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Chair

Mr. David Sweet

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• (1530)

[English]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Good afternoon, ladies and gentlemen. Welcome to meeting 64 of the Standing Committee on Industry, Science and Technology.

Before us we have the Honourable Gary Goodyear, Minister of State for Science and Technology as well as for the Federal Economic Development Agency for Southern Ontario.

Along with him we have, from the Department of Industry, Robert Dunlop, who is the assistant deputy minister for the science and innovation sector. From the Federal Economic Development Agency for Southern Ontario we have Bruce Archibald, the president; Linda Cousineau, chief financial officer, information management and informatics; as well as Clair Gartley, vice-president, business, innovation and community development.

Ladies and gentlemen, before I call on the minister to go ahead with his opening remarks, I should tell you that Minister Paradis and Minister Bernier have confirmed that they will be with us on May 2 for the first hour, from 3:30 until 4:30. We had already made our schedule and had, as was mentioned, some flexibility, so they will be taking that slot.

Without any further delay, Minister Goodyear, it's good to have you here, and please go ahead with your opening remarks.

Hon. Gary Goodyear (Minister of State (Science and Technology) (Federal Economic Development Agency for Southern Ontario)): Thank you, Chair. I appreciate that welcome.

Good morning, committee members and honourable colleagues. It is indeed a pleasure to be here again with you to answer questions and share information about the science and technology issues as they relate to my portfolio and the main estimates. Given that my portfolio also includes the Federal Economic Development Agency for Southern Ontario, I'm more than happy to speak to you about the overall efforts in that regard as well.

Since 2006, our government has provided more than nine billion new dollars in new resources to support science, technology, and business innovation. This funding has helped to make Canada a world leader in post-secondary education research and to create the knowledge and highly skilled workforce that businesses require. We continue to work in this regard as well to innovate and create even more high-value jobs.

Economic action plan 2013, the latest budget, builds on this foundation, helping to position Canada for stability and long-term economic prosperity, as well as a higher quality of life for Canadians, while again sticking to our promise of keeping taxes low for families and businesses and balancing the budget by 2015.

We are working to strengthen Canada's world-class research talent through such programs as the Vanier Canada graduate scholarships, the Banting post-doctoral fellowships, and the Canada excellence research chairs programs, and many others. The economic action plan further strengthens our advanced research capacity by providing another ongoing \$37 million in new annual support for research partnerships with industry through the granting councils.

We are strengthening research infrastructure as well, through the Canada Foundation for Innovation. As you know, the 2013 budget allocates \$225 million to support new competitions and cyber infrastructure and to sustain its operations, as well as to deliver programs that enhance collaboration and partnerships between the private and public sectors. Programs such as the centres of excellence for commercialization and research, the business-led networks of centres of excellence, the industrial research and development internships, and the college and community innovation programs all aim to build industry-academic connections that we know will lead to new products and processes in the marketplace.

As well, let me take this opportunity to highlight some of the findings in the recent Council of Canadian Academies report on the state of Canada's science and technology enterprise as it currently exists. The report concluded that Canadian science and technology is healthy and growing in both output and impact, with Canada being the only G-7 country to have achieved an increase above the world average in the number of scientific papers produced between 2005 and 2010.

The report also notes that there has been a net migration of researchers into Canada. This is probably the most profound and irrefutable evidence that our strategy here in Canada is working and that we should continue, so of course budget 2013 focuses on the drivers of growth and job creation, which include innovation, investment, education, skills, and healthy communities. This approach promotes business innovation through improved support for high-growth companies, research collaborations, procurement opportunities, applied research, risk financing, and so on.

Those measures include: \$121 million over two years for the National Research Council to help continue its transformation; \$20 million over three years for a National Research Council industrial research assistance program pilot project initiative to help small businesses access the research capacity and services at our post-secondary institutions and at not-for-profit research institutions of their choice; \$325 million over eight years to Sustainable Development Technology Canada to continue support for the development and the demonstration of new clean technologies that can create efficiencies in businesses and help them with their bottom lines as well as contribute, obviously, to a cleaner environment and more sustainable economic development; \$60 million over five years to help high-potential incubators and accelerators; a new entrepreneurship award that celebrates Canadian entrepreneurs; and \$18 million over two years to the Canadian Youth Business Foundation to help young entrepreneurs.

• (1535)

Significant investments, obviously, in budget 2013 are also targeted toward human health and genomics, a very exciting basic research area, skills training, manufacturing, the aerospace and space sectors, infrastructure, and I could go on and on.

Given the level of business expenditures on research, science, and development, we want businesses to pursue innovation-based strategies that encourage them to increase their investments in machinery and equipment and help them gain access to highly skilled personnel and be more globally competitive. Our recent action plan 2013 included many new measures to do exactly that.

In addition to the science and tech portfolio, I am honoured to be the Minister of State for FedDev Ontario. This agency has been around a few years and in my view has made incredible efforts within southern Ontario to effectively support growth and long-term prosperity.

As you might know, southern Ontario, the area we work in, has approximately 12 million people, about 36% of the population of Canada. It is the heart of Canada's commercial core and does have incredible potential to create long-term success. Of course, the agency has funded hundreds and hundreds of projects in southern Ontario in this regard, but the agency is not just working with money. We are advocates for the region, conveners, and we are bringing together stakeholders, focusing on clusters, collaborations, and partnerships, building critical mass, again to get that edge on global competitiveness.

Some of the programs we have—and I'll be very brief—the applied research and commercialization initiative, for instance, have facilitated the development of hundreds of partnerships between the post-secondary institutions in southern Ontario and businesses. In

fact, 560 businesses have been involved with students who get the added benefit of a real world educational experience.

We have put forward the prosperity initiative to help target investments to advance key economic growth in southern Ontario, including advanced manufacturing, digital media, green construction, and green automotive. I will give you another quick example of what this has done. We've made a significant investment in Western University's Fraunhofer Project Centre and Centre for Commercialization of Advanced Manufacturing Technology.

These centres will create opportunities literally for hundreds of businesses to collaborate with our educational institutions and not-for-profits to support global competitiveness coming out of southern Ontario in sectors, frankly, that are in the aerospace, defence, construction, medical devices, composite light-weight materials—another very exciting area of potential—automotive, and renewable energy sectors.

The facility itself will represent North America's premier hub for the development, validation, and industrial-scale testing of new advanced manufacturing materials and products.

We've also taken it upon ourselves to create a sense of curiosity for the next generation of business leaders with our youth STEM program. The folks involved in that have reached about 1.1 million kids in southern Ontario to get them stirred up about science and mathematics.

In our scientists and engineers in business initiative, we invested up to \$7.5 million in this one project, VentureStart. VentureStart is a partnership of 12 research innovation centres throughout southern Ontario of course. It has already delivered entrepreneurship training to 128 highly qualified graduates, as well as provided mentoring support and seed financing for 88 new start-up businesses, and that's so far.

• (1540)

By the end of March 2014, VentureStart tells me they are online to fund 224 start-up businesses. Through other programs like investing in business innovation we're boosting private sector investment. This is an angel venture capital program to help businesses quickly bring their new ideas to market. We've been able to have significant leverage in this regard. I can tell you that the angel network in southern Ontario has grown from about 250 angels to well over 800 as a result of this program.

There are a suite of programs I'm happy to talk about, but mainly they fit under what we call the southern Ontario advantage initiatives. Under that suite of programs, we've invested more than \$420 million in funding, resulting in partnerships with more than 5,000 organizations, and over \$1.2 billion of additional funds leveraged for these investments—and those are almost exclusively non-governmental sources—as well as over \$2 billion in a boost to the GDP.

In closing, Mr. Chair, I am pleased that economic action plan 2013 provides an additional \$920 million over five years, which is basically renewing FedDev Ontario. This will start in April 2014 with \$200 million of this renewal support to be allocated for the delivery of a new advanced manufacturing fund in Ontario.

The government's renewed commitment to the agency is clearly based on its success in creating jobs and increasing the productivity and competitiveness of southern Ontario.

