast, but have to build it in Alberta. There are winterization issues. There are other sorts of things like that. Because of that high capital expenditure or cost, that's why the capital cost allowance or depreciation rate matters.

•(1805)

**Mr. Mike Allen:** Thank you.

Ms. Atkinson—and probably Jason—when you had the discussion on the SR and ED program, I guess I have to be a little tough on that, because maybe some larger organizations have found it pretty helpful, but some smaller ones haven't. When you look at the SR and ED program the way it was, you see that its application was inconsistent by the CRA and that there were unpredictable results with it.

The poor little guy who has to fight the CRA through appeals, appeals, and appeals can't do it. So I would suggest that maybe it wasn't very effective for everybody; hence, some of the changes, including the CRA being able to have the expertise to do that. I just question whether the glowing comment with respect to SR and ED should have been that glowing.

**Ms. Karen Atkinson:** I'll provide anecdotal comments from SR and ED performers. There clearly are a variety of responses and comments like those you have suggested. The system is complicated and does take up time, but for a lot of the SMEs, the R and D performers, I guess they were so desperate for that initial source of funding in their initial phase of bringing their product to market that they tolerated those kinds of barriers. They have clearly benefited from the government's generous continued investment for SMEs in the SR and ED program and are very grateful for that. They're also grateful for the venture capital action plan and the funding that's taking place there. That has made a tremendous difference.

I think what they recognize, though, is that it's an ecosystem. We have a lot of SMEs and we have large players. We don't have a lot of what I'll call companies that are five to ten years old, have not been bought out, and are going to be the next global performers, and that's where we need to focus.

**The Chair:** Thank you.

Thank you, Mr. Allen.

We'll go to Mr. Cullen, please.

**Mr. Nathan Cullen:** The question I wanted to use is about the SR and ED comments by the manufacturers. Forgive my lack of familiarity with the program as it's described in your comments here. Do you see this as, in a sense, an outstanding liability? You've made some recommendations that they should be, in part, transferred over. Am I mis-characterizing them?

**Mr. Jayson Myers:** Well, I think it is an outstanding liability for the government. These are tax credits that at some point, once a company becomes profitable, can be exercised and credited against revenue. We're trying to find a solution that can transfer those credits into some form of direct expenditure program that would support the type of R and D that companies have been doing. Again, in part, we're trying to look for solutions to overcome some of the problems, especially for the smaller companies in manufacturing, where they are coming up against difficulties.

**Mr. Nathan Cullen:** The present lack of profitability for some of those companies to be able to achieve those SR and ED credits...? Is that what... I look at this recommendation and try to assess its viability and what the cost is to the treasury to do what you're suggesting here, which would be—

**Mr. Jayson Myers:** These are already liabilities—

**Mr. Nathan Cullen:** By your depiction.

**Mr. Jayson Myers:** —from the federal government point of view. Particularly in a high tech business or in a manufacturing business where capital spending and investment in R and D, in product development, is running ahead of profit, as it would be in a growth business, then it becomes very important to be able to exercise those credits where you may not be earning as much revenue as you're spending in R and D.

• (1810)

**Mr. Nathan Cullen:** My colleague Mr. Caron and I are just pulling up here the state of manufacturing in Canada over the last little while. Statistics Canada says that between 2002 and 2011 we lost about half a million manufacturing jobs in this country. Does

that cess up with what your association finds? Also, how far are we along the road to replacing those half-million jobs?

**Mr. Jayson Myers:** It does. We've lost actually about 700,000 manufacturing jobs—

**Mr. Nathan Cullen:** Seven hundred thousand is your total?

**Mr. Jayson Myers:** —across the country, even though the total levels of sales are actually at record highs.

But we're seeing very different things within manufacturing and the business of manufacturing, because some of those jobs have disappeared and some of the companies have. It was very easy to manufacture in Canada when the dollar was at 65¢. Today it's more challenging. Many of the jobs that were traditionally within a manufacturing company, such as engineering jobs, are still there, but they're in the services sector instead. A lot of the technology and software jobs are changing with the technologies there. So we have to look at a broader range of jobs, broader than just those within manufacturing: the whole of the services reconstructed around that.

**Mr. Nathan Cullen:** You can understand our concern, as a group of members of Parliament who will be putting forward recommendations, that when you look at what has traditionally been the heart and soul of the middle class in Canada, those manufacturing jobs, it's not a reclassification, but we've lost a fair chunk. I understand it's not uniform across the manufacturing sectors. Forestry, say, has taken a disproportionate hit over some of the others.

