



HOUSE OF COMMONS  
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CANADA

## Standing Committee on Finance

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EVIDENCE

**Tuesday, September 20, 2016**

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**Chair**

**The Honourable Wayne Easter**



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• (1535)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order. Today's hearing begins the pre-budget consultations in advance of the 2017 budget.

With us today we have Mr. Saunderson, Mr. Meddings, and Mr. Dunford from the Department of Western Economic Diversification.

Welcome, folks.

Because I'm not sure whether or not we sent these questions to you, I would say just to start that the whole thrust of our pre-budget hearings is on economic growth. How do we achieve it? What federal actions would assist Canadian businesses in all regions and sectors meet the expansion, innovation, and prosperity goals, and therefore contribute to economic growth in the country? That's the bottom line of our theme. We invited all the regional development agencies in each province to come forward to talk in that context.

The floor is yours. I believe you were offered 10 minutes, so we'll have to give you the 10 minutes. Go ahead.

**Mr. Jim Saunderson (Assistant Deputy Minister, Alberta Region, Department of Western Economic Diversification):** Thank you very much, Mr. Chairman.

Good afternoon, everyone. My name is Jim Saunderson. I am Western Economic Diversification's assistant deputy minister for the Alberta region.

I'm accompanied today by James Meddings, our assistant deputy minister for policy and strategic direction, who is based here in Ottawa, and Ryan Dunford, the acting director general for policy, who, like me, is from Edmonton.

[Translation]

I would like to thank the committee for the invitation to speak to you today. As the first representative from my department to appear, I would like to provide you with a very brief overview of our department.

[English]

Western Economic Diversification—or “WD”, as we like to call it—was established in 1987 and has a mandate to contribute to the development and diversification of the economy in western Canada. We are headquartered in Edmonton and have a presence in each of the four western provinces. This allows us to build strong relationships on the ground with provincial governments, industry, not-for-profit and indigenous organizations, and academia.

The department has four priorities, and I'll come back to them later on: innovation, trade and investment, indigenous economic growth, and federal defence procurement. To address these priorities, we have three main programs.

First, we have the western innovation program, which provides repayable contributions to for-profit companies to help them commercialize new technologies. Second is the western diversification program, which provides non-repayable contributions to not-for-profit organizations, including post-secondary institutions, to invest in projects that support our priorities. Third is the western Canada business service network, which includes 100 non-profit organizations that provide services and loans to small businesses across the west. Also, of course, we deliver the western component of national programs when asked to, including the Canada 150 program to celebrate the sesquicentennial of Confederation next year.

[Translation]

But I am here today to talk about the Alberta economy.

After many years of strong economic growth, conditions in Alberta have changed dramatically. Between the 2008 recession and 2014, Alberta's economy grew by nearly 20%, more than double the national average.

[English]

Alberta's population has grown to 4.2 million—just behind B.C. in size—and, despite the recession, the provincial GDP is the third-largest in Canada, behind Quebec and Ontario. Of course, as we all know, the Alberta economy is dominated by the oil and gas sector. It makes up about 27% of our GDP.

However, energy prices have dropped from a high of \$107 U.S. per barrel in June of 2014 into the mid-\$40 range today. This has caused the Alberta economy to decline by approximately 3.7% in 2015, and it's expected to decline by another 2.7% in the current year, 2016.

This will be the first time the Alberta economy will have contracted two years in a row since 1982. Unemployment rates and employment insurance claims are on the rise, while capital investments are in decline. The unemployment rate in Alberta is currently at 8.4%, which is above the national average, and is roughly double the level that we were experiencing two years ago. Also, of course, capital investment in the oil and gas sector has declined by the substantial amount of \$50 billion annually between 2014 and 2016.

Of course, the results in 2016 have been exacerbated by the wildfires in Fort McMurray, which caused significant damage to the city and resulted in a reduction of approximately 40 million barrels of oil production when the plants were shut down for safety reasons. The impact of these wildfires on Alberta's GDP will result in a reduction of about 0.6% in 2016, but for 2017 the forecasts are suggesting that the GDP will be about 1% higher than it would otherwise be as the rebuilding efforts begin in earnest.

[Translation]

But all is not bleak. The fluctuation in global prices is nothing new for the energy industry, and most analysts expect oil prices to slowly recover over the next year.

[English]

In fact, oil sands production is expected to increase from 2.4 million barrels per day in 2015 to about 3.7 million barrels, as previously planned projects come online.

I think it is important to note that when we talk about the price of oil—I think it was \$44 U.S. this morning—that is really the headline price for West Texas Intermediate, which is the benchmark price for lighter U.S. oil. Alberta producers typically receive about \$14 U.S. a barrel less for their Western Canadian Select heavy oil. The interest that you hear from Albertans in improving pipeline capacity is not about simply increasing the volume of oil that is exported; it is about adding new customers so that we can introduce an element of competition. It is about maximizing the value of the province's resources, which even at today's reduced prices accounted for about 12% of total Canadian exports last year.

It is important to note that the industry is taking action to increase its competitiveness, as well as to lessen its environmental footprint. For example, Canada's Oil Sands Innovation Alliance, commonly called COSIA, brings together the major oil sands producers and others to develop new approaches and improve environmental performance. To date, COSIA reports that over 800 technologies have been shared among its members.

Of course, the Alberta economy is about a lot more than oil and gas. For example last year, 2015, Alberta was Canada's third largest agriculture and agrifood exporter, with exports totalling about \$10 billion, and we were the fourth largest producer of forestry products, with revenues in the \$3-billion range.

In terms of building value added to our resources, Alberta's industrial heartland near Edmonton is one of the world's leading chemical, petrochemical, upgrading, and refining clusters. It has attracted over \$30 billion of investment to date from over 40 companies.

• (1540)

[Translation]

The ICT sector is a key component of the Alberta economy. It includes nearly 4,500 companies employing approximately 50,000 Albertans. Their expertise ranges from bioinformatics and global positioning systems to health management systems and wireless communications.

[English]

A great example is a company called ResolutionMD, which WD supported through our western innovation program. It enables doctors to review patient information, collaborate, and diagnose using a wide variety of electronic devices. This technology has been accredited internationally in the United States, China, Hong Kong, Europe, and other countries.

Also, Alberta is home to the flagship of nanotechnology research in Canada, the National Institute for Nanotechnology. It was established as a partnership between the National Research Council, the University of Alberta, the Government of Alberta, and the Government of Canada. I am proud to say that our department has played a role, both behind the scenes and with financing some additional equipment.

The environmental industry is an important industry in Alberta as well, with some 1,300 companies generating some \$2.8 billion in annual revenues. These companies are active in the remediation of land, climate change solutions, water treatment, and waste management. A good example of our success at diversification as a province is TRIUM Environmental, which recently signed a \$40-million agreement to pursue the soil and groundwater remediation market in China, with assistance from both the federal and provincial governments.

The life sciences and pharmaceutical sciences sector is also important in Alberta, comprising some 200 companies with an estimated revenue of \$1.5 billion, building on the research strength of our universities.

There are two challenges I would like to speak about very briefly. First, Alberta's economy remains heavily dependent on the oil and gas sector, and diversification is therefore important. That is why my department supports innovative small businesses to commercialize their technologies in areas such as medical devices. The second challenge is the transition facing the oil and gas sector. To succeed, the Canadian industry must contain costs and develop new technologies to enhance environmental performance. Again, an example of my department's involvement is some assistance we have given to COSIA to bring the oil industry together with the very vibrant clean tech sector in British Columbia.

Alberta is fortunate to have a young and growing indigenous population. Approximately 6% of Albertans are indigenous people, which comprises about 15% of the total indigenous population in Canada. It is important to note that indigenous-owned and operated businesses have played a vital role in growing Alberta's economy, including the development of the oil sands. Alberta has a strong entrepreneurial spirit and the potential to grow by expanding the range of value-added products, increasing access to capital, and supporting entry into global markets. The new innovation agenda being spearheaded by the Minister of Innovation, Science and Economic Development will support these opportunities.

In conclusion, it is expected that Alberta's economy will begin to recover in 2017. Continued support and coordination from all orders of government will enable Alberta's businesses and communities to diversify and grow, and I think my department can play a key role in this respect.

[Translation]

Mr. Chair, I would like to thank you and the committee for this opportunity to speak to you this afternoon.

My colleagues and I will be very happy to take your questions.

[English]

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

We have had a note going through here. We talked about the Alberta discount in terms of the oil price a number of times in previous hearings.

Let us start the round of questions with Mr. MacKinnon for seven minutes.

[Translation]

**Mr. Steven MacKinnon (Gatineau, Lib.):** Thank you Mr. Chair.

[English]

Thank you, gentlemen, for being with us today. You are brave because you're kicking off a round of hearings with regional development agencies and you're first into the breach. I applaud you for that.

Speaking as a Quebec member of parliament, I would like to state for the record—and I'm sure this is true of each of my colleagues—that we all have an interest in putting people back to work, getting investment flowing, and seeing Alberta re-emerge from this period of low commodity prices and the natural disasters that have befallen that province.

I thank you in advance for your role in helping get that done.

As the chairman pointed out, part of the challenge that we have through these pre-budget consultations, and with regional development agencies, is finding ways in which we can help the Canadian economy grow, find innovation, and perhaps return to the original intent of regional development agencies. This means applying a bit of a local touch to the national conundrum of productivity enhancements, innovation, and diversifying the economy.

My first question would be a bit of a retrospective one. We went through a pretty sustained period of investment and relatively high commodity prices, notwithstanding the famous Alberta discount.

What are the kinds of things that should have been occurring in Alberta through that cycle of high commodity prices that would have altered the trajectory that we are seeing today?

● (1545)

**Mr. Jim Saunderson:** It's a fascinating question, thank you for that.

As to what could or should have been done, I guess I can't help reflecting on an old bumper sticker from a previous oil bust—this is actually the fourth time in my lifetime that oil prices have declined by more than 50%—something to the effect of, “Please Lord, give me another oil boom. I promise not to...this one away.”

**Mr. Steven MacKinnon:** I thought you were going to say the one about eastern people freezing or...

**Mr. Jim Saunderson:** No, my wife would never forgive me if I went anywhere near that; she's a Sudbury girl.

It's interesting to go back and talk about what should have been done by the provincial government, at the federal level, I suppose, and even at municipal levels.

I've been with the department not quite since its inception but for over 25 years now. What I can say is that I think we've been pretty much on the right track. Diversifying an economy like Alberta's is not easy. The weight of oil and gas, particularly when prices are high, is immense. As I said, it's 27% of the GDP now. It was 35% back in the 1980s. It attracts people with its high wages. It attracts capital with its high rates of return. It's kind of hard to compete against.

I think it may be a credit to the government—a series of governments, to be fair—that have stuck with our department for what will be over 30 years next August. It will be our 30th anniversary. They have continually kept up an effort to work towards diversification and to help companies commercialize their new technologies.

Our language has changed a little bit over time, but the emphasis hasn't. Over 50% of aboriginal or indigenous peoples live western Canada. That number has been true throughout this length of time and has been demographically important. We've tried to play a modest role in moving forward the opportunities for indigenous peoples to participate more fully in the economy throughout that period of time.

It's interesting to go back and look, but I think what's required, and partly what's taken, is a long-term perspective of consistently applying force on an object, even if it's fairly small.

I don't know if this is true or not, but I always think of the image of an asteroid coming towards earth. That's like the economy of western Canada, hundreds of billions of dollars. You try to adjust its trajectory with albeit relatively small amounts. If you apply them consistently over a period of time I think you can adjust that trajectory, at least a little bit. When I look back over my career I think we've have some success at doing that.

● (1550)

**Mr. Steven MacKinnon:** In your presentation you do identify a couple of sectors, for example, clean tech, petrochemicals, greater inclusion of indigenous peoples in the workforce, growing the workforce—I take it, through better engagement with indigenous peoples. But they all seem to revolve around that asteroid, to use your metaphor. So is it your posit today that fundamentally, what we should be doing in order to restart the Alberta economy is continue to leverage the energy sector, continue to leverage oil and gas? Hope for a bump in commodity prices, but continue to build out and build around that sector, and that is what will achieve diversification?

**Mr. Jim Saunderson:** I think we need a twofold approach. The oil and gas sector is 27% of Alberta's economy, so to ignore it would not make sense to me. It would be to work with the industry, both to reduce its cost structure, so it can compete in a world of lower prices, or perhaps this Alberta discount will continue, and to reduce its environmental imprint, because that's important to all of us on this planet, but also to go beyond oil and gas. There is no one industry that is going to replace 20% of the GDP in any economy, but there are potentials in Alberta, and I tried to touch on them in my opening remarks.

We probably are the centre of nanotechnology in Canada, because of the presence of the National Institute for Nanotechnology, NINT, at the University of Alberta. There are dozens of companies that are spinning off and have the potential to take their technologies to market.

We have some strength in the health sector. The University of Calgary, for example, is one of the world leaders in the biome. It's kind of gross when you think of it, but there are actually millions of organisms living on and in our bodies, and they're not just hitching a ride; they're part of us, part of our health. By understanding how that biome works more effectively we can develop technologies that can diagnose diseases and perhaps cure some of them in ways that we've not been able to.

So building on those kinds of expertise, I think, is the kind of thing that.... It has really nothing to do with oil and gas. So I think, in short, we need a double-barrelled approach.

**The Chair:** Thank you, Mr. Saunderson and Mr. MacKinnon.

Mr. Aboultaif.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** Thank you very much.

I'm from Edmonton, from Alberta basically, very close to the heartland that you mention in your report. I do appreciate the information that you have in your report and in your speech, as it was delivered.

There are a few things that come to my mind. First, we're talking about increasing from 2.4 million barrels a day to 3.7 million by 2030. That's about a 35%, 40% increase. Seeing what's happening in the market and with the environmental industries coming through and the green technologies.... What are those figures, the growth in production to 3.7 million barrels a day, based on?

**Mr. Jim Saunderson:** Those are the estimates that we got from various environmental or industry forecasters. Of course, in any forecast for the future, the only thing I always guaranteed my boss.... I used to be the CFO for the department. He'd ask me for my financial forecast. I'd give it to him, and I'd say that I could guarantee him it's probably not going to be quite right.

Because there are already some plants that are under construction that will increase production and will come online in the near future, I think the production is actually going to increase.

The challenge for the industry, as much as anything, though, is to get their costs down and improve their environmental performance. There's a lot of interest in the industry now, for example, in steam-assisted gravity drainage, where they heat steam, inject it into the

ground, melt the bitumen, suck it out, and that improves the steam-to-oil ratio. If you can do that, there's a double-barrelled benefit: you generate fewer greenhouse gases in the production of the steam, and you reduce your costs so that you can compete more effectively in a global market.

**Mr. Ziad Aboultaif:** I'll go back to the same question. There's an expectancy of growth of some kind and the the economy's going to pick up in 2017 in Alberta. Twenty-seven per cent of the province's economy today is based on the oil sector. Last year and in years before, it was close to 40%, maybe more, and Alberta was basically carrying the whole Canadian economy.

How do you anticipate that growth is going to happen? We do have a transition period that we're going through right now. Can you explain to me what the government expects that transition period to take to be able to carry ourselves through the hardship of the times right now and to keep Alberta's economy in at least a comfortable balance, if not an acceptable balance?

● (1555)

**Mr. Jim Saunderson:** I think after you see the price of oil rises—and most analysts think that with starts, stops, and drawbacks, over a period of time, it will rise from the \$44 range it's in right now to at least the fifties or sixties—some projects that are not tenable right now and the more conventional kind of drilling activity will start to make economic sense. You will see people in the private sector, frankly, wanting to take advantage of the opportunity to make a buck, and they'll do so.

A lot of the growth, though, is already in the pipeline, if you'll excuse the pun. There are projects that are under construction on which billions of dollars have been spent, and it doesn't make sense to stop. It makes more sense to finish them and start to get some cash flow out of them. That will account for a substantial part of the increased production going forward.

**Mr. Ziad Aboultaif:** Okay.

We know Saudi Arabia has been increasing its production just to recover the revenue from the drop in world pricing. We have to do the same. We have to get our oil out, so the pipeline is mandatory. It's very important for Alberta. Is there an intention for this to happen any time soon?

**Mr. Jim Saunderson:** Three major pipelines that would get western Canadian oil to tidewater are on the table right now. I think over the next few weeks and months we'll find out what their fate is going to be. We're already seeing an increase in the shipments of oil by rail, and there is a potential for that to increase as well if pipelines are not in place.

Any growth in pipelines has to be balanced against the environmental and social implications that go along with those pipelines. I understand that the Prime Minister has asked the Minister of Natural Resources to look at the National Energy Board and to modernize the National Energy Board. We'll see where that leads us in the future, perhaps towards a different kind of regulatory regime in which Canadians will have even greater confidence.

That starts to be a little bit outside of my department's mandate, of course. We're not a regulatory department; we have a different role.

**Mr. Ziad Aboultaif:** I have one final question. I see little mention of agriculture. Does the government see that agriculture could be an area in which the economy might pick up and balance itself, in the absence of the oil industry and the weaknesses in that area?

**Mr. Jim Saunderson:** Mr. Chairman, I'd really like to thank the member for that particular question.

I think the agriculture industry has a lot of potential in the future. Even in a dot-com economy, people are still going to want to eat.

Western Canada and Alberta produce high-quality food. We have the potential to add more value to it before we ship it.

One of the projects, for example, that we supported jointly with the Department of Agriculture was an investment of about \$3 million—if my memory is right—in the Canadian Beef Centre in Calgary. They have already, I think, brought in about three dozen international groups to come and see how beef is grown and prepared in Canada and how to prepare it back home, with the idea of making Canadian beef the dish of choice when you have your in-laws in for dinner in Korea or China. They report sales in excess of \$100 million, at least partly attributed to this kind of investment.