There is still obviously a great depth of potential in the region, and I look forward to witnessing future successes in our incredible communities, forecasting great growth for them, for the nation, as well as continuing to grow the science and tech sector in Canada.

Mr. Chair, thank you for this time. I look forward to answering any questions the members may have with regard to my portfolio.

The Chair: Thank you very much for your opening remarks, Minister Goodyear.

Now on to Mr. Lake for seven minutes.

Hon. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair, and thank you, minister, for coming here today.

You and I had the opportunity to take part in the Genome Canada funding announcement recently in Toronto. I had the opportunity to meet Dr. Stephen Scherer, a world-leading researcher based right here in Canada working on the autism genome project.

Time and again we hear wonderful things about great research being done across this country. Despite that, we hear you in the House of Commons having to answer questions from the opposition as well as questions from the media with respect to this apparent muzzling of scientists. I suspect that as we go through the course of this meeting today the opposition will continue to weave that fiction.

You consistently responded that there hasn't been a government in Canadian history that has invested in science and technology to the extent that our government has, and how proud we are to promote the important work our scientists are doing. You provided wonderful evidence, I think, demonstrating the extent to which we share research material and publish research findings. Their scientists provide thousands of interviews per year regarding their work and lecture at conferences all over the world.

Despite all this, and again as we'll probably hear a little later today, the opposition continues to weave their fiction and play political games with this. Could you share with us some facts and figures that might help clearly dispute any notion that our scientists are muzzled?

Hon. Gary Goodyear: Thank you for that question.

With respect to the parts of the science and tech file in Canada that I'm responsible for, I think I speak for some of my other colleagues as well when I say we are very proud of the work that our scientists and our academic community do. These are world-class people.

We absolutely understand that research findings and their benefits must be effectively communicated and shared with Canadians. In fact, our government has put in place foundational pieces that actually call and guide...to support open and transparent communications. In fact, in accordance with the government policy regarding government scientists, I can tell you that they regularly provide media interviews. They publish thousands and thousands of research papers. I'll provide some numbers here. Environment Canada has provided more than 1,300 media interviews. Scientists in that one area have published some 524 articles. There are reports that we are leading the world in some cases on our published articles.

The official communications policy directs federal departments and agencies to properly address media inquiries. Federal scientists, as you know, are non-partisan. They do their work to achieve the results they're after. They're very professional. They do not comment on government policy. This is a role that we are required to leave to ministers who, as people can understand, are primarily responsible for their files.

With respect to your first question about the unprecedented funding, if I may, Mr. Chair, there is no question that this government has provided more funding in its time than any other government has in the history of this country. If I may, I will close that question by quoting a reference from the Canadian Council of Academies, which is an independent body:

There is much for Canadians to be proud of as Canada's international reputation is strong, science and technology research is robust across the country, and globally we are considered to have world-leading research infrastructure and programs... The Panel's findings are comprehensive and represent one of the most in-depth examinations of Canadian science and technology ever undertaken.

That's from the chair of the panel, Dr. Eliot Phillipson.

Hopefully, that answered your question.

● (1545)

Hon. Mike Lake: Thank you.

I want to talk about that investment in science and technology. Something that I find interesting is the debate about funding basic versus applied research. If you look at the government's record on investment in research, you clearly see that we have made significant investments in both areas of research. I've talked about the genome side on the basic side of the research equation, the NRC transformation on the applied side, and the Canadian Foundation for Innovation, which you mentioned in your opening remarks, which kind of invests in both.

When we talk about making those significant investments, what is the appropriate balance when it comes to basic versus applied research?

Hon. Gary Goodyear: I think you've hit the issue right on the head.

My point is that it's not one or the other. It's actually finding the balance between the two. We do support basic research and we have always supported basic research. I see no reason not to continue to do that. But when it comes to basic or applied funding, I think it is really more important to look at the bigger picture of science in general and determine, first of all, what investments are most important for Canada, for Canadians at this particular time, not only in the economy but in terms of our social needs and our economic needs, of course. For me, it's not one or the other. It is about finding the balance and continuing to support both.

Perhaps I'll read another quote here. Gilles Patry, the president of the Canadian Foundation for Innovation, recently stated:

All research whether it is applied or yet to be applied is at the service of society. Since no one can predict where the next economic social or environmental breakthrough will come from, it is vital that the full spectrum of research be supported. This is the established policy of the Government of Canada and we encourage you to continue.

We will, because I totally agree with that.

The Chair: You have 20 seconds.

Hon. Mike Lake: I think my question would take more than that.

The Chair: Thank you very much, Mr. Lake.

Mr. Stewart, you have seven minutes.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thank you, Mr. Chair.

Thank you, Minister, for coming today. I think this is one of the most important portfolios the government has—

• (1550)

Hon. Gary Goodyear: I couldn't agree more.

Voices: Oh, oh!

Mr. Kennedy Stewart: —so it's a pleasure to share it with you. Many of the programs you mentioned, of course, are worth funding.

In your opening statement you said that your government has provided \$9 billion in new funding since 2006. I'd like to substantiate this figure, and really let Canadians know what we're talking about here.

A cursory result reveals that the source of this figure is from CANSIM table 358-0142. Perhaps your officials can confirm this. It's a calculation from a 2006 baseline that gives you this overall figure.

The problem is that this total number fails to account for inflation, so it's misleading. As you know, with inflation, a dollar today is worth much less than a dollar of, say, 10 years ago. You have to build that into your calculations.

I did take the trouble to adjust for inflation. You should know that the figure is actually halved from the figure that you're suggesting and that you continually suggest through your speeches.

With this in mind, would you agree to revise your future statements to reflect a more accurate level of expenditure?

Hon. Gary Goodyear: Inflation has been considerably low the last couple of years, certainly since 2006, with the management of the economy by this government. We've been working very well with a very low inflation rate.

To a bigger point, I see figures around the world, funding as a percentage of GDP, gross domestic outputs, and so on and so forth, and the bottom line is that this government, and you can't deny this, has provided more than \$9 billion. You are, and I appreciate it, admitting that this is true.

You want me to calculate it for inflation and then give you that number. Well, I'm happy to calculate it any way you want, but the bottom line is that nine billion in new dollars.

Right now the S and T budget in Canada is around \$11 billion. When we took office, it was just over \$5 billion.

I don't see how inflation is that high. It certainly hasn't been where I'm looking. It's more money.

Mr. Kennedy Stewart: It is your global figure that you're reporting. When you adjust for inflation—and you should do so, because it's misleading if you don't—it's about half of what you're reporting.

If we move on to the decline in funding, the same CANSIM tables show that from the peak spending in 2010-11, you've actually had a decline in S and T funding by 14.5%. This takes the funding level down to almost exactly the same level when you took over this job in 2006, so really we've had no growth in spending at all. In fact since 2010-11 we've had a 14.5% decline.

I'm wondering if you could explain this decline and tell us whether or not it will continue.

Hon. Gary Goodyear: Again, if you do choose and select your statistics and your timelines, you can get any answer you want.

In 2008-09, I believe it was budget 2009, we had 4.9 billion in additional dollars. While I know some people would want us to continue to spend that kind of money, we don't have a carbon tax coming up. That was stimulus funding from a temporary two-year stimulus program, as you recall.

I'm sure you will recall that the government came forward with a fairly aggressive and quick stimulus program. It included billions of dollars for infrastructure, and \$2 billion was for infrastructure for science, research capacity, at our universities and colleges.

While we completed some 550 projects, highly successful, the vast majority on time and on budget, there was no need to continue that program, as these were temporary stimulus programs.

With all due respect to my honourable colleague, if you're going to take the year after all of those programs ended, you should see a decline. We made the commitment to temporarily stimulate the economy. We did, and those programs, or most of them, ended.

Mr. Kennedy Stewart: The key is that in real terms, you're actually spending less than in 2006.

I'll move on to the next—

Hon. Gary Goodyear: That's absolutely not true.

Mr. Kennedy Stewart: Let's move on to your planning and priorities document.

