



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Industry, Science and Technology

INDU • NUMBER 018 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, June 7, 2016

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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (1555)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Order. We've already lost about 25 minutes, so we're going to get started.

In terms of the first order of the day, for those of you who don't know, part of the committee went to Montreal on Thursday and Friday. On Friday, on the way back, our clerk Roger fell ill, ended up in the hospital, and had some exploratory surgery. He's fine now, but I think he's going to be out for a bit.

Temporarily, we have a new clerk: Christine Lafrance. We'll have to be nice to her by being nice to me. All right—

Mr. Majid Jowhari (Richmond Hill, Lib.): It's all about you, isn't it?

Some hon. members: Oh, oh!

The Chair: It is. It is all about me.

We're going to move forward now.

Today, Tuesday, June 7, pursuant to Standing Order 81(4), the Standing Committee on Industry, Science and Technology will be studying the supplementary estimates (A) for 2016-17, referred to the committee on May 10.

I welcome the officials from the industry department. I invite Mr. Enns to present to us the main changes that are proposed in these estimates.

From the Department of Industry, we have David Enns, chief financial officer, corporate management sector; Mitch Davies, assistant deputy minister, strategic policy sector; Lawrence Hanson, assistant deputy minister, science and innovation; and Corinne Charette, senior assistant deputy minister, spectrum, information technologies and telecommunications.

You have 10 minutes, Mr. Enns. Go for it.

Mr. David Enns (Chief Financial Officer, Corporate Management Sector, Department of Industry): That would be fine. Thank you.

Bonjour, Mr. Chair and committee members.

As you mentioned, Mr. Chair, I'm David Enns. I'm the chief financial officer and the assistant deputy minister of the corporate management sector at Innovation, Science and Economic Development Canada. You've already introduced my colleagues, so I won't do that again.

We're pleased to be here with you this afternoon to provide you with an overview of the department's supplementary estimates (A)s for 2016-17.

Through these supplementary estimates, the department is requesting \$604.1 million. The majority of that funding was announced in budget 2016. The majority of it was for infrastructure investments, which I'll speak to in a moment. The remaining portion of our supplementary (A) request is for a number of items to support research, as well as our department's new responsibilities for Sustainable Development Technology Canada.

To begin with infrastructure, then, the largest single item being requested through the supplementary estimates is \$500 million under the post-secondary institutions strategic investment fund program. This program will provide up to \$2 billion over the next three years to accelerate infrastructure projects at universities to enhance and modernize research and commercialization facilities, as well as industry-relevant training facilities at colleges and polytechnic institutions. The program has already been launched—in late March, shortly after the budget announcement—and project decisions are expected this month.

The department is also requesting \$9.6 million in 2016-17, out of a total of \$15.2 million over two years announced in budget 2016, to maintain and upgrade federal laboratories and other federal assets at our Communications Research Centre, known as the CRC. The funding will be used for seven projects, but there are two main ones. The bulk of the funding, \$4 million, will be used

[Translation]

this year to refurbish one of the centre's existing buildings into a modern, collaborative and innovative office space, in support of the CRC's research mandate. Then, \$3.5 million will be spent this year to centralize all of the CRC's existing lab spaces.

[English]

The last infrastructure item included in the supplementary (A)s is \$2.6 million, out of a total of \$5.2 million over two years announced in the budget, for the federal economic development organization for northern Ontario, known as FedNor, to support community infrastructure projects for the celebration of Canada's 150th anniversary.

[Translation]

In support of research, the department is also requesting \$24.9 million for two Mitacs programs: the Accelerate program for industrial research internships for graduate students and postdoctoral fellows, and the Globalink program for the delivery of international internships and fellowships.

Of that amount, \$7 million is actually a transfer from the Natural Sciences and Engineering Research Council related to a budget 2015 commitment to consolidate federal support for industrial research internships for postgraduate students under a single contribution administered by Innovation, Science and Economic Development.