I agree completely that there is a lot of potential to further explore and expand food and agrifood shipments out of Alberta and indeed all of western Canada.

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

I believe that beef centre is based on the model of the Canadian International Grains Institute, which operates out of Winnipeg for the pasta industry and grains industry.

Mr. Caron.

[*Translation*]

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

Thank you to the three representatives of the Department of Western Economic Diversification for being here today.

I will start with a fairly simple question.

There is a great deal of talk about oil and gas. When I am asked questions in Quebec about wind energy, I am often told that Quebec is the largest producer of wind energy. Most of the time, I tend to correct people by telling them that Alberta is the largest producer.

However, in your presentation, you did not really mention the expansion of the research, development, and use of renewable energy in Alberta, even though the province was and is still considered a leader in the development of renewable energy.

How do you view the government's role in the next year, or in the next five years, in Alberta in particular?

• (1600)

**Mr. Jim Saunderson:** Thank you for the question.

There are many ways to increase the production of renewable energy in Alberta.

[*English*]

The provincial government, for example, has committed to winding down our coal-fired power plants, which right now produce the majority of electricity in Alberta. Those plants will be replaced by a mix of gas-fired electricity, which is much cleaner than coal, and 30% renewables is their plan. If you've ever been to southern Alberta where I grew up there's no shortage of wind or sun for that matter, and there definitely is some potential for that. One of the projects that our department is looking at is something that we're really quite proud of in Edmonton, which is taking municipal garbage and converting it into useable fuel products and in ethanol and methanol. I think there is indeed a lot of potential in Alberta for that kind of development.

[*Translation*]

**Mr. Guy Caron:** It's called biomethanization.

**Mr. Jim Saunderson:** Sorry, I didn't quite catch that.

**Mr. Guy Caron:** It's called biomethanization.

**Mr. Jim Saunderson:** Exactly.

**Mr. Guy Caron:** So you have projects under way in that area.

Are you involved in other projects that could help Alberta diversify with regard to energy?

[*English*]

**Mr. Jim Saunderson:** One of the major areas that our department has been focused on is what we call clean tech, which is sometimes devoted to energy, but other times beyond that. Since 2013 we've approved some 29 clean tech projects, with a value of about \$40 million, really looking at making a great difference in the environment here in Alberta. And most of these products also have the potential for export. I think that's an important consideration; it's not just exporting the energy but exporting the technology as well.

[*Translation*]

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

I would like to quote a passage from your document. It states as follows:

The new Innovation Agenda being spearheaded by the Minister of Innovation, Science and Economic Development will support these and many other opportunities for growth and diversification in the province.

What specific commitments and initiatives would you like to see as part of the innovation agenda to support Alberta in particular? Although we are talking in general terms now, if you had specific recommendations to give the minister as to the direction of this program, what would the priority be or what would your first two recommendations be?

**Mr. Jim Saunderson:** Thank you for your questions.

I think we have to work with the provincial government and certain institutions such as universities. We have two major universities, the University of Alberta and the University of Calgary, that have strong expertise in certain areas.

[English]

I think here it's not just our department alone that will make the difference. We need to work completely in collaboration with our provincial colleagues. The provincial government, for example, right now is in the process of bringing together formally...they used to have a half-dozen Alberta Innovates corporations and they're bringing them together into one. We have a good relationship with them and we want to lever that. We work extensively with the National Research Council's IRAP program.

What is that, James?

**Mr. James Meddings (Assistant Deputy Minister, Policy and Strategic Direction (Ottawa), Department of Western Economic Diversification):** Industrial research assistance program.

**Mr. Jim Saunderson:** In fact, what we find is that in many cases it's IRAP graduates who have become the recipients of our western innovation programming. In some cases we're co-funding with the provincial government. A lot of these companies are in fact spinoffs from the universities. I think your question is on the right track. You really need to take a look at the innovation system. James was just saying about one in four of our wind companies are former IRAP recipients.

**Mr. James Meddings:** Correct, but also generally around the wind program itself it is a very heavily oversubscribed program. We can support one of every 11 applications we receive. A significant number of those applications are in the clean tech sector. This is across Western Economic Diversification. So going forward the fact that we are unable to support many good projects in this area is an issue, but one we could address with additional funding.

•(1605)

[Translation]

**Mr. Guy Caron:** I think I have a minute and a half or two minutes left. I will ask you one final question.

I would like to look at agriculture again, but this time focus more specifically on grain.

Has the abolition of the Canadian Wheat Board and the rail transportation problems, which were likely indirectly related to the abolition, had an impact in Alberta in particular? Have you seen a positive or negative impact or factors that caused you to take action with certain farmers in the industry?

[English]

**Mr. Jim Saunderson:** To be honest, I'm not sure I could put my finger on an impact through the abolition of the Canadian Wheat Board. It has happened, it's in the past, and I think the industry has moved on. We continue to have lots of wheat and other products, and they will find their way to market.

[Translation]

**Mr. Guy Caron:** Let me reformulate my question.

Did you need to take action to help the wheat industry transition following this decision?

The second part of my question also concerned transportation problems. Did you need to take action in that area? If so, what can you recommend for the future?

**Mr. Jim Saunderson:** For us, the transportation of wheat or other agricultural products is not the only thing at stake. The issue is the opportunity to transform agricultural products into value-added products.

[English]

For example, one of the projects we were involved in recently was pet food, which has about a \$96-billion a year global market. It was to bring some equipment into the University of Alberta that small companies could use to make test runs of their food products, equipment that they could not otherwise afford to use, prove that they've got their technology right, that they can make this kind of pet food, get it into market, test it in market, and then having done that, raise the capital privately to move forward. I really think the future is value added, and not just hopper cars of grain going to the coast.

**The Chair:** Thank you both.

Mr. Ouellette.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Saunderson, for coming here today. I very much appreciate it.

I was wondering how many indigenous companies have been founded in the last few years by Western Economic Diversification in Alberta.

**Mr. Jim Saunderson:** Most of our work in the indigenous community has not been with direct assistance to companies, but the community is a really important part of the equation. Maybe three examples of projects that we have funded recognize that when indigenous peoples have the same opportunities as other Canadians, particularly through education and training, they succeed as other Canadians do. One of my favourite examples is an organization called Women Building Futures, which works with women, 20% of whom are indigenous, and provides them the training that enables them to succeed in the construction sector, which is the second largest sector in the Alberta economy.

When I think of this example, I think back; we did an announcement, there was some funding, and a construction foreman who probably more or less met your stereotype of an Alberta construction foreman—

**Mr. Robert-Falcon Ouellette:** How many companies have been started by Western Economic Diversification in Alberta?

**Mr. Jim Saunderson:** Our assistance to indigenous companies is provided mostly indirectly. The Canada Business Network, the business link in Edmonton, provides assistance to thousands of companies. I don't know, Ryan, if you can find a number for the jobs created in indigenous communities, let's say over the last five years.

**Mr. James Meddings:** Since 2013, not just in Alberta, we've supported 10 indigenous economic growth projects with about \$13-million worth of investment. A lot of those projects have been focused on skills in trades. I believe the number is about 750 skilled or trade jobs created in indigenous communities across western Canada.



•(1610)

**Mr. Robert-Falcon Ouellette:** So 10 projects since 2013, but how many of those jobs still exist today? If you're training someone for skills in trades that don't exist anymore, I see a problem in that.

You mentioned you offer services for indigenous peoples, but—

**The Chair:** Do those jobs still exist today to your knowledge? Once those skills are attained they can certainly move around to other fields where the skill—

**Mr. James Meddings:** We don't have numbers on how many of those jobs are still...but as you said, these projects are helping to train people in large vehicle work. This is mobile. We would expect and hope that people trained in these skills programs would have the ability to find work outside Alberta if they've been impacted by the oil price issue.

**Mr. Robert-Falcon Ouellette:** I was just wondering if you could also supply information on the makeup, for instance, if it's Métis, first nations, or non-status. What actually stops investment in indigenous communities? What's impeding western development from getting into these communities and actually creating jobs, companies that actually produce something and are able to export it to Taiwan or China or South America or something?

**Mr. Jim Saunderson:** Probably the biggest success that we have with directly creating jobs, if you'll forgive me, it's actually indirectly, is through our support of the Community Futures corporations. They're all separately incorporated, not-for-profit organizations in rural parts of western Canada. Seven of them deal exclusively with indigenous peoples. In Alberta, it's the Treaty 7 Community Futures. It deals exclusively with the first nations people who are members of the Treaty 7 first nations.

I don't have the figures for them right at hand—my colleague might be able to find them—but we could certainly provide you later on with the number of loans that each of these Community Futures corporations have made, all of which would account for the creation of a new company, owned by an indigenous operator, and with a certain number of jobs created that would, obviously, vary a little bit from company to company.

**Mr. Robert-Falcon Ouellette:** I was just wondering what actually stops investment. I hear a lot about training programs. I always hear about training programs. We're always training aboriginal people in this country for something, for new jobs. We're always trying to set up a new education system somewhere. I used to do it at the University of Manitoba.

What's actually impeding you? Or do they come to see you, saying, "We need \$2 million. This is our project. This is something we'd like to do. We'd like to set up a cattle company." What actually impedes that from occurring?

**Mr. Jim Saunderson:** It's a good question. There are, of course, a number of organizations out there, aboriginal financial corporations. I've touched on Community Futures. There are others that are active in Alberta, like Apeetogosan, that works with the Métis people and the Alberta Indian Investment Corporation—I think there are four or five of them across the province—that are capitalized and specifically make loans to their various client groups.

The best example I have of us directly working with first nations, and I have to admit it's a British Columbia example, but I kind of like it, was to take advantage of the opportunities for indigenous tourism. A number of first nations in British Columbia, that are operators of various kinds of tourist attractions, have banded together and created a marketing package to sell this as an experience to international visitors to attract them to Canada. That's actually good for those first nations, and, in fact, good for Canada's balance of payments. I think there are opportunities for more of those kinds of activities.

**The Chair:** Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Thank you, gentlemen, and Mr. Saunderson, for your optimistic view of Alberta in 2017, my home province. I'm afraid I don't share your optimism, and I'll bet you a steak dinner next year this time when you're back.

I think 2017 is going to be a more difficult year than 2016 was. You didn't really touch on construction. There's still a fair bit of construction happening in Alberta. I think about the major oil sands plant of Suncor still under construction, done in 2017; the North West upgrader, 5,000 people, done in early 2018; seven buildings still going up in downtown Calgary. They will be done in 2017. The arena project in Edmonton is done, with the fact that there's still a building going up next to it, done in 2017.

I think it's going to be a horrible year for construction activity through 2017, 2018, and 2019. There's just nothing on the drawing board. I think it's going to be a tough year. Then we layer on top of that a carbon tax on January 1, as you mentioned, winding down coal, and then an increase of the minimum wage to \$15. All of this is predicated on the fact that, even if a pipeline is approved this fall, which we all have high doubts that it will be, construction is not going to start and return any sort of economic return to the province in 2017.

I know a year ago they were predicting oil was going to be \$60 by the end of 2016. Here we are fighting like hell to get back to \$45. I think 2017 is going to be very, very difficult in Alberta, and the unemployment rate will hit close to double-digit numbers.

We'll see who buys the steak dinner next year, but I appreciate your optimism.

I want to just touch a little bit on the question that Mr. MacKinnon raised around diversification. I'd like your view on diversification, because I think there's a strongly held view out there that diversification should be built on some of your strengths. I think if you look at what's happened in Alberta over the past number of years, you have very strong diversification into agrifood, you have fairly strong diversification out of the energy industry into petrochemicals and some others, obviously a lot of things on which you could have expanded. At the end of the day, when you start to assess where diversification should and could go into the future, how much of that is based on working off your base industries? We're not going to bring auto manufacturing to Alberta, and we don't want to, but give me your view on working off the base industry that's there.

•(1615)

**Mr. Jim Saunderson:** Since I neglected a few things in my opening remarks, I'll add, in addition to everything you've said, that I guess we'll tell a year from now. We can meet in the Market for a steak one way or another.

There will be some infrastructure programming kicking in, both on the federal side and the provincial side, which will help at least to some extent on some of these construction projects that are going to be completed over the next year or so. You're right.

As I tried to answer, I think you need a double-barrelled approach. I think we need to look at the strengths we have. We have oil and gas. We need to make it more effective, reduce the environmental footprint, and build off that into value added. We're really good at this, right? We're not the only people in the world with oil. We know how to get it out. We know how to do petroleum engineering. Let's export that expertise around the world.

It's not our only strength. Agriculture has been a strength since the founding of the province a hundred and some years ago. I spoke to that a bit. I think we should be looking at that and at adding value to our high-quality products as well before we export them.

There have been government investments, both federally and provincially, in a number of areas. I've touched on nanotechnology, health, and ICT. They're not going to replace 27% of GDP—I'm not naive—but they exist, they have the potential to build, and they are having some success in exporting around the world.

I think exporting is part of the equation, too, when we look at these other things. It's not the local Canadian market that is going to push us ahead. We need to really be upping our game, both as governments and in the private sector, to take more of our products to American and international markets if we're really going to succeed.

**Mr. Ron Liepert:** I wanted to follow up on a question from my colleague Mr. Caron relative to alternative energy initiatives. Is this something that Western Diversification is even considering putting government money into in any way?

**Mr. Jim Saunderson:** We have made what we call "clean tech" a priority. In the 2016 budget, we were asked, along with our colleagues from the other regional development agencies, to double our spending on clean technology, but quite frankly, we do not have the large amounts of money that would be required for massive new wind farm or solar farm installations. Our expenditures in that area—for example, in renewable technologies—are going to be invested in the testing of new technologies that could be taken to market by somebody else.

**Mr. Ron Liepert:** I'm actually pleased—

**The Chair:** I'll have to cut it there, Ron. You're well over. You're fast.

I'll turn to Mr. Grewal.

•(1620)

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair.

Thanks to you, Mr. Saunderson, and to your colleagues, for coming here today.

My connection to Alberta is that I was born there. I moved to Ontario when I was three years old, but I still have a special place in my heart for Alberta.

I have a couple of questions off the top. I just want to confirm: what's your total budget for the year?

**Mr. Jim Saunderson:** It's about \$150 million. Maybe I'll get Ryan to flip through the pages.

**Mr. James Meddings:** It's \$157 million.

**Mr. Jim Saunderson:** Yes, on a main estimates basis.

**Mr. Raj Grewal:** How much of that \$157 million was committed? Some of the projects go year over year so they get funding every year. How much of it is committed before the 2015 election?

**Mr. Jim Saunderson:** About \$140 million of that, roughly, is operating costs. It pays for my salary and that kind of thing—although not all of it, just so we're clear with the committee. That's a small portion of it. Also, about \$110 million or \$112 million of it is the grants and contributions share.

We've actually been very successful with the programs that I was outlining earlier: the western innovation program and the western diversification program. We're already very highly committed going into this coming year and, indeed, into the next fiscal year. The number of projects we receive under a call for proposals under both these programs far exceeds—by multiples—the funds that are available. The good news is that it lets us pick the ones we think are the very best. The bad news is that it means we simply don't have the resources to fund many other good ones.

**Mr. Raj Grewal:** Of the \$157 million, is there any study on the economic growth, the number that it creates in terms of economic growth for the province? For every \$1 that your development agency spends or supports in the private sector, how much...? Is it \$1.02, \$1.03, \$1.04, or maybe higher?

**Mr. Jim Saunderson:** This is a good question. An area that I think we all struggle with is to determine exactly the impact we're having, and especially on a kind of macro basis, where it gets particularly difficult.

The approach we have on funding each of our projects is that we identify a set of measures that we use for that project. Some of them are common measures, so that we can add them up to bring to committees such as this, and others are specific to particular projects. For example, with the community futures program, we could report on how many jobs and how many loans have been created through that program.

I think my friend Ryan may have a couple of numbers that I could share with you.

By way of example, I talked a little, I think in response to an earlier question, about the importance of increasing international trade and exports by small businesses. We reported, and I guess it would be for this year and the fourth quarter of last year, some \$60 million of new trade opportunities that were created by our companies, \$72 million of activities by SMEs on international business.

I think there is a body of evidence that our programs are in fact making a difference in a measurable way.

**Mr. Raj Grewal:** I would highly recommend that there be a lot of emphasis on tracking the data or implementing standardized numbers to ensure there's a return on investment. That encourages the government to keep supporting the development agencies, and, in my humble opinion, makes the business case to ask Parliament for more money so that we can have these regional development agencies.

My next question is on what percentage of the money is spent on large multinational projects as opposed to the small and medium enterprises.

**Mr. Jim Saunderson:** For what it's worth, Mr. Chairman, I would like to agree completely with the member on the importance of tracking these measurable outcomes. I recall a conversation recently with the vice-president of one of the post-secondary academic institutions that I was touting in Alberta in which we were absolutely agreeing on that. We attach a great deal of precision to the finances, so if you asked where each dollar went, we can tell you.

Why can't we have the same kind of level of confidence when we're talking about these measurable outcomes?

Now, I forgot the second question in my rant there.

**Mr. Raj Grewal:** It was on what percentage of the money is spent on large multinationals versus small and medium enterprises.

**Mr. Jim Saunderson:** Our western innovation program, which is maybe one-third of our budget, goes entirely to small businesses. Large companies are not eligible for that. In fact, most of the companies that get it have 50 or fewer employees.

With regard to our non-profit sector, of course, most of it goes to the post-secondary institutions and to industry associations. Roughly a third goes to that service network that I was speaking about earlier, which is 100 small, local, non-profit organizations, and all of their work is with small companies.