Under the section regarding advancements in science and technology, it says that actual spending in 2010-11 was \$1.3 billion, but your projection for 2015-16 comes out at \$400 million, which is kind of almost a billion dollars. I'm just wondering if you could explain that. It's under the section on advancements in science and technology in the report on plans and priorities from Industry Canada.

• (1555)

Hon. Gary Goodyear: Did you mention 2016?

Mr. Kennedy Stewart: Yes, it was 2015-16. It's the Treasury Board report that comes out to tell us what your planning and priorities are. It starts with actual funding from 2010-11, which is \$1.3 billion. When it goes out to 2015-16, it declines to \$414 million. That's a \$1-billion decline. I'm wondering if you can tell me whether these cuts will....

Hon. Gary Goodyear: I'm not sure how to handle this. My chart goes to 2015-16. Is that your chart?

Mr. Kennedy Stewart: That's what I just said, yes.

Hon. Gary Goodyear: Okay.

Most of this would be addressed by a couple of things that I can tell you about, and then perhaps Rob can fill in. One is that the stimulus funding that ended would be reflected in that chart, but this year's budget would not be reflected in that chart.

Mr. Kennedy Stewart: It says \$1 billion, though.

Hon. Gary Goodyear: It's \$466 million in this year; there's \$1.1 billion in last year's budget.

Mr. Kennedy Stewart: But just from the small slice of your overall spending of about \$10 billion, you're losing \$1 billion.

Hon. Gary Goodyear: No. What I'm trying to ask you to do is this: if you're going to compare the general from 2006 with where we are right now, then please do that, but don't just compare one year —

Mr. Kennedy Stewart: I'm reading it right out of your Treasury Board document on planning and priorities.

Hon. Gary Goodyear: I just explained to you that in fact it includes and it reflects the end of the stimulus programs, one of which was the knowledge infrastructure program—that's \$2 billion. The other answer I can give you is that it does not include this year's budget.

Mr. Kennedy Stewart: Will we substantially increase from the \$400 million? Going from \$1.3 billion to \$414 million is quite a huge drop. Are we going to go back to the levels of \$1.3 billion? Can you tell us where we'll be at some point on this?

Hon. Gary Goodyear: A lot of that answer would depend on how you and your party intend to vote on the budget. There's \$466 million in the budget.

Mr. Kennedy Stewart: It's through the government, though.

Hon. Gary Goodyear: We would hope that you and your party would support it, because I believe science and technology deserves that money.

The Chair: Thank you, Mr. Stewart.

Now on to Mr. Carmichael.

Mr. John Carmichael (Don Valley West, CPC): Thank you, Mr. Chair, and my thanks to you and your colleagues, Minister, for taking the time to join us today and to answer our questions.

I'd like to begin with a brief discussion about the National Research Council. Economic action plans 2012 and 2013 both expressed significant investments in the refocusing of the NRC, to the extent that in 2012 the investment was some \$67 million. In 2013 it was another \$121 million over two years. The focus clearly is to help the growth and innovation of businesses in Canada.

Understanding that the NRC is a vital part of Canadian research, can you explain to the committee what is happening with the refocusing of this vital organization, and what it means to overall research in Canada?

Hon. Gary Goodyear: Through you, Mr. Chair, thank you for the question.

You are absolutely correct. The National Research Council, I might want to point out, is one of our councils. We have, as you know, a number of councils. We have looked at this research council and are working to transform this council into more of an industry-facing organization. This is to better align the National Research Council to an area where Canada needs some support, and that is business research and development. It is based on the recommendations from the Jenkins report, the expert panel report that you may recall.

As you point out, the focus will be to help businesses grow. It will be to help high-growth businesses. It will be to help small businesses that do not generally have research capacity on site. This new approach will allow us to offer to businesses in Canada the enormous resources of this National Research Council with all of the expertise and all of the equipment. In fairness, they've done a lot of this in the past.

We are in the process of transitioning it. We are identifying, obviously, those areas and sectors that show the greatest potential and are already strong in Canada. We want our businesses to work more closely with our colleges and universities. We will be announcing more details, if I can say that, in the months to come. This obviously is a large organization. There are a lot of scientists there. There are international scientists who help us with our work, and we cooperate, as you know, with other countries. The process itself should take a little longer than you'd think, but we are obviously working to get this organization up and running as a research technology organization. All that means is it will be the laboratory, if you will, for business in Canada.

That's a very exciting thing. I can tell you, if I'm allowed, that the research council is a perfect example of how they can work. Recently they've been involved in the world's first ever flight by a civil jet on 100% biofuels. You can imagine the impact of this kind of research if we can move that information out into our private sectors. Something like that can have an enormous benefit for the economies not just in southern Ontario in this case, but all across Canada.

So if we can help Canada's businesses in this regard...because as I mentioned many times, we're number one in a number of areas in Canada. Certainly we're number one in our support of post-secondary institutions with respect to research and development as a percentage of our GDP, but we're nowhere close to number one in what's called BERD, business enterprise expenditure on research and development.

Businesses need to spend money on research, obviously, but they do need help in making sure that research is reproducible and ends up being valid and can be supported by other research. They do need a quality research organization. They need a place to test their products, perhaps get certification on their products, and frankly, get assistance in reaching those global markets that we're working so hard to open up.

• (1600)

Mr. John Carmichael: Thank you. I've got a couple of minutes left and I've got so much to ask.

Hon. Gary Goodyear: My apologies. I'll try to be shorter in my replies.

Mr. John Carmichael: I want to talk about FedDev, but maybe in context, just to include it if there is time at the end of your comments.

I'd like to hear more about the business initiative start-up on venture capital funding, and also the angel program on the business innovation initiative. As a businessperson, those are important issues to me.

If there's time, maybe you could comment on those, but I'd like to talk a bit about FedDev. Clearly, those of us in business were hit hard in 2008, in the region of southern Ontario. It's a region that has made a large contribution to the manufacturing sector of this country. In response, the Government of Canada acted quickly and created the Federal Economic Development Agency for Southern Ontario in 2009, something which I truly applaud you for doing.

Understanding that the Federal Economic Development Agency is vital to the re-emergence of southern Ontario, would you please give our committee an update on the agency's activities and possibly provide an example of where the money has been invested?

Hon. Gary Goodyear: Before I do that, Mr. Chairman, how much time do I have?

The Chair: Just over a minute.

Hon. Gary Goodyear: Excellent. I will do my best.

Obviously, the agency has done very well in southern Ontario. That is the reason we are renewing it. The other reason, of course, is that we're not out of trouble. The manufacturing industry and other sectors in southern Ontario face everything from an unstable United States, the global market, pressures around the dollar and venture capital as you mentioned. We did a lot of stakeholder consultations in setting up the original programs and they were designed to assist that.

The venture capital market is also something the Jenkins panel recommended the government have a look at. The government as a whole has taken a serious approach to this with money in the budget for venture capital.

We saw a great possibility to increase the angel investor capacity of the southern Ontario market, so we developed a program to do just that. It has been highly successful.

I will give you an example. I have tons of examples, but I will give you just one. The Ice River Springs water company is a family-owned business that produces private-labelled spring water. The company expressed a desire to become more environmentally sustainable in all of its materials and practices, but they were limited by space.

They came to FedDev. They showed us this opportunity not only to help the environment and buy more locally, but to increase jobs, so we ended up helping them. They have now converted an automotive manufacturing plant, which saw some contraction as you know, into the first food-grade recycled resin manufacturing facility in Canada.

They are selling to foreign markets. They have new products. They've created 36 full-time jobs. That's my best example.

My apologies, Mr. Chair.

•(1605)

The Chair: Thank you, Minister Goodyear.

Now on to Mr. Regan for seven minutes.

Hon. Geoff Regan:

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chair.

Thank you, Minister, for coming with your officials as well.

You spoke a few moments ago and you kind of took credit for low interest rates in the past year.

Hon. Gary Goodyear: No, I didn't.

Hon. Geoff Regan: Well, that's what it seemed like. I think you'll probably agree that the recession and the low growth we've seen since then probably had a big impact—

Hon. Gary Goodyear: Absolutely.

