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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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• (1535)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

This is pursuant to Standing Order 83.1, on pre-budget consultations in advance of the 2017 budget, continuing our series of meetings with the regional development agencies across Canada.

We're pleased to have here today, from the Department of Western Economic Diversification, Mr. Salembier, who is the assistant deputy minister of the British Columbia region; and James Meddings.

I wonder, James, what your riding is. You've been here every day this week. It's good to see you again.

Mr. James Meddings (Assistant Deputy Minister, Policy and Strategic Direction (Ottawa) , Department of Western Economic Diversification): Thank you.

The Chair: Finally, we also have Mr. Sutherland, the director of policy, planning and external relations.

Mr. Salembier, you have the floor, and then we'll go to questions. Thank you for coming.

Mr. Gerry Salembier (Assistant Deputy Minister, British Columbia Region , Department of Western Economic Diversification): Thank you very much, Mr. Chairman. It's my great pleasure to be in front of the committee today.

I'll be talking to you about the state of the B.C. economy and some of the challenges and opportunities therein, as well as giving you a bit of a thumbnail sketch of what we do in Western Economic Diversification in British Columbia.

Let me start with some of the basics of the structure of the B.C. economy.

[Translation]

B.C. hosts a dual economy. The Lower Mainland and Southern Vancouver Island's broadly diversified service economies contrast with rural areas that largely depend on natural resources.

B.C.'s service sector accounts for 76% of GDP. The sector comprises industries such as finance, shipping, engineering, education, film production—which is very important—tourism and high-tech. B.C. has a relatively small domestic market, and wealth creation depends heavily on exporting natural resources, which account for about 75% of the province's merchandise exports.

The U.S. remains B.C.'s largest customer, consuming 52% of export sales in 2015. However, exports to Asia have grown quickly recently. Asia now accounts for 38% of the province's export sales.

Another key shift in B.C.'s economy relates to job creation. The province's high-tech sector employs 87,000 workers, more than the province's once dominant forest industry at 58,000 workers.

[English]

Public sector capital investments in major projects play a really important role in anchoring and driving expansion in the B.C. economy. Major projects in play include the site C clean energy project, port expansion proposals in Prince Rupert and at the Roberts Bank container terminal, the so-called T2 project in the Lower Mainland. There are of course energy projects that have been in the news: the Pacific NorthWest LNG proposal and the Trans Mountain pipeline expansion; and then there are transit proposals like the Massey Tunnel replacement and the Evergreen Line between Coquitlam and Vancouver.

With that economic context in mind, let me shift to talk about the performance of the B.C. economy. Our economy gained momentum significantly in 2015, posting 3.0% growth in real GDP. This is forecast to lead all provinces both this year and next.

That upswing is driven by a surging residential real estate market, which drives record-setting construction and renovation activity in the province, strong consumer spending, rising exports, that expanding tech sector which I mentioned earlier, a couple of really banner years in tourism, as well as shipbuilding under the national shipbuilding strategy.

Our economy in B.C. has been relatively less affected overall by the decline in oil and gas prices compared to the other western provinces.

Our employment growth is forecast to increase by 2.8% in 2016. In fact, so far we've already seen 87,000 new jobs created in the year to date in B.C. The unemployment rates in B.C. hover around 6% province-wide, relative to a national rate of about 7%. It's important to note, however, that those job gains have been concentrated in the Lower Mainland and in southern Vancouver Island. It's a very different situation in the rest of the province, where unemployment rates have crept up in recent years.

That increase in exports that I mentioned is driven mostly by wood products, as well as agriculture and agrifood products. Those have been partly offset by declines in natural gas and in metallurgical coal shipments.

Notwithstanding that relatively bright picture, B.C.'s economic outlook shows some increasing risks. In 2015, household debt in Canada was at a record level of almost 170% of disposable income. That's well in excess of historical norms.

A recent study by my good friend Mr. Jock Finlayson at the Business Council of B.C. estimated that the housing sector is responsible for somewhere between 35% and 40% of the recent economic growth in B.C. So that 3% economic growth, without the housing sector, would be less than 2%. That concentration of activity related to housing presents a real risk.

There's also a real risk associated with the uncertainty relating to the expiry of the Canada-U.S. softwood lumber agreement, as well as the reductions in timber available to harvest due to the mountain pine beetle infestation. We have rising skilled worker shortages across the province in many sectors. Final investment decisions on some of those major energy projects remain pending.

Let me point out a couple of key features that I think are important to distinguish B.C. from some of the other western provinces. I like to point out continually to my colleagues that B.C. is different. In addition to being the least rectangular of the western provinces, it is also, I would say, a bit more of a patchwork than other places in the west are. We're fragmented geographically, obviously, by mountains and rivers. There are seven very different economic development regions within the province. When it comes to the metro Vancouver region, as some of you might know, metro Vancouver has 22 separate municipalities. Of course B.C. is home to 203 first nations bands, which is about one-third of the national total.

● (1540)

[Translation]

In my opinion, there are couple of other salient features that make working in B.C. interesting. The province's geographic position makes it Canada's Pacific Gateway, a role of great national importance. While not a likely source of future growth, the forest sector is still a mainstay for many rural communities. Vancouver has a reputation for being one of the most Asian cities outside of Asia. It is also the province with the least coverage of final treaties with First Nations.

Now let me turn to what WD is up to in B.C. Firstly, WD is actively involved in delivering on a number of recent federal budget commitments. In particular, we have just completed a review of some 450 B.C. applications received under the Canada 150 Community Infrastructure Program, CIP 150, for 2016. We are

working with other RDAs to double our joint investments in clean technology under a 2016 federal budget commitment to increase spending on clean tech to \$100-million annually. Finally, we are supporting federal work aimed at engaging Canadians in consultations to define Canada's innovation agenda.

[English]

Also, we are delivering on our core departmental funding and policy responsibilities against our four departmental priorities of innovation, trade and investment, indigenous economic growth, and defence procurement. The core funding also supports our western innovation program, or WINN, as well as a province-wide network of service delivery partners, including 34 community futures development corporations. We also serve as a delivery agent in support of some other federal initiatives. We're participating, for example, in the Department of Indigenous and Northern Affairs' strategic partnerships initiative that targets indigenous participation in economic development.

Last, from time to time over the years, WD has taken on the delivery of some large federal programming, things like temporary adjustment programs or infrastructure initiatives.

Going forward, there are some challenges that we're responding to in B.C. In innovation, a lack of capital is constraining commercialization of new products and services. Our response, the WINN program, is well oversubscribed, meaning that we have to turn down quality projects in industries like clean tech, life sciences, space, oceans, and information and digital technologies. As well, we have a real challenge in our traditional resource industries which are facing technological challenges. We're trying to increase the linkages between innovative small and medium-sized enterprises, for example, in the clean tech sector, to help address some of those issues in the resource industries. In trade and investment, only 3% of businesses in B.C. export at all. Among small and medium-sized enterprises, only 1.3% of B.C.'s businesses export.

We have an opportunity there to help firms become more export ready and position them to capitalize on opportunities presented by our international trade agreements.

In terms of indigenous economic growth, we know that capacity constraints limit participation of many first nations in the economy, and that leads to missed opportunities. We've worked successfully with first nations to support skills development and entrepreneurial training in preparation, for example, for opportunities in resource development and energy, as well as shipbuilding.

We've advanced clean energy projects in communities through the B.C. indigenous clean energy initiative. This is one of those projects that was financed through Indigenous and Northern Affairs' strategic partnerships initiative, SPI, funding. We're in the middle of going through those projects now, in partnership with the New Relationship Trust. We've received 51 applications for assistance under that program, including 14 from off-grid communities. Our budget there is only \$4 million, so that's going to limit the extent to which we can respond to those opportunities.

Last, in defence procurement, we play a role in trying to match small and medium-sized enterprises in the west, in B.C., with the prime contractors, under Canada's industrial and technological benefits program. We help position those SMEs as suppliers to those prime contractors through events like our western innovation forum that is coming up this November in Vancouver.

• (1545)

[Translation]

So in closing, I would like to thank the Committee for letting me brag a bit about the great things that the WD team is doing in BC.

I will be glad to answer any questions that you have today.

Thank you, Mr. Chair.

[English]

The Chair: Thank you very much.

Thank you for spelling it out as it is, both what you do and some of the points that may not be so wonderful. We appreciate that. I'm wondering, with all those things going on, what you do with your spare time.

Mr. MacKinnon, you have five minutes.

[Translation]

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

I would like to thank you for being here, gentlemen. Congratulations on your excellent French, Mr. Salembier. I am sure the francophones of British Columbia really appreciate it.

[English]

We're all looking at British Columbia. I know this committee has taken an interest and will take up the issue of housing in the not too distant future. The provincial government has obviously taken measures to cool off the housing sector, I think it would be fair to describe it. That will have run-on effects on the rest of the economy.

How do you evaluate them, and how do you keep British Columbia growing in the context of deliberately trying to cool off a housing sector?

Mr. Gerry Salembier: Thanks very much for the question. As you correctly identified, it's one of the major issues facing B.C. right now.

I should probably start by saying that I've lived in British Columbia for eight years, and you are looking at an eight-time loser in the British Columbia housing market. Each one of those eight years would have been a really good time to buy a house, and I

haven't, so you should probably take what I have to say with a grain of salt.

As I said, it is a real risk to the economy and it's not just the direct impacts on home sales and construction. The run-up in housing prices has had a number of other really important effects. For example, house renovations now actually outpace new home construction in terms of contribution to B.C. That's at risk.

The wealth effects that are associated with a run-up in housing prices would also be at risk. The wealth effects occur when your house is, as is the case for many people I know in B.C., worth three times what you paid for it, and you feel a lot wealthier and you're likely to decide to go to Cactus Club rather than to Tim Hortons. Your house prices come down and that's going to unwind seriously. It's those kinds of effects that were behind that estimate I gave that more than one-third of recent economic growth is at risk.

Regarding the measures that have been taken to cool off the B.C. housing market, honestly, it's too early to say whether those have had an effect or not. The volume of house sales in B.C. was dropping before the recent tax on foreign property transfers was put in place. It may accelerate that trend. It will be difficult to say, and of course, the mayor of Vancouver has been talking up the idea of a vacant home tax that could have much the same effect. But I will say this as well, that the business community is starting to view the run-up in housing prices as a serious break, or a serious mitigating factor, in the overall investment climate in British Columbia. There are increasingly few places in the world from which Vancouver looks cheap—in places like Singapore, Hong Kong, and L.A., Vancouver housing still looks cheap—but that list is growing shorter.

WD has no direct role, obviously, in housing policy or in the housing sector, but the housing affordability problem is at the root of the impact on the investment climate. People in B.C. are now faced with devoting something like 88% of their median income to a home purchase, which is far in excess of even the next hottest housing market in Canada, which is Toronto.

I mention that because the housing affordability problem has both a numerator and a denominator. It's house prices, yes, but it's also income, and B.C. has lower median incomes than the rest of the country. The kinds of projects we are working on, things like the wind initiative, which is aimed at increasing jobs in high tech start-up firms that have technology commercialization potential, that sector pays well above median wages, as much as 40% to 60% above median wages. When a company we fund succeeds, we're contributing to the denominator of the housing price problem.

• (1550)

The Chair: A quick question, please.

Mr. Steven MacKinnon: When I think of British Columbia, I also think, as you have alluded to, clearly to some major energy infrastructure projects, and obviously, the possibility of pipeline and LNG development, but I also think of downward pressure on things like coal production.

I am just wondering about your thoughts in a world where we're looking for growth and innovation on how you plan diversification around the eventuality of possible energy development on one level, and then the probability of decline, if you will, in things like coal production.

Mr. Gerry Salembier: If I may comment on the latter, on the decline in coal production, it is palpable how it has affected the economy in B.C., and not only the direct extraction activities of companies like Teck resources. Teck is one of the biggest mining companies in Canada, and they have had to cut shifts at many of their mines, if not most of their mines, over the last couple of years. It has had a really direct impact in the regions of the province where there is extraction activity taking place at their mine sites.

It has also had a direct impact on activity at the port of Vancouver, which is Canada's largest port and the second largest port on the west coast of North America. It is a real job generator. Coal shipment volumes are down quite sharply at the port of Vancouver, so it has had a fairly profound impact.

One of the things we are engaged in right now is a bit of a dialogue with some of the mining companies over the extent to which they are able to introduce small and medium-sized enterprises into their supply chains. That is one of the ways that... Even in a declining price environment, and sometimes even more so in a declining price environment, companies like Teck or Goldcorp have a real incentive to become more efficient, and the small and medium-sized enterprises that contribute to that high-technology sector in B.C. can be really positive contributors to innovation in mining.

It is not true that... People sometimes criticize the mining sector that it is not innovative and risk-taking. It is extremely risk-taking. When you open a mine, you are making a bet. You are going to spend hundreds of millions of dollars on something that isn't going to produce a dime of revenue for 10 years, usually, so they are used to taking risks. The problem is when the risks associated with innovation come on top of that basic risk they face.

We have engaged in a series of dialogues with some of Canada's major mining companies about what kinds of barriers and obstacles small businesses face in accessing those supply chains, and what things we could do perhaps to change some of the policies and programs we have in place to better address that and to get them into a position where the private sector will actually take on the role of demand for innovation.

Around the energy projects, as I pointed out, there is—

The Chair: I will have to cut you off there. Perhaps you could bring it in later.

Mr. Aboultaif, go ahead.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you very much for the detailed presentation on the B.C. economy. It was very informative.

You represent about 10%-plus of the Canadian economy. It is the same in population. You have one-third of the Canadian indigenous community. You have most of the Canadian-used tidewater. You have the resources. You have the diversity of different economic spectrums, and only 3% of B.C. businesses are engaged in export. That is really concerning.

What is stopping you from improving that sector, and what else can B.C. do in order to boost that sector?

• (1555)

Mr. Gerry Salembier: On the small business participation in exports, we have fairly recently re-engaged with the Province of British Columbia. With the Ministry of International Trade and with Global Affairs Canada's regional office in British Columbia, we have participated in a sort of regional trade network, where we try to maximize each other's contributions to things like export missions abroad.

It is really difficult to coordinate federal, provincial, and in some cases even municipal activities in a calendar sense, but at least in terms of which sectors we are putting our emphasis on, that committee is a bit of a coordination mechanism for those export missions.

We also have, of course, through what we call our western Canada business service network—which includes Small Business BC, an organization jointly funded by us and the Province of British Columbia—as well as through our Community Futures development corporations—there are 34 of them across the west—an avenue where we can help small businesses become more export ready.

There are an awful lot of businesses that just don't consider export markets. I am a former businessman from many years ago in a business in computer software where it was absolutely natural to consider your market as the world, but many businesses don't operate that way, particularly businesses located outside the Lower Mainland and the southern Vancouver Island area.

There is actually quite a bit more that could be done in terms of export readiness for small businesses, and that is a role that we at WD could play. The extent to which we play it now, honestly, is pretty constrained by the amount of funding that we can devote to things like trade and investment—

Mr. Ziad Aboultaif: On this topic, there are two things.

First of all, what's your target? The 3%, what is your target, either by dollar or by business engagement, on individual small businesses? How much are major projects going to play in that, without having to politicize the pipelines going through B.C. to the tidewater?

Mr. Gerry Salembier: I may ask my colleague here if he can dig out from our rather impressive binder of information here—as you can see, I brought it with me—some of the targets we have in our report on plans and priorities for our trade and investment activity.

Sorry, Martin, to put you on the spot.

We have targets associated with that element of our departmental framework, but when it comes to that 3%, we haven't adopted a target of increasing the proportion of industries that do export. That actually is something we might be well advised to take under consideration. It is one of the biggest problems in increasing exports in B.C. There's no specific target on that, although we do have some targets associated with that whole area of trade and investment, which might be reasonably close at hand, in our RPP.

Mr. Ziad Aboultaif: I have a quick question. Attracting real estate investment into Vancouver and the Lower Mainland is not a surprise. I guess you mentioned some of the reasons. Will there be any policies to help those people who invest in real estate to invest in businesses and help the businesses? Could policies play a fundamental role in that fashion? Have we missed the boat?

Mr. Gerry Salembier: In fact, we have a project under way, which is jointly funded with WD, the Province of British Columbia, and the Business Council of B.C. It goes by the name of HQ Vancouver, headquarters Vancouver. It's aimed precisely at increasing the attraction to the Lower Mainland of headquarters offices of companies, mostly Asian companies. There is already a pretty good track record of companies that have been attracted by this initiative.

This is kind of interesting, and it speaks right to your point. One of the things we found when we started this HQ Vancouver initiative was that one of the best sources for increased investment is wealthy Asian individuals who are already resident in the Lower Mainland. In many cases, these are individuals who bought real estate and haven't actually invested in the local economy.