Now, that's not to mean that we don't try to work with small companies to get them into the supply chains for bigger companies, because we do, in the defence sector and in the oil and gas sector, but our focus is really on small business.

• (1625)

**The Chair:** Thank you.

I have to cut you there, Raj.

Mr. McColeman, these will be the last questions.

**Mr. Phil McColeman (Brantford—Brant, CPC):** Thank you, Chair.

Thank you for coming today.

I was scanning your notes to see whether I missed it, but in your opening remarks, I believe you mentioned softwood lumber being a major component of the economy.

Did I hear you correctly?

**Mr. Jim Saunderson:** I mentioned the forestry specifically. Softwood lumber is obviously a big part of that.

**Mr. Phil McColeman:** Of course, yes, it is part of that.

For the record, tell me again what percentage of business that represents in Alberta. What are the raw numbers...how many billions of dollars in exports or sales?

**Mr. Jim Saunderson:** Agriculture, forestry, and fishing is 1% of Alberta's economy. It's a bright spot, but it's not that big.

**Mr. Phil McColeman:** When you say it's a bright spot for development and diversification, it has potential perhaps with the products that are being harvested and exported.

That being the case, my question is, how important is a softwood lumber deal with the United States in terms of making sure we maintain that export capability for our forestry industries?

**Mr. Jim Saunderson:** I think for the dimensional lumber industry it's very important that we have a stable, consistent, and fair regime to govern our trade with the United States. Alberta and all of western Canada have done, I think, fairly well under the previous agreement, and putting something in place that's, as I say, stable, consistent, and fair would be beneficial to Canadians and I'd even say to American consumers as well.

**Mr. Phil McColeman:** Agreed, because the more competition the better, frankly, in the United States where they might select our products over other imports that they get. But again, it adds another perhaps wet blanket to the prediction that things might get better down the road, because the extended agreement is quickly coming to an end, and by all appearances we're not going to have a new softwood lumber deal, which means the United States will be closing the gates to those exports, which are probably important to many of your communities and many of your workers in Alberta as well.

That being said, let me move on to the importance of transporting the other major product that you produce, oil and gas, and the statements about pipelines to tidewaters. What puzzles me from time to time—and I'd just like your thoughts on this—is that when you see the predictions of an increase in production, that means it will have to be transported somehow. You also mentioned during your remarks the expansion of rail transportation to accommodate that growth. Am I correct that you were saying it's going to go somehow, and if it doesn't go by pipeline it's going to go by rail?

**Mr. Jim Saunderson:** There is some of it. We have already seen sharp increases in rail and there's certainly the potential for more to go by rail. We've also seen, perhaps somewhat surprisingly but not when you think about it, some increased efficiencies within the existing pipeline infrastructure, just by managing it, and there's probably room for a bit more of that, but ultimately you can only put so much through existing pipelines.

**Mr. Phil McColeman:** Exactly. Part of it, I think, for the health of Alberta, is the fact that we do recover capacity for transportation but also we get it to the export customers we need to get it to, and we're going to get it there one way or another, either by tanker car on rail lines that will go to tidewater and empty it into ships that will deliver it.... It's important to have those customers we need to develop in order to have a healthy economy for Alberta. Would you agree with that?

•(1630)

**Mr. Jim Saunderson:** My economist friends always tell me that products will find their way to a market, and rail has been a part of that.

Right now, only about 1% of Alberta's oil goes to non-Canadian and non-U.S. customers. It's really minimal. If you want to reduce that differential that we were talking about at the beginning of this meeting, it really is essential that we have much greater capacity to get the product to tidewater so that it can be run through refineries that are not in North America.

**Mr. Phil McColeman:** You mentioned—

**The Chair:** Phil, I'm going to have to cut you off there as you're out of time.

I do have one quick question though.

Along these lines, what would you say needs to be done to achieve greater growth in your area of responsibility with the WD? What things can be done to achieve that and to assist your agency in doing that, other than, as Mr. Grewal mentioned, giving it more money?

**Mr. Jim Saunderson:** Well, more money is always nice, and I guess that's the easy answer.

We'll continue to work as closely as we can. I think we have a very good working relationship with our provincial government colleagues and to maximize and leverage the funds that we have available to us with funds that are available through other government departments, such as NRCan and Sustainable Development Canada, for example. The key for us going forward is to work collaboratively.

**The Chair:** Okay. Thank you very much for your well-documented presentation, Mr. Saunderson.

Gentlemen, we appreciate having you here.

**Mr. Jim Saunderson:** Thank you.

**The Chair:** We'll suspend for a couple of minutes before we hear from ACOA and the vice-president for New Brunswick.

•(1630)

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

•(1635)

**The Chair:** We'll reconvene. Next on the list of regional development agencies is the ACOA, Atlantic Canada Opportunities Agency, and we have the vice-president for New Brunswick, Mr. Estabrooks, and appearing with him is Ms. Kilburn, who is the director of policy, advocacy and coordination in New Brunswick.

Welcome. I understand you have a presentation and, as you already know, this committee is doing pre-budget consultations on economic growth.

**Mr. Kent Estabrooks (Vice-President, New Brunswick, Atlantic Canada Opportunities Agency):** Thank you, Mr. Chair. Committee members, good afternoon. Thank you for the opportunity to be here today. I'm joined by Kalie Hatt Kilburn, director general of policy, advocacy and coordination.

[Translation]

First, I would like to say a few words about ACOA's work in the Atlantic provinces.

Headquartered in Moncton, ACOA has an office in each capital, 23 field offices throughout the region, and an office in Ottawa.

[English]

ACOA works with a variety of partners to help businesses grow, innovate, and export so they can create quality jobs in vibrant communities. We do this in three key ways: supporting business with a focus on innovation; supporting infrastructure to enable economic growth and to build on the strength of our communities; and representing the region's interests in policy development and coordinating with partners.

In undertaking these efforts, ACOA is supported by three core programs. The business development program helps businesses improve their competitiveness with an emphasis on strengthening innovation, improving productivity, and boosting international business development. The Atlantic innovation fund encourages partnerships among private sector firms, universities, colleges, and research institutes to develop and commercialize products and services. The innovative communities fund invests in strategic projects that build on the strengths of Atlantic Canada's communities. It provides assistance to support sustainable economic growth.

ACOA's programming is aligned with the government's commitments on innovation, high-growth firms, clean technology, and inclusive economic development. The agency is working to achieve commitments outlined in budget 2016.

ACOA also works to support the priorities established through the Atlantic growth strategy, which will see new projects announced as the provincial and federal governments move forward with initiatives around common priorities.

[Translation]

Now I'd like to provide you with some information specific to New Brunswick.

It is the only officially bilingual province in Canada, with just over a third of its 750,000 residents reporting French as their first official language. It has a highly dispersed population, with nearly half of its residents in rural communities while the other half live in and around Fredericton, Saint John and Moncton.

•(1640)

[English]

New Brunswick has an aging population and a shrinking labour force, with 89,000 fewer people under age 45, in fact, than it had in 2000. This has challenged businesses to access the skilled labour they need to grow.

It is within this dynamic and complex environment that ACOA operates every day.

The province's abundant resources have long supported traditional industries and value-added manufacturers in forestry, fisheries, and agriculture. Indeed, the province is home to global companies in these fields including McCain Foods and J.D. Irving Ltd.

As New Brunswick is one of the most export-intensive provinces in the country, ACOA is placing an important focus on supporting the global competitiveness of New Brunswick's exporters by helping them to innovate, improve productivity, and expand into new markets.

ACOA investments in research and development are helping to identify new products for global markets, including new and novel uses for our abundant natural resources.

For example, ACOA's support has enabled the Coastal Zones Research Institute to work with a fish-processing company to develop a value-added product from shrimp-processing waste—an oil that can be used as a feed supplement. And the company is working with its partners to take this new product to market.

In recent years, the province's knowledge sectors have become important growth contributors. New Brunswick has a strong track record for developing globally competitive technologies that have attracted the investment of international firms like IBM, Siemens, and Salesforce.com.

Radian6 is often noted as a New Brunswick success story. ACOA was instrumental in supporting the early growth of this social media monitoring company, which sold to Salesforce.com for a very significant sum, garnering international attention. The resulting wealth injected new venture capital into the start-up ecosystem while also retaining the company as an important employer in the region.

[Translation]

New Brunswick's startup ecosystem is emerging as an important strength for the province. Anchored by dynamic incubators, accelerators, and research institutions, including the University of New Brunswick, which was recently recognized by Startup Canada as the country's most entrepreneurial university. ACOA is an important supporter of this ecosystem and of the services it provides to promising new companies.

[English]

A recent success in the start-up ecosystem area is Eigen Innovations, which received ACOA's support to develop software offering real-time solutions for industrial manufacturers. Founded in 2012, the company has received international acclaim, placing third in the prestigious Cisco Innovation Grand Challenge for companies leading in the development of disruptive technologies.

As countries work to minimize their carbon footprint, clean energy is emerging as a significant growth opportunity. New Brunswick is attracting international attention for its leadership in the development of a smart energy grid. ACOA is a key partner in this effort. The agency's \$2-million investment to establish a smart grid research lab at the University of New Brunswick has allowed the university to partner with Siemens Canada and NB Power to create a Smart Grid Innovation Network. Working with this network, companies have the potential to become part of an international smart grid supply chain, bringing local innovation to the world.

As we work throughout the region, ACOA hears that, aside from its investments, what matters as well is the interaction clients have with our staff, who work closely with them to find solutions to the challenges they face. This engagement is facilitated by the agency's place-based approach to economic development, which builds our in-depth understanding of local businesses and communities, their strengths, opportunities, and challenges. We then use this knowledge to adapt our support to best suit these realities.

[Translation]

First and foremost, ACOA has passionate, dedicated employees who live in the communities they serve and who are committed to helping the region realize its economic potential.

[English]

Thank you for your time, Mr. Chair. I would be pleased to take questions.

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

We'll start with Mr. Sorbara. We'll go to five-minute rounds to try to get more people in, rather than seven, if that's okay?

• (1645)

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Mr. Chair.

Thank you for being here, and welcome.

I had the experience of growing up in northern British Columbia, in a small town called Prince Rupert. I worked at a pulp mill in high school, and the pulp mill is no longer there. It shut down. It was actually owned by a company by the name of Repap industries, which was from Miramichi, New Brunswick. I also had the enjoyment of working in a fish-processing plant for two summers, and the fish-processing plant is no longer there. So I do recognize the transition that's gone on in both the economies in eastern Canada and the economy in northern British Columbia, and also in many small towns across Canada.

The situation faced by New Brunswick and much of eastern Canada in terms of a shrinking labour force is one that our government is well aware of and addressing.

My question is this. Because it's a shrinking labour force, in your support of SMEs specifically and the ability to attract talent back to New Brunswick, can you comment on the successes that you've seen? We know in Canada we have more people over 65 and below 15, and the ability to attract talent to an area is important.

**Mr. Kent Estabrooks:** From our perspective, it's a two-pronged problem.

With respect to the mandate of ACOA, which is to build and improve the state of SMEs and improve their ability to grow, first and foremost we believe talent will come to jobs, so if we have strong SMEs that are globally competitive, that are productive, and that see sales growth, we will be able to attract individuals to fill those jobs.

Beyond that as well, though, immigration fills what we see as an increasingly important role in terms of developing and building up the labour force within the province.

Through the Atlantic growth strategy that we recently announced, a pilot has recently been started in collaboration with the provinces of the Atlantic, as well as the federal government departments that are mandated for immigration and skills development. We've seen a pilot launch whereby the target is to attract some additional 2,000 primary immigrants into the region to fill very specific niche skill needs. That's driven by business and identified by business as being required, so we're hopeful that this pilot will see some returns on that, and we'll be able to build from the experience of that going forward.

**Mr. Francesco Sorbara:** With respect to tangible successes, do you think your staff can continue to hit some singles and doubles, if I can use a sports analogy? Do you need more resources from the federal government?

**Mr. Kent Estabrooks:** At the present time, our programs are fully subscribed. We feel confident that the investments that we make are sound. In New Brunswick, I haven't seen any important projects that we wouldn't have the ability to fund. So from that perspective, I would say we're properly resourced.

Over the years, the government has seen fit to provide funding to ACOA and other RDAs to deliver niche programs. We have had some success in the past. We have the capacity to deliver more if there are additional priorities that the government hopes to achieve. We're there and we have a presence on the ground.

**Mr. Francesco Sorbara:** Thank you.

**The Chair:** Thank you both.

Mr. Aboultaif.

**Mr. Ziad Aboultaif:** Thank you very much. You mentioned that you have the Atlantic innovation fund, the innovative communities fund, and then the business development program. I guess all these require budgets. What's your budget?

**Mr. Kent Estabrooks:** In the New Brunswick region, our annual budget for grants and contributions fluctuates from year to year. This year it's approximately \$70 million. It fluctuates generally between \$60 million and \$70 million per year. About two-thirds of that is directed towards business, and about one-third of it is directed towards community development activities.

• (1650)

**Mr. Ziad Aboultaif:** Have you seen any increase to your 2015 budget?

**Mr. Kent Estabrooks:** We have some temporary programs. The CIP 150 program is aimed at enhancing community infrastructure for various small communities across the country in anticipation of Canada's 150th anniversary. We have some money in our budget related to that. It sunsets in March 2018. In budget 2014, we saw a

top-up to fund a research and development project for lowering the risk that spruce budworm may pose to the New Brunswick forest industry. There are all these temporary programs that we are managing in addition to our base budget. This brings us to the \$70-million range in our budget.

**Mr. Ziad Aboultaif:** Under the business development program, you're aiming to improve productivity and boost international business development. If productivity is to be improved, are there any procedures in place to measure this improvement? If so, to which sectors are these improvements targeted? I know it is important to bring some of the regions to an acceptable level of economic growth.

**Mr. Kent Estabrooks:** We measure the impact of our programs' performance. We took an extensive look at this in our last five-year report to Parliament, which ran from 2008 to 2013.

With respect to our macro impact on labour productivity, we worked with Statistics Canada to distinguish the firms that have received ACOA assistance from similar firms that did not receive ACOA assistance. As a result of this analysis, we concluded that labour productivity among ACOA-assisted firms was 7.3% higher than it was in non-assisted firms. Additionally, sales growth for ACOA-assisted firms was 3.9% higher than it was in non-assisted firms. These two factors combined to improve the overall survival rate of the firms we assisted. We also measured the five-year survival rate of firms. We found that longevity of SMEs was 9% higher in ACOA-assisted firms than it was in non-assisted firms.

**Mr. Ziad Aboultaif:** On the unemployment rate, with those policies and programs you have in place, how much have they been helping to improve the unemployment rates in the region? Do we still see the up days and the down days? Do we see the non-permanent positions being aligned there to keep the economy going?

**Mr. Kent Estabrooks:** Yes. Of course the economy is influenced by a number of factors, not the least of which for New Brunswick was the recession starting in 2008. There are global factors that impact the economy of New Brunswick.

I might also point out that New Brunswick is one of the most export-dependent provinces in the country. Fluctuations in the value of the dollar and things of that nature have an impact beyond what ACOA can directly do at the firm level of SMEs.

Having said that, we've tracked our performance at the firm level. We're confident that our investments are generating a positive impact at the firm level. The unemployment rates also have other factors at play. There is a skills mismatch between the individuals who are unemployed within the province and the available jobs we see in sectors.

It's complicated a bit more by the seasonality of the employment, sometimes. People who are unemployed are unemployed for part of the year, and opportunities may exist at the same period of the year. It's not always that the individuals line up with the available jobs.

**The Chair:** Thank you, Mr. Estabrooks, Mr. Caron.

I do have one question I want to bring here.

I know ACOA reasonably well. I will agree with you that on firms you've operated with their productivity is better, and their contributions to the economy is better. We have some real challenges. The reason I raise this is that I'm one of the Atlantic Canadians who would love to see my kids come home and work in Atlantic Canada. It's not happening.

When I look at the numbers with ACOA being in place for the last number of years, with the aging of the population, our demographics are going the wrong way. We're still having an out-migration of youth. We're not retaining them. Even with the immigrants who come in, we don't retain them. As soon as they're a Canadian citizen or a permanent resident they go elsewhere in the country. We have a low retention of immigrants and that's with all the good work you're doing.

The problem on productivity is that the lowest productivity in Canada is in Atlantic Canada, and it's even worse in P.E.I., I hate to admit. My question is along these lines, and I'm not questioning that ACOA is doing good work. I think you are, but if we do what we've always done, then we can expect the results to be the same.

What else do we have to do with ACOA in order to increase productivity, to retain immigrants in the region, and to get our kids back home so they are contributing to our economy and not somewhere else in the world? What's the problem? How do we solve it?

We're going to be making recommendations to the minister. I'm a strong supporter of ACOA, but I want to see it be able to do the job that needs to be done. I don't like the results at the moment.

• (1655)

**Mr. Kent Estabrooks:** Thank you, Mr. Chair.

We believe—and I can speak from the New Brunswick perspective here—that there are really three key areas where we see possible development, and in fact they require development in some cases. Primarily, with respect to value-added resource sectors like agriculture, forestry, and the fishery, as you pointed out, there is a lack of productivity. This isn't something that we can let up on, though, because a lot of the jobs associated with value-added resource sectors are in rural New Brunswick. There are challenges there in maintaining them, so we believe we need a continued focus on improving productivity and investing in innovation in these firms. We believe that, as well, we need to expose these firms to international markets and to open up doors in terms of new sales opportunities and help them develop new products and services for rural New Brunswick.