Hon. Geoff Regan: —and we, of course, leave most of that to the management of the Bank of Canada which does a pretty good job.

Hon. Gary Goodyear: Of course.

Hon. Geoff Regan: According to the recently tabled report on plans and priorities, it appears that FedDev will see budget cuts next year. We've heard a bit already. How much will they be?

Hon. Gary Goodyear: FedDev, as you probably know, did go through a process of finding efficiencies. I will tell my president to give you the exact numbers.

There were some decreases in the grants and contributions. We found efficiencies in how we did business, and we amalgamated one office from Stratford to Kitchener. That's the genesis of the savings, and I will defer to my colleague.

Dr. Bruce Archibald (President, Federal Economic Development Agency for Southern Ontario): In terms of budget 2013-14, our actual net for grants and contributions went up \$5.9 million year over year, but that was actually a combination of a number of things. We had added \$24.8 million for the community innovation infrastructure fund, an increase of \$1.5 million for the Brantford remediation project, and those were offset by a decrease to our southern Ontario development program of \$18.8 million and a decrease of \$1.25 million in the community futures program and \$0.2 million for the economic development initiative, which were all part of budget 2012's budget exercise.

In terms of operating dollars, our operating dollars decreased in 2013-14 by \$1.1 million as a result of budget 2012. Then \$0.4 million went to Shared Services Canada; \$0.1 million was transferred to Treasury Board, which is now going to look after our audit function in the regional agencies; and \$0.2 million went to the employee benefits program.

Hon. Geoff Regan: For the overall, I asked how much it would be. It's pretty hard to add and subtract that fast, but am I right that it's reduced by about \$14 million net? Is that where we are?

Hon. Gary Goodyear: No, the net is up.

Dr. Bruce Archibald: It depends which piece we're looking at.

Hon. Geoff Regan: You mentioned the \$5.9 million increase in grants and contributions, a decrease of \$18.8 million, a decrease of \$1.25 million, a decrease of \$0.2 million.

Are you saying that there is a net increase? The impression you get from the report on plans and priorities is that it actually is a decrease.

Dr. Bruce Archibald: If you look at the main estimates for 2013-14, it's \$194 million, and main estimates for 2012 were \$188.9 million. That's sort of the year-over-year comparison on the main estimates.

Hon. Geoff Regan: I'm looking at these numbers from table 8, the main estimates for the Federal Economic Development Agency for Southern Ontario. It says the estimates to date for 2012-13, so the previous year, were \$261 million. The main estimates for 2013-14, are \$222 million. That's a decrease, is it not?

Dr. Bruce Archibald: It is a decrease, yes.

Ms. Linda Cousineau (Chief Financial Officer, Finance, Information Management and Informatics, Federal Economic Development Agency for Southern Ontario): I can take that. I'll step in.

The difference is we got in-year funding through budget 2012, and that included a top-up to our southern Ontario development program. As well, the estimates to date don't include the budget cuts that happened in-year to our programs.

Hon. Geoff Regan: On that, it appears we're looking at a reduction of \$920 million. From this year's budget it indicates a reduction of \$920 million over the following five years. Does that represent a 20% annual cut for FedDev, compared to the previous five years?

Hon. Gary Goodyear: Actually, if I may, honourable colleague, I think we're jumping the gun a little bit. If I can, I'll try to explain that \$920 million. This is something we know about. FedDev in the past has been the administrator of other funds, which might increase the numbers of previous years. As you know, in this budget there is an announcement of some significant infrastructure money in building Canada. We do not know yet where that administrative responsibility might land.

FedDev over the last number of years, colleague, has handled things like the recreational infrastructure program, the community adjustment fund, the community innovation investment fund, CIIF as we call it. These are all added to those numbers.

What you're looking at right now is the pure \$920 million.

• (1610)

Hon. Geoff Regan: The \$222 million for this current fiscal year, that's not simply your bare-bones budget. There are a lot of other things. Some of those other funds you're administering are in there. It makes it hard to tell how much you actually have for the core purposes you're engaged in.

Hon. Gary Goodyear: Us too.

Some hon. members: Oh, oh!

Hon. Gary Goodyear: We are very happy because we do in fact—if I may just say this—have an agency that is ready to operate. It is extremely experienced on managing large volumes of applications, dealing through those, writing up contribution agreements, and negotiating them. It isn't unusual for us to be asked to manage another program, because we do it so well, frankly.

Hon. Geoff Regan: If you're having difficulty understanding what funding you're going to have over the next five years, and we, as parliamentarians, are trying to assess the estimates, and based upon difficulties parliamentarians have had the last few years in determining what government spending is going to be, even what it has been sometimes, you'll understand how difficult it is when I can't get a clear answer and you aren't able to give me one to that kind of question.

Hon. Gary Goodyear: Quite clearly, the reason is that's why we have supplementary estimates (A), (B), and (C). That's why every few months these estimates are modified to reflect what is added to the agency.

Hon. Geoff Regan: We see budget changes—I was going to call them budget cuts, but it's a little fuzzy. Clearly we see a change, as I mentioned, between this year and next. At any rate, will there be employment reductions, or will there be a reduction or increase in transfers to your clients?

Hon. Gary Goodyear: Maybe I can let you answer that. Again, it depends on what we're looking at. I don't want to jump the gun here, but some of our employees are—

I apologize. I'll let you handle that.

The Chair: Be as brief as possible, please.

Dr. Bruce Archibald: With the announcement in budget 2013, there's \$920 million for the next five years. The operating budget for the agency, grants and contributions and operating, is \$184 million each year. What we don't know at this point is whether or not there will be added elements for infrastructure delivery or other programming that could come from other departments in the federal government, which we often deliver on their behalf. That's the base piece for us for the next five years.

The Chair: Thank you, Mr. Archibald and Mr. Regan.

We'll now move on to our five-minute round of questions. For that round we'll begin with Mr. McColeman.

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

Thank you, Minister, for being here with your staff and those people you've hired in senior positions.

I'd like to return quickly to FedDev. In the early days I know how important it was, as this was formed out of the infrastructure program, to communities like mine, which have a very proud manufacturing background, the city of Brantford in particular. At the turn of the century it was the third largest manufacturing city in Canada, only behind Toronto and Montreal.

Can you tell me some of the early statistics, in terms of the introduction in the first couple of years, of what we achieved? I know it was hugely significant in the case of my community.

Hon. Gary Goodyear: Yes, certainly. I'll try to summarize this time.

First of all, the agency got started in August 2009, halfway through the fiscal year. We took it upon ourselves to look for partnering opportunities with agencies that had a history of doing very well: the industrial research assistance program, the Ontario Chamber of Commerce, Canadian Manufacturers & Exporters, and the SMART program, just to name a few.

We knew at that time it was imperative to get assistance into these communities around southern Ontario. Very quickly, we looked for partners that had connections and existing relationships, but we also went on the road and did consultations with communities, with economists, and with planners in these little communities around southern Ontario. We collected all this data. That is where we came up with companies and communities saying that they only had one employer and needed to diversify so that they would have three or four employers, or that they needed venture capital and infrastructure, or that they had scientists who didn't know how to run a business but had great ideas.

We developed a series of programs, as I mentioned earlier, that we called the southern Ontario advantage. They were to try to approach these gaps, but I will tell you that the criteria changed, so that it wasn't so much just simply getting money into the community. We continually upped the game to require a longer term economic benefit to the community.

Today, our programs are based on diversification of communities by trying to get to the communities and educate them about these programs being available. We can't fund anything if we don't have an application. That has been a bit of a challenge.

On the venture capital side, we've leveraged some \$147 million with 81 high-growth start-up companies, and with 2,400 high-quality jobs created there. The money is repayable. This is a very important thing. We've had folks like Dr. Oetker, which was looking all over North America. It's a German company. We ended up landing that company in southern Ontario, again for a repayable loan, whereas other countries, as you can imagine, are offering some significant grants, but the overall tax base I think has been attracting them because it's so low.