This is an initiative that would directly address, as I said, both the numerator and the denominator of that housing affordability equation, by getting wealthy Asian residents of the Lower Mainland to consider locating businesses in B.C. There's an avenue there that we found to be quite fruitful. I would say that as many as half of the headquarters that have been attracted to B.C. under this initiative have actually been of that sort. It's been via individuals who are resident already.

• (1600)

The Chair: I will turn to Mr. Caron.

Did you find that number on targets? Could you let us have that first?

Mr. Martin Sutherland (Director, Policy, Planning and External Relations, Department of Western Economic Diversification): We're looking at WD from all four regions. We're looking at 509 SMEs that pursued a new trade opportunity as a result of global advisory services.

The Chair: Mr. Caron.

[Translation]

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

Gentlemen, thank you for being here with us today.

I was struck by how different your presentation was from the others we have heard. It was not necessarily negative, it was just more specific.

You referred to four operational priorities, namely, innovation; trade and investment; indigenous economic development; and defence procurement. The latter is a very specific sector of industry. In general, we hear about innovation, exports or export policies, but rarely about priorities related to a specific industry.

When was this operational priority set? Why is it specific to British Columbia? What results have you achieved so far on this

priority? In the other presentations we heard, there was nothing as specific about an industry.

Mr. Gerry Salembier: I will ask my colleague to look through the vast amount of information he has to find the figures and results achieved thus far in defence procurement.

Our role is to point out to SMEs where the major purchasing opportunities are in Canada's defence industry. We have played this role for several years.

Our efforts in this regard have increased greatly since 2013, as I recall, which is when Mr. Meddings joined the department. This industry is part of his portfolio. It is not just the defence industry. I am referring to major purchases in general. However, Canada's industrial and technological benefits policy, or ITB, applies primarily to the defence industry.

There are tremendous opportunities in this industry. That is why we are focusing specifically on it. Under the ITB policy, companies must spend an amount in Canada equal to the value of the contracts concluded. SMEs are not necessarily well-positioned to find the right contact point with big companies such as Lockheed Martin, Boeing and so on.

Mr. Guy Caron: It seemed unusual that this is done almost exclusively in British Columbia. This specific priority could also apply in Quebec or Ontario, for example, or in the Atlantic provinces, but it is just in B.C. That is why it struck me as unusual.

That said, I would like to move on to another area.

The economy of several regions in B.C. has been hard hit by issues relating to the forestry sector, and in particular the closing of several processing plants, such as sawmills. The increase in the export market share relates to unprocessed timber rather than local wood processing.

Has WD looked into this in B.C.? Have you tried to determine how to revitalize the affected communities? In northern B.C., this has caused extensive damage and some communities have become economically depressed. Unfortunately, there do not appear to be any solutions. What can be done? Can the wood processing industry be revived or is that a thing of the past? Do we have to resign ourselves to simply exporting unprocessed timber without any hope of doing the processing here in Canada?

• (1605)

Mr. Gerry Salembier: You are describing a problem that is very serious in British Columbia and in the rest of Canada. We are talking about the future of the forestry industry.

If I may, I will answer in English. My softwood lumber vocabulary is somewhat limited.

[English]

I'm a former trade negotiator, and like everybody who has worked on trade policy in Canada, I've had my share of softwood lumber losses in the past.

In fact, just this morning I met with one of my colleagues at Global Affairs Canada, who is responsible for the softwood lumber file. It's fair to say that, with the way things are headed now, the expiry of the softwood lumber agreement is likely to lead to another round of countervailing and anti-dumping duties. That will have an impact on the forest sector, which will come on top of the impact of the mountain pine beetle infestation. If you overlay those two things in British Columbia, you have pretty serious impact for a lot of communities in the north.

My colleague Martin was recently in Quesnel, B.C., which is one of the communities that is really heavily forest dependent. He was there as a federal representative to a provincial government effort to help the community of Quesnel adapt and think about opportunities it will have as a community going forward, given the severe impact already of the decline in availability of fibre supply, as they call it, the annual allowable cut, or AAC.

The province will be declining drastically in that region. The products that it's able to export and the jobs associated with that are really at risk. The situation with the softwood lumber agreement will only come on top of that.

It's worth noting that in the past the federal government has allotted some serious consideration and resources to something called the community adjustment initiative. WD was given responsibility for administering that initiative, so it's at least conceivable that, unfortunately, we'll be in that same situation with the likely initiation of trade remedy actions in the United States over the next few weeks and months.

The Chair: Thank you. I'll have to stop you there.

Just to clarify that, there is not in place at the moment a softwood lumber community investment initiative, right? Is it a program that was in place in the past? We should know that.

Mr. Gerry Salembier: That is correct, sir.

The Chair: You cannot do that under regular WD programming.

Mr. Gerry Salembier: No.

The Chair: It would have to be a new government initiative, over all government. Okay. That's good for us to know.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Welcome.

I do want to personalize this for a minute, with apologies to my colleagues. I'm a British Columbian transplanted into Ontario. I always get this question: why would you want to leave Vancouver to come to Ontario? For the scenery, of course. Honestly, I love the riding of Vaughan, where I live and where I'm raising my family.

I was raised in Prince Rupert. There are some comments here on the Pacific LNG and port proposals. I have a lot of high school friends who work at the coal port, the grain elevator, and so forth.

Focusing away from the Lower Mainland, because the Lower Mainland is doing quite well, I'd like you to provide some colour.

Having grown up in Prince Rupert, I know there's a very diverse and very rich indigenous population, which, as I've said, I'm still very connected with through a lot of good friends. What programs or initiatives have you done to work with the indigenous community, the aboriginal community outside of the Lower Mainland, in those areas of Prince Rupert, Terrace, Smithers, and northeast B.C., programs and initiatives that are making a difference? There is a skills shortage in B.C., but you have a very young aboriginal population there that needs to be involved in the job market and to be provided those skills and training. I think that would make a huge difference for the economy.

Mr. Gerry Salembier: Thank you for that.

One of the finest parts of my job is that I get the opportunity to visit places like Prince Rupert. I understand your attachment to the area.

You're correct in saying that there's a lot of activity and there's a lot of hope in Prince Rupert surrounding things like the Pacific Northwest natural gas project. On the expansion of the port, as I noted, the expansion of the Fairview container terminal is one of those really significant developments on the horizon for Prince Rupert. WD was actually involved in delivering the federal government's contribution towards the establishment of the Fairview container terminal. That was just before my time at WD, but there was some \$30 million contributed by the federal government via WD.

One of the things we had to do in connection with that was secure the agreement of the local first nations, who, as you know, were not all united on the expansion of the Fairview container terminal. It impacted different first nations communities differently. As well, it is an area of overlapping land claims, so it complicates the...frankly, that's common throughout British Columbia. The five major first nations organizations, bands, represented around the Prince Rupert area all had different views on Fairview, and it was a complex and difficult process to get them to the point where the benefits associated with that project were enough to offset some of the concerns.

That's the calculus for a lot of first nations communities, right? It's the economic benefits associated with these communities. Yes, first nations communities, most of them, are deeply interested in economic development, but it has to be done in a way that's environmentally sustainable and respects their traditional practices and cultures in their communities. There's been quite a bit of work already done in association with the Pacific Northwest project. It's not one that we're directly involved in at this point. Other government agencies are involved in it, but I know from my participation in interdepartmental meetings in B.C., for example, that they're working hard on addressing the concerns of first nations associated with it.

I did have another answer about what we've done for aboriginal youth. We have funded a whole variety of mobile trades training trailers, one of which we did with Northwest Community College. The idea of that is to bring some of the training opportunities directly into first nations communities. For some of these youths, moving out of their communities, moving out of a small community and going to a place like Smithers or Terrace, is a really big dislocation. If you can bring some of the training to them, you stand a better chance of their actually getting involved in the economy.

● (1610)

Mr. Francesco Sorbara: I'll ask a quick follow-up. The fishing industry on the north coast—really, along the entire coast—has witnessed a large downsizing over the last decade. In the retraining programs you've provided, is that part of your mandate or not? For instance, a large cannery in Prince Rupert closed down, and I think a few hundred jobs were lost two or three years ago.

I've always thought to myself that those workers need to be retrained and get the skills they need to succeed. Is that part and parcel of your mandate? Excuse my ignorance if it is and I don't know. It's something that's important. It's something to get for those workers if they need to relocate but need the skills in order to even do so.

Mr. Gerry Salembier: The actual providing of training opportunity is not within WD's mandate. That's Employment and Social Development Canada. We work quite closely with them and we're trying to get to a point where we can work even more closely with them, because their funding provides training spots. The expression, if the committee would excuse me, is “bums in seats”. They have funding and quite a lot of it for what is called the aboriginal skills and employment training strategy, ASETS. TRICORP is the organization that provides that training with funding from ESDC in the northwest.

Our role is to do things that ESDC can't do. That's things like providing capital equipment for mobile trade training. We've managed within our budget on several occasions to come up with mobile skills trade training options in the province. In fact, my last meeting just before coming to this committee was with a committee of provincial government assistant deputy ministers on labour market priorities. It is exactly that sort of opportunity they're looking to collaborate on with us.

Mr. Francesco Sorbara: Thank you for—

The Chair: Thank you, and sorry, Francesco, but you are one minute over.

We are going to Mr. McColeman.

Mr. Phil McColeman (Brantford—Brant, CPC): Thanks to the witnesses for being here.

I want to drill down to the risk factors, because this committee is doing pre-budget consultations, and these factors will inform our recommendations as a committee to the minister.

Let's look forward. We know that the likelihood of a softwood lumber agreement is zero to nil, so there are going to be major adjustments in that sector of your economy. That's layered on, as you have said, the reductions in timber available for harvest and what I would call, from being a builder my whole life, a distorted market

condition in Vancouver. I've heard many analysts describe how it's come to be that way, but it is that way. We're looking at household debt above the national average.

I'm painting a bit of a gloomy picture here, but there might be light at the end of tunnel in the form of the two pipeline projects under consideration by this government, if they see favourable approval. That could offset some of the downside risk that you have accurately articulated and I've just tried to summarize.

What are your views on that larger picture, in particular, the potential effects of pipelines, should they be approved?

● (1615)

Mr. Gerry Salembier: I should start with one small point about softwood lumber. My experience on this goes back quite a way, and it's not entirely doom and gloom. The industry is a little better positioned in two important respects than it was, say, in 2001, the last time we faced countervailing and anti-dumping duty suits. The most important thing is that back then there was almost no market in Asia. Now about one-third of the exports of the wood products industry go to Asia. That will be a mitigating factor in the impact of a U.S. countervailing or anti-dumping suit.

Some of the firms involved in Canada have also made significant investments in the U.S. Canfor, Interfor, and West Fraser have made investments in the U.S. to buffer their corporate experience.

On the two pipeline projects, it's not WD's role in the government apparatus to have any impact on that—

Mr. Phil McColeman: I don't want to make it political. I'm giving you a hypothetical, because you mentioned them in your remarks. You put them in your presentation as potential risks. I've asked this of every regional organization that's come before us in these last few days. I won't give you exactly what they said. If you look at the testimony, you'll find out.

What would it mean to British Columbia in pure economic terms? Take the politics out of it. Pure economics, that's what we're asking you. That's what you do; you conduct economic analyses and make decisions for the budgets you get. What would the effect be?

Mr. Gerry Salembier: I think you heard from my Alberta colleague Jim Saunderson on this question of potential oil price declines and oil price impact.

Essentially, the biggest impact for the country as a whole would be a decline in the spread that oil exported from Alberta faces relative to a world benchmark. Right now there's a pretty large spread, although it's smaller than it used to be. A pipeline to tidewater in either direction would have a pretty major impact on shrinking that spread, so the value of exports would go up quite considerably even without a volume increase in exports. That would translate into a major economic benefit for Canada's GNP as a whole.

In addition, the construction of a pipeline would have some pretty major economic impacts for communities all along the route. Pipeline infrastructure is what we call linear infrastructure, because it's a point-to-point affair, has an impact on a great many people along the way. One of the areas where we have focused some effort is on the potential opportunities for first nations communities associated with pipeline projects and other major energy projects.

As I mentioned in my remarks, there are some capacity constraints that sometimes block a community's ability to access those opportunities. We've done some work in co-operation with the Province of British Columbia and with other federal government departments on establishing a workable inventory of business development programs for aboriginal entrepreneurs with businesses. Often they're unincorporated businesses. In order to do business with a major corporation that's building a pipeline, you're better off being incorporated. Just explaining some of the basics of business development can often be a contributor to unblocking some of that capacity in first nations communities.

The Chair: Thank you both.

We'll go to four minutes so we can get both Ms. O'Connell and Ms. Raitt done.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you for your presentation.

We've heard quite a lot about diversification and clean energy, and we have had conversations, too, in the sense that it seems as if everybody is looking to be the leader in this area of clean tech, clean energy. What makes you stand out? What is going to be the factor in this competitive model not only in Canada but around the world? Where are you positioning yourselves, might be a better way of asking it, to really be a leader in that regard.

• (1620)

Mr. Gerry Salembier: Thanks for the question.

You're right. Everybody is positioning themselves to be a leader in this area, so you're going to hear from me very much what you've heard from others. I'm going to back it up with some really hard facts, not that some of my colleagues necessarily haven't done that.

I'm talking clean tech generally but clean energy as well. The data on clean tech are hard to come by. It's not a sector in Stats Canada's national accounts, but some work is under way right now, which we are participating in at WD interdepartmentally. The best data source we have now is a report that showed 40% of the clean tech companies in Canada are in western Canada. Twenty-five per cent of them are in British Columbia, so the economic geography of British Columbia is highly favourable to clean technology.

Our WINN program is not targeted to a particular sector. The first three intakes of WINN have been open to any sector that has technology commercialization potential. Over half the money that we have ended up spending has gone to clean tech, not because we directed it there, but because that's where the opportunities lie.

In addition to being able to visit Prince Rupert, one of the best parts of my job is in looking over these applications that we get in for the WINN program from the clean tech companies in particular.

When I see the entrepreneurial spirit and the smarts that are on display in western Canada, it blows me away.

Probably one of the best signs of that is clean tech projects that we haven't been able to fund. We've funded quite a few that I'm quite proud of, but we've also not been able to fund the clean tech projects that were, in my view, quite deserving of funding and have scored very highly in our assessment project in things like ore sorting, new materials based on biomass, landfill gas recapture, and in capturing waste from waste streams from agricultural activities. We've had a number of really fantastic applications in areas like that, which we haven't been able to fund.

What we have funded is a good sign of why B.C. in particular and the west in general is a clean tech hotbed. What we haven't funded is also a really good sign.

Ms. Jennifer O'Connell: To follow up on that, because we are in pre-budget consultations, would one of your asks then be further investment so you could fund, especially in the realm of clean tech and diversification in this regard?

Mr. Gerry Salembier: Let me give you another hard statistical piece of evidence in support of that, and, yes, you're absolutely right; that is an area where we would see a great deal of potential given additional resources. Under our WINN program, we are able to fund about one in 12 of the projects that we get in. Now, I'm not going to tell you that all 12 of those projects are worth funding. They're not. Some of the applications are actually not that strong. But I can tell you that if we were able to fund one in six of those applications instead, every single one of those additional projects would be strong projects, particularly in clean tech. As I said, the economic geography of the west absolutely favours it. It's partly due to the overwhelming presence of natural resource industries. Natural resource industries and the connection of small businesses to the large companies that extract natural resources present one of the best opportunities for making contributions to things like GHG reductions. Mining companies would hate me for saying this, but after all, most mining companies are really in the business of burning rocks. They burn rocks for a living. Rocks don't burn very well. They take a lot of fuel, so if you can find technologies that reduce the need for consumption of fossil fuels to smelt ores and to refine ores, you can make some really serious GHG reduction contributions.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you.

Ms. Raitt.

Hon. Lisa Raitt (Milton, CPC): I'm sorry that I missed the first part of your presentation. I took the time to read it, and I want to commend you on it. It's a very tight presentation. You gave some good facts and figures. It's a good brief, and I thank you for the time you put into it.

I have some specific questions about some specific projects. You can give me an update. There are no trick answers, by the way. I'm just looking for the information. I don't have the information, and I've lost track of some projects that I am curious about.

On the Roberts Bank T2, do you know the state we are in terms of moving forward? When last I left it, they were waiting for the government to allow them to change their borrowing limits. I know there was an issue with their being able to secure investment, and that's what they wanted. If you don't have it off the top of your head, I'm curious to know if they've been able to do that.

• (1625)

Mr. Gerry Salembier: On the specific question of the increase in the borrowing limits for the Port of Vancouver, I'm sorry but I don't have that off the top of my head. There were some changes made to the Canada Transportation Act some time ago to expand the financing capabilities of organizations like the Port of Vancouver.

Hon. Lisa Raitt: That's true. They needed it to be done again in order to take T2 into consideration.

Mr. Gerry Salembier: I think that would be the responsibility of my colleagues and me. They're at Treasury Board and the Department of Finance.

Hon. Lisa Raitt: True.