In addition to that, a second focus would be in the area of information technology. I alluded to this in my opening remarks. In New Brunswick, we have a number of success stories in growing ICT firms, a handful of which, if I add them up over the past few years, have actually sold for over a billion dollars. The terms of the deals are private, but we do have access to some of the reported information. The important thing to note is that this wealth that was created from the sale of these firms remains largely in the region. More importantly, the individuals who grew these firms, who now serve as mentors for the start-up ecosystem, are also there. They're investing their capital and they're investing their time.

ACOA sees that investing in the start-up ecosystem, making sure it's solid, is paying real dividends. A number of IT firms that we've seen come through the start-up ecosystem, as I mentioned in my opening remarks, are garnering international recognition for their work.

The third area I want to cover, and the last area, is around clean technologies. As jurisdictions, countries, and economies around the world are moving toward reduced emissions and targets, this is opening up a real opportunity for new business in that sector, new technologies. We believe that the Smart Grid Innovation Network and the smart grid development project are really at the forefront of that. It's a unique opportunity, and we have a world player in Siemens. We have NB Power fully cooperative. They have provided an end-to-end system that can be mined for data, and there are real opportunities to develop new technologies and new ways of power generation that could then be turned out and sold to utilities around the world.

• (1700)

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

Mr. Caron, sorry; I took some time there.

[*Translation*]

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

Thank you to the witnesses for their presentation.

Mr. Estabrooks, I would like to follow up on what Mr. Abouttaif said, while keeping in mind your reply to Mr. Easter.

ACOA's plans and priorities for the next two years indicate that budgets will be cut significantly, \$308 million this year and \$291 million in two years. Things could change, but for the moment, we don't know whether that will be the case.

Despite these budget cuts, will you be able to achieve your objectives?

**Mr. Kent Estabrooks:** The cuts affect the programs I referred to earlier. For example, the Canada 150 Community Infrastructure Program, or CIP 150, is a temporary program that will end on March 31, 2018. Further effects on our budgets are related to temporary programs. However, our basic budget has remained consistent since—

**Mr. Guy Caron:** The CIP 150 is part of community development. In this case, the reduction is roughly equivalent to that. An amount of \$8 million is earmarked for ACOA.

However, in terms of business development, which is, if I'm not mistaken, at the core of ACOA's activities, there is a decrease from \$172 million to \$165 million. Temporary programs may be abandoned or may expire, but if they are not replaced, ACOA's primary activity will be affected.

**Mr. Kent Estabrooks:** I would like to point out one of the aspects that affects our budget.

A significant portion of our contributions to businesses is refundable. Basically, we are counting on about \$45 million, which is the amount for this budget. If we can obtain more rebates, we will be able to reinvest that money in our budgets.

As you can see, these rebates are quite a significant portion for this fiscal year. We must not think that this could not happen again next year. Actually, given the current conditions, it is quite possible that our rebates will allow us to exceed the base amount of \$45 million. For the same reason, we might get the same numbers next year.

**Mr. Guy Caron:** I have a more general question.

Has the government's centralization affected your effectiveness? When cabinet was formed, it was noticed that the secretaries of state assigned to agencies had disappeared and that everything was ultimately centralized in Innovation, Science and Economic Development Canada.

Have there been any repercussions on ACOA's operations?

**Mr. Kent Estabrooks:** During all the transitions within our structure, there has always been a period of adjustment. In addition, it is important for the minister to familiarize himself with our agency's operations and to feel comfortable with the kinds of projects we support.

I think, for now, we have adapted well to the new structure. We are still able to deliver our programs and provide services to our customers.

**Mr. Guy Caron:** I'm sorry to interrupt you, but I don't have a lot of time left.

I'm the NDP critic for ACOA. I can tell you that officials have approached us saying they were afraid that the message would be diluted in a centralized structure. They also fear that, instead of sending the information on local needs to the decision-makers, ACOA would become an agency responsible for locally implementing the programs that have been determined at the top.

Could you comment on these concerns expressed by some of the Atlantic region officials?

[English]

**Mr. Kent Estabrooks:** I will say that our experience so far, in terms of communicating our needs to the minister and to the question of his having an appreciation for the Atlantic Canadian context, has been that very early in his mandate, he was out. I, personally, moderated a round table—I think he's had several round tables; he's been out several times since—and there's been an opportunity for stakeholders to engage with him first-hand regarding the challenges and opportunities that exist in the Atlantic. From that perspective, I feel that's relatively well in hand.

Furthermore, we have the opportunity to brief the minister on a regular basis on any number of topics that we think are important to the Atlantic region. As well, we are able to put that into context in the projects that get approved and that we recommend for the minister's support, which, I must say, have largely continued and continued in the same fashion as we have recommended them.

● (1705)

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

Ms. O'Connell, go ahead for five minutes.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair.

Thank you for coming today.

Tourism in the Atlantic provinces, especially this summer, from what we've been hearing, has been big. For New Brunswick, I could quickly pull up some older stats, but I think in 2012 tourism represented 8.6% of the labour force. I would assume, based on, again, what we've been seeing in the last number of years, that the number might even be much higher.

Without the current data in front of me, I'm just wondering if this is an area of focus. What are you doing in terms of tourism and the labour market and opportunities there?

**Mr. Kent Estabrooks:** Thank you.

Tourism does represent a very important important opportunity. In particular, it's driven by a couple of factors, namely the low Canadian dollar, which attracts U.S. tourists to the area, and the low price of gas, because much of our tourism actually comes from vehicular traffic coming in from outside the region. Those two things combined really paint the picture for opportunities into the future.

We work very closely with the Province of New Brunswick. They have a tourism department, so they are developing products in the tourism realm that we co-fund with them. The Fundy Trail is one such asset. There are a number of other examples of assets that we've developed for the province over the years.

But we are struggling a little bit in terms of...When you talk about tourism, our experience is that many people are quick to name Nova Scotia, and they're quick to name P.E.I., and often people are driving through the province of New Brunswick on their way to these icon destinations. Our challenge is to make sure we have enough experiential product—product that really meets the needs of the modern tourist to attract them and to retain them in New Brunswick for a few more days.

**Ms. Jennifer O'Connell:** Thank you.

Just to follow up on that, I don't know if this is New Brunswick-specific, but I understand there is an Atlantic Canada Tourism Partnership. Is that being extended? What can you tell me about that?

**Mr. Kent Estabrooks:** The pan-Atlantic agreement, an agreement struck with the provinces, is actually managed out of our Prince Edward Island office. ACOA, P.E.I.... The region also has responsibility for tourism generally. My colleague, Mr. Pat Dorsey, will be here later on this afternoon.

● (1710)

**Ms. Jennifer O'Connell:** I'll ask that question later. Thank you.

In which sectors are you seeing some of the highest growth that is unexpected or not what you first think about when you're...? Your agency is meant to spur growth and diversification and innovation, so what are some of the things that people might not associate with New Brunswick that you're seeing a huge boost in and that we could potentially do more with to make the opportunity go further?



**Mr. Kent Estabrooks:** Certainly, there's the area of clean technology. What I perhaps neglected to mention before is that we do have world-class research capability at the University of New Brunswick in the smart grid area. I might also add, in terms of our assets within the educational institutions across New Brunswick, we also have world-class leading research in the area of cancer, and predictive analytics and medicine based on gene therapy. The term is "precision medicine" in that there is science around adapting conventional detection and treatment methodologies around the genetics of an individual. That research is coming out of the Atlantic Cancer Research Institute. So there are all kinds of applications there.

That might surprise a number of people in terms of our having that capability.

Are there any other examples?

**Ms. Kalie Hatt-Kilburn (Director of Policy, Advocacy and Coordination, New Brunswick , Atlantic Canada Opportunities Agency):** I can add another one.

We have, as Kent mentioned, invested quite a lot in university research capacity. We're pleasantly surprised to start seeing a lot of spinoffs from that, and newer companies starting. Kent mentioned the importance of supporting the entrepreneurial ecosystem, and UNB has a leading program called the technology management and entrepreneurship program. It works with some of those technology innovators and pairs them with people who have the business management skills, and in some cases, trains them to have those business management skills. As a result, we're starting to see more successful companies come out. Often what you see is that the technical innovator is not always the business person. They can, in some cases, become that, but that partnering, along with the mentoring and the training and pathfinding into the rest of the ecosystem, is having an important impact.

An example would be Smart Skin Technologies. They are actually a spinoff from the University of New Brunswick's biomedical research facility. This is a group that really leads in innovation around prosthetics. They originally developed a coding for prosthetics that they realized could have applications in other areas—in this case, in industrial packaging.

This is a company that's now spun off and has received international recognition in that field. It's a surprising turn.

**The Chair:** Thank you, Ms. Kilburn.

Mr. McColeman, you have five minutes.

**Mr. Phil McColeman:** Thank you for coming.

I think you were in the room when we had the first panel. I'm going to pose the same question to you because you said forestry was one of the major industries. What percentage of the GDP does that represent?

**Mr. Kent Estabrooks:** I have it here broken into three categories: wood pulp, value-added wood, and paper. All three represent about \$1.4 billion out of a total of \$27 billion.

**Mr. Phil McColeman:** Let me pose the question this way. First of all, we've had signals from the minister of trade that a softwood lumber deal was not in the cards in any extension of the current

agreement and/or a new agreement replacing the current agreement. What we had was an extension agreed by the U.S. and Canada. You're probably aware of this.

Since we're talking about pre-budget consultations, in the event, which is a high probability, that there's not a softwood lumber deal with the United States, what kind of emergency help would you need from government if your softwood lumber industry was greatly impacted with huge tariffs put up by the United States to Canadian products?

• (1715)

**Mr. Kent Estabrooks:** If that were to happen, that would have a very significant impact on the province of New Brunswick, not only because of the numbers that I indicated to you because there are other manufacturing and value-added processes beyond what I indicated here in the numbers. In fact, New Brunswick is one of the most forest-dependent provinces in the country.

In addition, the softwood lumber agreement affords an exemption to Maritime producers in terms of their quota, which isn't imposed in the Maritime provinces as a result of the fact that many of the woodlots are privately owned and not crown owned. We've been able to export without concern over quota.

It would have a very significant impact. Again, my mind immediately goes to the need if we're going to be competitive in this area, some of the same things we're talking about today are still our focus in terms of innovation, productivity improvement, making sure that these companies can sustain their market share in a global economy.

We are helped somewhat by a low Canadian dollar in that sector, exports that buffer us against duties and taxes. We remain competitive in that respect. Should there be any change in that, there will be a heightened requirement to look at those industries very carefully and to make sure that they don't go through a significant adjustment.

**Mr. Phil McColeman:** In some ways, it parallels what happened to our beef farmers when we were shut out of the American market because of the BSE situation. Of course, that meant a complete adjustment within the beef producers. Our chair, knowing agriculture as well as he does, would know the numbers of decrease or the downturn that happened when we were shut out of the American market because of that. This is somewhat of a parallel in many ways; there are significant things on the horizon that could greatly affect your economy.

Again, bringing it back to why we're here, pre-budget consultation, do you have any redirects of where you could take the people who are employed in that industry into other areas if the government were to fund programs for the adjustment of such a decline?

**Mr. Kent Estabrooks:** We do have experience in administering adjustment programs over the years. We've done this on numerous occasions. We have some experience to draw on in terms of how to best do that. We will be monitoring the situation very closely. I'm missing the data on the exact nature of the types of individuals and their skills that are employed in their various facets. I believe we've done an exhaustive analysis of where those people could find themselves employed elsewhere in the economy at this time.

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

Mr. MacKinnon, for five minutes.

[Translation]

**Mr. Steven MacKinnon:** Thank you, Mr. Chair.

Mr. Estabrooks and Mrs. Hatt Kilburn, thank you for coming to Ottawa to meet with us.

I will continue along the same lines as my colleague, Mr. Easter, the chair of the committee, who talked about Atlantic Canada.

You mentioned an alarming figure on the decrease in the workforce and the age of those in the labour market.

I also note that the Atlantic Canada governments—and I mean “governments”—are constantly promoting immigration as a remedy and as a solution to this problem. Clearly, it is important to find economic and employment opportunities for newcomers.

Could you please briefly answer these questions? To what extent do you participate in this immigration initiative? According to your mandate, you must participate. You have briefly mentioned it. What are the employment opportunities for newcomers when they arrive in Atlantic Canada?

• (1720)

**Mr. Kent Estabrooks:** Thank you for the question.

We are closely monitoring the pilot project and the Atlantic growth strategy. That initiative was announced in July. We are participating in the discussion. I am not saying that we don't participate in discussions with the provinces beforehand. For a long time, we have talked about immigration as a solution for New Brunswick.

I know my colleague has participated in a number of those discussions. I can perhaps give her the floor.

**Ms. Kalie Hatt-Kilburn:** We have an important role to play in the development of communities and in their capacity to welcome and integrate immigrants. We have projects and programs that can support initiatives like that.

We also work with organizations that provide services to immigrants. For example, a group has set up a project called “The Hive”. This project seeks to provide training to entrepreneur immigrants to introduce them to the business environment in Canada and to help them and their families to better adapt to the culture of the provinces.

**Mr. Steven MacKinnon:** I know that, in the past, New Brunswick's governments have successively and extensively advocated for energy development, especially in Saint John, as an opportunity for economic diversification.

Can you tell us where New Brunswick is at in terms of developing its energy sector?

**Mr. Kent Estabrooks:** You mean the energy sector?

**Mr. Steven MacKinnon:** Yes.

**Mr. Kent Estabrooks:** We are still closely following the Energy East project. We know that the approval process is currently under

way. There is a review of the economic benefits and environmental impacts, which must also be factored in.

As for the project—

**Mr. Steven MacKinnon:** Does the development of the energy sector depend on Energy East, or are there some independent projects?

**Mr. Kent Estabrooks:** Other than the clean technologies I mentioned earlier or the development of the smart grid, no other examples come to mind.

**Ms. Kalie Hatt-Kilburn:** If you don't mind, I will answer in English.

[English]

He did speak earlier to clean technology and did reference the smart grid project. We're working very closely with New Brunswick Power and with the University of New Brunswick on that project, but it's more than just a research project. NB Power set a renewable energy target of 40% by 2020, so there is an important opportunity for small-scale renewable projects to spring up around the province. That research partnership that he referenced is important because of the interoperability of all of those different renewable sources.

We are working very closely on that project, but more, also through that Smart Grid Innovation Network, they are working with small businesses in New Brunswick that have new products and services that they want to test to be smart grid compliant on the Siemens grid. The goal is to allow that to become a springboard to international sales for them because they'll be able to demonstrate they are compliant with that technology.

**The Chair:** Thanks to both of you.

Mr. Liepert.

**Mr. Ron Liepert:** Thank you for coming today.

I really have just one question. It's probably a yes or no answer on your part.

If we could speed along the process of getting a pipeline to Saint John so we could refine Alberta petroleum products in Saint John, which would go a long way not only to creating jobs for building a pipeline through New Brunswick but also to potential diversification opportunities in Saint John in petrochemicals, whatever they could be, that would go a long way in alleviating the frustrations the chairman just expressed to you. Would that be a good thing for New Brunswick?

**Mr. Kent Estabrooks:** There are significant impacts that we would anticipate should the energy east pipeline get approved, and in particular, an impact on GDP for New Brunswick of approximately \$1 billion, and some significant job numbers as well in terms of development phase jobs. We expect in the area of 740 in construction phase jobs, 1,450 approximately, and then the ongoing operation of the pipeline at 200 or so jobs on an ongoing basis.

That said, ACOA's role in terms of helping and making that the most impactful for the economy in New Brunswick is—

•(1725)

**Mr. Ron Liepert:** Thank you. You've answered my question. Then it should behoove us as a committee to recommend to the government that they speed along this process. Would that also be fair?

**Mr. Kent Estabrooks:** The process—

**Mr. Ron Liepert:** Thank you.

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

I don't think you want to get into that one, Mr. Estabrooks. We have a couple of minutes left. I do have one question. To be quite honest with you, I don't know which of the vice-presidents of ACOA to ask. Because you're from New Brunswick, I'll ask you.

It relates to the organizational structure, not to the fact that you're under innovation now, but to the organizational structure of ACOA itself. We're not meeting with the overall president of ACOA.

I know that in the Charlottetown shop there are 52 full-time equivalents, I believe, or around there. You operate the New Brunswick shop. Then there's Nova Scotia and Newfoundland. There is also the regional office of ACOA. How many full-time equivalents would you have in your shop?

**Mr. Kent Estabrooks:** In New Brunswick, we have approximately 100.

**The Chair:** I'm told there are 300 people in Moncton. Is that correct?

**Mr. Kent Estabrooks:** No, not since the deficit reduction action plan from 2003 and the strategic review before that. I believe that may have been the number prior to that. It currently stands at approximately 205 for head office in Moncton.

**The Chair:** Two hundred and five?

**Mr. Kent Estabrooks:** Yes, 205, and 25 or so here in Ottawa, so

**The Chair:** I have to ask the question: do any of those 205 actually meet with clients who are going to do investment? My worry is that bureaucracies take on a life of their own.

**Mr. Kent Estabrooks:** Right—

**The Chair:** How can we get to results in the fastest way possible in terms of dealing with clients on the ground who, along with the assistance of ACOA, are going to provide some productivity and growth? Do any of those FTEs in that office actually meet with clients?

**Mr. Kent Estabrooks:** They do. There is a certain contingent of programs in head office that are pan-Atlantic-focused. For the international business development agreement, for example, the arrangement with provinces, those projects are administered out of head office, as well as some innovation programming for something called "Springboard Atlantic"—

**The Chair:** That's in coordination with P.E.I., I guess.

**Mr. Kent Estabrooks:** Pardon?

**The Chair:** Is the tourism one in coordination with P.E.I.?

**Mr. Kent Estabrooks:** That's correct.

I think what's important to underscore... I must preface my comments by saying that for the 27 years I've worked in government, most of it has been in a regional office. However, I have spent eight years working in various capacities in ACOA's head office, and I can say, generally speaking, with respect to the work they do, mostly it is connected to the agency plugging into the government machinery.