For one example here, I'll go back to the research commercialization initiative. Eighty-five per cent of the people in that program indicated that their projects met or exceeded most of their original objectives. Fifty per cent indicated that as a result of the ARC program, applied research and commercialization, they are expecting sales increases greater than 75%.

Another one is the partnership with Canada in which the Canadian Manufacturers & Exporters are projecting that for the funding we've delivered to them, they've leveraged up to \$95 million while assisting 800 southern Ontario manufacturing businesses. Their objective is to increase their productivity and their competitiveness on a global scale. Also, they have created some 5,000 jobs.

I could continue with this. Chango is another one I remember, whose sales increased over 500% as a result of working with students under our FedDev programs. In the next year they're predicting an increase of over 800% on that number.

I think we are looking at the opportunity here to shift the environment, not just to create jobs, but to create high-quality jobs in a new economy. Obviously, this is what other folks think, hence the agreement to renew the project. What we need now, obviously, is that it has to pass; we need to have the budget pass.

• (1615)

The Chair: Thank you very much, Minister Goodyear.

Thank you, Mr. McColeman.

We'll move on to Ms. Liu for five minutes.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you, Mr. Chair.

It's wonderful to be able to question you today, Mr. Goodyear.

Let's move right to the devastating report that the Conference Board of Canada published a few weeks ago on the state of innovation in Canada. I'll quote a few excerpts from it. It states, "Despite a decade or so of innovation agendas and prosperity reports, Canada remains near the bottom of its peer group on innovation, ranking 13th among the 16 peer countries." It states, "Countries that are more innovative are passing Canada on measures such as income per capita, productivity, and the quality of social programs." Moreover, states the report, "So far, there are no conclusive answers—or solutions—to Canada's poor innovation ranking."

I find this to be quite embarrassing. Your government has been trying to fix this for almost a decade. How do you explain your horrible record on innovation?

Hon. Gary Goodyear: Actually, productivity innovation is a decades-old problem. I have had, as you would put it, the unfortunate experience of reading all these reports—C.D. Howe, Red Wilson, Jenkins, Deloitte Touche. I've read them back to the 1960s, and in some cases you would think they were written this summer. Now, I'm not saying that's a good thing. What I'm saying is that improving a country's productivity is a difficult thing and it's hard to measure. You can't make a change this year and then expect to see the change next year. The fact is we have seen some increase in productivity measurements, but in my view, it is for a quarter and doesn't necessarily in itself signify the trend that we want.

This comes right back to exactly why in 2007 we set up our science and technology strategy. This is exactly why we look to encourage businesses to partner with our academic communities so that we can move that knowledge, and there is a lot of that knowledge, down into our factories.

• (1620)

Ms. Laurin Liu: Sure, but despite that, we know that gross domestic expenditure in R and D is at its lowest level in 10 years, falling from 2.09% in 2001 to 1.74% in 2011. I find that to be quite a devastating record.

I'd like to move on to the NRC. This was mentioned earlier in questioning, so we know that you put \$67 million into restructuring the NRC. There's no plan, or at least you haven't released it to the public, so we have no idea where this government's going. Mr. McDougall has also indicated that while the total number of positions at the NRC will stay the same, the number of researchers employed by the NRC will actually decline.

Can you tell us how many researchers will be losing their jobs this year?

Hon. Gary Goodyear: In the next coming months we will in fact speak in much more detail about the transition process. Again, to reflect the point that businesses obviously need some additional assistance, businesses are the ones that promote or are responsible, if you will, primarily for innovation and productivity in the country. There are a number of factors for this, and I know you appreciate that. It is everything from whether or not Canadians, in general, are the risk-takers that Americans are. I don't think they are, but that doesn't mean we want to be Americans.

As it was put to me very clearly by another gentleman with whom I've consulted, there is a cost here, and we don't mind paying that cost to be Canadian. We live in a wonderful country. We have low taxes. We have natural resources. We have relatively safe streets compared to so many others. I think with the productivity gap between the Americans, for example, and Canada, we're actually paying too much at this point. So the reasons for the government to put focus on encouraging businesses to be more innovative, to be more competitive, to be more productive by incentivizing them to buy the latest machinery...skills training so their employees can in fact learn the latest technologies—

Ms. Laurin Liu: I think we need the researchers there to actually make the groundbreaking discoveries.

Hon. Gary Goodyear: That's absolutely correct, but our researchers will continue to do research. They will be doing it for businesses in this case.

Ms. Laurin Liu: I'd like to move on to NSERC. Tables 1 and 8 on NSERC's own facts and figures page paint a clear and quite worrying picture of basic research capacity in Canada. Since your government came into power in 2006, the discovery component of the people, discovery and innovation streams received \$422 million, but in 2010-11, this stream received only \$421 million, a \$1 million reduction, which I find quite worrying.

Hon. Gary Goodyear: Sorry, colleague...?

Ms. Laurin Liu: It went from \$422 million in 2006, to \$421 million in 2010-11. However, when we adjust for inflation, this turns into actually a \$30-million cut to discovery. Can you confirm this figure, and can we expect this trend to continue?

The Chair: As briefly as possible, Minister, because we're over time.

Hon. Gary Goodyear: The question, just for clarity for my official, is that we provide \$420-something million and your chart shows \$1 million less.

Ms. Laurin Liu: But that's not adjusted for inflation.

Mr. Robert Dunlop (Assistant Deputy Minister, Science and Innovation Sector, Department of Industry): The figure is correct. I think, as the minister was saying earlier, though, there's no official program that only supports discovery research, as opposed to a program that supports applied research. Some of the activities that take place, that people under NSERC apply for as a discovery grant are actually quite applied, or as the minister said, applied and not yet applied. While as other elements of the NSERC budget have gone up, which can support it—

The Chair: Thank you, Mr. Dunlop. I'm sorry, but we're way over time. I just wanted to give you an opportunity to answer that.

Now we go to Mr. Braid for five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you, Minister, and officials from FedDev, for being here today. Of course we're here today to discuss and review the main estimates for FedDev Ontario.

Minister, when FedDev was first created in 2010, I believe the original funding envelope was \$1 billion. Is that correct?

• (1625)

Hon. Gary Goodyear: Over five years.

Mr. Peter Braid: Of course it was a brand new agency at the time, so out of that \$1 billion, we required some funding and investment to create the agency, to build it from the ground up. Is that not a fair statement?

Hon. Gary Goodyear: That's correct.

Mr. Peter Braid: Budget 2013 provides renewed funding to FedDev of \$920 million. That, to me, is pretty much an apples-to-apples comparison, in terms of funding for FedDev over five years. Is that not correct?

Hon. Gary Goodyear: In fairness, we were given \$1 billion over five years. Yes, we had some additional costs that we will not have as we move forward. We are, as long as the budget passes, looking at \$920 million over five years.

Mr. Peter Braid: Excellent.

When I look at the main estimates, page 134—and of course departmental spending in the federal government is an annual process. That's why we have annual main estimates. That's why we have, Minister, as you indicated, supplementary estimates (A), (B), and (C). That's why our plans for departmental priorities, the plans and priorities, are annual documents.

When I compare the main estimates for 2012-13 with those for 2013-14, I see a net increase of \$4 million, or 2%, when you compare the mains to the mains, or apples to apples, so I'm not quite sure why there's confusion on the other side of the table.

In addition, one of the reasons for the net increase in the main estimates, as I understand it, is that FedDev was asked to administer the community infrastructure improvement fund, which increased funding for this year by \$25 million.

Again, is it not accurate to say that even though this budget has renewed funding for FedDev over five years of \$920 million, any future budget from the government could potentially increase that funding envelope?

Hon. Gary Goodyear: The simple answer is absolutely it can.

It's important to point out that the government prefers, especially in these difficult economic times we are still facing around the world, to be nimble, to be flexible to meet the needs that Canadians currently face, not what faced them five years or 30 years ago.