Mr. Gerry Salembier: It used to be my job many years ago, by the way.

Hon. Lisa Raitt: Well, it becomes your problem when they ask you for your money, so I want to know if they've asked you for your money yet. If they haven't asked you for WD money, then that means they're not moving ahead very quickly.

Mr. Gerry Salembier: They haven't asked us for WD money for this particular project. The T2 expansion is of a scale that's far beyond WD's resources, frankly, so they probably wouldn't come to us for the project. I have some information on it, but it's a huge expansion and well beyond our resources. We have assisted projects at the port of metro Vancouver in the past, things like electrification for cruise ships, or shore power as they call it. We have assisted with that in the past.

Hon. Lisa Raitt: You mention it in your brief, so I thought perhaps you had a deal in on it.

On trade and investment, I'm really surprised that only 3% of businesses in B.C. export. I find that to be a surprisingly low number. I'm wondering what you have suggested as a good way to help firms become export ready. Do you think the trans-Pacific partnership would be beneficial to firms in B.C.?

Mr. Gerry Salembier: All of our trade agreements, and I think particularly the TPP, would open up opportunities in the Asia-Pacific region that are not necessarily there now. The free trade agreement with South Korea that was concluded recently has had exactly that effect. B.C. is located on the Pacific Rim, so there are plenty of companies in B.C. that have availed themselves of the new opportunities under the Canada-Korea Free Trade Agreement.

As I said earlier, one of the ways of addressing that low number of companies that export in B.C., and it's even smaller for small and medium-sized enterprises of which less than 1.5% export, is to come up with a coordinated suite of export readiness services. It's something we're actually thinking about and working on with the Province of British Columbia through this regional trade network. The Ministry of International Trade in the province is quite open to collaboration with the federal government. We and our colleagues at Global Affairs Canada are actively engaged with them to try to come

up with some ideas to do this in a coordinated fashion so that different levels of government are not tripping over one another. When you're talking about presence in foreign markets, for example, nothing confuses them more than saying, "Oh well, I'm the federal government and that's a provincial issue." People in foreign markets don't get that.

Hon. Lisa Raitt: Yes. Okay, thank you.

The Chair: Thank you very much.

I have a quick question. In your brief you talked about how the lack of capital is constraining commercialization of new products. That is something we hear everywhere, about Canadians' lack of ability, it seems, to commercialize in many instances. There's not a bottomless pit of money, but you are saying that you're over-subscribed, so more money would make a difference.

Is there anything beyond more money that could help in that regard, whether it's collaboration with other federal departments, or with provinces, or whatever? Are there other things we can do in that area to get better commercialization and to assist in innovation?

Mr. Gerry Salembier: As you correctly identified, we are heavily oversubscribed, so more money would definitely make a big difference with the technology commercialization effort.

We could probably do a better job of the coordination of some of our efforts with those of other agencies involved, frankly. One benefit of WD working inside the broader innovation, science, and economic development portfolio is that we are doing exactly that. We are starting to do a better job of coordinating with agencies like the Business Development Bank and some of the other RDAs to that end, to try to get a better bang for the buck.

The Province of British Columbia has devoted \$100 million to a venture capital fund. That fund will be operating on a fund-to-fund basis to support innovative companies in B.C. We could probably do a better job of lining up some of our efforts to make sure they're complementary to that.

We also work closely in consultations and in other fora with the venture capital industry in British Columbia. It was only recently that it was restored to a fairly dynamic state. VC in B.C., venture capital in B.C.—too many acronyms—is healthier than it was about five years ago.

We also have a strong network of angel investors in British Columbia. These angel investors are individual investors that support individual companies. We work closely with them.

One other area is either first or second in most tech sector conversations. The consultations the government has been running on the innovation agenda recently have produced, as either first or second, an emphasis on talent attraction and talent retention.

The tech sector in B.C. has deficits, although not so many, believe it or not, in science, technology, engineering, and math. Canada does a good job of producing graduates, skilled ones, in those areas. Where we need more flexibility is in the attraction of marketing, management, and C suite talent to tech companies. Tech companies can grow to a certain point of 10, 20, or 30 employees with the original founder involved. The original founder often is not a guy who has the necessary skills to take a company to the 500 and 1,500 employee stage. At that point you need serious professional managerial talent. A lot of that comes from Silicon Valley, let's face it.

Recently in Vancouver we had a conference called the Cascadia conference, which was jointly sponsored by the Business Council of B.C. and Microsoft Corporation. Microsoft has opened offices in B. C., and if anyone gets a chance to visit them, they are absolutely stunning. In the course of that conversation, a company like Microsoft sees potential in Vancouver and in the Lower Mainland in particular. The attraction of talent is something that needs to be done with a little more flexibility.

That said, Minister Bains did hear from the board members of Microsoft that what Canada has already done in the way of flexibility around immigration of talented individuals is a world-leading example. Microsoft is operating in countries all over the world. They wish more countries had a system that's as flexible as ours, but there's clearly more to be done.

•(1630)

The Chair: We will have to cut you off there. Thank you very much for your presentation and your openness in answering questions.

We will turn next to ACOA, Newfoundland and Labrador. We'll suspend for three or four minutes while we change witnesses.

•(1630)

_____ (Pause) _____

•(1635)

The Chair: We will reconvene.

We have before the committee, from the Atlantic Canada Opportunities Agency, Ken Martin, who is the vice-president for the Newfoundland and Labrador region, and Karen Skinner, who is the director general of regional operations, Newfoundland and Labrador as well.

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

Mr. Ken Martin (Vice-President, Newfoundland and Labrador, Atlantic Canada Opportunities Agency): Thank you, Mr. Chairman.

Good afternoon, everybody. It's both an honour and a privilege for Karen and I to be here today. It is our first appearance before a parliamentary committee, so I'd say we're looking forward to it but I know you wouldn't believe me.

Thank you for the opportunity to appear before you today. I'm joined by Ms. Karen Skinner, director general of regional operations with ACOA Newfoundland and Labrador.

Newfoundland and Labrador is a vast land with a small population of just over half a million, whose settlement patterns reflect a reliance on the fishery, but also on mining and forestry. The collapse of the cod fishery in 1992 marked a turning point in the province, creating record unemployment and a dramatic population decrease, but first oil in 1997 marked the start of an economic turnaround. Oil prices reached record highs; unemployment decreased; the population stabilized, and gross domestic product grew. The province enjoyed record budget surpluses, losing its have-not status by 2008.

Following the boom and bust cycle typical of resource-dependent economies, the province is now being impacted by the downturn in oil and other commodity prices. Where oil once represented nearly one-third of provincial revenues, it now stands at 9%. This affects incomes, business investment, and the province's fiscal capacity.

While the short- to medium-term economic outlook appears challenging, long-term potential, particularly in the energy sector, remains strong. While the agency's mandate has always been to create better and more employment in Atlantic Canada, its programs have evolved to address specific challenges and realities, and with the Atlantic growth strategy, ACOA is committed to supporting a federal-provincial homegrown, prosperity-focused and evidence-based strategy to stimulate economic growth.

ACOA's work reflects the government's innovation agenda, including support for high growth and clean tech firms, as well as international business development. This alignment is reflected in strategic sectors. They are sectors like our information and ocean technology sector, and energy, mining, fisheries, aquaculture, and tourism. Just to look at a few of these, Newfoundland and Labrador's ICT sector is mature, with approximately 130 companies, 3,500 employees, and annual revenues in excess of \$1.62 billion.

I mentioned earlier Newfoundland and Labrador's historic reliance on the sea, and while many residents have left their boats, they never left the water. Centuries of experience and expertise in harsh marine environments is now advancing the ocean technology, or OT, sector in several marine-related subsectors, including oil and gas, defence and security, fisheries and aquaculture, and marine transport, in areas such as weather forecasting, ice management, and ocean observation.

There are over 1,700 direct employees in the OT sector, which generates about \$528 million in annual revenues and more than \$30 million in public and private sector R and D expenditures.

ACOA recently invested just over \$3 million to develop the Fisheries and Marine Institute of Memorial University of Newfoundland's \$19-million Holyrood Marine Base, a rural facility that will allow the institute to consolidate at-sea operations and R and D in one location. A spinoff is the town of Holyrood's work to diversify its economy and capitalize on growing OT activity. Once a community reliant on the fishery, Holyrood is positioning itself as a place to conduct oceans-related business.

The province's energy activities focus on offshore oil and hydroelectricity. Since 1997, the oil industry has contributed about \$9 billion, or 28%, annually to nominal GDP and provided direct employment to approximately 9,200, including support workers.

The province has three major offshore projects, with a fourth under construction, and despite price uncertainty, exploration is increasing. The future of offshore oil development is dependent on several factors: exploration attraction, competitiveness with other jurisdictions for project development, and innovation, particularly in developing technology for Arctic and harsh marine environments.

To help ensure that long-term, sustainable, and local economic benefits are achieved from the energy sector, ACOA engages in a wide range of activities, including policy development and advocacy, strengthening supply and service capacity, and investing in R and D.

• (1640)

Newfoundland and Labrador's traditional fishery and growing aquaculture sector continue to be relevant and important. In 2015, the total value of production in the seafood industry reached a record high, exceeding \$1.2 billion, employing approximately 17,500 people in harvesting, processing, and aquaculture operations. ACOA's investment in the fishery focuses on value-added processing and R and D to improve productivity. In aquaculture, the focus is on key publicly owned industrial infrastructure, training, and support for applied scientific research.

I echo the comments of some of my colleagues from ACOA who appeared before me that ACOA's greatest strength lies in its on-the-ground presence and in-depth local knowledge. The agency benefits from solid government programming, coupled with the flexibility to find solutions that deliver results. It has developed critical networks with provincial, municipal, academic, business, other federal and not-for-profit partners in order to focus on Government of Canada objectives.

Many clients, particularly small business and community-based ones, tell us that while the dollar investments are important, it's more often our staff's time, counsel, and guidance that they value most. ACOA's employees across the agency are deeply passionate about the work they do, have a genuine concern for their clients and communities, and are committed to helping them succeed.

I'll conclude by saying that ACOA works with companies, communities, aboriginal leaders, and institutions to help advance a strong and diversified economy and to help deliver Government of Canada priorities. There are shared themes across the Atlantic region that shape ACOA's programs and services, but the ability to provide local context and knowledge allows us to deliver a nimble, responsive approach to address unique challenges, leverage strengths

to build a more innovative and inclusive regional economy, and maximize opportunities in each of our four Atlantic provinces.

Thank you again for your time today, Mr. Chair. I'll be happy to try to answer any questions.

• (1645)

The Chair: Thank you, Mr. Martin.

Just as one added point maybe, with ACOA Newfoundland, because of the geography of the province, I understand you do have quite a number of...we wouldn't call them regional offices, but sub-offices. I don't know what you call them.

Mr. Ken Martin: We call them satellite offices.

The Chair: How many satellite offices do you have? I think they're scattered across the province due to geography. Are they?

Mr. Ken Martin: Yes, that's right. We have a regional office in St. John's, and we have six satellite offices throughout both the island and Labrador.

The Chair: Okay, thank you.

Turning to Mr. Ouellette, the floor is yours.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, Mr. Martin and Ms. Skinner, for coming here today.

I have a couple of quick questions. I'm not going to be long. I wonder if you could describe, apart from the 150th anniversary projects, some of the other projects you're working on with indigenous communities and tell us the number of them.

Mr. Ken Martin: Sure. We have a long history of working closely with key indigenous communities: the Innu, the Nunatsiavut, the NunatuKavut in Labrador, the Conne River Band, and the Qalipu Band on the island of Newfoundland and Labrador. In fact, I've had the good fortune of having spent time, about a year, earlier in my career with ACOA, actually working with a Nunatsiavut subsidiary to help them back in the days when Voisey's Bay was in its exploration stage.

We work with all of these groups and their members and beneficiaries in a number of key areas. Building business capacity is an important part of the work we do with them, and that's to assist with business planning and mentoring; supporting community business infrastructure, enabling infrastructure that allows indigenous communities to take advantage of industrial development and business opportunities; and investing directly in businesses as well. It's an approach that's very much hands-on.

We've had also the good fortune of having strong business development activities occurring near some of our aboriginal communities: aquaculture development on the south coast of Newfoundland and Labrador, the Voisey's Bay and Lower Churchill projects happening in Labrador. All of these are in close proximity to aboriginal communities.

Over the last five years, we've supported about 66 projects with indigenous communities, totalling just short of \$9 million. As I said, we take a very hands-on approach in all three of those areas.

This is interesting, too. I visited the Conne River Band a couple of months ago and met with Chief Mi'sel Joe, and when he referred to our field officer as "our guy getting things done for us", that was quite heartening and it's really good to hear. We've really worked hard to build our relationship with our aboriginal clients and our aboriginal communities.

Mr. Robert-Falcon Ouellette: I'm wondering how many of the jobs have been long term. Apart from a construction project, say, where you build some infrastructure and do some renovations in the community, how many of the jobs are long term?

Mr. Ken Martin: The bulk of the projects we initiate or support oftentimes may be during a construction phase, but in most of those cases the supply and service opportunities actually spill over into the operation phase. A good example is Sikumiut Environmental. They have been directly involved in supporting some of the work around both Voisey's Bay and Lower Churchill. That company will continue to provide supply and support services, environmental services, to both of those major developments in Labrador.

• (1650)

Mr. Robert-Falcon Ouellette: I have a few final questions, and they should be very short.

How does your Newfoundland budget for indigenous peoples compare with other ACOA budgets for indigenous peoples?

Mr. Ken Martin: I can't speak for the other regions, but I can tell you that in our case, when we go through an operational planning process, we identify areas of intervention and activities and projects that we want to undertake with indigenous communities. Those projects and initiatives will be built directly into our operational planning, and by extension into our budgets.

Mr. Robert-Falcon Ouellette: The reason I ask this is that a number of years ago, in fact a very few short years ago, there was an increase in the number of self-declared indigenous peoples in Newfoundland, almost one in five at one point. Then it was brought back down, according to band membership.

I'm just wondering if that budget would have been increased at all, compared with other provinces, if ACOA was handing out money on a per capita basis. I'm also wondering, when you see an increase in your indigenous population, what type of impact that might have on you.

Mr. Ken Martin: It wouldn't be on a per capita basis. It would really be opportunity driven, based upon the engagement and discussions and consultations we would have with indigenous clients. Some of those numbers creeping up or creeping down really would not have had any impact specifically on our budget. We don't advance it on a per capita basis.

The Chair: Thank you both.

Ms. Raitt.

Hon. Lisa Raitt: I appreciate your coming in. The reality is that you're the economic development agency for Newfoundland and Labrador, and it's not really good there right now. The premier himself has referred to it as a basket case. It's never been this bad, with a \$2-billion deficit in the budget. We're looking at a \$25-billion net debt for 527,000 people in one province. The last time this happened, you had to join Canada in order to erase the debt from World War I. We can't go that route again. I mean, you guys are in a tough gig right now, doing economic development in a place that's just getting hammered by oil prices. There are lots of difficulties.

I appreciate the bright spots you've given us, but on the other side, I'd like to understand this. You put a lot in here on the long term, and the long term, you still say, will be about oil production. But I don't see policies that will be coming forward in the next couple of years that will be encouraging of that long-term growth in oil. Bearing all that in mind, and noting the fact that you guys say in here that one of the activities you engage in is "policy development and advocacy" in the energy sector, tell me what you think about a carbon price and what that will do to the revenues.

I would note for the record as well—like, this is shocking stuff—that at one point in time, oil revenues for the budget of Newfoundland and Labrador made up a third of the revenues. It's 9% right now. That's a drop that nobody can sustain, it doesn't matter how rich the province or what they have around them.

Talk to me a little bit about the difference between what you set out here as long term has to be the return of oil and offshore development and the notion of carbon pricing. What does that mean?

Finally, is there any glimmer of hope in the short term, because we're really looking at long term here, and is there anything you can do through these programs day to day to help spur on economic development?

Mr. Ken Martin: Well, I think there are bright spots in the short to medium term.

Our tourism industry remains very strong. It's a billion-dollar industry. We have half a million visitors annually, and 36% growth in non-resident visitation over the last six years.

The aquaculture sector is strong as well, and shows great promise, especially on the south coast.

Our tech sector, and particularly our ocean technology sector, which I spoke about a little earlier, is strong as well.

Oil, as I mentioned, shows promise in the long term, too, especially in the Flemish Pass basin, where I expect our next field will be, a field that Statoil is looking at developing with 300 to 600 million barrels.

I think there are quite a number of bright spots in the economy, notwithstanding some of the challenges we face.

I really can't offer an opinion on carbon pricing. It's really beyond my purview, but I do think that some of the areas where we are concentrating our efforts, areas where we have possibilities for growth and expansion, will help the economy in the short term. I know it's a long-term to medium-term possibility, but oil prices will eventually improve, though likely not anywhere near where they were in the past.