You have units tasked with producing main estimates and supplementary estimates submissions, as well as Treasury Board submissions. We have units that are plugged into results measurement in making sure we produce accurate and reliable information for DPRs, RPPs, and reports in, as well as a number of back office functions. Within each one of the disciplines that operate in head office, there is someplace where they plug into government machinery. As they pursue that work, we are left in the region, then, to dedicate more of our time to client-facing activities.

**The Chair:** My apologies for having to ask you that question, but you happen to be from New Brunswick, where that office is.

**Mr. Kent Estabrooks:** That's fine.

**The Chair:** Thank you very much, Mr. Estabrooks and Ms. Kilburn. We appreciate you taking the time to present the paper you did and to answer questions.

We'll suspend for about five minutes.

•(1730)

(Pause)

•(1735)

**The Chair:** We'll reconvene, and welcome to the committee the Canada Economic Development for Quebec Regions, CED, a regional development agency. We have before the committee Madam Brassard, deputy minister, president; Mr. Lemieux, executive director and chief financial officer; and Mr. Mongeau, vice-president of operations.

Welcome. I believe you have a presentation, and then we'll go to questions.

[Translation]

**Ms. Manon Brassard (Deputy Minister – President, Economic Development Agency of Canada for the Regions of Quebec):** Thank you very much, Mr. Chair.

Ladies and gentlemen, members of the Standing Committee on Finance, thank you for your invitation. I am particularly happy to be here today.

I have now been in the position for three months, and this is a great opportunity to start a dialogue with you. I will take this time to draw a brief portrait of the situation in Quebec, and talk about what CED is doing, as well as its results and priorities.

First, allow me to outline CED's mandate, which involves supporting the regions of Quebec by focusing on their potential and by giving special attention to those regions where economic growth is slow or opportunities for employment are scarce.

[English]

This role is at the heart of the mandate given to the Minister of Innovation, Science and Economic Development, and the minister responsible for CED is first, to help businesses grow, innovate, and export so they can create good quality jobs; second, to make strategic investments that build on competitive regional advantages; and third, to support the transition of communities reliant on a single industrial sector.

[Translation]

Our challenge is to tailor our actions to the specific realities of each region. To do this, we rely on our 12 business offices located throughout Quebec to make sure the needs of businesses and the regions are well served. As you know, Quebec is an economy of small and medium-sized enterprises. We have over 257,000 of these, which together generate about 50% of the province's GDP; 80% of these SMEs have fewer than 10 employees.

There are three types of regional economy and dynamics in Quebec: resource-based, manufacturing, and urban. However, all of these regions, whatever the type, are facing certain key challenges: an aging labour force, a shortage of entrepreneurial carry-over; a decrease in productivity; a shift to digital, which is sometimes difficult; the development of new markets, which can also be hard work; and, of course, attracting skilled labour.

Among Quebec's advantages are a highly skilled workforce, but often not large enough; an abundance of natural resources; world-class research infrastructure, universities and technology clusters; and access to numerous markets.

Our main program at CED—the Quebec Economic Development Program, the QEDP—allows us to promote innovation in all regions, stimulate the creation of jobs and foster growth and prosperity. It is a flexible program that basically enables us to do three things.

First, we take care of business development and entrepreneurship support. CED is able to intervene by, among other things, providing assistance for start-up, growth and commercialization. We have a number of examples. The first one that comes to mind is the Kinova company that created JACO, the robotic arm that helps people with reduced mobility. In 2006, this company was incubated and, in 2009, CED helped with the commercialization of its product. In 2013, we also helped the company expand and increase its productivity, enabling it to repatriate its production from Asia to Quebec.

CED is therefore active in businesses and in regional export promotion organizations. It also plays a role through research centres, incubators and accelerators.

Second, QEDP allows us to support the economic development of the regions by facilitating the mobilization of local stakeholders and the promotion of regional assets, be they tourist attractions, their natural resources or localized specialization. I'm thinking of the Lower St. Lawrence with its maritime aspect.

Third, QEDP allows us to strengthen the community economy. This support, provided on an ad hoc or targeted basis, helps communities that are grappling with certain difficulties diversify their economy. That is our main program.

● (1740)

We also have the community futures program (CFP), which allows us to work with the community futures development corporations (CFDCs) and community business development centres (CBDCs) in rural areas where businesses are typically very small and where every job counts.

[English]

CED does not work alone. On the federal level we have many collaborators and they include the BDC, the NRC, for instance.

We also work very closely with our Quebec partners, the main economic government departments, Investissement Québec, and others such as the industrial clusters, municipalities, universities, and many more.

[Translation]

Now let me tell you a little about our results.

Over the past few years, CED has contributed to the renewal of Quebec's business pool thanks to its support of 115 start-up projects. Statistics Canada confirms that CED's support has helped increase the earnings, number of jobs and productivity of enterprises, and that the businesses we help are better off than the companies in the control group.

How have we done this? In 2015-2016, for instance, CED approved \$218 million in grants and contributions. If we go back to April 1, 2012, when the QEDP was implemented, the amount was over \$1 billion in authorized assistance and over 2,700 approved projects. Forty per cent of the funding we provided went to projects in communities with low growth potential representing around 20% of the population.

[English]

I will say a few words about the future. The Government of Canada has made the commitment to promote innovation, foster business growth, and build a clean economy.

[Translation]

To be sure we hit the nail squarely on the head, CED launched a dialogue in 2016 on the economic development of Quebec. This engagement strategy has allowed us to talk with over 1,000 participants, who were all eager to give their time to let us know what is important to them in terms of economic development. They said that we had to continue to support technology and equipment modernization, support incubators and accelerators, support businesses and their diversification as well as the economy of communities

The flexibility of our programs is crucial to business growth. Supporting the regions so that they can build on their competitive advantages is still a must.

[English]

The last budget also put key emphasis on the challenges of climate change and calls upon the agencies to double their efforts in this area.

CED is tackling this priority head-on by increasing to \$25 million per year the assistance it provides to SMEs to help them develop and adopt clean technologies.

[*Translation*]

In terms of the growth of businesses, CED is implementing in Quebec the new accelerated growth service to support businesses whose potential is very high in terms of growing and innovating more quickly and being recognized worldwide in their field.

Of course, CED will continue to foster growth in the regions through its activities.

In a nutshell, that is what we are working to achieve.

That is the end of my presentation. I would be happy to take your questions.

[*English*]

**The Chair:** Thank you very much, Madame Brossard.

We will start first with Steven MacKinnon for five minutes.

[*Translation*]

**Mr. Steven MacKinnon:** Thank you, Mr. Chair.

Ms. Brassard, since you are new at the helm of the agency, welcome. We will have the pleasure of working together. My greetings also go to Mr. Lemieux and Mr. Mongeau.

We are in the process of gathering the comments and roadmaps from regional development agencies. CED plays a vital role in our economic development efforts all over Quebec.

I don't think it will surprise anyone when I say that the next budget is bound to be more heavily focused on growth and innovation. My first question is quite general.

How are you preparing for this and which Quebec realities would you like to see integrated in a budget geared toward growth and innovation in Canada?

• (1745)

**Ms. Manon Brassard:** First, I mentioned that Quebec is well structured. It has many research centres, great internationally recognized universities, technology centres called CCTT—which are a little less known—as well as incubators and accelerators. That's vital for innovation.

The fact that they are using increasingly innovative methods themselves to improve their performance is really encouraging. The Sherbrooke accelerator, which I visited recently, helps businesses not only develop by proposing the facilities and labs that they need, but also by providing them with the assistance of coaches and business experts. Just because you have a good idea, it doesn't mean you are good at doing business.

Furthermore, we bring together young management students and young people whose new projects are very innovative. The goal is to develop not only a product, but also a company. We then help them get settled in the regions. Whether in Sherbrooke or elsewhere in Quebec, the goal is to keep those jobs in the regions. They are good high-tech jobs.

Our interventions in incubators and accelerators will foster growth significantly. In addition, as I mentioned, we are working on the accelerated growth project. CED will work with federal government partners in Quebec and officials from the Quebec ministries who have similar growth objectives. The goal is to ensure that many of our businesses are able to develop.

Those are two good examples of the work we do on innovation.

**Mr. Steven MacKinnon:** Do I still have some time left, Mr. Chair?

[*English*]

**The Chair:** You have two minutes.

[*Translation*]

**Mr. Steven MacKinnon:** Thank you.

In the Outaouais, since I represent the Gatineau riding, the capacity for company incubation and acceleration is poor and has even been identified as a need by entrepreneurs in my region.

You responded along the same lines as your counterparts from New Brunswick. They said that they are doing a lot of work with research centres and universities. You are sort of pairing the management capacity and innovation capacity, which is extraordinary.

There are regions in Quebec that depend mainly on natural resources, forestry, the mining sector, fishing and other sectors. I am aware that you are trying to help the regions that may have a lower growth potential. Could you describe the action you have taken toward that, in a context in which the next budget will encourage their growth?

**Ms. Manon Brassard:** In my presentation, I mentioned the need to help the regions that depend on a single enterprise or a major sector.

For example, take Saguenay, where I'm from. Forestry is very important there, and there are a lot of forestry businesses. Canada Economic Development has certainly done a lot of work on forestry, but also on the economic diversification of the region. Canada Economic Development has done the same in all regions in the same situation. Continuing with the Saguenay example, we have also invested a lot in the tourism and agriculture sectors, but also in the agri-food sector in the second and tertiary processing. Aluminum is another major business line in the region.

So we become less dependent when we don't put all of our eggs in one basket. Canada Economic Development helps with diversification in the various sectors of the economy and innovation of processes. Ultimately, what we are trying to do is to create products and develop markets, help with exportation, enable businesses to grow, help the regions to create good jobs and to keep their young people in the region as much as possible. That is what we are working on.

• (1750)

[*English*]

**The Chair:** *Merci.*

Mr. Deltell.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you so much, Mr. Easter.

[*Translation*]

Thank you very much to the witnesses for their presentations.

[*English*]

**The Chair:** It's good to have you here. You have five minutes.

[*Translation*]

**Mr. Gérard Deltell:** Congratulations on your French.

Ladies and gentlemen, I would like to thank you for welcoming me to your committee. I would also like to welcome the witnesses to their House of Commons.

Canada Economic Development makes significant investments. That is its mandate.

Ms. Brassard, how do you assess the success rate of your investments?

**Ms. Manon Brassard:** I spoke a little earlier about a Statistics Canada study. Canada Economic Development wants to have a good idea of how its investments are performing and ensure that they are appropriate, strategic and will yield good results.

We look at our leverage. In terms of business growth, each dollar invested will generate \$4.93 in investments. For the development of the regions, the leverage is \$6.77. When it comes to the ad hoc or targeted support of communities in need, the leverage is \$1.93, but we are aware of the context. For example, in Lac-Mégantic, where the reason for intervening is different, the leverage is less important. The goal is instead to restore the growth and economy of the region.

For start-ups that we support directly, we assess whether they will be able to exist for a long period of time. Our figures indicate that they are still around after five years. In other words, we don't lose anything. Our goal is to create new businesses and to keep them. Do they increase their sales? We are seeing that 68% of businesses that we have helped have increased their sales and their productivity. We use indicators like these to ensure that the investments we make and the contributions we provide generate economic activity, jobs and growth.

**Mr. Gérard Deltell:** Ladies and gentlemen, we understand that your agency isn't a bank. Entrepreneurs who go and see you are often not able to get a loan or the money they need from a private and duly established financial institution. So there is some risk in your investments, which is why your agency exists. We accept that there is some risk, and there needs to be.

What do you estimate your losses to be for last year? Can you give us a number?

**Ms. Manon Brassard:** You're right. The agency isn't a bank, and we take some risks. Often, our presence means that other partners will emerge. We are often the catalyst. Our loss rate for approved contributions is 3.9%.

**Mr. Gérard Deltell:** How much?

**Ms. Manon Brassard:** It's 3.9%.

This gives me the opportunity to point out as well that, at the outset, we do everything we can to help a business. When it isn't working well, we aren't going to let it go. We're going to try to give it some services, coaching or connect it with another organization, such as a non-profit organization, for instance, that can help and support it in its activities. Our goal is to help businesses as long as possible.

**Mr. Gérard Deltell:** Mr. Chair, I would like to raise one last point.

The main issue that entrepreneurs address when they come and see us or, rather, when we speak with them—they don't generally come and knock on an MP's door—is the one-stop shop. Many private tools are offered to these individuals, and especially public tools. And if we add the municipalities and the provincial governments, they may have 10, 20, 30 or 40 doors to choose from.

Based on your experience and mandate, how do you see the one-stop shop, where entrepreneurs go and see a single authority, who can direct them?

• (1755)

**Ms. Manon Brassard:** That's an interesting ideal to consider.

The reality is a little more complicated in that the authorities change their programs, how they do things and their mandates, which makes the situation more difficult. However, Canada Economic Development, CED, is working and will work with everyone in the federal family to facilitate action, be it for referencing or something else.

Knowing that we have a good project in front of us, knowing that we want partners, we are going to invite them to join us, depending on the project. It might be BDC or people from Quebec who might benefit from the support of Investissement Québec. As for us, we are going to try to bring people together around the same table to discuss the project in order to move it forward in a timely fashion.

**The Chair:** Thank you, Ms. Brassard.

[*English*]

Mr. Caron, you have five minutes.

[*Translation*]

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

I would also like to thank the witnesses for being here today.

I see the results of the Economic Development Agency of Canada for the Regions of Quebec, particularly in the Lower St. Lawrence region, where it is very active. I also see the good work of the Community Futures Development Corporations, the CFDCs, which is extremely important in the rural regions.

I have a few questions for you about the CFDCs and the investment in the regions.

My first question is more general. What was the impact of closing Quebec's local development centres, the CLDs, on CED and the CFDCs? I know that in the Lower St. Lawrence, a lot of partnerships were struck between the two organizations. The CLDs have been replaced in some regions but not in others, which has certainly had an impact on the role of the CFDCs and the complementarity that existed in the past.

**Ms. Manon Brassard:** I will ask my colleague to answer your question.

**The Chair:** You may answer the question, Mr. Mongeau.

**Mr. Pierre-Marc Mongeau (Vice-President, Operations, Economic Development Agency of Canada for the Regions of Quebec):** Thank you, Mr. Chair.

Know that we are working very closely with all the CFDCs. They are very close partners. We are in contact with them regularly every year to discuss the issues they are facing. So we work with them a lot. Obviously, it wasn't our decision to reduce the number of CLDs. Given the situation, and without the role of the CLDs that no longer exist, we are increasingly looking at how our agency and the CFDCs can work together to foster economic diversification in the various communities. So our role isn't to replace the CLDs, but to work together to look at what impact we might have on diversification. We feel a responsibility for development in the various regions.

**Mr. Guy Caron:** I was talking more about complementarity.

Basically, CED, the CFDCs and the CLDs are very complementary, but when a major player is lost, it definitely has an impact on the level of services that can be offered and on role differentiation.

Do you have any examples of this or are you currently in the process of readapting in relation to this new reality?

**Ms. Manon Brassard:** We have just renewed our agreements with the CFDCs. It was April 1, if I'm not mistaken. They are three-year agreements. We are still working with the CFDCs to refine our ways of working and our methods of performance evaluation. Still, the CFDCs are continuing with their primary mandate. Their youth strategy, for instance, is very effective. They also have other intervention methods available to them.

The repercussions have been manageable so far. I think that the people on the ground have accepted the situation. They are finding ways of working that will help them adapt.

**Mr. Guy Caron:** Let's come back to the agreements concluded with the CFDCs.

Based on what was announced, we're talking about \$86 million over three years for Quebec. Is that right?

**Ms. Manon Brassard:** Yes, that's it.

**Mr. Guy Caron:** Yet, the previous agreement in 2011 was for \$154 million over five years. So this is an annual decrease of about 10% of the budget for the CFDCs and an average of \$31 million compared with \$28 million.

Is there a particular reason why the CFDC budget has decreased in the agreement that was concluded compared with what was provided in the previous agreement?

•(1800)

**Mr. Pierre-Marc Mongeau:** Actually, it's not a negotiation with the CFDCs, but a discussion, since they are partners. When we had a discussion with the CFDCs, we looked at all the aspects that we all wanted to change in the three-year agreement. I was surprised by the figures. There was no increase in costs when we have not changed the basic elements in the various agreements we have signed. There was no indexing, but we left the agreements at the same level.

There may have been changes in their internal revenues from the high loans they give but, for our part, we have concluded the same agreements. However, knowing that this indexing hasn't been done, we put in place, with the CFDCs, a fund of \$1 million for the first year of the agreement, \$1.5 million for the second year and \$2 million for the third year. These amounts will be distributed to the various BDCs and CFDCs.

The goal is to foster innovation and clean technologies, as well as help young businesses when they need to make a business plan, for example. We give them a little more money, which enables them to carry out this kind of activity.

**Mr. Guy Caron:** You just mentioned venture capital funds for CFDCs and BDCs. Is that right?

**Mr. Pierre-Marc Mongeau:** No.

Venture capital is managed by the CFDC network. We let them take care of that. We participate much more in the operational and maintenance costs.

[*English*]

**The Chair:** We will have to cut it there, Guy, sorry.

Mr. Ouellette, go ahead.

[*Translation*]

**Mr. Robert-Falcon Ouellette:** Thank you very much, Mr. Chair.

Ms. Brassard, thank you for being with us today.