[English]

The department is also requesting \$6 million, out of a total of \$12 million over two years, to support Stem Cell Network's research, training, and outreach activities and to strengthen Canada's international leadership in stem cell research, as set out in budget 2016.

One of the final items that I will highlight here comes from the realignment of responsibilities for Sustainable Development Technology Canada. Effective November 4, 2015, the Minister of Innovation, Science and Economic Development was designated the minister for the purpose of the Canada Foundation for Sustainable Development Technology Act. That's the legislation that governs Sustainable Development Technology Canada. As such, \$57.8 million is being transferred to our department this year from the two departments that previously managed the program, Environment and Climate Change Canada and Natural Resources Canada.

[Translation]

Finally, the department is requesting \$2.5 million to increase the analytical capacity needed to support the defence procurement strategy and \$1 million to expand the computers for school program, both announced in last year's budget.

• (1600)

[English]

That concludes my introductory remarks. My colleagues and I would be pleased to answer any questions you have.

Thank you.

The Chair: Thank you very much.

Here's what's going to happen. We'll do a round of questions, and at the end, when we're all okay with it, we will start the votes. We will go through each vote individually, finish all of them, and that will be the end of that.

Mr. Arya, you have seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Of course, I'll start with my favourite, FedDev for southern Ontario. I see that the supplementary estimates are \$22 million compared with the overall previous expense of \$231 million. Ottawa and eastern Ontario fall under FedDev. Ottawa has the national capital region. We have 1,700 knowledge-based companies, the biggest concentration of knowledge-based companies in Canada, much bigger than that in Kitchener-Waterloo, Vancouver, or any other place. But the amount FedDev spends in our region is very minimal. I think 75% to 78%

plus is spent in Toronto and the west. A very meagre amount is being spent in Ottawa.

However, my first question is not about my rant here. What is this "Funding for affordable housing and social infrastructure projects"? Why is it under FedDev?

Mr. David Enns: Maybe I'll start, and perhaps my colleague will want to chime in on that.

This is part of a bucket of funding that was provided under budget 2016 for social infrastructure. The component that has been provided to the regional development agencies, all of them, is for community and recreational cultural infrastructure. This is a continuation of budget 2015 funding: \$150 million over two years, and an additional \$150 million being provided in 2016-17. This is for projects that will focus on community and recreational—

Mr. Chandra Arya: I understand, but why is this particular item under Innovation, Science and Economic Development?

Mr. David Enns: FedDev is one of the RDAs, but the regional development organization for northern Ontario actually is housed within the department. It's like the other regional development agencies, but its status is a bit different. It actually is part of the department. That's why the money comes to the department.

Mr. Chandra Arya: How can we ensure that all this money is not spent just in Toronto and Kitchener, and that other regions, such as Ottawa, get it?

Mr. David Enns: Well, the component that is housed in the department is for FedNor, so that's northern Ontario. The other regional development agencies—FedDev, CanNor in the north, ACOA in the east, Quebec, and WD—all have portions of this cultural and recreational infrastructure money that they will be using and disbursing for these projects across the country.

Mr. Chandra Arya: Sorry, FedDev in southern Ontario: this money is for the region under its jurisdiction, no?

Mr. David Enns: Yes.

Mr. Chandra Arya: That includes Ottawa.

Mr. David Enns: Yes.

Mr. Chandra Arya: Okay. And how can we ensure that FedDev does not spend the entire amount of money in Toronto and Kitchener-Waterloo?

Mr. David Enns: They will have a process for the selection of projects. The criteria are published. They will follow the eligibility criteria.

Mr. Chandra Arya: According to Destination Canada, I know we are investing in and promoting Canada's 150th anniversary in a big way. How is this nation of Canada working with other levels of the government, such as the City of Ottawa? The City of Ottawa is also investing quite a large amount to promote the 150th anniversary. How is Destination Canada working with the City of Ottawa, for example?