That's a staggering amount of jobs losses, considering the growth of the population over that time. If we had just stayed level, we would have increased manufacturing jobs in Canada proportionately. So it's not just 700,000; it's despite the population and, as you say, the production growing, and the general wealth of the country also growing.

To Mr. Mueller, in terms of the introduction and then cancelling, and then the reintroduction and then cancelling of the home retrofit program, what does that do to the industry, the small and medium businesses that were involved and engaged with Canadians around the home retrofit program? What was the impact on that industry?

**Mr. Thomas Mueller:** Well, I think probably as with any industry it creates a lot of uncertainty. These individuals who work in that field are particularly... They're essentially energy auditors. They're very skilled in terms of working with the builders, once the innovation and the new build is under way, to identify how buildings can really be built to high energy efficiency standards. While builders have improved, they still do lack a deep expertise on how to build better homes around environmental performance.

Essentially what happens is that they go into other jobs. Some have started working for us on our program. I think there continues to be a growth in that industry, particularly in new home construction. You have to really distinguish between those two. There's a demand in new home construction for their expertise, but the business in existing homes has decreased.

**The Chair:** Thank you.

Thank you, Mr. Cullen.

We'll now go to the gentleman celebrating a birthday today, Mr. Van Kesteren.

**A voice:** Aw.

**The Chair:** Happy birthday.

**Mr. Dave Van Kesteren:** Listen, at my age we try not to celebrate those. We try to forget them instead.

**The Chair:** There's a brownie in the back for you.

**Mr. Dave Van Kesteren:** Thank you, Chair.

Thank you all for coming.

I want to go to you, Mr. Myers, just to follow up on what Mr. Cullen was saying, because that is a concern. We have lost a significant number, and yet when I read your proposals, I don't see.... Maybe I'm missing something in that. Obviously we want to grow jobs, but you're not suggesting that we can get those manufacturing jobs back, those ones that we lost?

**Mr. Jayson Myers:** There are a couple of things. I think we've lost a type of job as well as a number of people. We've lost jobs in areas of manufacturing that are low-value commodity products and low-value commodity jobs. Many of those were manual jobs on the shop floor. That's the type of job that has tended to disappear as companies have downsized. As well, a lot of people who were nearing retirement age took early retirement.

So we're not going to have the same people. It's not going to be the same job. It's not going to be the same technology. But I can tell you that the other thing is that we'd be able to create an awful lot more jobs in manufacturing if we could find the people with the right skill sets to come into those jobs. I think that kind of speaks to some of the other issues we're facing about how we build up a system of education and training in this country that makes it easier for people to be employed in some very highly sophisticated businesses.

• (1815)

**Mr. Dave Van Kesteren:** Do we do well in those areas? Are we good at the high-skilled manufacturing jobs?

**Mr. Jayson Myers:** I think when you take a look at the types of jobs in manufacturing, these are very well-paying jobs. They're not only middle-class jobs, they're knowledge-intensive jobs. Today even within manufacturing companies more and more of those jobs are not necessarily in actually producing things. They're skilled trades. They're services jobs in engineering and technology, and control and quality, and things like that.

We have some very, very highly skilled people, and as I say, it's not just in manufacturing. It's in all of the services and all of the other supporting industries around manufacturing that are so important.

**Mr. Dave Van Kesteren:** I want to ask you something. One of your budget asks is to eliminate the deficit in 2015, and the government has done that. In what respect do the sorts of things that Mr. Myers was talking about reflect on a policy of proper fiscal management at the federal level? How does that help in job creation and the people you represent and their stability in their businesses?

**Ms. Karen Atkinson:** Clearly, by restoring some of the investment in research and development and even education for those sectors, there will be a direct impact in terms of the number of jobs. That will obviously then increase the payroll taxes and the overall corporate taxes from those businesses resulting from those investments.

**Mr. Dave Van Kesteren:** I think you will both agree on the importance of trade agreements, because the types of jobs you're talking about cross borders much more quickly.

Is that why it's so important for us to continue with the trade agreements?

**Ms. Karen Atkinson:** Yes, and they lead to greater exports, which is critical for Canadian growth.

**Mr. Dave Van Kesteren:** Jayson, did you want to add to that?

**Mr. Jayson Myers:** Yes.

Companies need customers, and it's customers who drive the innovation. It's customers who drive the new product development, the need for new technology, the retooling, and the skills that they require. The first thing is new customers.

The reality is that Canada is just too small. A number of markets.... North America has become too small. The customer base has to be global. I'm extremely optimistic that not only manufacturers but also Canadian businesses, if they're able to access those markets and we can support smaller companies in taking advantage of the opportunities, have a tremendous opportunity there for that type of innovation and skills development.