I'd like to know how many indigenous companies have been trained in the past three to five years.

**Ms. Manon Brassard:** If I remember correctly, we have established 19 projects with indigenous groups in recent years, totalling \$7 million. That answers your question indirectly.

**Mr. Robert-Falcon Ouellette:** Approximately how many jobs have been created?

**Ms. Manon Brassard:** In recent years, 70 or 77. You may be interested to learn that we have received 67 projects from indigenous communities as part of CIP 150, which is under way. If they were all approved, that would equal \$14 million.

**Mr. Robert-Falcon Ouellette:** Would you need more money?

**Ms. Manon Brassard:** No. What I'm saying is that, right now, applications are being analyzed as part of our CIP 150.

**Mr. Robert-Falcon Ouellette:** The 150th anniversary is very interesting and all, but what I'm interested in is the long-term economic development, meaning the fact that real companies are being created, and not just that you're launching a project. For instance, there's a \$300,000 program in L'Ancienne-Lorette to support ball sports and to rehabilitate community infrastructures for Canada's 150th anniversary.

**Ms. Manon Brassard:** Yes.

**Mr. Robert-Falcon Ouellette:** Instead, I'd like to talk about long-term programs and the CED's primary and core mandate.

How many of these programs do you have?

**Ms. Manon Brassard:** Do you mean our regular programs?

**Mr. Robert-Falcon Ouellette:** Exactly.

**Ms. Manon Brassard:** As for our regular programs, as I was saying, we are talking about 19 programs and \$7 million in the last four years.

**Mr. Robert-Falcon Ouellette:** Right.

Which industries are you helping exactly? Do you know what types of industries are involved? Are we talking about the tourism industry?

**Ms. Manon Brassard:** Mr. Mongeau, could you please answer the question?

**Mr. Robert-Falcon Ouellette:** Are we talking about stewardship of resources?

**Mr. Pierre-Marc Mongeau:** Thank you for the question.

Among the various types of organizations we support and have supported in recent years, some were non-profits. For example, we started up a laundry near Sept-Îles. People in the region take care of the laundry. Eight jobs were created. They wash all the dirty clothes of the employees of a mining company in the region. We're certainly talking about eight or 10 jobs.

However, I would say that one of the main things we are currently developing is tourism in the far north. We are also giving significant help to agencies like NIC, the Nunavik Investment Corp. We are working with that company, which receives funding annually to promote tourism in its region.

We are focusing a lot on the tourism industry.

• (1805)

**Mr. Robert-Falcon Ouellette:** Have you supported the Saint-Jean hot air balloon festival? Unless I'm mistaken, I think there was \$500,000 just for that project. Are there comparable amounts for some indigenous communities to create a festival? I know that the Saint-Jean hot air balloons are important. I don't want to dwell on that because there isn't a lot of time. You can send us the information about this later.

What problems do you encounter when you work with indigenous communities? What difficulties are there? Is there a direction we should take in the future?

**Ms. Manon Brassard:** During its engagement strategy, CED met with indigenous communities. Business office directors also met with leaders in their regions. I think the dialogue is resuming in a

more structured and stronger way. We will be in a better position to answer your questions in the coming months.

One thing we are seeing and hearing regularly has to do with the program terms and conditions that are sometimes problematic. Generally speaking, our participation in a project is around 50%.

[English]

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

Mr. McColeman.

**Mr. Phil McColeman:** Thank you for being here.

What impacts, if any, on economic growth in your region have occurred since the decline in oil prices and commodity prices from the west, particularly oil and gas?

**Ms. Manon Brassard:** On the oil and gas issues, the Canadian issue globally, from a Quebec perspective the energy sector is one that's more electricity. Where we would want to promote innovation is in electric cars, electric transportation, and windmills. That kind of energy issue is more what we're looking at. For the manufacturing sector, cheaper access to energy costs generally reduces costs and makes products maybe more affordable. They're easier to sell, but I don't think we have the same kinds of issues other provinces might have.

**Mr. Phil McColeman:** Let me ask the question in a different way. I can recall seeing companies promoting.... And this was, no doubt, people from the oil and gas industry asking their suppliers to let different regions of the country know how their business affected other regions of the country. In the case of Quebec, it was a bus manufacturer that was making buses specifically to go to the oil sands and to the Fort McMurray infrastructure supply. My question is more about whether there are other industries that will be affected.

I would think the natural decline and lack of investment going on in the west would affect that bus manufacturer. That's the kind of correlation I was driving at.

**The Chair:** I could give you an example. I met with Bell Helicopter three weeks ago. They said that a little over two years ago they had 2,400 people working in their plant, and now they have about 840. They attribute probably 80% of that loss in jobs to the downturn in the oil economy—no helicopters going to platforms, etc.

**Ms. Manon Brassard:** Anything that would affect the demands of what is being used in either the platform or oil sands.... That would, I suppose, be one of them. I used to work at CEDQ until six years ago, so there's a little bit of a gap in my knowledge. But we used to have tires, for instance, and that would be for that—

• (1810)

**Mr. Phil McColeman:** Can I just move on to another question? I only have five minutes, and obviously this has been confusing to you.



Let me move on to the question that I've asked the other regions, and it's regarding the forestry industry. You mentioned it's important to you. I think as we meet for pre-budget consultations, we're dealing with a budget that's going to be put together, and there'll be situations that could arise that would cause the forestry industry a great amount of consternation, if not severe decline, in this country.

In terms of your forecasting out for the government, if such a thing were to happen that we do not have a softwood lumber agreement and that, as a result of that, tariffs go up for the export of our products, in particular to the United States, that the agreement is with, what would you forecast happening to the forestry industry in your region?

**Ms. Manon Brassard:** Within Quebec there are regions more heavily dependent on forestry than others. More particularly to those, I think there would be issues around the workers and how to bring that manpower, personpower, to work and to find them other jobs. That would be certainly an issue, a consolidation of the industry itself, and having to reconfigure itself. I think there would be a number of issues around still needing to innovate within the sector to make sure that there's greater productivity if we have to face higher tariffs. Those would certainly be issues that we'd have to look into.

In addition, finding potential markets other than the States, looking at second and third transformations of the wood and finding markets for those, and, looking for a moment outside forestry, trying to help those regions diversify their economies and not be so heavily dependent.

**Mr. Phil McColeman:** Do you submit your projections and advice to the government? If you do, are you following this issue closely as a major impact to your region?

**Ms. Manon Brassard:** We're following this very closely. There is even a forum later in October that a number of us will participate in. It's having a look at the overall industry and the *panneaux*—not just the wood, the markets, and product development. Yes, it is a key issue.

**The Chair:** Mr. Champagne.

[Translation]

**Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.):** Thank you, Mr. Chair, for giving me the floor.

Madam Deputy Minister, Mr. Lemieux and Mr. Mongeau, thank you for being here today.

You clearly have a very good understanding of Quebec. You spoke about the regions, an SME economy and the CFDCs. I'd like to discuss two issues on this matter.

You mentioned your youth entrepreneurship strategy. As we know, keeping young people in our regions is one of the main issues. I'm from Mauricie, a region experiencing a complete industrial redevelopment. It is making a lot of progress, but through entrepreneurship and the digital sector.

The second point I'd like to mention ties in with what many of my colleagues have addressed: connectivity. The federal budget sets aside \$500 million specifically for improving connectivity in our regions. Connectivity is vital so that the people in our regions can

take part in our innovation program, which will help to increase productivity.

Youth entrepreneurship and connectivity are two important aspects of your mandate that I'd like to hear you speak about.

**Ms. Manon Brassard:** I'll start with the second point, communities. We often think about communities that are in a very difficult situation and require frequent intervention and specific, targeted programs. However, it's important to keep in mind the importance of communities and what is being done in the context of more recreational and sports infrastructure programs.

We were speaking earlier about the difficulty in attracting people to work in our regions. People want to have regions—

**Mr. François-Philippe Champagne:** Please allow me to make a clarification.

I was talking about connectivity, not communities. I'm sorry if I mispronounced the word. I was talking about high-speed Internet and cell phones. As we know, regions that are not connected may have difficulty being a part of the 21st century economy.

**Ms. Manon Brassard:** My colleague from Innovation, Science and Economic Development reflects more on these issues from a national perspective. It is clear from that perspective that companies benefit from using a great variety of technologies to improve their products, processes and approaches. So, it is very important for companies to be as connected as possible and that they master the technologies, which is part of our innovation assistance programs. We strongly encourage projects like this.

We often find young entrepreneurs among young university graduates who have ideas and are part of incubators. We try to help them stay in our regions. We are making a significant effort in this area.

• (1815)

[English]

**Mr. François-Philippe Champagne:** Can I ask another question, Mr. Chair?

**The Chair:** Yes.

[Translation]

**Mr. François-Philippe Champagne:** My colleague, Mr. Ouellette, spoke about our indigenous communities. I represent several, which are in northern Mauricie. I think it would be worthwhile to assign development agents to the indigenous communities. It is important to consider the context they are in, particularly since they are often far from large urban centres.

There's also a cultural element that causes us to question how to develop these aspects. Within regional groups, people could act as development agents and see to determining what can be done. In my region, some of the projects that CED has been involved in have been enormously successful. I'm thinking of the Obedjiwan sawmill, in particular. There are examples of success in some communities, and perhaps that's a path you can follow.

**Ms. Manon Brassard:** We aren't very far from that. First, our office in Abitibi and the north focuses specifically on northern needs. And where there are indigenous communities, the business offices share their areas. When there is an indigenous community, someone is assigned there part time, depending on the size of the community and the number of projects created. Obviously, we pay particular attention to it, and this will increasingly be the case.

[English]

**The Chair:** Mr. Aboultaif.

**Mr. Ziad Aboultaif:** Thank you.

I need to ask a couple of questions quickly. You mentioned that there are three types of regional economies in Quebec—resource, manufacturing, and urban. Do you have a breakdown of the percentage of GDP for all three?

**Ms. Manon Brassard:** Sorry, I didn't catch that.

**Mr. Ziad Aboultaif:** Do you have a breakdown of the percentage of GDP of the economy for each sector, the three sectors that you mentioned?

**Ms. Manon Brassard:** I don't think we have one readily available.

**Mr. Ziad Aboultaif:** If you don't, we can move on.

You talked about productivity, and about a decrease in productivity and higher purchase prices for leading-edge technologies or equipment due to the lower Canadian dollar. The Canadian dollar at some point was at par with the U.S. Where was the government, or what were the efforts at that time to upgrade the equipment to a level that could help increase productivity? Were there any efforts at that time?

**Ms. Manon Brassard:** I believe there were efforts at that time to get everything we needed, that the enterprises need. But this is an ongoing need. You don't modernize once and for all. Enterprises need to keep modernizing their enterprises. They need to keep having the latest technology if they want to prosper and continue to innovate.

**Mr. Ziad Aboultaif:** Well, without productivity, you have no competitive edge overall. This is very vital for industry, especially for a place like Quebec.

To go back to the oil sector and the impact on the overall Canadian economy, I guess Quebec, being a very industrialized economy, must have been impacted quite a bit by the effect of oil pricing down and by the slowdowns in Alberta. A pipeline would help boost economic growth and would also create job opportunities across the country. Would you fight for a pipeline as a booster to the economy of Quebec and the rest of the country?

**Ms. Manon Brassard:** Looking at it from a Quebec perspective.... You understand the context around this. The provinces and the premiers made comments on that industry and the pipeline. I will leave it there.

There are some comments about the number of jobs being created in Quebec in that, which is higher or lower depending on whom you talk to. These are not the kinds of projects we do as part of our mandate. I find that I am in a little difficulty—

• (1820)

**The Chair:** That's fine. You don't have to answer what could be a politically sensitive question. We are not asking you to answer that.

Go ahead.

**Mr. Ziad Aboultaif:** That was not the meaning. I am saying that I see that you have been impacted it quite a bit, and you already have problems with productivity, a decrease in productivity, which is very dangerous. We cannot cope with the rest of our economic counterparts, especially the United States and Europe.

There is a factor there. Would you encourage the government to have the pipeline going through, so your economy will become better as a result of that? Then you have a chance to work on other areas where the project is in place.

**Ms. Manon Brassard:** I'm—

**Mr. Ziad Aboultaif:** Okay. I have one final question.

**The Chair:** Go ahead, Mr. Aboultaif.

**Mr. Ziad Aboultaif:** Back to the breakdown, do you have numbers for me on resource, manufacturing, and urban? Do you have those percentages ready?

**Ms. Manon Brassard:** I can easily have them for you. We can send them quickly.

**Mr. Ziad Aboultaif:** Okay.

**The Chair:** One more question....

**Mr. Ziad Aboultaif:** For me? Sure, I'll take it.

Do you have measures for productivity? How is it measured compared to, let's say, the United States?

Is it 40% lower or 26% lower? What is it?

**Ms. Manon Brassard:** We know it is lower than Ontario, generally.

**Mr. Ziad Aboultaif:** I am asking about Quebec.

**Ms. Manon Brassard:** I am comparing Quebec to Ontario.

**Mr. Ziad Aboultaif:** Okay.

**Ms. Manon Brassard:** Our productivity is lower by a few percentage points.

**Mr. Ziad Aboultaif:** Quebec is lower than Ontario.

**Ms. Manon Brassard:** Yes.

**Mr. Ziad Aboultaif:** By how much is it lower?

**Ms. Manon Brassard:** I think it is 3% or 4%. We can check.

**Mr. Ziad Aboultaif:** Do you have any idea how much it is compared to other nations, for example the United States?

**Ms. Manon Brassard:** I don't—

**Mr. Pierre-Marc Mongeau:** Sorry, we don't have all these statistics, but—

**Ms. Manon Brassard:** What I do have is that we are behind. I can't tell you by how much, but Quebec is behind Ontario, Canada generally, the States, and most OECD countries. We have the big picture.

**The Chair:** Thank you. Just on that point, do you measure the results of your investments with small business, with enterprises?

**Ms. Manon Brassard:** I referred earlier to a Statistics Canada study that we asked them to do for us. They look over a long period of time to see whether the SMEs we are helping are still alive, how long they stay alive, whether they have higher salaries—and they do—and whether they have higher productivity—and they do.

That is how we measure, by comparing it to *un groupe témoin* and making sure that we actually make a difference.

**The Chair:** You do make a difference.

Mr. MacKinnon, you have five minutes.

[Translation]

**Mr. Steven MacKinnon:** Thank you, Mr. Chair.

I will change the direction of the questions a bit.

As you know, the Government of Quebec has changed its approach to local development. It decided to close some CLDs, a change that is under way. How is this affecting the agency and your day-to-day activities?

**Ms. Manon Brassard:** The CLDs also work quite a lot with our CFDCs. We addressed the matter earlier. We are working closely, particularly with the ministry of the economy, science and innovation, the MESI, which is the main economic ministry, with its financial arm represented by Investissement Québec. Investissement Québec is a partner in almost a quarter of our projects. In short, work is being done in collaboration. Quebec changed its way of operating. We have adapted, and we are still working very well with the Government of Quebec, its ministries and organizations, namely, its “supply arms”, if I can put it like that.

• (1825)

**Mr. Steven MacKinnon:** In Quebec, there are an impressive number of partners in the financing of a given project. Shouldn't this be simplified?

From the perspective of an entrepreneur or a project developer, the number of partners able to participate in a project is quite impressive. We often need to reach these people and bring them together around the same table. I've seen impressive examples where this has happened very effectively.

I'd like your views on this. Shouldn't we simplify the process and reduce the number of partners around the same table by overlooking the level of government?

**Ms. Manon Brassard:** To do that, we would need to find someone with all the mandates and competencies, which is a challenge in itself. That person would also have to be able to meet all the demands.

We are working with various types of entrepreneurs and businesses. The small businesses that deal mainly with the CFDCs could find it difficult to work with a partner the size of an organization like Investissement Québec, the BDC or other organizations like that.

There are many stakeholders, of course, but each entrepreneur needs to be associated with a certain niche. We can make groups fairly easily. Is it possible to work better and more effectively

together? No doubt, which is what we are trying to do. However, will simplification really lead to an ultimate one-stop shop?

**Mr. Steven MacKinnon:** Other regions have a concierge service. Does this concept exist in Quebec?

**Ms. Manon Brassard:** Yes, in the accelerated growth program CED wants to position itself to connect entrepreneurs with the right stakeholders for their case. It's important to understand that not every stakeholder is right for every case. The entrepreneurs appreciate this service.

CED also makes life easier for entrepreneurs who might have projects in three regions, for example. In that case, we advise them to work with an office and let CED manage the housekeeping and take care of the other two offices. So we are going to help with that kind of thing.

**Mr. Steven MacKinnon:** Thank you.

Let's change the subject now.

As you know, we are going to invest a lot of money in public transit and infrastructure in the next few years. You mentioned that the hot topic in Quebec right now is electrification of transportation.

How do you think Quebec will be able to benefit from this strong trend from the Government of Quebec and the investments in infrastructure by the federal government that will obviously be paired with those of other levels of government? Basically, how do you see the future and how will Quebec be able to benefit from these investments at all levels?

**Ms. Manon Brassard:** CED can hold its own here.

The first condition is to have good projects. We currently have some exciting projects that are gearing up. These are interesting projects with interesting financial structures.

There are also various programs. CED's programs can help businesses that contribute to the electrification of transportation, without necessarily covering everything. For example, CED can help a business that works on one component of a battery that will have a long life or autonomy. That's where CED wants to position itself.

There are also government loans in innovation and clean technologies that are also suggested a great deal. So Quebec can position itself on all fronts to move forward with this.