Mr. Mitch Davies (Assistant Deputy Minister, Strategic Policy Sector, Department of Industry): Destination Canada works in close partnership with many partners across the country. Provinces have active programs to bring in tourists to destinations, as do municipalities. I know they partner locally with Ottawa and with other cities that are trying to draw in tourists. The opportunity provided by Canada's 150th anniversary for this region, for the national capital, is extremely important. I think it's something that Destination Canada will be working on and using as a means to draw visitors from abroad. This funding in the supplementary estimates is to enhance their activities in key markets, such as the United States and China, to get overnight stays and long-haul stays into Canada, which has been shown to be highly valuable.

•(1605)

Mr. Chandra Arya: That is exactly what Ottawa Tourism is trying to achieve

Going from there, I'm a bit confused on the Mitacs program, the \$7 million transfer from NSERC to consolidate federal support for industrial research internships for post-graduate students. I thought that particular thing was one of the focus areas of NSERC. Why has it been taken out of NSERC into Mitacs?

Mr. Lawrence Hanson (Assistant Deputy Minister, Science and Innovation, Department of Industry): What's happened is that there are other programs that NSERC does operate in this space, but the IRDI program was similar to what Mitacs did, and Mitacs had been delivering the IRDI internships already. This formalized the situation, where Mitacs would continue to deliver these internships, and we would have a sole source for delivering these internships to make it easier for both businesses and potential interns to navigate.

Mr. Chandra Arya: Does this amount reduce the NSERC budget? I know it's a small amount compared to the total funding that goes to NSERC.

Mr. Lawrence Hanson: It does reduce the NSERC budget by \$7 million, but the reality was that Mitacs was already delivering those internships, so it doesn't have a material effect on the NSERC budget.

Mr. Chandra Arya: My last question is about Sustainable Development Technology Canada. Where was it getting administered? Which ministry was dealing with it prior to its transfer to Innovation?

Mr. Mitch Davies: There are two ministries that were involved. They are Natural Resources Canada and Environment Canada, which is now Environment and Climate Change Canada.

This transfer gives effect to the change in the machinery of government. When the cabinet was formed, that brought SDTC into our portfolio. This is a transfer from their estimates into ours for the activity they already had programmed and was already under way through those other ministries.

Mr. Chandra Arya: I think that makes it....

Thanks, Mr. Chair.

The Chair: You're good? All right, we're good.

Thank you very much.

We're going to move to Mr. Dreeshen. You have seven minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you for coming here to give us a bit of insight into the supplementals.

During your address, you had spoken about \$15.2 million over two years being announced in budget 2016 to maintain and upgrade federal labs and other federal assets. One of your points about the \$3.5 million was that it would centralize all of CRC's existing lab spaces into one modern research lab. Do these come from different communities, or were they within the same building and are just moving into a different part of the lab? Can you tell us what type of consolidation was involved there?

Mr. David Enns: I can start and my colleague may want to add.

No, these are all buildings that are on their Shirleys Bay campus in various states of condition. There is a larger health and safety project underway to renovate and to bring these buildings into a modern state. What they're doing with the laboratories there, that specific initiative, is consolidating labs in different spaces into one building for efficiency and to modernize them.

Mr. Earl Dreeshen: Is something going to be done with the buildings they have vacated, or are there future plans for them? Was that part of the decision?

Mr. David Enns: To the extent possible, the centre is trying to divest itself of buildings they will no longer require.

Mr. Earl Dreeshen: The second issue I want to talk about is Western Economic Diversification. First, on the line items, the previous operating expenditures were nearly \$35 million and grants and contributions \$134 million. You're talking about an adjustment of \$23 million to that.

Have requests for proposals gone out, where is some of that money going, and how do we end up with the nearly \$200 million that you're speaking of there?

Mr. David Enns: As I mentioned earlier, this was begun under budget 2015 and additional funding was provided in budget 2016, so there hasn't really been a ramp-up period required, because this program was already under way.

To date, Western Economic Diversification Canada will be receiving \$46.2 million in funding and two projects. The latest information I have is that there are two projects approved to date.