**Mr. Dave Van Kesteren:** Thank you.

**The Chair:** Thank you, Mr. Van Kesteren.

Mr. Adler, please.

**Mr. Mark Adler:** Thank you, Mr. Chair.

Thank you all for being here this afternoon.

First of all, Mr. Myers, I'm glad that you mentioned the Enterprise Canada Network. There are some businesses in the riding that I represent, York Centre, that have taken advantage of that and have benefited and been able to expand their businesses and hire more workers. I'm glad you mentioned it, because it's really important that the Canadian manufacturer has actually started that and is having great success with it. I know first-hand that it is successful.

**Mr. Jayson Myers:** Thank you.

**Mr. Mark Adler:** Mr. Murphy, I'm looking at this, and I'll preface what I'm saying by saying that I'm a co-op client, I am a member, I support co-ops, I always have, and I've been a member for many years. However, you come up with a figure of \$50 million, and you say that it's going to create some 14,500-odd jobs.

Mr. Myers, how many members do you have?

**Mr. Jayson Myers:** We have about 10,000 members.

**Mr. Mark Adler:** Okay.

With all due respect, if I were to give, Mr. Myers, any of your members \$50 million, could they create 10,000 or 15,000 new jobs?

**Mr. Jayson Myers:** I think they could probably find a use for it.

• (1820)

**Mr. Mark Adler:** Okay. I just have some difficulty with the \$50 million figure, with all due respect.

I don't know if you want to take a moment to respond to that.

**Mr. Shawn Murphy:** Sure.

You gave the automotive industry \$400 million for an investment fund, and they employ, let's say, 110,000 in direct employment, and only in southern Ontario. Co-ops employ 650,000 across the country.

We don't want \$400 million; we want \$50 million.

**Mr. Mark Adler:** That's fair enough.

Mr. Mueller, what's the average home price in a big city like Toronto, Vancouver, or Montreal these days?

**Mr. Thomas Mueller:** Vancouver is very high. In the city of Vancouver proper it would be \$800,000 or something like that. Toronto is probably not far behind, \$650,000 or something like that.

**Mr. Mark Adler:** That's the average, right?

**Mr. Thomas Mueller:** That's the average—in the city proper.

**Mr. Mark Adler:** The median is probably even higher.

**Mr. Thomas Mueller:** It depends on the region. The region is probably lower. The region of greater Vancouver is about \$500,000, I think.

**Mr. Mark Adler:** How much would you be adding to the cost of an average home by regulating it to be green? I'm not saying we shouldn't go down this road; I'm just curious.

**Mr. Thomas Mueller:** If you're talking about new home construction to, say, make energy improvements, I would say probably \$15,000 or maybe \$20,000. It's not a huge investment, actually.

**Mr. Mark Adler:** This would also affect.... You mentioned that the home-building industry is an almost \$7-trillion global industry.

**Mr. Thomas Mueller:** It's the entire building industry, not just homes.

**Mr. Mark Adler:** Okay.

There are very low barriers to entry to this kind of industry. There are even individuals who can go out and build a home, and there are big companies that build homes, so would not those big home companies be the ones that are able to absorb that kind of money in the construction of these new homes, rather than the individual? Maybe Mr. Cullen wants to get into the home-building business and build a home that he bought on speculation, and he wants to resell it, so wouldn't that benefit the big companies more, as opposed to somebody like Mr. Cullen?

**Mr. Thomas Mueller:** The thing with the big companies is that these are for-profit companies. That's what we call in the industry the "split incentive". They buy to sell, not to own. If you build to own,

then you're fine, because you can get the payback over time and the paybacks are very advantageous. But if you buy to sell, anything that you invest in the building you're selling is an extra cost.

But we do see large developers making that investment and actually benefiting from it quite well. We also have also very many small home builders—

**Mr. Mark Adler:** I'm sorry. I just need to get on to Mr. Myers.

**Mr. Thomas Mueller:** Yes, yes, but you get the point, right?

**Voices:** Oh, oh!

**Mr. Mark Adler:** I do.

Mr. Myers—

**The Chair:** Very briefly, Mr. Adler. You have about 30 seconds.

**Mr. Mark Adler:** Our government recently announced a 15% reduction in EI taxes for the next two years. Businesses would benefit from that, correct?

**Mr. Jayson Myers:** Yes. Any reduction in EI taxes is going to be a very good....

**Mr. Mark Adler:** Is the 15% reduction in EI taxes better than a two-year exemption for new hires? The NDP has said that it won't work because the EI money belongs to the workers and the businesses, not the government. Is that correct?