**Mr. Steven MacKinnon:** And the possibilities—

[English]

**The Chair:** We'll have to stop the—

[Translation]

**Mr. Steven MacKinnon:** The Outaouais hot air balloon festival is a good investment. I would like to point that out.

Thank you for being here today.

[English]

**The Chair:** I see. It's his pet project.

Thank you very much Madame Brassard, Monsieur Lemieux, and Monsieur Mongeau for your presentation and for answering questions.

We will suspend, and then we will turn to Prince Edward Island.

•(1825) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1835)

**The Chair:** I will call the meeting back to order.

For the next hour we have ACOA Prince Edward Island here. Welcome to Patrick Dorsey, the vice-president for P.E.I., and Lynne Beirsto, the director of corporate programs and services.

Pat, I understand you have a presentation. We'll go to questions after that.

I think you're aware that this is the first day of pre-budget consultations. We see regional development agencies performing an important role in terms of attaining growth in this country. The thrust of the questions will be along that line, of how we achieve better growth within your sphere of responsibility.

The floor is yours.

**Mr. Patrick Dorsey (Vice-President, Prince Edward Island, Atlantic Canada Opportunities Agency):** Thank you, Mr. Chair.

Committee members, good evening. Thank you for the opportunity to speak about the economy of Prince Edward Island and ACOA's work to foster economic growth. As the chair pointed out, I'm joined today by Lynne Beirsto.

P.E.I., as you well know, is Canada's smallest province, with a population of about 146,000. Outside of Charlottetown, the province is largely rural. Its primary industries of farming, fishing, and tourism reflect this. These industries, key drivers of the island's economy, have adapted in recent years to global trends and emerging market opportunities. ACOA was a central player in the transformation and growth of several sectors that have emerged to play key roles in the province's economy.

While the economy is performing relatively well, there are challenges, including access to skilled labour, an aging population, and not optimal levels of innovation and productivity. ACOA's investments target these challenges and foster continued growth in the priority industry sectors.

ACOA supports economic growth in three key ways: supporting business, with a focus on innovation; supporting infrastructure to nurture economic growth and R and D and build on community strengths; and representing P.E.I.'s interests in policy development and coordination of federal programs.

The food sector remains the primary economic driver for our province, accounting for 18% of GDP, over half of provincial exports, and 10,000 jobs in food production and manufacturing in rural communities.

PEI Mussel King is a rural family-owned business that grows, harvests, and sells over five million pounds of fresh mussels annually, more than half of which are exported. ACOA has helped the company increase productivity, create value-added products, and expand its workforce to 70 employees.

ACOA also supports food-focused R and D. A key driver of growth for this sector in coming years will be the Food Island

Partnership, an industry-led initiative that brings together food producers, culinary experts, and researchers to create products, expand exports, and promote P.E.I. as a culinary tourism destination.

With roots in the food sector, the bioscience industry accounts for 3% of the province's GDP, employs about 1,400 people, and has more than tripled in size in revenues in the past 10 years. Growth in the bioscience sector will be accelerated by the \$14-million federal investment to establish Natural Products Canada at the University of Prince Edward Island, announced earlier this year by Minister Bains.

Aerospace and advanced manufacturing are relatively new to P.E.I.'s economy, but employ over 900 people and account for 18% of total exports and close to 5% of provincial GDP. The main aerospace cluster is at Slemmon Park, where Vector Aerospace is an anchor tenant with annual sales of \$140 million and 445 employees. With ACOA's support, Vector develops state-of-the-art aircraft engine repair techniques to enable them to take on new work.

P.E.I. is a world leader in renewable energy, and home to the Wind Energy Institute of Canada. Wind energy currently supplies about 30% of the province's electricity.

Aspin Kemp & Associates, which started in 2010 with eight employees and now has 125, is a good example of ACOA's support in clean tech. The company is a global leader in the development of power management and energy storage solutions for the marine and oil and gas industries.

The last sector I will touch on is another traditional industry that has transformed itself. Tourism employs 15,000 people and generates close to 7% of GDP for our province. ACOA provides direct support to operators and communities to capitalize on trends and opportunities. For example, the strategic tourism expansion program brings community stakeholders together to identify their tourism potential and build a collaborative approach to developing local assets.

The program has worked well across Atlantic Canada, and is quickly becoming a best practice. It was developed by the Tourism Atlantic group, based in ACOA P.E.I.'s office, with a mandate to support tourism across Atlantic Canada. Tourism Atlantic also administers the Atlantic Canada Tourism Partnership, a \$20-million three-year partnership between governments and industry that promotes the region to key markets in the United States and overseas.

ACOA also works with communities in a number of ways to support economic growth.

●(1840)

We help communities build on their strengths. For example, the rural town of North Rustico developed its waterfront area to showcase its marine and Acadian heritage and to provide commercial and performance space for local artists. We also work with P.E.I.'s indigenous communities to advance their economic development priorities.

ACOA's main partner in economic development is the province. Trade Team PEI is an example of a federal-provincial partnership that supports the international business development activities from export readiness to trade missions. This is a successful partnership, with P.E.I. leading the country in export in the last two years. The agency and the provincial government also work together to address challenges such as an aging population and skilled labour shortages by encouraging international immigration; and we work with post-secondary institutions on international student recruitment and retention.

Looking ahead, ACOA remains focused on delivering results for the province. With the Atlantic growth strategy reinforcing our collaborative approach, we see even more opportunities to address economic challenges and drive future growth.

Mr. Chair, thank you for the opportunity. I'm glad to speak.

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

Turning to Mr. MacKinnon, you have five minutes.

**Mr. Steven MacKinnon:** Thank you, Mr. Chair.

Thank you, Mr. Dorsey and Ms. Beirsto, for coming today. The exercise we're engaged in, of course, is a pre-budget consultation. I think to the credit of the chair, we've spent a lot of time today, and will in the coming days, with regional development agencies on their priorities; and on our overriding mandate, which is to provide advice to the minister on how we get more growth out of this economy, how we get more innovation in the Canadian economy, and how we leverage the strengths of any particular region or province in order to achieve that.

Your presentation, Mr. Dorsey, speaks eloquently to some of the successes and some of your priorities. We had your New Brunswick counterpart in earlier, and I know immigration has become a bit of a touchstone and a key issue in Atlantic Canada; and some significant announcements were made in the past several months in that regard. You mentioned it briefly in your statement, but can you tell us how ACOA in P.E.I. is supporting that policy thrust of the province?

**Mr. Patrick Dorsey:** I think it's important to state that one of the key impediments to economic growth for our province is population, having a critical mass. A population of 146,000 presents its own challenges. We recognize that a few thousand more people would make a big difference in terms of economic growth. I think it's a key cornerstone of the provincial government's strategy to increase growth, but it's ours as well.

We see it a couple of ways. Number one, there's this idea of bringing people who are not born and raised in Prince Edward Island to our province—new Canadians. We've worked with the chamber of commerce and the University of Prince Edward Island and Holland College on international student recruitment efforts, with third

parties around retention and settlement services for island entrepreneurs, and with businesses, because many of these folks who are coming from the Far East are looking to invest in our province. So it's a matter of trying to link those people up with potential partners in the province. We have a program with the Charlottetown chamber of commerce called P.E.I. connectors that is doing just that.

The other piece, Chair, would be around population growth in the context of creating opportunities for young islanders to stay at home. We've seen some progress in that regard; there's still much more to do. One of the ways we see achieving that is by diversifying the economy, to bring the traditional industries to value-added, where they're able to afford to pay higher wages.

We think Prince Edward Island has all the amenities to attract people and to retain people, but clearly economic growth is important. Our focus has been on new start-ups. With the provincial government, we just established the Startup Zone in Charlottetown, which right now has 20 new start-up companies in an incubator-style environment where they can collaborate, work together, and create partnerships; but also they can access business services that they require to get their products to market and to support them.

I think it's a multi-pronged approach to support population growth that is very key to economic success.

●(1845)

**Mr. Steven MacKinnon:** Structurally, within ACOA, you're also running four Atlantic Canada tourism partnerships. Did we hear that correctly earlier? In terms of identifying those areas of strength—food, tourism, and others—do you feel you're equipped with all the tools required in order to make the kinds of investments to get that growth?

**Mr. Patrick Dorsey:** I think so. Most of our project development is done with the provincial government in collaboration, so we've an opportunity to share on priorities. The Atlantic growth strategy laid out five pillars where provincial premiers and federal ministers decided where they wanted to coordinate their efforts, and that will inform us as well.

The provincial government of P.E.I. is aligned with us in terms of all of these sectors that we see as key to development, but increasingly it's important to build on our traditional strengths as well, and that lies in the fishery and the agricultural sectors, bringing those from commodity-based sectors to more value-added. I think that's where some really interesting opportunity lies.

**The Chair:** Thank you both.

Ms. Raitt, five minutes.

**Hon. Lisa Raitt (Milton, CPC):** Thank you for coming.

As you probably are aware, I'm from Cape Breton, Nova Scotia. I fully understand the importance of ACOA to the region.

I'm going to ask you questions about how you deliver on the mandate that the government has given to you, and I'm going to ask for facts and figures. If you don't have them with you today, I'd appreciate getting them later.

My understanding is that one of the programs you administer is the Atlantic innovation fund. How many applications are there, and how long is it to determination on these applications that you are currently processing within the P.E.I. office?

**Mr. Patrick Dorsey:** In terms of applications in-house, we can get you that information. I don't have that at my fingertips. The Atlantic innovation program is a fairly rigorous process. It focuses on R and D and innovation, increasing the productivity of firms. It also keys in on developing partnerships with research institutions where companies can get access to good research.

In terms of the timeline, I don't have that in terms of Prince Edward Island, but we can get that, Mr. Chair.

**Hon. Lisa Raitt:** If you're asking for more money, Mr. Dorsey, you should have the number of applications that you've processed, and how long it takes for people to access this money. I think it is a metric that this committee deserves to know.

**Mr. Patrick Dorsey:** Yes.

**Hon. Lisa Raitt:** The second question I have has to do with the business development program, the same question. How many applications were there, and how long does it take in order to process these applications so that the government money that's promised to these regions is actually in the hands of those who reside in the province?

• (1850)

**Mr. Patrick Dorsey:** Last year we had 152 project approvals in the business development program. The service standard for the BDP is 75 days for a decision—

**Hon. Lisa Raitt:** Right.

**Mr. Patrick Dorsey:** —and we're meeting that service date.

**Hon. Lisa Raitt:** You're meeting 75 days?

**Mr. Patrick Dorsey:** Yes, we are.

**Hon. Lisa Raitt:** Okay, that's excellent. Well done. That's not what I'm hearing from other places.

The final one has to do with the Canada 150 community infrastructure program. Can you tell me how many applications you've received, and what is your turnaround time for this program?

**Mr. Patrick Dorsey:** We made 19 approvals on that program thus far, totalling about \$1.12 million. Our full allotment for Prince Edward Island is just over \$5 million.

Do you have any numbers on that?

Sorry, it's \$2.4 million.

**Ms. Lynne Beirsto (Director of Corporate Programs and Services, Prince Edward Island, Atlantic Canada Opportunities Agency):** We've approved \$2.4 million to date, and we have

applications in-house for another \$1.4 million. We have just under \$1 million for which we have applications we'll be working on.

**Hon. Lisa Raitt:** Is there a lag, Mr. Dorsey, between decisions taken at ACOA P.E.I. and approval from the minister's office, bearing in mind that the minister is from Mississauga, Ontario, and not from Prince Edward Island or Nova Scotia or New Brunswick or Newfoundland and Labrador?

**Mr. Patrick Dorsey:** That's not what the data would suggest. We took a look at a snapshot of projects that were approved since November of last year to the end of August, and on average it's about the same that had been approved during the previous five years. We've been meeting our service standard in that regard. Projects are going up to the minister's office on a weekly basis, and they're being returned efficiently.

**Hon. Lisa Raitt:** Thank you very much.

**The Chair:** Thank you, Ms. Raitt.

Mr. Caron.

[Translation]

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

I'd like to thank the witnesses for being here today. I'll continue sort of along the same lines as what was said previously.

I am the NDP critic for the Atlantic Canada Opportunities Agency. During consultations I held over the summer in Atlantic Canada, I saw that public servants were really concerned about the impact of eliminating secretaries of state for the agencies, including ACOA.

ACOA's role was to define regional economic development needs. Until now, there was a list of local needs, and those files were sent to a minister in Ottawa. But there is concern that there is a role reversal, that the minister and Ottawa are making the decisions and the agency is responsible for implementing the programs devised in Ottawa.

Could you confirm that concerns like this have not been expressed by your staff?

[English]

**Mr. Patrick Dorsey:** I have not heard that concern expressed to me. I think that ACOA continues to be the lead economic development agency in Atlantic Canada.

In Prince Edward Island, we spend about \$35 million in grants and contributions in the province each year. So it's an important cog in the wheel of economic development.

We provide advice to the minister to seek his direction on projects. To date there has not been an issue with respect to a difference between the advice the agency provides and what he's willing to do.

[Translation]

**Mr. Guy Caron:** Right.

In the plans and priorities for ACOA, when comparing the amounts allocated this year to those to be allocated in two years, we can see a marked decrease. There might be changes in the meantime, but this is what is expected for now. It's almost a 10% decrease.

If this 10% decrease should materialize, could you achieve the goals you've set for yourself?

[English]

**Mr. Patrick Dorsey:** I think the public accounts would suggest that our grants and contributions budget is increasing from last year to this year as a result of the government's decision in budget 2016 to double the allotment for the CIP 150 program. We continue to be well financed.

• (1855)

**Mr. Guy Caron:** Planning and priorities for 2016-17 is forecasting that in 2018-19 there will be a decrease of about 10% in funding.

**Mr. Patrick Dorsey:** That's the result of CIP 150 sunseting.

**Mr. Guy Caron:** That's about \$8 million. But if you're looking at the main line for developing enterprises, you see a significant reduction as well.

**Mr. Patrick Dorsey:** Right. Every year we do an operational planning process at the regional level to set priorities to target key investments. We continue to be well financed. At this point we have no concern that we can't accomplish what the government has mandated us to do within the envelope they've given us.

**Mr. Guy Caron:** We've come to the same conclusion that P.E.I. is mainly a rural province, and that this makes diversification a bit trickier than in other provinces. Most of the investments I've seen in the months I've been critic have been in culture, tourism, fisheries.

You mentioned a few examples of innovation in other sectors such as aerospace. Could you tell us if you have made diversification plans, despite the difficulties this might represent? What are the priorities in diversification? What would be your advice to the government on the eve of the budget? Of course, we are now in pre-budget consultations.

**Mr. Patrick Dorsey:** Economic diversification is very important. It's more than just getting into more sectors in a small province. It's about building capacity and adding value to existing sectors.

Take the food sector. We've increasingly done more. That's a rural-based sector that 10, 15, 20 years ago was based on the primary production of goods. The chair would know this. Now we've moved the chains and we're in product development. We're packaging and exporting goods from Prince Edward Island.

These are examples of areas the government has asked us to pursue, and I think they will have positive effects on growth.

**The Chair:** We'll have to cut you off there, Guy.

I went and looked 10 years back. On the 2005-06 fiscal year, ACOA was voted an expropriation of \$456 million. They spent \$427 million. ACOA's current budget is about \$298 million. That's not Prince Edward Island's allocation, but that's for ACOA, so it is substantially less. We put the question to some other regional development agencies in here: would more money be helpful? We're looking at making recommendations to the Minister of Finance.

There are two questions: would more money be helpful, and are our regional development agencies achieving the results we want them to?

I asked New Brunswick earlier and Prince Edward Island is even worse. We've had ACOA in place for quite a number of years, yet our productivity in Prince Edward Island is the lowest in the country. We're not retaining immigrants. We're losing young people to out-migration. Our small business sector in terms of export is one of the lowest in the country.

You mentioned a number of good things in your presentation. I agree with you 100% on those, but if we don't improve, then we're going to continue to fall behind. What does ACOA or the federal government have to do to get the results we need to attain so our kids and grandkids will come back to Atlantic Canada and work there?

**Mr. Patrick Dorsey:** I think there are a couple of things. The government has asked us to pursue an agenda around high growth, around high-impact firms, and around clean technology investments, and I think that's key. I pointed out a couple of examples in the P.E.I. context that are accomplishing that. Mr. Chair, I think there can always be more of that work done, and we need to focus on those firms that continue to increase your exports.

You're quite right, Prince Edward Island's traditional record on exports had not been good since about 2011 to now. That has increased by 70%. Things are moving the markers. I think research would suggest that ACOA supported firms that are better off after five years versus firms that have not been. Our challenge is to get to those firms early enough and to come with a comprehensive tool box to enable growth with them.

The minister has asked us to participate in the accelerated growth initiative, and I think that is going to be positive. We're going to nominate seven Prince Edward Island firms to that. It will be a multi-dimensional Government of Canada family involved in economic development that'll sit around with those firms and propose solutions for their growth and economic prosperity into the future.

• (1900)

**The Chair:** I'll make one last comment before I turn to Jen and that is that the Prime Minister likes to say we can always do better. This committee would like to show him a way that we could do better through the regional development agencies to gain better results.

Jen.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair.

I asked the question earlier, but I have been informed that I should be directing the question to you in regard to tourism, the Atlantic Canada Tourism Partnership, and the extension.

I understand it's only been extended one year. Can you speak about this a little? What does that mean? Is this going to impact the ability...?

Without having all the statistics from this past summer—but I know with family in Newfoundland, for example—tourism was extremely busy this year. Locals could not rent a car or go to anything because it was flooded by tourism. Assuming P.E.I. had a successful summer, as well, what can you speak to in regard to the agreement and those impacts?