•(1610)

Mr. Earl Dreeshen: Those two projects, \$46.2 million in funding, and out of grants and contributions, it would total \$157 million. Is that how one would look at that?

Mr. David Enns: The total envelope of funding they have is \$46.2 million for that particular program. They are getting projects in now and will be assessing them and delivering them, two of which have been approved to date.

Mr. Earl Dreeshen: So the other \$110 million is—

Mr. David Enns: Yet to be allocated.

Mr. Earl Dreeshen: —yet to be allocated.

What is the procedure as far as applications for those particular projects are concerned?

Mr. David Enns: There is an intake that is occurring and they give priority to projects that address one or more of three basic criteria: upgrades to recreational facilities, advancing a clean growth economy, or having an impact on indigenous communities and people. Those are the essential or basic eligibility criteria, and there will be other considerations that will come in to play as they approve projects; for example, projects that leave a meaningful or lasting legacy resulting from the program for the 150th anniversary, upgrades that will provide a long-lasting benefit to the community. They will be assessing these individually, first with those broad criteria in mind and then looking between the several projects that are left to see how they rank.

Mr. Earl Dreeshen: What were the previous criteria that were being used?

Mr. David Enns: I don't believe they have changed for this program.

Mr. Earl Dreeshen: Near the end you were speaking of the defence procurement strategy and the \$2.5 million to increase the department's analytical capacity. Can you explain what is involved there, what the dynamics are of this particular strategy, and what one can anticipate coming out of that?

Mr. Mitch Davies: The funding in the estimates relates to analytics to support key industrial capabilities. The idea here is that in evaluating industrial and technological benefits related to defence procurements, this evaluation will be a weighted factor in the decision among different bidders.

For the department to participate and bring to that process areas of strategic value from an industrial point of view that could benefit and grow industrial and strategic capabilities in the defence sector, we will be investing more money in our analytical support for that, because the change to the policy is becoming something quite core to the actual evaluation process.

We have the corresponding analytics and research to underpin the kind of evaluations that will go into those projects. It's a very sophisticated area of work and we need to increase our capability in that regard.

Mr. Earl Dreeshen: I was on public accounts committee when we were dealing with the F-35s. Of course, all of that had been done as they looked at all of the different businesses and opportunities to get involvement throughout the country. Is this just an add-on to it or is it because we're looking at other types of fighter jets at this particular point in time?

Was there any change taking place or is it just a continuation of the same process?

Mr. Mitch Davies: Specifically, this is broad support across all procurement. It could relate specifically to fighters, it could relate to shipbuilding, or any areas of industrial capability that Canada is looking to enhance and grow, and improve over time, and how those could impact on many procurements whether it's for any part of the forces.

It's a broad capability we're talking about here. It's not specifically related to any specific procurement in and of itself.

The Chair: Thank you very much.

We're going to move over to Mr. Masse, who has seven minutes.

Mr. Brian Masse (Windsor West, NDP): To continue on that subject matter, currently across the board there isn't that type of analysis taking place to evaluate companies that could also be part of bids for national procurement?

• (1615)

Mr. Mitch Davies: No, I wouldn't characterize the circumstance now or even in the past as that. I've been in the department for 10 years. The department has been involved in industrial evaluation projects related to procurement in all of the time I've been there. What's changed is the new industrial and technological benefits policy, which shifts the placement of the industrial technology benefit process into the actual decision-making up front as a rated area of criteria, rather than where you're essentially taking the outcome of the procurement process and then you're maximizing 100% value of those procurements in terms of Canadian benefits.

I think it's meant to strengthen the ability to bring a long-term, strategic perspective and tries to aim for outcomes that build Canadian capabilities as part of and in parallel with the actual procurement process.

In response to that, this funding is to support the department to do that work, which is what I would really call an enhancement of our level of effort. It's certainly not starting, though, from a point of zero. It's just to enhance what we already were doing in the department and to take it to the next level.