**The Chair:** Just a brief response, please.

**Mr. Jayson Myers:** I really haven't run the numbers on that. I think any—

**Mr. Mark Adler:** It would lend itself to hiring more temporary workers, would it not?

**The Chair:** Thank you.

**Mr. Mark Adler:** You didn't let him answer.

**The Chair:** Mr. Myers, would you like to answer that question or do you want me to go to my round?

**Mr. Jayson Myers:** It's becoming harder to hire temporary workers these days.

**Voices:** Oh, oh!

**The Chair:** Thank you.

I have a couple of comments and I want to put a question.

First of all, with respect to you, Ms. Atkinson, I appreciate your presentation. I liked your comments on the Canada Health Infoway. I agree fundamentally that the biggest productivity we could make—aside from any public-private debate about health care—and the biggest impact we can make on productivity is ICT adoption. I have to show you this card. As a resident of Alberta, this is my health care card. This was created in about 1970, when I was born. I just cannot believe that we, in supposedly the richest province in Canada, don't have a card that has some kind of relevance to the modern world. I just had to show that.

I appreciate your comments on the venture capital system as well.

There's a second point I want to make, though, and this is a very large question, so I don't know if you or Mr. Myers can respond here or if you want to respond later. If you look at business enterprise expenditure on research and development—we have a chart here from our analysts for 2012, so this is before some of the SR and ED changes—you will see, frankly, that Canadian companies were not doing that well even though the federal corporate tax rate had come down by then. That's something that I think Canadian companies, in fairness, do have to address as to why they have not been investing more in research and development.

Ms. Atkinson, you mentioned your sector, but that's something.... I know that's a big question. You can make a few comments here and then comment later.

My final point and final question are for Mr. Myers. We've been at this since 2007. You, Mr. Van Kesteren, and I were part of that committee back then that recommended the accelerated CCA. I've talked to many people about this. I strongly support it; I supported it being for five years.

The government has been doing it in two-year installments, but perhaps we should look at—and I've talked to Ms. Royer about this—a full comparison between the Canadian and U.S. rates and actually move toward permanent changes in CCA rates to ensure that we are competitive with our biggest trading partner. Or we should do something like that, because when you say “accelerated CCA”, it's almost like you're giving a favour to an industry, and certain economists, as you know, call it a subsidy or whatever. Should we look at permanent changes in terms of CCA rates vis-à-vis our American counterparts?

I have about two and a half minutes.

Mr. Myers, do you want to start with that? Then I'll go to Ms. Atkinson.

• (1825)

**Mr. Jayson Myers:** Sure.

Yes, I think that's exactly what we need to do—not only the rate but also the types of assets that are included in U.S. depreciation rules.

**The Chair:** That's a good point.

**Mr. Jayson Myers:** I know that with a new project, the American depreciation rules will depreciate the entire project rather than classes of machinery and equipment—for instance, classes of assets—so there are other factors apart from the rate.

But I agree. Indeed, in my mind, what we should be doing here is to try to set up the best tax treatment for capital investment in North

America. Clearly the depreciation rules we've had in place since 2007 have really helped us enormously in doing that. We'd be totally supportive of putting the former in place.

**The Chair:** I just have a quick question about straight-line depreciation and declining depreciation. Do you prefer declining over straight-line depreciation?

**Mr. Jayson Myers:** Straight-line depreciation would be much better. It's clearer. But on a declining balance basis, I think we'd be looking at a 45% rate to bring it into some level of comparison with the United States. I know it's difficult to move to a straight-line balance, because most of the other depreciation rules are on a declining balance basis.

**The Chair:** Thank you.

Ms. Atkinson, I have about two minutes left. That's your time available.

**Ms. Karen Atkinson:** Thank you.

In terms of reasons why private sector R and D hasn't been as high as you'd expect—I think that's what you were looking at—I think there obviously is a myriad of factors. One, I think we're now clearly in an environment where those decisions are now global decisions. Relative to other jurisdictions where companies are making R and D investments, I don't think Canada necessarily fared more poorly compared with other major R and D investment jurisdictions.

I also think that 2012 was still a year when many companies, especially the larger companies with the bigger budgets, were very much still coming out of the recession and still very cautious about their R and D investments. There was obviously a lot of speculation about the changes to the R and D system that were leaving companies a little bit uncertain.

**The Chair:** I appreciate that.

Perhaps we'll share the chart with you, because Canada, at least according to this chart, does not fare well in terms of business investment. Maybe we can share that, and then you can have a further response to the committee.

**Ms. Karen Atkinson:** I'd appreciate that. Thank you.

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

I want to thank our panellists for being with us. *Merci beaucoup à tous*. Thank you so much for partaking in our pre-budget consultations

The meeting is adjourned.

• (1830)





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