• (1655)

Hon. Lisa Raitt: Do you have a sense of what outmigration looks like right now, or are you experiencing in-migration, with people returning from Saskatchewan, Alberta, and Manitoba, the places that are no longer up and running in terms of oil production?

Mr. Ken Martin: That's a good question. The population has stabilized. We are pretty much stable at about the 527,000 to 528,000 you mentioned.

The economic slowdown particularly as it relates to oil prices has had an impact on worker flow. For quite some time we had somewhere in the order of... How many people were actually involved in the remittance economy?

Ms. Karen Skinner (Director General of Regional Operations, Newfoundland and Labrador, Atlantic Canada Opportunities Agency): About 20,000.

Mr. Ken Martin: That was about 20,000 people who were commuting primarily to and from Alberta, but also Ontario. Those were the two biggest areas. That number has obviously petered off. It hit a high in 2012.

We've seen a lot of those folks come back, and that has impacted rural areas more particularly, because many of those folks tend to be from rural areas of the province. They're skilled tradesmen. A lot of them are from the south coast.

That presents some opportunities as well. I know an overheated economy in Newfoundland over the last number of years has resulted in some skills shortages. Having some of that pool of skilled tradesmen available has helped with some of the larger industrial development projects that are still under way, such as the Hebron development, as well as with the completion of the Lower Churchill project, and some other mining and aquaculture-related projects that are in the offing.

As I said, the population has stabilized, and I think we have seen a number of folks who were travelling to places like Alberta and Ontario return to the province.

The Chair: We'll have to cut it there.

You said there were 20,000 from Newfoundland. I'm not sure whether it's 23 or 25, but there were 23 or 25 flights per week from Moncton directly to Fort McMurray. Now there are none.

Mr. Ken Martin: Yes.

The Chair: That's the kind of impact we see all over Atlantic Canada.

Mr. Caron.

• (1700)

[Translation]

Mr. Guy Caron: Thank you.

In your presentation, you did not really talk about how ACOA's work in Newfoundland differs from what it does in Labrador. You provided some information when you answered Mr. Ouellette but, more specifically, from a philosophical point of view, how do you approach development in Labrador as opposed to Newfoundland itself?

[English]

Mr. Ken Martin: Thank you for the question.

Newfoundland and Labrador is one province. What we try to do in our program delivery and our interventions is address the unique opportunities and challenges that each region of the province faces. It's not so much that we have a specific Labrador-focused strategy and a strategy for the rest of the province, it's really a matter of looking at opportunities and challenges that exist in each of our regions.

Labrador has a substantial aboriginal population, so a significant portion of our work in Labrador is focused on dealing with indigenous communities, and our programming and interventions are tailored to specific opportunities and challenges that those communities face. As I say, it's not so much about focusing on a Labrador and a Newfoundland strategy; rather, it's about dealing with the specific challenges and opportunities that exist in the various regions of the province.

[Translation]

Mr. Guy Caron: Still with respect to Labrador, what role has ACOA played thus far in the Lower Churchill hydroelectric project? What is your outlook for the coming months and years as to ACOA's involvement in this project?

[English]

Mr. Ken Martin: The Muskrat Falls project clearly has some challenges as it moves forward. I think it's widely known that the first electricity will be delayed until 2019-20 and that the project is over budget. ACOA's preoccupation and ACOA's involvement has been similar to the work that we do with other major industrial development projects. That means working with our small and medium-sized enterprise community and the supply and service community to ensure that they have accurate and up-to-date information on tendering opportunities and supply and service opportunities.

As the project continues to proceed, we will continue to work with our small and medium-sized enterprise community and our indigenous community to ensure that business opportunities related to the project are taken full advantage of.

[Translation]

Mr. Guy Caron: I have one last question because I do not have much time left.

I asked your colleagues from the other Atlantic provinces and I have to ask you the same question. Before the meeting, I told you that I had toured Newfoundland. Actually, I toured the Atlantic provinces. Various ACOA officials shared their concern about the restructuring of agencies owing to centralization. It seems that this centralization could create a situation in which agencies such as ACOA will become responsible for implementing priorities that are determined higher up, in Ottawa, rather than the opposite, namely, being a strong voice to represent the Atlantic provinces to Ottawa, the department and the minister.

The loss of dedicated ministers of states for agencies is seen as a risk in this regard. I would like to know if you have heard the same concerns. How do you see ACOA's role in light of the structural changes that have been made?

• (1705)

[English]

Mr. Ken Martin: First, the agency remains the lead economic development agency for the Government of Canada in Atlantic Canada. We continue to operate under a separate act of Parliament, the ACOA Act. All of our programming remains intact and in place.

There really has not been any appreciable change from a client service point of view. I have not heard any specific concerns. I think, if anything, the opportunity to engage with our regional development agencies elsewhere in the country is enhanced through the portfolio approach. We've already seen some evidence of that.

Just as an example, the accelerated growth service that's been initiated by Innovation, Science and Economic Development is an initiative that includes engagement of all of the regional development agencies, Export Development Canada, the Business Development Bank, and others.

The portfolio approach has allowed us to strengthen the level of coordination that happens between the various agencies and departments in the portfolio and ultimately to be able to provide better service to our clients. In the case of the accelerated growth services program, there's better coordination and focus on support, bringing federal programming and federal intervention to bear on high-growth companies to ensure that we give them the best service and the best coordinated approach that we can.

[Translation]

Mr. Guy Caron: Thank you.

[English]

The Chair: Just on that question, I was going through some of the other ACOA presentations last night, related to what Guy raised, what is the decision-making within ACOA at the regional level now? Is there delegated authority under a certain amount of funding for a proposal to those within the region, or does every application no matter how small or how big have to go up the line to the federal minister under INAC?

Mr. Ken Martin: In terms of delegations, we do have delegated authorities within the agency from the regional level up to the president, our deputy, and the minister.

We follow a process where we provide insight or information on projects under consideration for the minister. That process works,

and it's very similar to processes that have existed within the agency for some time now. That process works very smoothly. It has never been something that's created any kind of delay in terms of affecting decisions.

My experience has been that the process works very well, and we're meeting time frames or turnaround times, service standards that we've set for considering project evaluations of 75 days the vast majority of the time. The process works very well.

The Chair: That was my next question. Seventy-five days 90% of the time, that's the standard. Are those calendar days or working days? If you're the person out there waiting for the flow of money, 75 days 90% of the time is quite a while. Is it calendar days or working days?

Mr. Ken Martin: The standard is 75 business days.

The Chair: Okay, so that's a heck of a lot longer than 75 days.

The area that I get a lot of questions on is whether ACOA is ever going to make a decision. I get lots of those calls. I guess my thing would be—it's not a criticism—maybe ACOA has to be more results oriented in a speedier fashion.

My own thought on it is that the regional vice-president or at least the president should be able to make a decision on x number of dollars, \$100,000 per application, or whatever it might be. Then it's made at the regional level and reported up to the top. If there are some serious mistakes made, well, you make a change in personnel.

Is there any level at which you can make a decision at the regional level, or does everything have to go to the minister?

• (1710)

Mr. Ken Martin: As I say, we seek direction from the minister on all projects, but it has not been a significant contributor to the time to complete an evaluation.

In all of our projects, we have to conduct due diligence, a business case analysis, an assessment of economic benefits, an assessment of need. We consult with other departments. Oftentimes that involves consulting with sector experts. We're required to complete an environmental assessment. All of those steps take time. Some projects are very complex; others are very small and routine. The ones that are much more routine we can turn around quite a bit more quickly.

The Chair: Thank you.

Mr. MacKinnon.

[Translation]

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

[English]

Mr. Martin and Madam Skinner, welcome to Ottawa. You're not doing too badly for your first appearance. We don't bite.

It's often said, for Newfoundland specifically, if not for Labrador, that there are two Newfoundlands. There is St. John's and area, and then there is the rest of the province; they are two very different economic realities. You alluded to it a bit in your opening statement.

I wouldn't want to go as far as to ask if you adjust your behaviours, but do you take account of this fact in delivering programming?

Mr. Ken Martin: Absolutely, and you're right. I've heard that analogy used a number of times, that we do have two economies: the St. John's census metropolitan area, and the rest of the province. Yes, many of the interventions we undertake are quite different. Many of the challenges that both regions face are quite different.

In urban areas.... The St. John's CMA is largely the business, government, and retail hub of the province. Memorial University of Newfoundland's largest campus is located there. St. John's accounts for about 50% of the province's GDP. Most of the offshore supply and service companies are located there, as are the operators. So it's a different reality and a different environment from what many of the rural areas face, and the challenges that they have to deal with.

Rural Newfoundland on the other hand is pretty deeply rooted in industry, such as what I talked about previously, the fishing and mining sectors, and of course, tourism. Many of our larger industrial development projects happen in rural areas of the province. Voisey's Bay and Muskrat Falls are offshore fabrication projects as well. The fishery is clearly a sector that is primarily focused in rural areas of the province. Aquaculture is the same. Our interventions, our role, will differ when we deal with the realities and the challenges and opportunities that rural areas face versus areas like St. John's.

To answer your question, yes, we will adjust or we will tailor our interventions and our roles and responses specifically to the economic challenges and opportunities that are unique to rural areas of the province versus the St. John's area.

Mr. Steven MacKinnon: We talk a lot about inequality and inequalities in this country. We don't always talk about inequality of opportunity related to geographic areas. Unless you're sitting on top of a nickel mine, which is an accident of geological history, the fact is there are very real differences in economic opportunity between cities and rural areas. That's true in your province, and it's true in my province, Quebec.

From your perspective, where do you see the bright spots, other than nickel mines, for example, and where can we be doing things that will help make those bright spots even brighter? Our challenge—I know I'm being repetitive, as is our chairman—is that we have to find some growth in this economy, and we have to find it in regions that lack the same opportunities that we have in urban areas. Where in Newfoundland and Labrador are you seeing the bright spots?

• (1715)

Mr. Ken Martin: I talked a bit about it earlier. Our aquaculture sector shows significant promise, especially salmon aquaculture on the south coast. We have two major operators in that region right now that are salmon producers. We have a third—

Mr. Steven MacKinnon: Simply out of curiosity, are they multinationals or are they local?

Mr. Ken Martin: They're Canadian-based, but both operate internationally.

Mr. Steven MacKinnon: Okay.

Mr. Ken Martin: We have a third company that has shown quite a bit of interest, a Norwegian-based company that both the province

and the Government of Canada have been talking with around the possibility that we'll see significant investment. This is obviously a work in progress but I think it underlines the strength of the aquaculture sector.

Tourism is certainly a sector that is growing for Newfoundland and Labrador, as I mentioned. Mr. Caron mentioned that he was in Newfoundland and Labrador recently. What Newfoundland has to offer, I think, is the experiential cultural coastal vista offering that appeals to a kind of savvy tourism clientele. That's an important sector for us now and one, as I mentioned, that we've already seen quite a bit of growth in over the last five to six years. I think that sector offers significant promise.

I talked a bit about the ocean technology sector in my opening remarks. Ocean technology offers significant promise, not only in terms of supporting oil and gas development as we move further offshore into deeper water and into fields that are located very much further offshore, but also in some of the challenges that they present. Many of the skills and many of the technologies that are developed to service operating in a harsh marine environment are equally applicable to undertaking and exploring economic development opportunities in the north, such as operating in ice, instrumentation, marine sensing, oceanographic monitoring. All of those things are areas that are actively being worked on by many of our ocean tech companies. As I say, I think they have equal application to assisting Canadian companies as we explore opportunities to further develop the north.

The Chair: We'll have to cut you off there. You're substantially over time.

Mr. McColeman, then it'll be Mr. Grewal, and we'll have a wrap up.

Mr. Phil McColeman: Thank you, Chair.

Thank you for being here. You mentioned in your presentation a company called Statoil. I want to get a bit more detail about that. I believe it's a Norwegian company. They had significant investment in western Canada, over which they threw up their hands and said they couldn't do business here because of the regulations they were facing, and they abandoned that. You say they have an investment in offshore fields. Can you describe that more for us?

Mr. Ken Martin: What I was alluding to was a potential development in the Flemish Pass. It's a deepwater development. It's at the very early stages. It has potential, we understand, for 300 million to 700 million barrels of oil, but at this stage it's still a prospect and a project under development. It still has to go through the full environmental assessment and environmental review process, so it's still very much in the early stages.

Mr. Phil McColeman: Is it Statoil that's funding the feasibility of this?

Mr. Ken Martin: They're the operator, the owner.

Mr. Phil McColeman: Good. I remember meeting them in Ottawa a couple of years ago, working through some of the difficulties you were having on the environmental front at that time, and they weren't able to work it out in terms of their business plan being able to make sense. It was also the drop in the price that was a big determination of that.

On the oil business front, and not to belabour the fact that we're probably stuck with a much lower price, how is oil transported from the offshore rigs?

• (1720)

Mr. Ken Martin: Again I'm a little out of my element here, but I know the gravity-based structures and the FPSO, fixed production storage and offloading, facilities have storage on board, and then the oil is transported to Whiffen Head, which is near Come By Chance in eastern Newfoundland. It is then available for transport or transshipment to whoever the customer would be.

Mr. Phil McColeman: From that terminal it would go either by rail—

Mr. Ken Martin: No, it goes by tanker, by ocean vessel.

Mr. Phil McColeman: Okay.

That pretty much answers my questions, Chair.

The Chair: We'll go to Mr. Grewal.

We need to get Ms. Skinner on the record here somehow, too. It's her first time before a parliamentary committee, so she needs to at least say hi.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Madam Skinner and Mr. Martin, for coming today.

I'm on the ACOA website and I see a company here called Verafin Inc. It seems like the quintessential example of what ACOA's all about, helping a small start-up to get access to bigger markets. I'm very happy to see that.

This company is involved in financial analytics and in helping banks to combat financial fraud. My concern here is that as companies expand, are they still maintaining presence in the province? I'm assuming that because of the nature of the industry they're in, they're going to end up in Toronto, New York and London. What percentage of your companies are staying local, increasing employment locally, and contributing to the local economy while still using the province as a hub to continue their business?

Mr. Ken Martin: We have quite a number of companies that are homegrown, and Verafin is a perfect example of that. Just to give you a thumbnail sketch of what they've done, Verafin was actually started by three engineering students, graduates from Memorial's faculty of engineering. The company grew. It was incubated at Memorial University's Genesis Centre. It became one of the agency's clients through their growth and formation, and they've since secured significant private investment.

Verafin is a quintessential example of a company that's grown all the way through the full continuum here right in Newfoundland and Labrador. We have quite a number of companies and quite a number of entrepreneurs that have followed a similar trek.

I think the propensity or the power of Newfoundlanders and Labradorians to want to stay home and to want to do things at home to make things happen in their community is probably what serves us best. I think Jamie King and his colleagues are perfect examples of that. We've had very good success in companies that have grown to international calibre and have decided to stay in Newfoundland, pursue their development, and manage their growth right at home.

Mr. Raj Grewal: Thank you, Mr. Chair. I'll pass my remaining time on to Ms. O'Connell.

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you so much, and thank you for allowing me the time.

My family is from Newfoundland. My mom was born there. Every year my grandfather goes home. It's kind of the interesting story of coming to Ontario to find work. This is how we ended up in Ontario.

My question is around tourism. Again, it's more to have the background. This is just a personal experience, so I want to know if it's actually the reality on the ground. For example, when my grandfather goes back, he stays with family, but he can't rent a car, because everything is sold out. We're from Upper Island Cove, a smaller community. At first I didn't believe that he couldn't get a car. I thought he was being a little dramatic, so I went online, and you cannot rent a car in the summer months.

In terms of the opportunity for tourism, certainly, I could see it just from my personal experience. The question is really around the seasonality of it. From what I understand from my colleagues and from the province, it's hard for tourism companies and businesses to really invest in things like, for example, rental cars. I use this as an example only because of my experience that it's not worth it to them or profitable enough to have that type of investment all year long when, really, tourism is seasonal.

I would see agencies like yours helping these companies. How can you best position these companies to take that opportunity, to have the infrastructure there when the high tourism season hits?

• (1725)

Mr. Ken Martin: That's a really good question. I would say it's not unique to rentals. I think some of those same challenges often apply to accommodations. It's like that in many jurisdictions where you have a seasonality element. It's often very difficult to get things at the height of the season, whether it's a rental car or a room, but much easier in other periods.

We're directly involved and we participate in the provincial tourism board. We have a seat on the board. We engage with Hospitality Newfoundland and Labrador, our provincial tourism association. As you say, it's difficult to get rental car companies to increase their fleet when they know that the time period when they will actually put those out on the road is fairly short.

One of the things we've been trying to do, working with our provincial tourism and industry partners, is to extend the season to the shoulder season, the spring and fall. Many of our tourism attractions, like in Trinity, offer quite a number of events and activities now in the shoulder season, either in early spring or late fall. What we've seen as well is packaging of opportunities where the accommodations operator, or the event venue, will actually work in collaboration to provide packages to encourage folks to come during the shoulder season.