Mr. Brian Masse: Right, because our trade agreements don't prohibit us from purchasing what we want in Canada from Canadian companies in national defence procurement. Is that correct?

Mr. Mitch Davies: The industrial and technological benefits policy that Canada follows is completely consistent with our trade obligations. Many countries adopt similar types of policies to get offsets related to defence procurement. The alternative, of course, is to buy indigenous capabilities and technologies, or some combination of these. In the case of Canada, we've taken an approach that focuses on industrial technology benefits, which allows for the fact that we're a smaller economy market and don't have capability across all the areas that we're buying—

Mr. Brian Masse: No, I don't need an explanation. The answer, then, is yes, and we can do this.

Mr. Mitch Davies: Most certainly, sir, yes.

Mr. Brian Masse: That's fine, thanks. I just have limited time.

And lastly on that, does it include a component for servicing and refurbishment and, in the case of my hometown sub, the HMCS *Windsor*, for towing?

Mr. Mitch Davies: My apologies, Mr. Chair, but I can't answer specifically on that one specific service, contract—

Mr. Brian Masse: Okay, so not a specific service contract—

Mr. Mitch Davies: So significant service contracts, which are actually a big part of the procurement, are definitely a part of the process and there would be bids and requirements on industrial and technological benefits related to any of those parts of the procurement process.

Mr. Brian Masse: Very good.

To move to the question of tourism, is there going to be tracking, for example, of sports tourism and culinary tourism. Also, has there been an evaluation related to.... Right now border operators across Canada are concerned about the availability of CBSA staff at United States border crossings. Has any of that concern been communicated to you, and what type of communication has been going on with CBSA with regard to staffing components related to increasing American tourism coming into Canada?

Mr. Mitch Davies: The supplementary estimates specifically address this funding for Destination Canada to work on our priority markets to enhance our level of effort.

I think the other part of this is that you're talking about what I call whole-of-government coordination around tourism.

Mr. Brian Masse: Yes.

Mr. Mitch Davies: There is such a whole-of-government table that's led by our department in support of the minister responsible for tourism, to bring all departments, including for example Transport Canada, but also the border services agency and departments that can have a significant impact and influence on attracting people, by making Canada easy to enter and welcoming and so forth, and all of the considerations in your question. Those are the very conversations that take place among departments in that regard.

Mr. Brian Masse: Has there been an evaluation, though? What's the number of increased tourism that you want to get from the United States? Has that been targeted? What locations are being focused on—it could be more than just my region, of Niagara Falls and so forth—and then what are the resource improvements?

I ask because many border operators complain that they don't have staffing and that booths are left unprovided for on a continual basis, even with long lineups.

Mr. Mitch Davies: The specifics of the performance metrics around Destination Canada's activities are one question in and of itself. I know that they track visitation levels, tourist export revenues generated by visitors, and the ratio of partner co-investment they can attract with the dollars we put in. Those are the sorts of metrics.

In terms of attracting U.S. tourists, they focus on long-haul markets because people from these markets have been shown to spend more. These are people coming from Houston, Boston, San Francisco, and Los Angeles through the Connecting America program. They do try, of course, to get the biggest bang for the buck in terms of where they're putting their investment, because there are obviously choices to be made and they try to get the most for the dollars they're investing.

You'd probably have to direct that specific question to them, as far as some of those border activities and so on are concerned. Perhaps they could provide more information.

• (1620)

Mr. Brian Masse: Do I have any more time, Mr. Chair?

The Chair: You have a minute and a half.

Mr. Brian Masse: Perfect. I'll follow up on that. With regard to measurables at the end of the day, for this year, what are the targets for this? I understand the face value logic of trying to get Boston and Texas and other places, but the reality is that the vast majority of American tourists cross, along with their cars, into southern Ontario cities. Is there going to be any special target like, again, sports tourism or any other type of tourism to bring them across? Say, for example, it's our casino industries. Or is it going to be other types of destinations, including visitations for family? What's the plan, I guess?