Mr. Peter Braid: Speaking of the past budget that was recently tabled, you indicated in your opening comments.... For example, there's an investment of \$60 million over five years to help outstanding and high-potential incubator and accelerator organizations or centres in Canada. Could you elaborate on this particular new program, the purpose it will serve, what it will achieve, why it's important, and when that funding may begin to roll out?

Hon. Gary Goodyear: Let me start at the front of it. Colleagues, accelerator incubators are an opportunity for businesses to get some mentorship from other businesses, and in some cases academics as well. This has been proven to be an extremely valuable step up for our businesses. It decreases their start-up costs, and it improves their probability of successfully remaining in business.

We have invested and supported a number of accelerator incubators around the country. As is the case in any multiple group of organizations, you tend to have a variety of performance metrics. Truth be told most of these are operating extremely well. Some of them are quite superior to the others.

We want to provide additional support to get the plan, the approach, and the strategy right of what an incubator and accelerator will do.

The Minister of Finance, Mr. Flaherty, in his wisdom, and I completely support it, has provided some funding so we will be looking at some of the most exceptional incubators in a pilot program to see how we can get them to move to the next level.

I should stop right there because that's about the end of the knowledge I have of that program. It looks as if I'm getting the signal that I'm done anyway, but hopefully that will answer your question. As always, the budget has to pass first and then of course we will consult to see how to roll this out and ultimately which ministry will be responsible for this program.

• (1630)

The Chair: Thank you, Minister.

Colleagues, it's 4:30 so we will suspend for a moment. Minister, I understand you are here from 3:30 to 4:30.

Hon. Gary Goodyear: I am. Unfortunately I have to go. Colleagues, I want to thank you for the opportunity to share some time with all of you. It is the most important file, and I know you agree. I'm very excited about it, and I'm here to answer questions.

Thank you very much, Mr. Chair.

• (1635)

The Chair: Thank you.

We'll suspend for three minutes.

• (1635)

_____ (Pause) _____

• (1635)

The Chair: Ladies and gentlemen, we're back for questions to the officials now. It's Mr. Harris's slot at the moment, but he will return momentarily so I'll let Madam Gallant go ahead, and we'll have them switch spots.

Madam Gallant, you have the floor for five minutes

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

Our government has made significant investments in science and technology since 2006. We often hear the minister highlighting different investments we've made.

When the global economic downturn occurred, everyone had to make adjustments. How have the measures this government has taken impacted on your portfolio?

Mr. Robert Dunlop: Thank you for the question.

Mr. Chair, as the minister was explaining, what the government chose to do in their regional economic action plan primarily for science and technology was very stimulus based with the idea this is something that would begin and it was something that would end, with the idea of leaving a tangible legacy at that time.

The minister highlighted the knowledge infrastructure program. That was \$2 billion for infrastructure in universities and colleges. As the minister said, the program was completed on budget and on time; 554 projects across the country increased the capacity of universities and colleges to do research. Also a significant number of those projects were related to things like energy efficiency. As the stimulus ends, the savings to the institutions begin, and instead of having created an ongoing problem that has to be funded, you have created savings and ongoing advantage.

There were other elements as well, but again, we're stimulus based so the intent was for them to end, as well as to have an impact at a time when the economy was in dire straits.

Mrs. Cheryl Gallant: Recently I had the opportunity to do a presentation announcement to Pillar5 in Armprior. It was formerly a pharmaceutical manufacturer, but the community got together to keep the plant open. Now they package different over-the-counter items, one of them being Visine.

In this announcement it was a fully repayable loan to purchase a machine that would help with the sterile aspects of an ophthalmic solution.

Could you tell us about that program, about how well it has been received, and about whether or not you've been able to measure the positive effects in terms of number of jobs created or that are anticipated to be created once the equipment and training have occurred?

Mr. Robert Dunlop: Mr. Chair, I believe that program is administered by FedNor....

Is that an Industry Canada program? That's one of yours? Okay.

I'm sorry.

Dr. Bruce Archibald: Mr. Chair, I'll ask Clair Gartley to talk about that particular program.

Mr. Clair Gartley (Vice-President, Business, Innovation and Community Development, Federal Economic Development Agency for Southern Ontario): Thank you, Mr. Chair.

The Pillar5 project that was recently announced was funded under what we call our prosperity initiative. When Minister Goodyear was here, he mentioned the suite of southern Ontario advantage initiatives that were developed several years ago to fund a number of different programs and projects.

One of those initiatives is the prosperity initiative. We've had a lot of interest in that initiative. It does a number of things. It supports business productivity. We've worked with people like the Canadian Manufacturers & Exporters in supporting productivity in businesses. It also supports diversification of regional economies, and it helps build economic clusters.

Pillar5 was one of the many projects funded under that initiative. They're basically moving into more of a knowledge economy, creating high-value jobs. Certainly they were a good fit for the initiative.

Mrs. Cheryl Gallant: I understand that this particular project is anticipated to generate another 50 jobs at a plant where there's already 100.

Overall, do you have any numbers yet on what the projected increase in employment will be under that particular program?

• (1640)

Mr. Clair Gartley: First of all, I should mention that for all our programs that we deliver, we have in place performance measurement strategies. We're tracking a number of different performance indicators right from the output level to the longer term outcome level.

It's still pretty early days—FedDev has only been in existence for three and a half years—but we have a five-year evaluation plan for our programs. We have already started to do quite a bit of evaluation work. Part of that was due to working towards renewal of our funding.

Some of the evaluation on many of the projects we did in our first couple of years, 2009 to 2011, would indicate something over 25,000 jobs as a result of the projects funded just in those first couple of years, and then—

The Chair: Thank you, Mr. Gartley. I'm sorry, the time is away on us.

Now, because of our adjustment, we will have two spots.

We'll go to Mr. Harris for five minutes.

Mr. Dan Harris (Scarborough Southwest, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for staying with us for the second hour.

Ms. Liu spoke earlier about productivity and the challenges we face. Another aspect of that is investments into the IT sector. Currently Canadian businesses are only spending about 58% of what their counterparts in the United States spend in the IT sector. Of

course, this is a major barometer for productivity and investment and innovation.

I'd like to know what in the budget is actually seeking to correct that, to bridge that gap in terms of IT sector funding and business.

Dr. Bruce Archibald: In the budget, as the minister mentioned earlier, the agency was renewed for \$920 million over the next five years. Over the course of the next months, we're going to conduct a number of round tables across southern Ontario and talk about areas of programming that we may want to design as we go forward for the next five years. Certainly the area of information communication technology is one that is going to be of great interest.

Also in our funding there was an allocation designated for the advanced manufacturing fund of \$200 million over the course of those five years. Clearly one of the sectors that we're very interested in from a manufacturing point of view is the whole ICT space. We will also be consulting on the design and delivery of that program. Those are areas that we're going to look at.

In the past though, we did some investments in the area of ICT. We made a number of investments through our prosperity initiative to look at high performance cloud computing; we've made an investment of about \$20 million to date. We've also made a number of investments in our investing in business innovation initiative to actually create start-ups of ICT firms in southern Ontario. There has been some activity in the first years of FedDev, and I expect we'll continue to work in that space going forward.

Mr. Dan Harris: Cloud computing, which is still largely misunderstood by a lot of people, is one of those growth areas in the future. However, here in Canada, with the strict limitations on bandwidth that are placed on consumers and businesses, that severely restricts and limits the ability of business to take advantage of that. When you only have, say, 60 gigabytes of bandwidth per month, you're not going to be able to go beyond that, otherwise the cost becomes prohibitive. However, that's more a question for Minister Paradis when he comes on May 2.

You mentioned the round tables. Really, it is important to come together with a plan as to how to properly spend the money to actually have the greatest effect. What kinds of stakeholders are going to be included in those round tables? Has there been a decision as to how many and where they're going to be, or has that plan not been put in place yet?

Dr. Bruce Archibald: We haven't formalized any plan at this point. We've had some conversations internally within the agency and some preliminary conversations with the minister, but I think we've actually used round tables very effectively in the past. They've actually been a very good way to assemble a lot of people from a variety of different experiences and backgrounds fairly quickly and to get some good input. We've used that very much in the design of our early programming. As we did some refinement, we brought those together.