The best approach is to try to find those mechanisms to extend outside that period when everyone wants to be there, our three weeks of summer, as we like to say. I think we've been having very good success with that so far.

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

The Chair: Thank you, Jen.

I have a last question. This committee will make some recommendations to the Department of Finance and the minister. Do you have any suggestions, as ACOA in your area, whether in areas of government programming, or more money, or whatever it might be, that would make it possible for you to attain better results and better economic growth in your area of jurisdiction?

I was just reading that in the area of robotics, which is not your area, there are six Canada research chairs and none are in Atlantic Canada. That's a problem.

Are there any areas where you would say the federal government could be providing different input, which would assist you in doing your work?

Mr. Ken Martin: As I mentioned earlier in my remarks, I feel that both in terms of programming and FTEs, we are in good shape. The agency does have the flexibility to adjust how we deliver our programming to focus on areas of opportunity. We always commit our full resources.

If the Government of Canada saw fit to increase the agency's budget and ask that we step up our efforts in areas of core responsibility, and that's around innovation, international business development, skills and productivity improvements, you would have my assurance that those resources would be well deployed. However, I do think that we are well resourced now and have the ability to do the work and deliver on the mandate that we've been given.

• (1730)

The Chair: Okay. Is there anything further you'd like to add?

Mr. Ken Martin: No.

The Chair: Thank you very much, Ms. Skinner and Mr. Martin, for appearing before us and for your answers.

Mr. Ken Martin: Thank you.

The Chair: We will suspend for a few minutes and then go to FedNor.

• (1730)

_____ (Pause) _____

• (1735)

The Chair: We will reconvene and welcome the Federal Economic Development Initiative for Northern Ontario, better

known as FedNor. With us we have Mr. Dimatteo, director general, and Ms. Perreault, director of corporate services and policy. Also with us is Lisa Setlakwe, associate assistant deputy minister.

Mr. Dimatteo, the floor is yours.

Ms. Lisa Setlakwe (Associate Assistant Deputy Minister, Strategic Policy Sector, Innovation, Science and Economic Development Canada, Department of Industry): Mr. Chair, first, I'll just say a couple of things.

I'm Lisa Setlakwe. I work with the Department of Innovation, Science and Economic Development Canada located here in Ottawa. I am joined by Aime Dimatteo and Lucie Perreault, who are both located in the region and directly manage FedNor, its programs, and its relationships with stakeholders in that region.

I will ask Mr. Dimatteo to make opening remarks.

The Chair: Thank you.

The floor is yours. Go ahead.

Mr. Aime J. Dimatteo (Director General, Federal Economic Development Initiative for Northern Ontario): Good afternoon, Chair and committee members. Thank you for the opportunity to be in front of you this afternoon to talk about FedNor. My opening remarks will attempt to describe the structure and conditions in which FedNor works.

FedNor is a regional development organization that is responsible for economic development, job creation, and economic diversification in northern Ontario. It delivers on this mandate through its programs and initiatives. We deliver it through our partnerships with all other federal departments, the Province of Ontario, and other stakeholders in northern Ontario.

FedNor has a very large service area. Northern Ontario represents 90% of the land mass in Ontario, but is home to only 7% of the population. Slightly more than half of northern Ontario's 833,000 residents live in the five major centres. The remaining folks live in smaller rural communities and in first nations communities.

In total, there are 150 municipalities, 80% with a population of 2,000 or less. The region is also home to 110 of the 126 first nations communities in Ontario. Close to 90% of those 110 first nations communities have fewer than 1,000 people. Of those 110 first nations communities, 29 are remote communities, accessible only by air or by winter road.

Northern Ontario faces a number of significant challenges. First, while progress continues towards building a more diversified economy, the region remains highly dependent on resource sectors, making northern Ontario's economy susceptible to global economic downturns and market fluctuations. We have seen these fluctuations in the mining industry, the steel industry, and the forestry industry, where there was a major downturn several years ago which we are now coming out of.

The second challenge has to do with the large number of northern Ontario communities that are small, rural, and remote. Many of these small communities lack the capacity, both fiscal and human, to take advantage of economic opportunities. They require support from FedNor to assist in laying the groundwork needed to support them in their efforts to spur economic development and economic diversification in their communities.

The third challenge relates to the small and medium-sized enterprises in northern Ontario. It remains a concern that these SMEs, and most of them are small, have a difficult time accessing funding for their projects, given that they are in rural areas, away from traditional funders. Moreover, because they are located in small, rural, and remote communities, potential lenders consider them to be higher risks. When they try to access traditional sources of funding, they are often refused for this reason.

In addition, northern Ontario's vast geography and low population combine to amplify challenges related to transportation, infrastructure, energy costs, ICT/broadband gaps, and access to a skilled workforce. For example, many companies continue to have difficulty finding skilled workers to replace retiring employees.

Two studies recently carried out, one in the northeast by Laurentian University and one in the northwest by Lakehead University, found that over the next five years in the mining and forestry industries alone there will be a need for approximately 40,000 new workers in each of these jurisdictions.

• (1740)

In regard to manufacturing, unfortunately, northern Ontario lags behind the rest of the province significantly. We have 880 manufacturers in the region of northern Ontario. This accounts for only 4% of manufacturers across the province. Of those, roughly 19% are involved in exporting their products outside the region, both nationally and internationally, compared to 42% in southern Ontario.

Our major industries—forestry, mining, and steel—are huge users of energy. No doubt you have been hearing about the energy costs in Ontario, and the energy costs in northern Ontario are higher than in other jurisdictions, affecting the ability of the companies in these industries to make investments needed to take advantage of growth opportunities and to continue to diversify their business operations.

FedNor, through its support of strategic projects, in collaboration with all federal, provincial, municipal, and first nations partners, continues to work to address these challenges and promote opportunities in the region.

These challenges are not new to northern Ontario. We have suffered these cycles in the mining and forestry industries time and time again. Stakeholders are, above all, resilient and continue to focus their efforts on opportunities for diversification, as opposed to simply putting up their hands and saying that the challenge is too great.

I would now like to turn my attention to the opportunities that we have in northern Ontario and that FedNor is involved in to a great extent.

A growing global demand for minerals, coupled with the region's rich mineral resources and reserves, as well as knowledgeable and

innovative mining cluster, represents a wealth of opportunities in our mining sector. This includes the generational mining opportunity known as the Ring of Fire development, on which I would be pleased to speak to you in more detail later in the presentation.

The northern Ontario mining sector is innovative. It is world-class and world-renowned. It does business in many jurisdictions across the globe, and it finds itself in the very enviable position of being able to provide those kinds of services globally.

Emerging from a long downturn and facing the expiry of the softwood lumber agreement, the forestry industry is now making large investments in value-added forest products and new clean and green technology, resulting in operational improvements, growth in these companies and, bottom line, jobs being created in the communities in which they reside.

As an example, in Thunder Bay, a major strategic partnership is currently leading efforts to establish a wood-based biochemical cluster, a project that aims to hasten mass production and the successful commercialization of green biochemicals derived from wood in northern Ontario.

In a nutshell, rather than looking at a tree as a two-by-four or a two-by-six, we are now looking at a tree for the chemical compounds that it represents, and how it can add value into the chain of products that we see developed in the world. This is a major initiative, featuring a number of important industry players—Resolute Forest Products, a major international company; Natural Resources Canada; Sustainable Development Technology Canada; the Province of Ontario; Lakehead University; and FedNor itself—who have been working in collaboration to develop this innovative technology and bioproducts that can be marketed to the world.

This is a great example of what the future holds for the forestry industry, which we believe will continue to prosper and bring value-added to the communities in northern Ontario.

Agriculture is also on the rise in northern Ontario, in large part because of the affordability of land. With over a million acres of available agricultural land in northern Ontario, you can buy an acre of land for approximately \$500, whereas in southern Ontario that same acre of land will cost you somewhere between \$5,000 and \$25,000. FedNor is working diligently with community and industry partners seeking to take advantage of this opportunity.

Longer growing seasons are enabling our agricultural businesses to grow different kinds of crops, creating a more productive and diverse agricultural landscape across northern Ontario.

• (1745)

The region is also home to other existing and emerging innovation clusters in areas including health care, research, and green technology. Again, I would be pleased to offer more comment in those regards.

Last, probably one of the most significant key opportunities that northern Ontario has involves the region's significant indigenous population. Again, 110 of the 126 first nation communities in the province are located in northern Ontario.

While the north's overall population continues to decline, if not flatline, first nations communities are seeing their populations increase. With 29% of the local indigenous population under the age of 15, it is clear that the contributions of indigenous youth will be vital to the north's future success. It's an opportunity to promote a more proactive and participatory approach to economic development in those communities, including the advancement of resource development opportunities in the far north where many of our remote communities are located.

In conclusion, FedNor has acted and will continue to act as the Government of Canada's lead economic development organization to help northern Ontario communities diversify their economies and prosper in the future. I believe that FedNor is well positioned to deliver on its mandate, the government's priorities, and to work in unison with all its partners to ensure that communities across northern Ontario are provided with the tools they need to help them succeed in the future.

Thank you for allowing me these opening comments, and I look forward to your questions.

• (1750)

The Chair: Thank you, Mr. Dimatteo.

We'll turn now to Mr. Sorbara.

Mr. Francesco Sorbara: Mr. Chair, I wish to give my allotment of time to my friend and colleague from the riding of Sudbury, Paul Lefebvre.

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Mr. Chair.

[Translation]

Welcome back to Ottawa, Mr. Dimatteo. I am happy to see you again.

[English]

You mentioned the challenges and opportunities in northern Ontario. I'd like you to give a sense to the committee as to the budget allocated to FedNor. I want to address this, because I hear from a lot of my constituents that people in northern Ontario who do apply for federal funding for certain programs are sometimes told the programs are oversubscribed.

First, let's talk about the budget, and then we'll talk about how many people are applying and the different types of requests you're receiving from these different groups.

Mr. Aime J. Dimatteo: Thank you.

FedNor's main program, its flagship program, is called the northern Ontario development program, fondly called NODP. It's base budget sits at \$31.5 million, and it has been at that level for the last few years. Previously, we had seen some increases for specific project allocations, but after that, the base budget is \$31.5 million.

Clearly, we receive far more applications.

Mr. Paul Lefebvre: In general, how many applications do you receive on a yearly basis?

Mr. Aime J. Dimatteo: On average, FedNor is able to provide assistance in the range of 250 to 300 applications.

Mr. Paul Lefebvre: Okay, and about how much funding? If you put together all the requests that come in, about how much would that represent?

Mr. Aime J. Dimatteo: Let me give you this fiscal year as an example. We have probably received in excess of 300 requests for over \$90 million this fiscal year.

Mr. Paul Lefebvre: So \$90 million, and you have \$31.5 million.

Mr. Aime J. Dimatteo: We have \$31.5 million. Hence my comment about the importance of our collaboration with other federal departments and programs in the province of Ontario.

Mr. Paul Lefebvre: Let's just talk about this \$90 million. A lot of small businesses and a lot of small communities apply for infrastructure funding through FedNor as well. Is that correct?

Mr. Aime J. Dimatteo: Yes, that is correct.

Mr. Paul Lefebvre: We're looking at small businesses and small communities applying, as well as a lot of cultural groups that request funding.

Can you explain how it works?

Mr. Aime J. Dimatteo: Again, our flagship program has three priorities: innovation, community economic development, and business growth and competition. We are open to receive applications from municipalities, first nations communities, not-for-profit, private sector, and any other legal entity that is looking to do business in northern Ontario that meets the criteria of our program under one of those three headings.

Mr. Paul Lefebvre: Of this \$31.5 million—that's what you get on an annual basis—how much is already provided for programs that are funded by FedNor on an annual basis? How much is left to give out to some of the applications?

• (1755)

Mr. Aime J. Dimatteo: We probably do the majority of our business in multi-year projects. It's not just a single project for a short period of time. We'll approve a project that may have a two-year or three-year span, and we'll see commitments being made into next year.

I would say to you that probably FedNor has entered each fiscal year with at least 75% of its budget already committed toward existing approved projects, leaving 25% for us to entertain new applications throughout the fiscal year.

Mr. Paul Lefebvre: You talked to us a lot about the collaborations between the province and FedNor. As you're more than aware, the Province of Ontario has the Northern Ontario Heritage Fund, which is funded to the amount of \$100 million. Is that correct?

Mr. Aime J. Dimatteo: That is correct, sir.

Mr. Paul Lefebvre: In your collaborations, from what I understand, people apply to NOHFC, as it's called, and they apply to FedNor at the same time. Is that correct?

Mr. Aime J. Dimatteo: That's correct. We do a lot of deals with the Province of Ontario through the Northern Ontario Heritage Fund Corporation. For the members, it is my, if you will, sister organization provincially that covers the same jurisdiction and has predominantly the same mandate as FedNor. We find ourselves receiving the same types of applications from the constituency we both serve.

The Chair: This will be your last question.

Mr. Paul Lefebvre: Thank you.

Given the funding that you have of \$31.5 million, and the amount of \$100 million, are there certain projects that may not go forward because they have to rely on the matching funds, some from the province and some from the feds as well?

Mr. Aime J. Dimatteo: Yes, there are projects that unfortunately do not get funded by FedNor, which results in us looking for other sources of funding for these applicants, and in some cases, those applicants have to put their projects on hold, waiting to perhaps reapply while they're searching out other sources of funding.

Mr. Paul Lefebvre: Thank you, Mr. Chair.

The Chair: Just so I'm clear on one point you raised, for the infrastructure that you talked about that you fund, do you deliver infrastructure funds that are funded out of another portfolio or file other than FedNor, or is it FedNor money that's going into that infrastructure program?

Mr. Aime J. Dimatteo: It is a combination of both, sir. FedNor, out of its own fund, its NODP funding, provides funds for infrastructure financing.

We will, on behalf of the federal government, with all of my colleague regional government agencies across the country, deliver infrastructure programming for the government when they ask us to do so.

The Chair: That's a mix across the country now. ACOA no longer does that in Atlantic Canada.

Mr. Aboultaif.

Mr. Ziad Aboultaif: I'm happy to hear you and I read your report. It's the first bright spot in the last couple of days with our economies across the country.

The first question that comes mind is, what is the unemployment rate in your region?

Mr. Aime J. Dimatteo: We have what I would term three regions in northern Ontario: northeast, northwest, and the far north. It will vary, but I would suggest it would be between 8% and 11%.

Mr. Ziad Aboultaif: In your report, everything seems to be working, and future plans and mid-term plans are in place. One thing you mentioned is that you have a lack of population, or that you would rather have more people up there. How is this going to be justified with the rate of unemployment you have there, and how are you going to employ that to make the economy better?

Mr. Aime J. Dimatteo: Unemployment, attracting and keeping residents in northern Ontario, and keeping our youth in northern Ontario are extremely important to us. That's why I mentioned earlier about the growing aboriginal population and our need to work with them to ensure they are well educated and they are provided the

skills and opportunities to take on the jobs in the future in northern Ontario.

• (1800)

Mr. Ziad Aboultaif: What role can the federal government play in order to assist you to reach your goal? How much of an investment do you think is needed from the government in order to be able to reach the mid- and long-term goals that you have?

Mr. Aime J. Dimatteo: Certainly the government continues to invest in FedNor. In that regard, we are pleased with the resources that are being provided to FedNor for the purposes of carrying out the mandate, of course, in line with the government's priorities. We are always looking for opportunities for growth.

Earlier, we listened to a witness talk about the opportunity to accomplish more if more resources were provided to that organization, and I would say it's similar for FedNor. Having said that, that's why it's so important, in the absence.... I'd like to have more money, but in the absence of that, it's important for me to be able to work very co-operatively and collaboratively with all the other programs that are available, both federally and provincially, to ensure that a good idea in northern Ontario doesn't go unmet.

Mr. Ziad Aboultaif: How much collaboration is there with southern Ontario, which is basically where the main heart of the economy of Ontario is, and the northern part, which is your area? How much can you count on development and collaboration in the southern part of the province?

Mr. Aime J. Dimatteo: We work quite closely with FedDev on a number of fronts, as we do now with all of our regional development agencies across the country, but in particular to the FedDev, we are the province of Ontario, and so there are joint opportunities that materialize. I talked earlier about the forestry industry and looking at trying to develop a bioeconomy. We are doing so with the help of FedDev, which has expertise in these kinds of areas. We do work collaboratively just by exchanging information on a regular basis.

Mr. Ziad Aboultaif: I have one more question, my final question. The oil downturn, the energy pricing, altogether that basically affected the overall Canadian economy. How much were you affected by that increase in energy costs in Ontario at large?

Mr. Aime J. Dimatteo: As I said earlier, energy costs are a big concern and a challenge in northern Ontario given that the industries that generally represent the economy of northern Ontario are highly dependent on energy. In that regard, we're very pleased with the Province of Ontario's programming in terms of trying to reduce the costs for those, what I'll term, "heavy users", plus recent announcements made by the Province of Ontario looking at doing some more work in terms of trying to bring electricity costs down. The lower the cost, the more a business has the opportunity to take that money and reinvest it in other opportunities and grow their business.