**Mr. Patrick Dorsey:** The Atlantic Canada Tourism Partnership was renewed last year for a three-year term. It's a \$20-million three-year agreement financed 50% by ACOA, roughly 30% by the provincial governments in Atlantic Canada, and roughly 20% by industry. A management committee has been established that includes senior officials from the governments and the industry associations. Our markets of interest currently are the northeastern United States and the mid-Atlantic, as well as the U.K.

It's been a very successful partnership. It's been around since 1991 or 1992 and has been renewed on a three-year basis each time. I think it's deemed a best practice with respect to regional collaboration around marketing, and we try to measure our results accurately on that. The last evaluation of the ACTP suggested that there was a 15:1 return on investment for every dollar spent in those markets. So I think it's been quite right.

With respect to your question about the tourism sector and its importance, I like to say tourism is twice as important to Prince Edward Island as it is to anywhere else because it represents 6% of our GDP, whereas it is about 3%, I think, Canada-wide. It's a dynamic industry and there's renewal and growth in the industry.

This season, early indications are that it's been quite robust. Traffic across the Confederation Bridge was up 12% in July, year over year. Airport traffic was up about 16%. Those are great indications that people are coming. They're tending to stay longer. I think the American dollar has had a positive impact in two respects: one, keeping Canadians at home and not necessarily going to the United States for their vacation, and two, giving increased access to Americans to visit Prince Edward Island.

**Ms. Jennifer O'Connell:** Do you focus mainly on smaller local businesses or are you targeting investment from larger firms? For example, I know that for a province with a smaller population, obviously, maintaining a workforce, as you mentioned, can be a challenge at times, but are you trying to attract businesses to come and not just supporting those that are there and focusing on the export market?

• (1905)

**Mr. Patrick Dorsey:** Yes, we are. We obviously work with the established businesses and the established entrepreneurs in Prince Edward Island to grow, expand, and set up their own businesses. We have an agreement with the Province of Prince Edward Island called Invest PEI, which is a joint project between ACOA and the provincial government. Its mandate is to do international prospecting for direct investment. We've had some success, particularly in the

emerging ICT and bioscience sectors, so that's an active agenda that ACOA continues to pursue in partnership with the government.

**Ms. Jennifer O'Connell:** Do you have facts and figures or statistics about not only its success but its longevity? I would assume that it also goes hand in hand with attracting, as the chair mentioned, those who maybe have left to come back, certainly young people, and attracting jobs with new investment. It's not just about bringing a company in, but about how it will expand once it's there to attract those jobs. Do you have those stats and figures of what's happened to date to see if it's incrementally growing, or is it still very new in terms of the overall impacts?

**Mr. Patrick Dorsey:** On the sector basis, aerospace is a sector that wasn't really initiated in Prince Edward Island until the early 1990s. I think it currently has 15 companies. About 900 people are involved directly in the industry as well as another 500 in supply chain development. The bioscience sector was almost non-existent before 2005. Now there are 45 companies that represent about 3% of our GDP. It has 1,200 or so employees directly involved.

The ICT industry in Prince Edward Island has about 150 companies, about 10,000 employees. What's interesting about these sectors is they tend to pay more than the traditional sectors do, and I think that is key to maintaining prosperity and ensuring that, something the chair was concerned about, younger people have an opportunity in Prince Edward Island.

**Ms. Jennifer O'Connell:** Thank you.

**The Chair:** I'll stop you both there.

Mr. Abouttaif.

**Mr. Ziad Abouttaif:** Thank you for this. Your report seemed to be a very optimistic one. I hope that is not a result of you having an overall budget reduction.

I have a couple of things. It seems as though the issue in P.E.I., similar to the rest of Atlantic Canada, has been an ongoing story for the longest time. How much improvement have we seen on the economic front in the last 10 years, for example?

**Mr. Patrick Dorsey:** I think, as I mentioned previously, there's still work to do obviously with high levels of unemployment in some areas of the province, or in Atlantic Canada more so than others. I think economic diversification will be key. We have seen an increase in terms of productivity levels and innovation of Prince Edward Island firms over the past number of years. There is more to do in that regard. I mentioned the growth in exports which is very key. P.E. I. led the country in export growth during the last two years and it needs to continue to do that. It's important to keep momentum going in this but, as I said, there's always more to do.



**Mr. Ziad Aboultaif:** Would you hope for a pipeline project to be a key factor in changing the dynamic of your economies in the regions, specifically in P.E.I., to give you the opportunity to improve on other sectors while you're progressing in some areas?

**Mr. Patrick Dorsey:** Similarly to the previous witness, I think that's a sensitive, more political issue being dealt with right now.

**Mr. Ziad Aboultaif:** I will move to another question. What are other areas where you can improve the economy? How can you explore other industries, other areas of business, that are going to give you the stability that you need in order to maintain the younger generation within the province and in order to increase productivity and have real prosperity for the population of 146,000 in P.E.I.?

● (1910)

**The Chair:** Mr. Dorsey, in order to get around the political sensitivity, I don't think Ziad is asking you to take a position on the energy east pipeline, which I fully support. But in any event, where would the opportunities be in Prince Edward Island if the energy east pipeline were to come into being, if I could put it that way? That's not putting you in a position of having to take a position for or against. If it were there, would it make a difference?

**Mr. Patrick Dorsey:** Let me put it this way. I think with any sort of major project there are opportunities for Prince Edward Island firms or firms in Atlantic Canada to contribute to those projects. We've seen with the national shipbuilding initiative led out of Halifax shipyard that there have been opportunities for island firms to be matched with prime contractors to do work on that.

Economic activity is important and projects are important.

**The Chair:** Okay. You have time for one more Ziad.

**Mr. Ziad Aboultaif:** Again, along the same line, do you lack markets, or are the markets there but you're not competitive enough?

**Mr. Patrick Dorsey:** In terms of markets, there's more work to do with respect to diversifying our markets. More than one-half of our exports currently go to the United States right now from Prince Edward Island. When the economy is good, that is a good thing, but we've noticed where the economy has lagged, it's been problematic, so we've worked hard to diversify our markets increasingly, particularly with our food products. Asia has been a popular destination for our SMEs to do business.

A key function for us in terms of trade development is not just doing the traditional trade mission work. We have to do more work in advance and in getting our firms ready to export, educating them about markets and opportunities, and making them generally market-ready. That's where our focus has been.

**The Chair:** Thank you.

Mr. Ouellette you have five minutes.

**Mr. Robert-Falcon Ouellette:** Thank you, Mr. Chair.

When we talk about trade strategy, could you describe what the trade strategy is for ACOA? What is the long-term strategy to be developed?

**Mr. Patrick Dorsey:** I initially started on how we see that happening. We have an initiative with the Province of P.E.I. called Trade Team P.E.I. It's a joint management of our trade efforts. On an annual basis we release a calendar, after extensive consultation with

industry and stakeholders in the trade world, of where they would like missions to go. Increasingly, though, we're doing more incoming missions. We're bringing buyers to the province, because what we noticed is that when they see the province, when they see the quality of products that are being produced, and where they're being produced, the likelihood that they'll buy and do business with SMEs in P.E.I. is higher. That's a very successful initiative of our trade strategy.

I think diversification of markets is going to be key. As I said, the United States represents a disproportionate amount of our trade and we need to do more to diversify that. But I think with sectors and the ICT and the services area, our clients are looking around and they are seeing opportunities elsewhere.

**Mr. Robert-Falcon Ouellette:** Do you also help small and medium-sized enterprises mitigate some risk when they're going overseas with trade missions or trying to build those businesses?

**Mr. Patrick Dorsey:** Yes, we support them on those missions. With the province, we lead a missions to particular markets. We engage resources on the ground to matchmake the firm with potential buyers in that market or area of interest. We provide general support and marketing support for those companies. We do not provide resources for their travel, but the provincial government subsidizes that from time to time.

**Mr. Robert-Falcon Ouellette:** I was also wondering if you could just describe this a little bit. I was looking at the total number of investments in 2016-17, ACOA and the Canada Economic Development for Quebec Regions. For instance, overall you have \$308 million, and Canada Economic Development for Quebec Regions received \$303 million, but you have 590 employees and they have 323 employees. I was just wondering why there's such a large discrepancy. I think it's sometimes easier to hire employees than getting the money to the businesses. Are you offering additional services that other development agencies aren't?

● (1915)

**Mr. Patrick Dorsey:** We have a full range of services. We have a significant loan portfolio that is at about \$350 million. It needs to be managed for some time, more than 10 years. That requires resources.

We have a full suite of services around innovation, productivity, international trade development, business support, direct business advice. There's a significant suite of programming offered.

We represent a largely rural area of the country across four different, distinct provinces, and our employees are on the ground in communities, meeting with clients and ensuring that projects get over the line and developed.

**Mr. Robert-Falcon Ouellette:** It is a large number of employees compared to other development agencies.

**Mr. Patrick Dorsey:** I think it's a situation of place-based policy. The government has determined that, given unique challenges in particular regions, the structure and flexibility of regional development agencies can be different.

**Mr. Robert-Falcon Ouellette:** I have just one final question. I wonder if you could perhaps provide—because I asked many of these same questions—these same things about the indigenous side.

How many indigenous companies have you been helping in the last number of years? How many jobs have been created? How many jobs still exist today? What are the industries? What services do you offer to those indigenous companies that export from Canada? What stops investment in indigenous communities and groups?

If you could provide those as an answer later to the clerk's office, I'd really appreciate that.

**Mr. Patrick Dorsey:** I don't have all the numbers that you request. We currently have eight projects under evaluation in our office that are indigenous-related.

**Mr. Robert-Falcon Ouellette:** Under evaluation?

**Mr. Patrick Dorsey:** Under evaluation.

**Mr. Robert-Falcon Ouellette:** Not the 150th anniversary thing but real projects?

**Mr. Patrick Dorsey:** Yes, projects.

**The Chair:** Do you want anything back in writing on that?

**Mr. Robert-Falcon Ouellette:** Yes, of course.

**The Chair:** If you can provide a little further information in writing to the clerk, Mr. Dorsey, that would be great.

Mr. McColeman, you have five minutes.

**Mr. Phil McColeman:** Thank you for being here. Could you give us an update on the status of the electrical cable between New Brunswick and P.E.I.?

**Mr. Patrick Dorsey:** Work was initiated this fall on site preparation. There was a previous announcement by the Government of Canada and the P.E.I. government on funding for the initiative. Work will continue.

**Mr. Phil McColeman:** Okay, is there a completion date?

**Mr. Patrick Dorsey:** I believe the completion date is two years, if everything goes according to plan.

**Mr. Phil McColeman:** Okay.

**The Chair:** That's not ACOA's responsibility, though.

**Mr. Patrick Dorsey:** No.

**Hon. Lisa Raitt:** But it's important.

**The Chair:** It's important, yes.

**Mr. Phil McColeman:** It's important for the economy of P.E.I., obviously.

I'm going to ask you a question similar to the one I asked others. It's not a forestry question.

It's regarding any companies on P.E.I. that you're aware of for whom part of their business would have been as suppliers to the oil sands or anything to do with the production of oil. How have they been affected by the downturn in the price of oil?

**Mr. Patrick Dorsey:** We do have businesses in Prince Edward Island, both in the manufacturing sector—MacDougall Steel Erectors Inc. from Borden-Carleton was a supplier to Alberta industry—and also in professional services. A number of professional services firms, IT, accounting, and others did work in that field. I haven't heard any direct feedback from those firms about what impact the oil price has had on them, but anecdotally I would suggest it hasn't been positive.

**Mr. Phil McColeman:** Have there been job losses perhaps?

**Mr. Patrick Dorsey:** I can't point to a particular company or project that has been directly impacted by that.

**Mr. Phil McColeman:** On your comment about the United States being one of your major customers for products produced on the island and the fact that has not been a good thing, it seems to me that with the dollar the way it is and the competitiveness of the dollar in terms of U.S. dollars being much higher, that would produce huge opportunities for more exports. Can you explain why that's not happening?

**Mr. Patrick Dorsey:** It is.

**Mr. Phil McColeman:** Oh, it is?

**Mr. Patrick Dorsey:** Yes. I apologize if I wasn't clear. I didn't want to suggest that the American market isn't important. It is very important and continues to be very important. As I said, over 50% of our goods go there. The currency right now has had a great impact on exports, and I would suggest on the tourism side that's been important as well.

Where we see opportunities as those markets become more mature is for regional development agencies like ACOA to support companies that want to get into more developmental markets, companies that are trading in the United States that have been there for a long time, that know the market, that understand it well. I'm not sure our resources are best aligned with them. It's with companies that are either not in that market or see opportunities elsewhere.

● (1920)

**Mr. Phil McColeman:** If I'm a company manufacturing a particular product—I'll take an example from my riding. They decided to go into another line of products, another branch of their business to create another sales opportunity to build their business. Would ACOA be in a position to help them expand their business to do that?

**Mr. Patrick Dorsey:** Absolutely, that's the intent of our business development program.

**Mr. Phil McColeman:** In many of the other areas of the Maritimes, as our chair said, there has been out-migration of their labour primarily to the west for the boom in the last number of years, to work in the oil sands. Anecdotally, having spent some time in the Maritimes, these individuals now find themselves without jobs and are returning. Is that happening in P.E.I.?

**Mr. Patrick Dorsey:** Anecdotally it is. There are more instances, particularly in the trades where there was high demand for skilled workers in the trades in Prince Edward Island where they could not attract those people, and that is improving to a certain extent. Prince Edward Island still has a challenge around out-migration, particularly of young people, young graduates who are still pursuing careers either in western Canada or in Ontario.

Our population growth has led the region with around 3.5% but that's been directly related to immigration from outside Canada.

**The Chair:** We'll have to cut you both off there.

Mr. Sorbara.

**Mr. Francesco Sorbara:** Thank you, ladies and gents, for being here this evening. The last time I heard a commentary on Prince Edward Island was when the former premier of P.E.I., Robert Ghiz, came to Toronto to give a conference update on the economy and to update our team on how P.E.I. was performing, so it's great to get another update.

You mentioned a \$350-million loan portfolio. Can you comment on how the loan portfolio and your investments are performing?

**Mr. Patrick Dorsey:** The nature of our work is we take on risks that other lenders of capital don't, so we do have some business failure. About 4% to 5% of our annual portfolio goes into default, so relatively speaking, that's a manageable amount of risk.

Our programming parameters and the expertise of our account managers make for very diligent monitoring of projects not just after they have been completed but until the loan repayment has been fully made, and we have a team of folks dedicated to doing just that.

**Mr. Francesco Sorbara:** I have two separate questions.

First, how is the collaboration—I was going to ask the Quebec folks before you—of say BDC or EDC within the organization and with regard to P.E.I.?

Second, with tourism being so important for P.E.I. in relation to the percentage of GDP, how do you find the labour issue because there is, obviously, a seasonality with much of the industry in P.E.I. be it lobster, mussels, or tourism, but with tourism specifically, how is the labour issue fitting in, and how are you dealing with that?

**Mr. Patrick Dorsey:** To your first question around engagement with BDC and EDC, they're two organizations that are working in our province. In EDC's case, there's no office established there yet, but BDC has a presence. They're working with our firms in Prince Edward Island, and we're collaborating with them on an ongoing basis.

I think the accelerated growth initiative that Minister Bains announced will compel us to work closer together on real-time projects, and I think that's going to be a very positive development.

With respect to your question around labour force availability for the tourism sector, you're quite right, it is a challenge. Unfortunately, tourism's high season is at the same time when there's a need for farm labourers and fish plant workers as well, so there's a quick depletion of that labour force.

We work with the Tourism Industry Association around programs that support labour market development. I think, increasingly, what's going to be important there is to make the firms more profitable so that they can pay higher wages to extend the season so that it provides a longer track of employment for potential employees, but there is a significant challenge in that sector and those other primary sectors that I mentioned.

• (1925)

**Mr. Francesco Sorbara:** Thank you for your answers.

Thank you, Chair.

**The Chair:** I have one other question. I want to come back to the question of productivity, and I would ask you this. What are the obstacles for ACOA to basically attack the issue of productivity and increase it? Is it training? Is it programming? What is it? If we continue to fall behind on productivity, it's not a good thing, so that is an area we have to tackle. I would say don't be shy about it if there needs to be more programming from the federal government. That's what we're going to recommend in some areas, no doubt. Does ACOA have a strategy in Prince Edward Island at least to deal with that serious issue of productivity, and if you do, how are you going to get there?

**Mr. Patrick Dorsey:** We've taken that on. The provincial government is a willing partner in that respect, Chair. Since 2011, we've tripled our investment in that area because it's a key priority.

Part of the challenge there, quite frankly, is awareness around some of the SMEs. Some of the small-business people are consumed by the everyday operations of their operation. We've tried to provide support for them to just step back and take a look at how they're doing business and how they can adjust their processes to become more productive. It's time consuming, and it needs investment.

I think a unique challenge for Prince Edward Island and some other corners in Atlantic Canada is that those primary industries, fish processing, agriculture, and agrifood, haven't gotten out of the commodity-based economy or they did some time ago, and there needs to be significant retooling of their plants. We've done some of that work and we've been one investor in particular projects. The Province of Prince Edward Island has as well. Where we have the opportunity to do those, I think they're making a measurable, meaningful impact on those firms. We could always do more of that, and we're out there trying to engage with those companies that require it.

**The Chair:** Okay. Did you have money into the International Shellfish Festival?

**Mr. Patrick Dorsey:** We did.

**The Chair:** Okay. I'd just like to inform the committee that Prince Edward Island now has the record for the longest lobster roll in the globe. I don't know whether it's a result of ACOA investments or not.

With that, thank you, Mr. Dorsey and Ms. Beairsto.

We are adjourned until 3:30 tomorrow.





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