Mr. Mitch Davies: Again, I would defer to my colleagues at Destination Canada if we are looking for more specific information. My apologies that I am not able to provide that level of detail.

I think the other key is to think of them as one part of an overall portfolio of effort right down to the municipal level, the local economic development and provincial level, and so forth. They are one partner and try to lever that overall activity to get the biggest benefit. There might well be parts of the puzzle that are really relevant to specific markets that might well be served by other players in the tourism promotion business as well, which is quite important to take into account.

The Chair: Thank you very much.

[*Translation*]

Mr. Arseneault, you have seven minutes.

Mr. René Arseneault (Madawaska—Restigouche, Lib.): Thank you, Mr. Chair. I am going to share my time with my colleague, Mr. Longfield.

Ms. Charette, gentlemen, welcome, Thank you for being here.

I am going to spend a little time on the expenses in the form of votes to be adopted for the Atlantic Canada Opportunities Agency, or ACOA.

The vote allocates \$8.3 million for affordable housing and social infrastructure as part of a horizontal initiative announced in budget 2016.

I do not want to repeat the question that my colleague Chandra Arya asked, but how do you explain the agency's specific role in the area of affordable housing and social infrastructure? What are the parameters that will allow access to that funding?

[English]

Mr. David Enns: I think an interesting confusion is created by the way that appears in the estimates documents, because the regional development agencies are not doing anything in affordable housing, per se. It's part of a much larger social infrastructure package of funding that was provided in budget 2016. There's a portion of that funding that is for recreational and cultural infrastructure, and it is that funding that is being provided to all of the regional development agencies for projects related to cultural and recreational infrastructure. They'll be doing things like making improvements to arenas, and working on parks and municipal facilities and roof replacements, a range of things that are eligible under the program. But the line in the estimates that puts it with social infrastructure and affordable housing is a bit misleading because it's not for social housing.

Mr. René Arseneault: It's not what it is at all. So it's for creative, sports...?

Mr. David Enns: Cultural.

Mr. René Arseneault: It's cultural only.

[Translation]

As for sport and culture, are ACOA and the other economic development agencies in the regions of Canada used to managing funding of that kind?

[English]

Mr. David Enns: As I mentioned earlier, this program has already been announced and launched through budget 2015. These local community projects are the kinds of projects that those agencies have a lot of experience in delivering, and they have all the connections and the infrastructure and the networks on the ground in the regions to deliver on projects of that nature.

Mr. René Arseneault: Speaking of networks on the ground,

[Translation]

I would like to look at some comparisons. You provide a number that shows the ratio of management costs to the proposed budgets. I am not sure if you are following me. For the Atlantic Canada Opportunities Agency, the ratio is 2.8%, which I see as extremely low. Especially when compared with all the others, CanNor specifically, which, at 112.4%, is extraordinarily high.

How can you explain a figure like that?

[English]

Mr. David Enns: I think there will be differences and they will vary by region based on the nature of the region. For CanNor, because it's responsible for the north, all the operating costs will be significantly higher due to the costs of transportation, and all the complications that arise when you're trying to deliver programs in the north.

•(1625)

[Translation]

Mr. René Arseneault: Let me go back to the Atlantic. I grant that it is not the far north, but, in terms of low population density, Atlantic Canada is the region of Canada that is next in line.

The figure for the Federal Economic Development Agency for Southern Ontario is 9.6% for management costs, which are basically

the same, if not less, than the Atlantic region, where the figure is 2.8%.

I am asking you the question because I am afraid that the Atlantic region does not have enough resources. Are the people there overworked? Can they get their projects done? I am not sure if you understand what I am saying.

[English]

Mr. Mitch Davies: I'd just like to add some precision, which might be helpful to the member's question. In particular, when we were comparing CanNor to ACOA, for example, and with the amount of operating money that was identified in the estimates, this is specific funding that's unique to CanNor for the northern projects management office—an operating activity that looks at major resource projects in the far north of Canada. What you're seeing is a renewal of that funding program for that agency on an ongoing basis through the supplementary estimates. It's not a grants and contribution program, and that's unique to them—

Mr. René Arseneault: Sorry, we don't have much time.