The Chair: Thank you both.

We turn to Mr. Angus for five minutes.

Welcome to the finance committee, Charlie.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you, Mr. Easter. When I was a young lad and I was first elected, you were on my first committee, so I feel like I've come full circle in my career.

I'd like to thank you, FedNor, for being here. You play an extraordinarily important role in our region. I'd like to thank you at the beginning for the amazing work FedNor has done in the promotion of our regional mining innovation, small business at the PDAC conference. I remember going to PDAC when northern Ontario was, as my grandfather would say, down in the cellar behind the axe. We have the best location and the biggest international mining festival in the world, and FedNor plays a huge part. I want to thank you for that.

I note that since 2010, FedNor has supported \$3.8 million in broadband funding, in rural broadband. For economic development in our region, without rural broadband we'd have no ability to compete. But I have all these letters from FedNor to various rural broadband agencies this year, since the new government came in, saying that unfortunately, the demand currently exceeds available funding and FedNor will not be able to support their broadband projects. Is that a result of not having enough funding or a decision to stop funding rural broadband through FedNor?

Mr. Aime J. Dimatteo: First, thank you for your kind comments about FedNor. We certainly believe we play a very important role in northern Ontario.

With respect to broadband, FedNor has historically been involved in broadband and has funded broadband development across northern Ontario. This most recent year the government announced a new broadband program, \$500 million, that it is in the process of unveiling.

It's important that FedNor take a step back and not duplicate the efforts of a pan-Canada program, and we have done so previously. This is a reflection of what we're doing now. We had a number of broadband applications that we were in the process of reviewing and hopefully looking at making recommendations on support. But as a result of the new broadband program coming on stream, we felt it was more prudent for us to pass those applications on, again, within my own department for consideration.

•(1805)

Mr. Charlie Angus: Thank you for that. I don't want to sound terse, but I only have five minutes.

I guess what's shocking to me is that we had rural broadband projects with matching provincial funds—we desperately need broadband and we need it now—but this Liberal government decided that it was going to take it over through a new program. I'm looking at this new program, and it's not up and running until sometime in 2017, so we've lost two years in our communities in terms of economic development. I would think that it would have been better to leave our northern businesses with FedNor, because you were ready to deliver those funds this year, but that's not being delivered. I want to move on.

In 2009 FedNor had 120 employees. The last I saw, you were down to 80. Are those numbers still roughly the same?

Mr. Aime J. Dimatteo: Yes, they are. Our current count is, I believe, 81 employees.

Mr. Charlie Angus: I'm looking at the overall FedNor funding over the last number of years. In the mid-2000s we were getting \$76 million, \$68 million, and \$78 million a year. Are we down? Did you say that it's \$31 million this year?

Mr. Aime J. Dimatteo: FedNor's base budget for its flagship program is \$31.5 million. That's correct.

Mr. Charlie Angus: You say that 75% of the money is already allocated at the beginning of the year so we're turning down projects. I think FedNor could have an extremely important role if it were a stand-alone agency, but it's always really difficult for us to find these numbers, because FedNor is the poor cousin of all the other economic development agencies.

If you were able to have the funding that you had in the 2000s, and even when the last Conservative government first came in before it started cutting the funds, would you be able to respond to many of these great projects that are not being funded right now?

Mr. Aime J. Dimatteo: Clearly, if we had an opportunity to receive additional resources, we would certainly then look to do more activity across northern Ontario. We do, within our current budget, try to maximize as best as we can all the good project work that's going to bring the results to northern Ontario.

Mr. Charlie Angus: I guess this is what's concerning to me, because I meet really smart innovation ideas all the time, and we just.... At FedNor, your staff are out on the ground. I can say that.

I notice that \$8.5 million out of FedNor's much more diminished budget wasn't spent in 2013-14 and was returned to Treasury Board. Do you expect you'll spend all the money this year?

Mr. Aime J. Dimatteo: Absolutely. We have, over the last couple of years now, spent our full budget.

The \$8.5 million that slipped in the fiscal year you referred to resulted from two particular initiatives that we were hoping to launch during the fiscal year but were delayed. In one case, it was a broadband initiative, and the government of the day introduced a pan-Canada broadband initiative, so we were asked to step back. That resulted in our not being able to fund a number of anticipated projects that we were hoping to fund, and that resulted in the slippage. We were fortunate in the following year to receive an additional \$3 million to offset some of that slippage in the next fiscal year.

Mr. Charlie Angus: Thank you.

The Chair: I'll have to cut both of you off there. I'm sorry, Charlie.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: Thank you very much for coming here today, sir.

I was wondering if you could describe what you do with indigenous people specifically and also some of the projects that are not the 150th anniversary projects, but specific, actual, long-term-job projects.

Mr. Aime J. Dimatteo: We do a lot of business with indigenous communities. As I said, we have 110 first nation communities in northern Ontario, and we provide support to them from a perspective of doing a strategic plan, helping to establish an economic development office, industrial parks, or incubator malls, helping to build the community infrastructure necessary to promote economic development, and looking at airport development opportunities in some of our remote communities, where of course they're reliant on the airport, so they need the best infrastructure available at that site. There's a whole host of things that we do on a regular basis with our first nations partners.

• (1810)

Mr. Robert-Falcon Ouellette: I was wondering if you ever help first nations negotiate, for instance, resource extraction deals with other companies. You talked about capacity. A lot of agencies have come here and talked about lack of capacity, so you create a training program. I was wondering if you ever fund the actual negotiation of these resource extraction deals or help with first nations that are doing that.

Mr. Aime J. Dimatteo: No, we don't, and we haven't been asked to do so. The first nations communities, in my history of working with them, shy away from wanting the government to be involved in the negotiations of what are termed IBAs, impact and benefit agreements with companies. They do that themselves.

When I talk about capacity building, I'm talking about the economic capacity building of communities. How are we supposed to work with the community if they don't have an economic development office or if they don't have a strategic plan? How do we ever expect to make a difference in those communities and spur on economic development opportunities without that kind of basic capacity in play?

Mr. Robert-Falcon Ouellette: My fear was where you talked also about the Ring of Fire, how it has great potential, but what if you are a first nation or community trying to negotiate on your traditional territory a certain level of *ristourne* or an amount of money that comes back to the community in the long term in jobs and long-term benefits for your education sector or economic development, and not just jobs cleaning the toilets or dropping off food and things like that but really good long-term jobs?

You say they don't have the capacity. I'm a little confused. Are you allowed to help them with those things? Maybe they don't know you could.

Mr. Aime J. Dimatteo: If we were asked to provide funding to hire lawyers to negotiate those kinds of agreements, no, we would not. These first nation communities receive funding from INAC, as you would be aware, and their funding is given to them in bundles, if I can use that word. They have an opportunity to take the money provided for administration and determine how they're going to use it. There is some flexibility within the funding envelope they get from INAC for those purposes, but as FedNor, we try to stay away from those negotiations.

Mr. Robert-Falcon Ouellette: It's always interesting. I wasn't a participant in this but I watched very closely as one community negotiated a gold mine, and literally the chief said to the gold company, "I don't really understand what you're saying. I hope you just give me a fair deal." He didn't receive any funding or any help from INAC. He didn't receive any funding or any help from any other agency. He was just out there essentially signing away his rights. My fear is that in 30 years we will still be at the same situation we are today. It seems you have an agency that could be perhaps at arm's length from INAC. You're not really INAC, so you have more of a distance from that relationship in which a lot of indigenous peoples really don't like Indigenous and Northern Affairs Canada or Indian and Northern Affairs Canada, and perhaps you have a potential role you could play in the future.

Mr. Aime J. Dimatteo: Thank you. We'll certainly take that under advisement.

I'm just being reminded here that we have funded more than 111 projects with indigenous communities across this broad spectrum that I defined to you earlier. So again, the question is where we put our limited resources to make sure we get the best outcomes. It's not to say that negotiating these impact and benefit agreements, whether they're with a mining company or forestry company or whatever it might be, is not important; it's just an area that FedNor has not played in.

Mr. Robert-Falcon Ouellette: Thank you very much. I appreciate it.

The Chair: Thank you.

Yes, Lisa.

Ms. Lisa Setlakwe: Sometimes it's not about just the money. I know that FedNor has been, for example, on the Ring of Fire doing some work to understand what the economics are of that value proposition and equipping those communities that may be benefiting from that with that kind of knowledge and helping them position themselves to have those kinds of negotiations. So while we wouldn't be directly involved in those negotiations, the work we do helps to kind of lay the groundwork and enables those communities to understand ultimately what they should be asking for in those negotiations.

The Chair: Go ahead, Mr. McColeman.

• (1815)

Mr. Phil McColeman: Thank you, witnesses, for being here.

I want to go down two avenues.

First of all, I appreciate your presentation on softwood lumber. You've turned what possibly will be a very negative thing happening to the economic areas that rely on forestry to something that's marketable going forward. That's one project, but on balance, do you feel that, if there are tariffs thrown up against softwood lumber as a result of not having a deal this fall, that is going to affect other players in the softwood business in your area?

Mr. Aime J. Dimatteo: I'm not an expert when it comes to the softwood lumber agreement, but I can tell you the example I gave you and I can give you some other examples. We helped the Kenora Forest Products sawmill, which is a softwood lumber company. We worked with it to explore a new market in Japan for what's called stress rated lumber. It is still producing two-by-fours and two-by-sixes, but it's now found a market for a very particular niche product called stress rated lumber, and that relates to.... The more direct, the more clear the grain is in a piece of wood, the stronger it is. Of course, think about Japan and all of the activity that occurs there with respect to ground movement—

Mr. Phil McColeman: Let me stop you there, on that one, because I do have a limited amount of time.

I want to talk about energy. I've asked this of all the economic development bodies that have been here. Let's be very clear: I'm not asking you to be political here; I'm asking you to give your thoughts on this. If the energy east pipeline were to be approved, to be built, how would that affect the economics of your region?

Mr. Aime J. Dimatteo: I'm sorry, sir, I cannot offer any comment. I'm not sufficiently—

Mr. Phil McColeman: Okay, fair enough.

The other comment I want to talk about is energy and how important it is in the northern environment, especially the price of energy. I know in southern Ontario, where I'm from, many companies I've met with over the last three months have brought me their electric bills showing me increases of 100%, year to year. Is that happening in the north?

Mr. Aime J. Dimatteo: I can't offer a comment in terms of whether it's 100% or not. I can indicate that high energy prices are an issue in northern Ontario.

We're working with companies to look at other opportunities to generate their own energy, by using bio-opportunities in that regard, which is reducing their energy costs. We're looking at what the alternatives are. While this is a provincial jurisdiction, we're looking at what the federal government can do to offset some of the costs by introducing new technology.

We're very focused on that front, in terms of helping those companies in that regard.

Mr. Phil McColeman: I appreciate your saying that. I'm going to push you a little bit on this one.

If you're not aware of those costs and you're evaluating business plans, if you're not aware that's the kind of increase Ontario has been placing on electricity for business and for residential customers, then please explain that to me, how you don't know the fact that that is the case.

Mr. Aime J. Dimatteo: I am sorry if I wasn't clear. Certainly we're aware of the matter. As companies come to us with a business opportunity, they give us their financials. We see that information in their financials. That's not to say we're blind to it. We are aware that it is an issue. We see what the costs are in their financial statements. Where we can provide assistance, we attempt to do so.

Mr. Phil McColeman: I appreciate what you've said. You've said the costs are so high, it perhaps can justify the cost of a generator or

something else, another type of electricity provider to the operations. I appreciate your saying that. Thank you very much.

• (1820)

The Chair: Thank you, Mr. McColeman.

Mr. MacKinnon.

Mr. Steven MacKinnon: Thank you, Mr. Chairman.

[*Translation*]

I would like to thank all the witnesses for being here with us today.

I asked the same question to the officials from the other agencies. We will be debating the recommendations we will make to the Minister of Finance. Of course we are looking for areas in Canada with potential for growth and innovation.

If you had more money to invest right now or if you were to invest the money you already have, what are the emerging sectors in northern Ontario that have the greatest growth potential?

Aimé J. Dimatteo: Thank you very much for the question.

[*English*]

We certainly see great opportunity in northern Ontario. Some examples would include on the health front. We help to fund one of four cyclotrons that exist across the country. We have funded the Thunder Bay Regional Research Institute, which is a world-class research institute on health in Thunder Bay. We did this in partnership with Lakehead University, the hospital, the Province of Ontario, and a number of private sector companies that are now coming together to form a cluster around using isotopes that are formed from the cyclotron and using them at this point in time for non-human testing, but once it can get approval from Health Canada, moving them to human testing. It's a tremendous growth opportunity in that regard.

Similarly, in northeastern Ontario, we are working with the regional health organization and its research institute, and they are doing world-class work on vaccines. They have already attracted some 10 or 12 private sector companies to come and work with them in northern Ontario, and to establish themselves there to continue testing vaccines for the purposes of potentially growing that arm of the business.

Certainly, the mining sector, as I said earlier in my remarks, is a world-class cluster. We provide products and services to the world. If you want to know about robotics, you come to northern Ontario and talk to our companies. If you want to talk about deep mining two or three miles underground and all of the issues that go with that, you come to northern Ontario. While mining is still a fundamental activity in northern Ontario, it is the emerging technology coming from our experiences that are allowing us to continue to grow this industry. That would be another area of tremendous growth.

I spoke briefly about agriculture. It is a hugely emerging opportunity for northern Ontario. There are a million available acres in the Temiskaming area and in the northwestern Ontario, Fort Frances and Rainy River area. We will be able to compete with a lot of jurisdictions in terms of food products and growing food crops for the future. It is a huge area of opportunity for our first nation communities, particularly those that are remote, so they're very interested in partnering. We are working with indigenous communities to help them take advantage of business opportunities related to agriculture also.

[Translation]

Mr. Steven MacKinnon: If the government wanted to invest in regional development through your agency or another one, with a nearly guaranteed return on investment, would the budget have to be increased?

[English]

Mr. Aime J. Dimatteo: The short answer is yes.

[Translation]

Yes, certainly.

[English]

If we had more money we would look to make more investments on the innovation front in working with our communities in terms of looking for development opportunities. We try to do the best we can with the budget we have. We have to make difficult decisions. Not all projects get funded. However, at the same time, I think we can stand the test of ensuring that we are providing investments to those activities with the highest level of return and in line with the government's priorities of innovation, clean technology, indigenous communities, and supporting communities, certainly in Ontario, that have previously been single industry dependent and single industry threatened.

•(1825)

[Translation]

Mr. Steven MacKinnon: As I recall...

[English]

The Chair: Sorry, Steve, that's it.

For the last series of questions, Ms. Raitt.

Hon. Lisa Raitt: Thank you for your presentation. We're pretty much at the conclusion of having the regional development agencies come in. I read your testimony when you appeared before the industry committee back in April, and they are much the same comments.

I bring that up because these are pre-budget consultations, and it is an opportunity for a regional development agency to come in and essentially pitch MPs on what you think you need more of. You're not alone in this; I'm just observing your.... Unfortunately, you're the last ones. Maybe you can take it back to industry, but I'm a little disappointed there were not a lot of asks. I think you're the only one to actually point out the fact that you'd like to have more money, thank you very much; it would be better to have more money. I don't think it's a bad thing to ask.

Bearing in mind that I think you're pretty smart people, I do have one question. I'm very interested in single industry towns. I come from Cape Breton. Obviously, we had a single kind of industry town. All the industries left town, so there really isn't anything...and it hasn't rebounded to any extent in 40 years.

Do you have any innovative ideas you'd like to pitch right now on a program, a policy, something for us to look at that may be able to alleviate the problems? You guys are on the ground. You understand what's happening in these small communities. It would be really nice to have, as an MP, an idea of some innovative thinking that's going on within the development agency or in Industry Canada to solve some of these problems. It's our opportunity to tell the Minister of Finance what direction we think he should be going in when it comes to all of these regional economic development agencies.

I want you to be more than a service provider, a pass-through of government funds. Tell me what you think we should be doing.

Mr. Aime J. Dimatteo: Unfortunately, the majority of our communities in northern Ontario have suffered with single industry collapses, whether they be in forestry, mining, or steel. Sault Ste. Marie is a recent example.

Hon. Lisa Raitt: Exactly.

Mr. Aime J. Dimatteo: They're cyclical in nature, to a certain extent. What we're trying to do is say that we know it will occur again, but what can we do in the interim? What better product, what better service, what better business can you do while awaiting the next cycle to come up or down?