Our expectation is we're going to do the same over the next few months as we try to go back out and seek guidance on what went well in terms of programming, and what the areas are where there are still some gaps that we may want to look at, what the areas are where we may want to reallocate resources because there are other people working in those spaces.

•(1645)

Mr. Dan Harris: Are you planning on doing more than round tables in order to get the information required or just round tables?

Dr. Bruce Archibald: No. We're also planning to work with our colleagues in other levels of government. Obviously being based in a regional agency for Ontario and southern Ontario, we have close ties with the provincial government. We've established good working relationships with them in the past. We've done some interesting projects in various regions of the province. Obviously we'll be consulting with our colleagues there, as well as with key trade associations. We've had a lot of good discussions with people such as the Canadian Manufacturers & Exporters and the Yves Landry Foundation. We'll also do some consultations with associations as well.

Mr. Dan Harris: Thank you very much. I'm out of time.

The Chair: Thank you, Mr. Harris.

Now we go on to Mr. Stewart for five minutes.

Mr. Kennedy Stewart: Thank you, Mr. Chair.

Thank you to the witness for answering questions.

The NRC was allocated \$67 million in financial year 2012-13. I'm wondering what that's being used for. If you could be specific, that would be great.

Mr. Robert Dunlop: That money was used, as said in the budget, to facilitate the transition which the NRC management has been working on, and which, as the minister said, would be announced shortly.

Mr. Kennedy Stewart: Are there any details you can provide on that funding? Is it for balloons and party hats, or is there something more specific that...

Mr. Robert Dunlop: Mr. Chair, the funds were used for the ongoing activities of the National Research Council, paying their staff, running their businesses, running their facilities, and conducting the research.

Mr. Kennedy Stewart: When would we have a more specific breakdown? Would it be something you could table later that would give us a specific breakdown of what that was used for, or is it just in the general revenues?

Mr. Robert Dunlop: If I'm being asked if a formal answer could be provided to you, of course.

Mr. Kennedy Stewart: Thank you.

As part of the NRC transition, we're just wondering the effects on the number of positions, specifically the science or research positions compared to the administrative positions. Last time Mr. McDougall was here, he did say there would be a significant reduction in scientific research personnel. We're just wondering if you could provide an update on that at all.

Mr. Robert Dunlop: Mr. Chair, I can't provide an update. I suggest Mr. McDougall would be better placed to provide detailed answers on matters pertaining to this.

Mr. Kennedy Stewart: Perhaps that's something we could do then, have Mr. McDougall come back to the committee and answer

those questions about the NRC. I'll leave that with the committee to ponder.

Maybe we can go back to the overall calculations of science and technology spending as I asked the minister, the \$9 billion number and how that's calculated. It doesn't look as if inflation is accounted for in that number. Is that something you can confirm as well?

Mr. Robert Dunlop: Mr. Chair, the government accounting is always done in nominal dollars; that is, the main estimates and votes are all based on nominal dollars, not inflation adjusted. The tables you've seen are....

Mr. Kennedy Stewart: How about the percentage of decline in S and T spending? It's hard when you're looking at nominal figures, because it always keeps growing and growing and that's why we inflation adjust. Actually Statistics Canada does that for us in particular tables. I'm just wondering if there is any part of reports where that would be formally reported, or is that something members of the public have to do themselves?

Mr. Robert Dunlop: Mr. Chair, if the question is about the information available from Statistics Canada, as you say, it provides both nominal and inflation adjusted, depending on which particular table you're looking at. That information is widely available.

Mr. Kennedy Stewart: Maybe we could go back to the planning and priorities report that we talked about before, and that's the advancement in science and technology. So, we have the actual spending in 2010-11 as \$1.3 billion declining to \$414 million. I know there are some projects that still have to be funded or approved by Treasury Board to be added into this table, but will the funding ever come close to hitting the 2010-11 level?

•(1650)

Mr. Robert Dunlop: I did pull together the information on the differences. As the minister was saying, the primary elements there we're taking out of KIP, the temporary program, which was \$1 billion a year. There are a few other programs that are set for review. The funding that was provided for quantum computing and for the Ivey centre, which were announced, could be reviewed and perhaps renewed, but they are not included because that's a decision to be made in the future.

There are also a few elements that are missing from the 2015-16 figure that have since been announced. They include the \$500 million for CFI which, although announced in last year's budget, because fund flow was to start in 2014-15 wasn't included until now. That has been announced and will be confirmed shortly. Also not included is the \$165 million for Genome Canada and the \$13 million for Mitacs. Obviously I can't say what the budget for science and technology will be in 2015-16, but I can tell you there's a large number of elements that are in place that would make that gap a lot smaller than [*Inaudible—Editor*].

The Chair: Mr. Braid, you have five minutes.

Mr. Peter Braid: Thank you, Mr. Chair.

Mr. Archibald, in response to an earlier question you mentioned that between now and when the mandate for FedDev is renewed, about a year from now, you'll be carrying out extensive consultations with respect to what the renewed FedDev will look like. You must have a sense today of what's worked well so far. Could you tell us what you think has worked well, given the FedDev mandate?

Dr. Bruce Archibald: Thank you for the question, Mr. Chair.

One interesting thing about this regional agency is that it operates in a very large and diverse economy, in Canadian terms, with a real GDP somewhere in the neighbourhood of \$600 billion and a very diverse economic base. One thing is that in consultations with various stakeholders and obviously through Minister Goodyear's guidance and direction, we have tried to make our investments in areas in which we can foster partnerships and try to improve the productivity piece, as well as build communities, and also look for opportunities involving gaps in the landscape of the various players.

I think we've been very successful in helping bring a large consortium together, with ideas on projects that can make a difference in the transformation of the economy in southern Ontario. One example is that there is a fair bit of understanding and expertise in the area of water management, water conservation, purification, a number of those issues.

Early on we had a number of applications from various players to look for pieces of that puzzle. We worked very hard with a number of industries as well as universities to build a much stronger and larger proposal, one that involved several universities and a number of private sector partners and that leveraged a considerable investment and actually made a significant investment in the area of water technology in southern Ontario. This is the model that we think is the way to make a real difference. We have done smaller investments with specific companies, but I think some of the transformational pieces are in these areas.

That's one example. The other area is in communities.

Clearly, a number of communities were seriously impacted as a result of the economic downturn and have worked hard to try to reinvent and think about where they need to go on a going forward basis. We've worked very diligently with a number of them.

Windsor is an example, in which, in a very large area that was largely dependent on auto assembly, the jobs left. How does it recreate itself? Working with the community, the mayor, the local universities, and the local Chamber of Commerce came together with a couple of very credible plans on a going forward basis, and we made some investments in those areas.

Recently we've done some work in the Niagara region, which is similar in those areas.

Then the last area, which the minister referred to, is the area of early stage financing. We heard a lot in the round tables about access to capital having disappeared, so we looked at some opportunities to see what we could do to encourage people to come back into that market, to make more investment in creating Canadian companies. Those things have gone well.

This is community activity built up by the community itself whereby we help bring a large consortium together in areas in which

there are known gaps to try to work in those areas. That has really been our emphasis.

• (1655)

Mr. Peter Braid: That's a great segue to my next question.

Of course, FedDev was created with the mandate to support economic growth, create jobs, and foster innovation.

Do you have any specific metrics to share on how you've been achieving those goals as part of your mandate?

The Chair: Be very brief, please, Mr. Archibald.

Mr. Peter Braid: But it's such a good question.

Voices: Oh, oh!

Dr. Bruce Archibald: We develop an evaluation plan for the agency. We have looked at a number of different evaluations in various parts of our programs. While these are still early days for the organization, there has been some significant improvement in job creation activities in those kinds of areas.

So the answer is yes, and I think we have gotten some positive feedback.

The Chair: Thank you very much, Mr. Archibald.

Now we go on to the second five-minute round moving to Mr. McColeman for five minutes.