[Translation]

Let's forget CanNor for the moment.

[English]

Quebec and Ontario agencies have even less money in their budgets than Atlantic Canada, but more money is contributed

[Translation]

to manage the budgets.

Look at the percentages. We have 9.6% in Quebec and 5.2% in Ontario, but, for Atlantic Canada, we have only 2.8% in a budget of \$299 million. Is that not a cause for concern? Are the officers there not overloaded with work because they have not been given enough money with which to manage their budgets?

[English]

Mr. David Enns: I think I would just say that when the agency develops its proposals, it does look at what operating funding is required to deliver those programs. They do the costing and they will propose the funding that's required to deliver the program. I'm confident that they are getting the funding that they think they need to deliver the programs they are tasked with doing.

Mr. René Arseneault: The agencies themselves? Could it be interpreted that ACOA is more efficient than maybe Ontario or Quebec?

Mr. Mitch Davies: If you would allow, Mr. Chair, I think I could add a bit more precision on operating versus non-operating expenditures. For ACOA, their total budget for grants and contributions is \$243 million, and they have \$64 million for operations, which is 20% of the total, according to the figures I have here. I'm not sure exactly what's in front of you. You might actually be taking operating expenditures as a percentage of the increase in the supplementary estimates, but that isn't necessarily the entire overall grants and contributions budget of ACOA. They operate at similar levels of overhead as others to run the program. If you look at \$1 billion as the entire budget of all the regional agencies, about \$800 million is for grants and contributions and the rest is for them to operate, which is pretty much a consistent percentage, give or take, depending on their geography across Canada. Hopefully that helps.

[*Translation*]

Mr. René Arseneault: Thank you.

[*English*]

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

Mr. Ben Lobb (Huron—Bruce, CPC): To begin, I would just like to point out my displeasure that the minister didn't appear today. Whether he's busy or not, this is a large expenditure, and there's a lot of money going to universities, so it would have been nice to hear from him. I have nothing against our guests here today at all, but it would have been nice for him to be here today to defend the amount he's spending, which is not quite \$1 billion, but it's pretty close. Maybe he'll be here for the next one.

To our witnesses here today, I'm sure you're able to comment on the Investment Canada Act and the net benefit test. Recently a decision was made to allow Lowe's to purchase Rona on the basis that somehow it would be a net benefit to Canadians. I wonder if anybody here could explain to us how that is a benefit to Canadians. If you can't, I wonder if the minister, who's not here, has asked anybody in the department to review the Investment Canada Act or the net benefit test, because we know that many more cases will be coming up in the future.

●(1630)

Mr. Mitch Davies: I will take the second part of the question first, Mr. Chair.

In terms of the operation of the Investment Canada Act, I would point out that with all applications made under the Investment Canada Act, the director of investments, who is the deputy minister of our department, provides a recommendation to the minister on the factors under the act.

Just as they have been for quite some time, the factors under the act include the effect of the investment on production, the availability of goods in the marketplace, competition, and the overall level of innovation in the market. In fact, if you look at the preamble of the act, it speaks to the idea that investment is welcome or that it brings benefits because it is demonstrably a means by which an economy can bring in new knowledge and innovation and be connected to the global marketplace. In these types of transactions, obviously investors demonstrate that through their application. The minister is able, through the powers under the act, to take undertakings to that effect. These undertakings are maintained

on a confidential basis between the minister and the investor, and that is the basis on which the minister demonstrates net benefit and makes a ruling.

Mr. Ben Lobb: Fair enough.