I've said this to many companies, "If you're going to come to me and say you want to open another sawmill, good luck, Godspeed, but not here." If they want to come and talk to me about business opportunities in terms of new products, such as the company in Kenora that I spoke of, or in terms of the biochemical opportunity that we're dealing with at Resolute, those are game-changers. That's taking an industry away from traditional self-reliance, just taking the ore out of the ground, or cutting the tree down for a two-by-four or a two-by-six. We're really focused on that. It is part of this government's innovation agenda.

In FedNor, its flagship program.... One of our three focuses has been innovation. We continue to promote that and continue to look for opportunities where we can make even further investments.

We are working with our five innovation centres across northern Ontario, and we're working with our private sector to come up with new ideas. Unfortunately, it's not usually government that comes up with the ideas; it's the private sector.

Hon. Lisa Raitt: No, that's not unfortunate; that's actually quite good.

Ms. Lisa Setlakwe: I'd like to just add to that.

I'm also from a very small town with a single industry that collapsed. I'm from Thetford Mines, Quebec, which had asbestos mining.

Of course, we've never completely rebounded from the shutdown of that industry. I think this is what we're getting better at and that we need to do more of. These one industry towns have a whole supply chain around them. We need to be better at ensuring those supply chains are not solely dependent on that industry. It's about diversification.

That's the role all the RDAs play. That way, you don't have all your eggs in one basket.

• (1830)

The Chair: You have one last question.

Hon. Lisa Raitt: I have one last question, and it's very simple. Are the ideas coming from within the regional area, or are people coming into the region to pitch you? Do you know what I mean? Are they coming from away, or are they local people?

Mr. Aime J. Dimatteo: For the most part, it's people from within the jurisdiction who are residing in these communities and who are part of these businesses. They're pitching us the ideas.

Every once in a while we'll get somebody, for example, on the agricultural front, such as the the Cattlemen's Association, either the Ontario one or the Canadian one, who will say, "Oh, a million acres of available land, we'd like to talk to you about that", and we're always open for both.

Ms. Lisa Setlakwe: If there's a capacity, as you talked about with health and the cyclotron, then that in and of itself attracts, and it's maximizing on where those pockets are.

Hon. Lisa Raitt: Thank you, Mr. Chair.

The Chair: Thank you.

Just to clarify, when you were talking about your report in the beginning, you ad libbed at one point. Did you say that you're expecting to be short 40,000 skilled workers? Was that the number I heard?

Mr. Aime J. Dimatteo: Yes.

The Chair: On page 2 of your report, you're saying it was difficult to find skilled workers to replace retiring employees. Was that number 40,000?

Mr. Aime J. Dimatteo: Yes, that's correct.

The report in northwestern Ontario looked at, over the next five years, the number of mines they expect to be opening, plus the age of the workforce in northwestern Ontario. They felt that over the next five years they're going to need 40,000 people to take these new jobs and the retirement jobs.

It just happened to be by coincidence there was a similar number in a report that was done in northeastern Ontario, which also looked at new mines coming on stream plus people retiring. It happened to be a similar number. We were struck by the size of those numbers.

The Ring of Fire alone is talking about creating 5,500 jobs, if and when it gets off the ground.

The Chair: Okay. Thank you very much, Mr. Dimatteo, Ms. Setlakwe, and Ms. Perreault.

Mr. Aime J. Dimatteo: Thanks, Chair.

The Chair: We will suspend for a few minutes while the Canadian Northern Economic Development Agency comes forward.

• (1830)

_____ (Pause) _____

• (1835)

The Chair: We'll reconvene.

Welcome Ms. King, who is president of the Canadian Northern Economic Development Agency. With you is Mr. Miller, who is chief financial officer and director of corporate services, and Mr. Spence, who is director general of the northern projects management office. Welcome.

You have the floor. I assume you have a presentation, and then we'll go to questions.

Dr. Janet King (President, Canadian Northern Economic Development Agency): Mr. Chairman, thank you for the invitation to appear before this committee.

As noted, my name is Janet King, and I am the president of the Canadian Northern Economic Development Agency, more commonly known as CanNor.

[*Translation*]

I am here to talk about Canada's North, specifically Yukon, the Northwest Territories, and Nunavut.

I am also here to speak of the work CanNor is doing to respond to the challenges the region is facing and to support opportunities.

[*English*]

The north covers approximately 40% of Canada's land mass. It includes 75 communities and 119,000 people, or 0.3% of Canada's total population. Forty-nine per cent of the population lives in the three territorial capitals, while the balance live in small and very dispersed communities.

The territorial economies are dominated by the public sector, which contributes 30% to the territories' GDP, and resource extraction, which contributes 19%. The balance is a mix of smaller sectors, led by construction, real estate, and transportation.

The territories experienced substantive GDP growth rates in recent years, spurred in particular by the mining industry. However, their growth is expected to be much more modest for this and the coming years, largely due to low commodity prices.

The recent territorial economic outlook from the Conference Board of Canada forecasts that real economic growth is expected to average only 1.8% over the period 2016-20, with Yukon's economy the hardest hit with the closing of its last large-scale mine. However, their longer-term outlook is expected to improve again as commodity prices recover and new mining projects come on line.

These cycles exemplify the importance of the resource industry as the current economic driver for the north, but also the importance and need to diversify.

The north is a region with much opportunity. About 23% of its population is under 15 years old, compared to 16% elsewhere in Canada. This young and vibrant population has much potential for the future, and is already advancing to productive roles and leadership positions.

The north also has a vast land area, with a rich and diverse resource potential still to be sustainably harnessed. The north also has wide-ranging opportunities to innovate, to diversify its economic activities, and to build on its natural assets. For example, the value of the fishery in Nunavut has more than doubled over the last 10 years; biomass and wind energy industries are being established in the N.W.T. and Yukon, contributing to green growth; and specific tourism segments, such as the market for viewing northern lights in the Northwest Territories, have been increasingly successful in recent years.

• (1840)

[Translation]

That said, there are real challenges to Northern economic growth.

[English]

The north has a significant infrastructure deficit that remains a fundamental barrier to growth. Over half our communities do not have year-round road access and, despite facing on two oceans, there is a lack of port facilities, large or small, to support marine-based activities.

Connectivity infrastructure is also lacking. Internet speed continues to lag behind levels elsewhere in Canada, and the cost of these services for users remains much higher.

[Translation]

As well, only half of working age Northerners—and only a quarter in Nunavut—have a grade 12 education, limiting their ability to participate fully in the economy. This leads to a lack of skilled professionals, and many businesses still depend on a fly-in fly-out workforce.

[English]

Mr. Chair, I will now take a few minutes to discuss how CanNor works to build on the north's opportunities and help address its challenges.

Created in 2009, CanNor has an annual budget of \$55.4 million and a staff complement of 80. It is headquartered in Iqaluit, with offices in the three territorial capitals, as well as a liaison office in Ottawa. About three-quarters of our staff are based in the north, and one-quarter are indigenous.

[Translation]

The agency's mandate is to strengthen Northerners' ability to seize economic opportunities in the North and to foster the development of key economic sectors in the region.

[English]

Allow me to provide members with an overview of CanNor's current funding activities and how we are investing to foster economic activity and diversification in the north.

Through our strategic investments in the economic development program, known as SINED, a program focused on promoting economic diversification and growth, CanNor supported 60 projects totalling \$17.4 million in contribution funding this past year. This also allowed the agency to help new and emerging industries, as well as capacity building in small and medium-sized enterprises.

Funding in these sectors leverages investments from our partners. We work routinely in partnership with the territorial governments, indigenous organizations, and the private sector, allowing impacts to be maximized. Last year, for example, this meant leveraging investments close to a ratio of 1:1 with our northern partners.

CanNor also invests directly in the growth of indigenous businesses through our northern aboriginal economic opportunities program, which is funded at \$10.8 million per year. In 2015-16 alone, we supported 63 projects, including three equity funds to be used to support indigenous businesses across the north, delivered through local service partners already established in the communities.

[Translation]

Demand is increasing and we believe that CanNor funding makes a difference. Mr. Chair, I'm pleased to report to this committee that 79% of the indigenous businesses that CanNor helped with foundational support are still in operation today.

[English]

Through our northern adult basic education program, delivered with the three northern colleges, CanNor has invested in improving the literacy, numeracy, and other essential workplace skills of indigenous adults. To date, this program has helped over 3,400 northerners gain important skills needed to participate more fully in the labour market.

[Translation]

CanNor also delivers regional components of national programs, such as the Canada 150 Community Infrastructure Program.

[English]

Mr. Chair, I will now discuss a business line unique among the regional development agencies: the northern projects management office, referred to as NPMO. This office supports efficient and transparent environmental assessment processes in the north. It does this through coordination of federal regulatory departments' involvement, advisory and pathfinding support, and coordination of federal crown consultations.

The NPMO is currently working with over 50 companies and tracking over 30 major projects engaged in environmental assessment processes. These projects represent the potential for more than \$22 billion in capital investment and more than 10,000 jobs for the north, if realized. The NPMO also works very closely with the communities to help them plan and prepare for nearby resource development so they can maximize the economic benefits and manage the impacts the projects may have on them.

In closing, Canada is stronger when our north is stronger. CanNor's goal is to foster and support a prosperous and resilient north. We will continue to invest in development and diversification and to assist with effective environmental assessment processes.

I thank you for the opportunity to speak with you today. I will be pleased to answer any questions you may have.

Qujannamiik.

Mahsi cho.

[Translation]

Thank you.

• (1845)

[English]

The Chair: Thank you very much, Ms. King.

Mr. Grewal, you have five minutes.

Mr. Raj Grewal: Thanks to you, Madam King, and to your colleagues, for coming here today.

First and foremost, let me congratulate you on your support for indigenous people. I'm very pleased to hear that 79% of the companies you're supporting are still in business with that particular focus.

I want to confirm a few things. Was your budget \$54 million?

Dr. Janet King: It was \$55 million.

Mr. Raj Grewal: Is that per year?

Dr. Janet King: Yes.

Mr. Raj Grewal: How much of that is committed for ongoing projects from year to year?

Dr. Janet King: We have about 50% multi-year commitments of two to three years, not longer than that. We have been working largely on a continuous intake process as well. It is maybe 50% committed at this time.

Mr. Raj Grewal: I've asked every development agency this question. For the \$55 million, is there a metric that's used to see how much, dollar for dollar, is invested back or creates economic growth? For example, for each dollar invested, you get a \$5 return in GDP.

Dr. Janet King: We are working toward those kinds of measures. Our measures right now are very project focused. Over the last two years, we've been working to build more comprehensive measures so that we can build toward that understanding.

Mr. Raj Grewal: I would highly encourage making it a priority for the agency. Metrics are incredibly important to justify the funding you get, because the next question is this: if we give you more funding, are you guys currently oversubscribed? What's the value of projects coming in? Are there really good projects that would create economic opportunities in the north but are being turned down because you've already maxed out and you're unable to fund them?

Dr. Janet King: I think our best example right now is that in June we released a call for expressions of interest for clean technology projects across the north. We received over 60 applications. We're

now working on due diligence for 11 of those. That gives a sample of the kind of demand that's out there.

Mr. Raj Grewal: One of the challenges, you said, is the lack of infrastructure. I think everybody around the table would agree on that, and again on education, so I don't think you need to have any concerns there.

The fly-in, fly-out is of concern to me. If we solve the first two challenges, which are the infrastructure and the education, how do we maintain the population in the north in order to keep on building in their regions? In Atlantic Canada, as Mr. Chair was telling you as well, young Canadians who are growing up there might stay for post-secondary education, but if they don't, they move to the bigger cities such as Toronto, Calgary or Montreal. What are your thoughts on that issue?

Dr. Janet King: I have several thoughts. Some of the fly-in, fly-out is very much cost-based as well as skills-based, where to find the skills and knowledge that are needed to run those enterprises, activities projects, whatever they are. Fundamentally, it's building local skills capacity and how to achieve that.

That being said, for parts of the north as well, people who were born and raised in those communities would prefer to stay. They would like to work near the communities, with their communities, so retaining people in the north is not the critical issue.

• (1850)

Mr. Raj Grewal: Thank you. I appreciate that.

Can you give us an example of the ideal project that your agency has funded, the poster child for your agency?

Dr. Janet King: I can think of several.

Mr. Raj Grewal: Pick one.

Dr. Janet King: One covers a number of bases and is one I'm proud of. I can say that because it was started before I arrived at CanNor two years ago. It was our contribution to building the biomass sector in the NWT, which is also impacting the Yukon.

We were able to work with partners, including entrepreneurs, aboriginal communities, and as a priority, with the territorial government very early in the concept. We worked year over year with the entrepreneurs' needs and communities, building the planning, the feasibility, and the technology, so essentially now we can say a bioproducts sector is being established and it's embedded in the local aboriginal communities, providing local wealth.

Mr. Raj Grewal: Thank you.

Could I have one more question?

The Chair: You have 10 seconds, if you can do it.

We'll move to Ms. Raitt.

Hon. Lisa Raitt: Thank you very much for being here.

I was in Iqaluit on August 13 for a round table with the chamber, so I have some questions coming out of that, if you don't mind. I said I would bring them up with folks if I ever ran into you, and guess what, you're here.

Perhaps the northern projects management office can help me on this one. What is the status of online staking and how close are we to getting this sorted out so the mining companies can get on with it? Is there anything you can do at CanNor to help?

Mr. Matthew Spence (Director General, Northern Projects Management Office, Canadian Northern Economic Development Agency): Thank you for the question, and you are right.

An online staking process is being developed by Indigenous Affairs. It's getting close to being implemented. The issue is that it started in Nunavut, so there's also Inuit-owned land. The big issue at the moment is trying to get a line between the regional Inuit associations and INAC on staking. There was going to be a workshop with all the regional Inuit associations, ourselves, and INAC next week, but it's been put off because we're dealing with the Nunavut land use plan next week. However, we're working toward it, and I think we'll find alignment.

One of the underlying issues is protection for caribou. You'll find that also in the Nunavut land use plan. Caribou are a very fundamental part of Inuit culture, so they want to implement some measures because they're facing declining caribou herds. Therefore, we need to have some discussions around what is leading to these significant declines in the caribou so we can then come up with informed science-based protection measures.

The Chair: Could someone explain what online staking is?

Hon. Lisa Raitt: I can. It means you don't have to take a helicopter to physically tap in a stake for people to make claims for the purposes of mining in future.

The Chair: Thank you. Go ahead.

Hon. Lisa Raitt: Is that okay? I have some skills from my NRCan days.

My second question has to do with the Nunavut land use plan. The way it's been pitched to me from the mining sector up there is that it's going to kill exploration, and they're very concerned about the process.

Mr. Matthew Spence: That's an important question. You're right. Right now some fundamental work needs to be done with the Nunavut Planning Commission to look at a more evidence-based approach. Again, the caribou herds are really a preoccupation of the Inuit. We need to work on determining why there are significant declines in the caribou populations. I think one of the herds has gone from 450,000 to 16,000 caribou. There are moratoriums on hunting, so in some ways we're infringing on indigenous rights.

We need to take a more science-based, evidence-based approach to looking at that, and the vast geography sometimes limits our ability to get out there and figure out what's going on. We need to incorporate more traditional knowledge. This summer we had the Tlicho as an example. The Tlicho are in the NWT but they hunt herds. There are no borders for those herds. They're testing their traditional knowledge and they're going to bring back that information.

That all helps to inform us as to what's going on, and that will help inform the protection measures that the NPC wants to put in place in protecting caribou and caribou calving grounds to ensure industrial development doesn't impact on that. At the same time, we have to be

balanced in our approach. We need to ensure that we have a sustainable exploration industry, because that's how you have a sustainable mining industry, given the contribution that mining resource development makes to the north.

● (1855)

Hon. Lisa Raitt: I have two questions specific to your organization.

I heard a complaint about, not when programs are available but with construction and infrastructure, and you guys facilitate infrastructure stuff for the federal government in terms of RFPs, I believe. Anyway, what they're indicating is that southern companies are coming in to compete with local companies. They don't have capacity in local companies; therefore, it makes local selection very difficult. The question was whether or not there's a possibility to amend to have a local content part of the analysis when you're doing RFPs. I don't know if it's going to be with you guys.

The second question I have specifically for you is, are you making announcements on Canada 150 projects? There is a big day that's being planned next year, in my understanding, Nunavut Day, August 1, and they really want to get on with it. Can you let me know if you're going to be making any announcements on their funding?

Dr. Janet King: We do not do any procurement or do any direct construction in Nunavut, so we would not be involved in those processes.

Hon. Lisa Raitt: Okay, thanks.

Dr. Janet King: Yes, we will be making announcements on Canada 150 and we would certainly hope to have them well prepared in advance of Nunavut Day next year.

Hon. Lisa Raitt: Okay, and what are you doing with cruise ships? Are you helping to facilitate what they did this year up in Cambridge Bay and do you want to continue doing it?