Mr. Phil McColeman: Thank you, Mr. Chair.

I'd like to pick up on what the minister talked about in terms of the tremendous growth in the support of angel capital funding and get your points of view from your various parts of the equation in carrying out the mandate for FedDev. Could you give us some examples, and they may not be measurable or empirical data, that you can put your fingers on immediately, but just a sense of how that private capital growth has happened? Could you perhaps give us some of the reasons why you believe it has happened?

Dr. Bruce Archibald: Mr. Chair, I'm going to ask Clair Gartley to respond to that one.

Mr. Clair Gartley: Thank you for the question.

As Dr. Archibald mentioned, this is one of the areas we identified early on in the agency that we felt was a place where we could play a role in making a change. Angel capital has declined quite substantially in Ontario. It was difficult for good ideas, good businesses, to find the capital they needed to get going.

It took a number of things. A strong innovation ecosystem was encouraging people to start up businesses and look at commercializing new IP and new technology. That was happening as there were various things at play. Certainly it's something that communities, post-secondary institutions, and the province were very involved in.

To address the capital issue we had a lot of discussions with some of the existing angel networks and some of the key venture capitalists in southern Ontario. We heard from them that if we helped them in matching some of the capital they put in to these companies, that would encourage more activity. We devised a program called investing in business innovation, which was launched a couple of years ago. We now have funded over 80 start-up companies through that program with repayable contributions, repayable loans. Our funding is one-third of the total cost of the project, up to \$1 million.

The unique thing about the program, though, is that these start-up businesses have to come to us first with either angel or venture capital, or both types of funding in place. We're not picking them. They're being picked by the investment community as good prospects and then they come to us. Then if everything's in place, we put in our one-third of the funding.

The model has worked, I think, because stakeholders had a lot to do with it and because the timing was good. It was really needed. It's generated a lot of response.

The interesting thing early on was we thought most of the funding would come from angels, private individuals who are working perhaps in a network and investing in these start-ups. As time went on, the venture capital community joined in. About half the funding that's gone into these over 80 start-up companies is from the venture capital community and the other half from angels.

• (1700)

Mr. Phil McColeman: The work you've done is a tremendous success story. I owned my own business and I have a background in that area. This is one of the issues that small and medium-size businesses deal with in particular: when you want to go to the next level, how do you generate the dollars to do that?

I guess the next step in the questioning here would be, do you see that as being a strong component as you move forward, as you look at the next five-year funding envelope that budget 2013 has laid out?

Dr. Bruce Archibald: As I mentioned earlier, Mr. Chair, we are in the process of designing a consultation process with a number of round tables. We have done some preliminary thinking of areas where we want to go back and ask a number of experts across the province where they think there are continued opportunities or new opportunities. This is one of the ones we're going to probe.

We've had this program. From our perspective, it seems to have filled a niche and then been successful. Our initial evaluation has been very positive in terms of its results.

Is there a continued need? Does it need to be modified? Those are things we're going to be asking.

The Chair: Thank you, Mr. McColeman.

We'll move on to Mr. Thibeault for five minutes.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

First I'd like to thank the departmental officials for attending today. I know that appearing before a parliamentary committee isn't always the most pleasant experience for you, especially when you get tossed into the political fray every once in a while. Once again, thanks for your professionalism and for being here today.

We know that estimates provide an opportunity for parliamentarians to examine and ask questions about planned government spending for the upcoming fiscal year. We also know there's a direct correlation between government expenditures and revenue. Here a trade-off can be made between raising taxes and increasing deficits to maintain expenditures.

There has been much discussion about one particular revenue-generating aspect of the budget, namely revisions to the general preferential tariff that will increase the cost of hundreds of consumer goods, including iPods, bicycles, baby carriages, coffee makers, scissors, rubber sandals, vinegar, umbrellas, paint brushes, and perfume, just to name a few. These changes, found on page 332 of the Conservatives' economic action plan, will have a major impact on industry, on retailers and consumers, and they certainly merit, in my opinion, examination by the industry committee.

Therefore, Mr. Chair, I would like to move the following motion and then speak to it.

I move that the Standing Committee on Industry, Science, and Technology undertake a study into the increased taxation of hundreds of consumer goods detailed in budget 2013, including the 5% tax increase on iPods and MP3 players, the possibility that TVs and other goods may have been taxed retroactively, and the impact of these tax changes for consumers, retailers, and industry, and that the committee reports its findings back to the House.

May I speak to this now, Mr. Chair?

Mrs. Cheryl Gallant: I have a point of order, Mr. Chairman.

So far what we've heard seems to be more relevant to the finance committee. This is the industry committee. I would say that this motion is out of order.

The Chair: Madam Gallant, I understand your point, but as far as procedure is concerned, we're going to have to let it stand, and he has the liberty to speak to his motion now. We are in a timeframe, so I will adjust the clock.

You have about two minutes and 45 seconds left.

Mr. Glenn Thibeault: Thank you, Mr. Chair.

Regarding Madam Gallant's point of order, the Office of Consumer Affairs falls under industry, and much of the manufacturing sector that falls within this sector also comes under industry.

The study should get to the bottom of the ongoing debate regarding the taxation of iPods and other MP3 players as well as the plethora of other consumer goods that would be subjected to the Conservatives' increase levied on the backs of Canadian consumers and Canadian industry and should as well give the committee information on the reporting and registry of information related to tariff waivers.

My Conservative colleagues opposite will no doubt tell you that a tariff isn't a tax, but that simply isn't true, Mr. Chair. Let me stamp out that argument from the outset. Even the *Encyclopædia Britannica* defines a tariff as a “tax levied upon goods as they cross national boundaries, usually by the government of the importing country”. The government can call these tariff changes whatever they want, but that doesn't change what they are: a tax increase, and one that will hit the poorest Canadians the hardest.

Mike Moffat, an assistant professor at the University of Western Ontario, summarized the entirety of these tariff changes most succinctly when he said, “These tax increases are also likely to be regressive in nature”.

The inconsistencies of the Conservative plan to increase the cost of hundreds of consumer goods are apparent to analysts and industry leaders from across the spectrum of Canadian business. One such inconsistency involves the Conservatives' flagship policy of reducing tariffs on hockey equipment, yet shockingly, I've discovered that hockey helmets won't be covered by the reduction. Hockey helmets are imported under chapter 65 of the customs tariff schedule, item 6506.10.90.10, for those who are interested, for “protective headgear, athletic” specifically. However, no chapter 65 duties are listed to be changed in budget 2013. This means that protective headgear for sports will continue to be charged at the most favoured—

• (1705)

Hon. Mike Lake: Mr. Chair, on a point of order, the NDP obviously have a political end here, a game that they want to play, which probably doesn't involve our witnesses. Perhaps we could release our witnesses from the meeting today.

The Chair: At this point in time we're in the middle of what I would call procedure as well as customary practice. What I was

intending to do was to allow Mr. Thibeault to exhaust his time, because that's the practice aspect we're in, and then it would be for the Conservatives to have the floor after that, and then there would be an open debate.

Hon. Mike Lake: That sounds good. Okay.

Mr. Glenn Thibeault: Thank you, Mr. Chair. I'll continue. I'm sure I'm almost out of time, Mr. Chair, so having our committee undertake a study into the impact these tariff increases would have on consumers, retailers, and the industry would allow us to get to the bottom of these inconsistencies to flesh out what has and has not been subjected to this increase.

I would encourage all members of this committee to support this motion. Mr. Chair, I would like to proceed immediately to a vote on the substance of this motion.

Thank you.

The Chair: Thank you, Mr. Thibeault.

Mr. Lake.

Hon. Mike Lake: Mr. Chair, of course, the regular, long-standing practice when we're dealing with committee business is to do that business in camera, so I move that we go in camera.

The Chair: That's a dilatory motion.

(Motion agreed to)

The Chair: We're going to move in camera, so I want to say thank you very much to our witnesses. We appreciate your testimony.

We'll suspend while we go in camera.

[*Proceedings continue in camera*]

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