Dr. Janet King: Actually, we had an interesting role in that. They knew the very large ship, the *Crystal Serenity*, was showing up and they wanted to take optimal advantage of that within the community to have the community ready to receive that number of passengers and potential buyers. We actually funded the Nunavut Arts and Crafts Association to mobilize the artists to hold their annual meeting and training session in Cambridge Bay at the same time as the *Crystal Serenity* came through, so the arts and crafts members of Nunavut were mobilized in Cambridge Bay and ready to receive the many paying customers of the *Crystal Serenity*.

That seemed to work very well. I've heard that very large, record amounts of money were spent in the community at that time, which served our artisans very well.

The Chair: That will be it. It's a little over time.

Hon. Lisa Raitt: Fine. We can tackle the CRA another time.

The Chair: Mr. Caron.

[Translation]

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

I would also like to thank the witness for his presentation.

I have looked at all the programs you have presented.

[English]

Actually I'll switch to English because I have the document in English in front of me.

I'm just looking at the successes, or what you're promoting as successes, in terms of SINED, the strategic investments in the economic development program, the adult basic education program, and the northern projects management office. When I'm looking at the plans and priorities for 2016-17, it basically says that those programs are due to be sunset. Basically that's a government decision.

At this point, what can we know about the future of those programs, the future of funding and future commitment toward these programs?

Dr. Janet King: The SINED program has always been a cyclical program, so this is nothing new for our organization. It was renewed in budget 2016 for two years. We are busily strengthening our performance measures, our business analysis, and so on, so that we can bring forward the best possible investment case to the government next year. I would echo the same comments on each one of our programs that are sunsetting.

Mr. Guy Caron: Has each of them been renewed for two years?

Dr. Janet King: Each one has a different length. For example, the northern projects management office initiative was renewed for four years. There are reasons each time for the number of years they are renewed.

Mr. Guy Caron: Was the renewal announced earlier this year during the budget?

Dr. Janet King: That's right.

Mr. Guy Caron: Okay, I take it that the plans and priorities were actually developed prior to the budget, so prior to your having any indication—

Dr. Janet King: That's right.

Mr. Guy Caron: I understand.

We can talk about another element that you actually talked about in your presentation, which is broadband. It's a major problem. I can see why it's a much bigger problem in northern Canada. My understanding is that for the coverage of most of the territory, we cannot rely on regular infrastructure. We have to rely on satellite coverage, which has been studied in the past and is still being studied by the CRTC. What is the solution?

I do have this satellite problem in my own region because we have very low density, and many communities rely on satellite, and they actually come to me because the coverage itself doesn't fulfill the promises that were made to them by the providers. I expect it's the same for the north, and it's becoming more of a problem because of the lag between high-speed Internet through the traditional infrastructure and what's called high-speed Internet or high-speed coverage with satellite. The gap is becoming wider and wider, which is making those regions a lot less competitive by the minute. How do we deal with that?

● (1900)

Dr. Janet King: We support advancing the communications capacity of the north in a variety of ways, but first I need to be clear. In Yukon, it's fairly efficient. There's a lot of land-based fibre and so on, except for one community in Yukon. In the N.W.T., it's a bit mixed. The southern part is more connected. The north is served by satellite. In Nunavut it's entirely satellite-based, so it's the most exposed, in terms of reliable, fast, cost-effective connectivity. As you note, this is essential to truly participate in the modern economy and to compete. We understand all of that.

We've worked in supporting feasibility studies for different technologies to apply. On the connectivity side, we work closely with our colleagues in Innovation, Science and Economic Development to deeply understand the northern challenges through the studies we've funded.

In June, with my departmental colleagues, I co-chaired a round table in Nunavut with the diverse stakeholders there to look at possible solutions, to understand what their interest would be in the connectivity fund announced in budget 2016, and to look at how to be ready to apply for that funding.

Mr. Guy Caron: What is the reality for cell coverage? It would rely on the same technology, basically. Cell coverage and the ability to communicate by cellphone in areas that probably still have land lines are actually also important to be competitive. I saw you move your head. Are you not really knowledgeable on this issue?

Dr. Janet King: I'm not technically knowledgeable but I do know how people use and need that kind of connectivity. Whether it be for long distance education, which is very desirable in some of the far-flung communities, for health care, or for the world I focus most on these days, which is doing real-time business, having access to useful cellphone coverage is essential.

The Chair: Thank you very much, Guy.

It's a problem everywhere. You run into bad cellphone coverage even on P.E.I.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: Thank you very much for coming, Ms. King, Mr. Spence, and Mr. Miller.

Have you heard of the Internet cable that's being strung from Asia to Europe? It's going right through the Arctic Circle and is essentially the northwest passage for Internet.

Dr. Janet King: It was previously known as the Arctic fibre project. The Arctic fibre project has been bought out by another consortium. I think right now, this summer, they're laying cable in Alaska and beginning to build their fibre network there.

Mr. Robert-Falcon Ouellette: Is the federal government participating in this project in any way?

Dr. Janet King: At this point we are not participating. It is one of a number of proposals and possibilities that are out there that are being developed and pursued as possible solutions to the connectivity problem.

Mr. Robert-Falcon Ouellette: I understand they have nodes you can hook into in order to get the high speed. I think the speed is 30 terabytes per second, which would probably largely exceed anything the Northwest Territories, Nunavut, and Yukon would ever need. When you're laying the cable originally, you actually have to build the nodes so you can hook into them later. Right now, it's very cheap to do that, because they're building it, but if you wait until it's done and then you show up 15 years later and say you'd like to hook in, the costs will be enormous, because there will already be this large amount of data going back and forth.

When I'm looking at that, I'm thinking to myself that this is an opportunity. Do you know if the government intends to look into this infrastructure project, which could be transformative for Nunavut and northern parts of the Northwest Territories as well as Yukon, and which is being built right now?

• (1905)

Dr. Janet King: It's my understanding that the business case for that was submitted to different parts of the federal government a couple of years ago. It was a very expensive project. They did go ahead to prove the feasibility of the project, if I understand correctly. If I recall correctly, they actually had the permitting done for where the cable would actually touch land, so they did a lot of homework.

It was a very expensive project. I can note that now there are other competing ideas out there as well, including fibre.

Mr. Robert-Falcon Ouellette: Even just to create the nodes with the ability to hook in later on, if they had the money.... If you don't do that now, the costs will go up enormously in the future.

Dr. Janet King: Yes.

Mr. Robert-Falcon Ouellette: We could be losing an opportunity there.

Dr. Janet King: I do understand that the case and the proposal were submitted to the departments that could be engaged in funding it.

Mr. Robert-Falcon Ouellette: Okay, but we haven't heard anything.

Hon. Lisa Raitt: It sounds like a budget ask.

Mr. Robert-Falcon Ouellette: It sounds like a budget ask, yes.

I was wondering as well if you could talk about roads. You were talking about how, if you want to go up into Northwest Territories, you have to go into Yukon in order to come back into the Northwest Territories through the northern side and from east to west and back east again. Roads are important because you can't get resources out unless there are roads. Have you heard very much about what's going on with that?

Dr. Janet King: We hear a lot about roads, and my colleague Mr. Spence hears a lot about roads in the major project world as well. Again, in Yukon, all communities are connected by road, except for one. There's a desire to continuously strengthen and extend that road network. They have the Dempster Highway that goes up to Inuvik and is going to be connecting to the Arctic Ocean with the Tuktoyaktuk highway.

The N.W.T. has a road network in the south, but no roads in the north. Nunavut has no roads, of course.

In the N.W.T. there's also a significant interest in three road corridors, which I believe they're talking about right now. One is to extend up the Mackenzie Valley, connecting the suite of communities, connecting Yellowknife to Inuvik and Tuktoyaktuk. That's one corridor that the GNWT is pursuing with enthusiasm.

There's a road to Whati, a Tlicho community that is looking forward to being connected with an all-weather road. A lot of these have winter roads, but it would be beneficial to have an all-weather road. That would also connect to a mining project there and allow it to become developed as well.

There is interest, both by the Government of Nunavut and the GNWT in another significant corridor that would connect the Coronation Gulf down to the road network on the east side of the Northwest Territories as well.

There are several significant corridors that are being considered, researched, and pursued.

Mr. Robert-Falcon Ouellette: They are in need of funding.

Dr. Janet King: They are in desperate need. They're expensive. Building up there is very expensive and seasonal, so they are in need of funding.

Mr. Robert-Falcon Ouellette: But they would be transformative for the economy.

Dr. Janet King: They would be profoundly transformative for the economy, as well as for the social health of the communities that could be connected.

The Chair: Thank you both.

Mr. McColeman.

Mr. Phil McColeman: Thank you for coming.

You mentioned during your presentation that the last large mine shut down. What type of mine was that?

Dr. Janet King: It will shut down. My expert is here.

Mr. Matthew Spence: It's a base metal mine and it ships out concentrate through Skagway.

Mr. Phil McColeman: Is it because of the age of the mine? What are the factors leading to its shutdown?

Mr. Matthew Spence: Yes, it's at the end of its economic life, but there are a couple of new emerging projects in Yukon that will pick up and will start to help contribute to the economy. There's a gold project that was just picked up by Goldcorp—Kaminak—and there's a large copper base metal project that's called Casino. It's quite a substantial project. It's about a \$2.5-billion capital investment and it will produce a lot of jobs.

We're going to see a bit of a dip in the economy in Yukon, but it's going to start to pick up, probably in 2018.

Mr. Phil McColeman: Excellent. What, if any, impacts have there been on your region due to the recent decline in oil prices and/or the concurrent decrease in the Canadian dollar exchange rate?

Mr. Matthew Spence: I think with the oil and gas, the problem is that it's very expensive to extract oil and gas in the north and you don't have a lot of infrastructure. At one point we were looking at building the Mackenzie gas pipeline down the valley to ship the three trillion cubic feet of natural gas we have up in the Mackenzie Delta, but the environmental assessments took so long that the opportunity at the end of the day was missed. There's plenty of oil and gas, but it's just hard to get it out and very expensive. It's a \$150 barrel of oil kind of thing, right?

Gold is becoming increasingly an interesting commodity there. There's a lot more interest lately and it's because of the price differential of the dollar. The 30% reduction in the dollar means that, while gold is about \$1,100 or \$1,200 or \$1,300 U.S. an ounce right now, I think, when you add that 30% then it's about \$1,600 to \$1,700 Canadian an ounce. If you're producing in Canadian dollars... Agnico Eagle has the Meadowbank mine near Baker Lake, and its production costs are just under \$700 an ounce. You can see there's some significant margin in that, and so there's a bunch of ground that's been picked up around Yellowknife by a couple of companies and there's much more interest in gold. Gold projects are the ones that are getting permitted in Nunavut right now, and they will contribute to the economy as we go forward.

• (1910)

Mr. Phil McColeman: Thank you very much.

The Chair: Mr. MacKinnon.

Mr. Steven MacKinnon: Thank you, and welcome. It was an excellent presentation and very informative.

I've been asking most of the development agencies about where they see the bright spots. Obviously, in the north it's somewhat sector limited, but tourism immediately comes to mind. Could you expand a little on tourism development in the north?

As someone who has paddled at least one of the great rivers, I know first-hand what a wonderful experience that is. Could you talk a little more broadly about private sector tourism development?

Dr. Janet King: Certainly I could. I'll go by territory perhaps, starting with the N.W.T.

The N.W.T. tourism sector is burgeoning these days. They have been very successful in expanding their marketing internationally and expanding from what had been a very strong Japanese market to the Chinese market. You can see that a very large new hotel just opened this month in Yellowknife to accommodate, in large part, the new tourists who are coming to see the aurora and then building in other activities as well. The N.W.T. is welcoming any number of new international visitors.

Yukon has a solid tourism industry based on their history and culture. They have access to the deepwater port at Skagway. They have road access, and they have the Alaska Highway for a thoroughfare, so they have drive-throughs. They're also exploring more in ecotourism and indigenous tourism. For example, in Carcross recently the local first nation was able to open up what is now a world-class mountain biking destination. It's building other tourism possibilities around it. That's a tremendous new input to diversifying just the tourism sector in Yukon, which is completely

friendly to that first nation's use of their land. That's another good news story.

In Nunavut, which is a little more distant and harder to get to, we're working closely, for example, with Parks Canada as they work to build tourism access and interest in their northern parks, generated in no small part these days as well by the discovery of the *Terror* and the *Erebus*, which has tweaked a lot of interest in northern parks. We work closely with them to invest in small communities, tourism centres, ways they can greet these tourists who have come a long, long way, and by providing some of the community-based infrastructure to support that.

Mr. Steven MacKinnon: Your mandate must, of necessity, be expansive and extend to perhaps even beyond the traditional role of regional development, and any development, I suppose, would constitute regional development in some communities. Could you, through us to Canadians, tell us what regional development looks like in the north and what kinds of things you're prepared to consider? What kinds of things would you like to consider if you had additional resources that could maybe help guide us as we put together some recommendations?

Could you perhaps comment on your interaction with your other colleagues across the country and on where you may differ in terms of your approach?

Dr. Janet King: I think one of the particular ways we differ is that we continue to work to build a foundational economy. We're not working with a very advanced economy; it's still foundational. We're still talking about road as an essential investment, as one of the fundamental barriers to efficient growth. We're still talking about connectivity at a fairly fundamental level. So it's the foundational aspects of economic growth, which is why we're in the business of feasibility studies for roads. There's probably less business for some of the other RDAs. Again, it's those barriers at the foundational level.

We work a great deal as well with skills and capacity building. Many of our communities are remote. Many of them do not have great access to education services and so on, and so we work a great deal with entrepreneurial skills development and aboriginal skills development.

For example, we will be concluding the fifth year of our aboriginal adult basic education program, and we'll be putting forward a case for renewal of that. I gave some statistics in my opening remarks, but it's the ability to support the colleges in reaching out to the mid-generation, to the young adults who probably quit school in grade 9 or 10, went out and had a life, and decide they want to rejoin the productive economy. It's targeted at those people. The colleges have had tremendous success in delivering those, and we're looking forward to continuing to partner with them in delivering those kinds of services.

Mr. Steven MacKinnon: Any—

• (1915)

The Chair: Sorry, Steve.

If you guys have to catch a plane, don't worry, there will be no votes.

Mr. Phil McColeman: Okay.

The Chair: John, last questions.

Mr. John Nater (Perth—Wellington, CPC): I have just a couple of really quick questions.

For the northern adult basic education program which has helped over 3,400 northerners, what's the language breakdown of that in terms of official languages? Is it mainly English or is there any francophone participation in that as well?

Dr. Janet King: I would say the dominant language breakdown would be indigenous languages. A lot of that is delivered in the communities and in Yukon and the N.W.T., so it would be dominantly English plus indigenous languages.

Mr. John Nater: Very good.

I'll go to my second question very quickly.

The \$22-billion capital investment, is any of that indigenous-led? Is there any indigenous-led business to sustain that?

Mr. Matthew Spence: There is, but it's at its infancy. Right now we've been working with INAC and it's primarily around remediation projects, so getting these guys used to working around a big industrial project. We find that because we're so involved in the remediation part of it, it's an excellent opportunity to help build a base, again, as Dr. King was saying. That base is important. We continue to encourage DEMCo, as an example, Denendeh Development Corporation in the N.W.T., that is owned by all of the indigenous Dene. That has been given a mandate to get involved in the mining business.

The Chair: Thank you very much.

I think that's it for questions.

Do you have anything you want to add, Ms. King?

Dr. Janet King: No, I appreciated the questions and the ability to tell you a little bit about the economy of the north.

Mr. Matthew Spence: Thank you.

The Chair: Thank you very much.

I think with all the RDAs this week we've had a substantive history of the regional variations in the economy, so it's really been useful for us as well.

Dr. Janet King: Thank you.

The Chair: With that, we'll thank you very much for your presentations and your forthright answers. We do have a couple of

quick issues to deal with, so thank you, Ms. King, Mr. Miller, and Mr. Spence.

The proposed recommendations from the parties on the CRA report will be mailed out to all the members tomorrow, or emailed, I guess. So you have time to think about the meetings at the first of the week.

The other issue we have to deal with is there are some members who would like to take staff with them on either one or the other of the travel. The rules are that no House resources are to be used for staff to travel. I think everyone understands that.

Suzie, what are the snags we could run into? Does anybody have a problem with staff? We have a bus going and if there's availability on it, they can take the bus. We'll have meals at some areas. Can they participate or not? It's those kinds of details.

As long as they carry Lisa's bags, that's the....

Is there a problem with that? Okay? We're all right with that?

Are there any other issues we had to deal with?

Then I thank everyone for their indulgence this week. I think we had a very interesting week.

Go ahead, Phil.

• (1920)

Mr. Phil McColeman: I have one question on that.

If it's one or more of your staff, how many?

Ms. Jennifer O'Connell: I think it's one.

The Chair: I think just one staffer is it?

Mr. Phil McColeman: One? Yes, okay.

The Chair: It would be about one.

Thank you, everyone, for your indulgence this week. I think it was good to have the RDAs in. It gave us a perspective we don't normally get.

See you Monday.

The meeting is adjourned.

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