I guess what I am asking you is—and if you can't tell us, that's fine—whether the minister has asked you at any point to review this act and to review possible scenarios other than home-building supply stores, but resource or manufacturing projects, etc., to make sure that it protects Canadian-owned businesses and Canadian workers, etc. I understand that we are a country that welcomes investment and that we are happy to do that, but we are all well aware of past issues where this has come up in previous Parliaments.

I just wonder if you could tell us.

Mr. Mitch Davies: We take our cues from the mandate letter of the minister. It is quite transparent, as that mandate letter is on our website for all to see. The mandate the minister has is to work on approaches to grow the Canadian economy and to increase exports and jobs for the benefit of all Canadians. In doing so, he has an agenda for innovation, which is, in part included in budget 2016 and the investments made therein. There is also going to be engagement on that in the future. I think there will be a wide-ranging debate on what we can do to enhance innovation in the country. I assume there will be voices that talk about policies that favour investment and attract more investment to the country, and which discuss the benefits of that, and how to evaluate the benefits of these investments made in the country. I think all of those things will be part of those policy processes.

Mr. Ben Lobb: The last question I have for you is on the large amount of money that is allocated to post-secondary institutions to either upgrade or build new facilities.

How does your department determine these projects? How do you determine value for the dollar you are going to invest, and that it actually goes to what it is supposed to go toward?

Mr. David Enns: I will let my colleague take that.

Mr. Lawrence Hanson: The post-secondary institution strategic investment fund is a budget 2016 item with \$2 billion to fund capital projects at post-secondary institutions. There are clearly established objectives and criteria for the program. The main focuses are on expansion or improvement of facilities to conduct research and do commercialization, to improve industry-relevant training space, and to improve the environmental sustainability of those facilities.

The process works as follows. There was an application period, when post-secondary institutions across the country were invited to submit proposals directly to the department, with the exception of the Province of Quebec, where the proposals were sent to us via the Government of Quebec. They are examined against these various merit criteria. Over and above that, because it is a cost-shared program, we work with provinces and territories. Within the range of projects that institutions there have submitted, provinces and territories will identify their priorities, and more specifically the projects for which they are prepared to fund half the cost. We will be working jointly with provinces and territories on projects that meet our merit criteria, that meet the terms and conditions of the program, and that are in turn projects that the provinces themselves feel are important and valuable enough for them to fund 50% of the cost.

• (1635)

The Chair: We are going to move to Mr. Longfield.

You have five minutes.

Mr. Lloyd Longfield (Guelph, Lib.): I want to extend that last topic very briefly.

I got a communication from Conestoga College in my riding. It is looking at the 70-30 split between universities and colleges. Could you comment on how much of that is a provincial decision, in terms of allocation of funds toward universities versus colleges, and how much of that is a federal decision?

Mr. Lawrence Hanson: Within the total global budget of the program, we are committed to directing a minimum of 30% of that program funding to colleges.

Mr. Lloyd Longfield: Great, thank you. That was to get a fast answer so I didn't have to do other homework. Thanks for helping with my homework.

As a committee we're in the middle of a manufacturing study right now. I wanted to ask a couple of questions relating to research and how that might help us understand investments that might help manufacturing. The National Research Council is showing a modest increase in expenditures of about 0.2% and an increase in grants and contributions of about 15.6%. It's a \$50 million investment for the National Research Council versus \$924,000 in expenses.

Are we able to look for efficiencies in that ratio? We're putting a lot more grant money out there, and our expenses aren't going up proportionately. Is that what we're looking at?

Mr. Lawrence Hanson: The bulk of the \$50 million increase is for IRAP. Essentially, as I understand your question, you are asking about how this program is managed when that amount has gone up significantly but not the associated operating costs.

The answer is that this program's budget was significantly increased once before and that at that time their operational capacity was meaningfully strengthened. Because the program as it stands has been largely oversubscribed in the past, there are good projects out there to be funded without necessarily needing to increase our administrative costs. The National Research Council is very confident that it can continue to do good work with due diligence through their industrial technology advisers with an increase to the budget without significant new operating expenditures.

Mr. Lloyd Longfield: That's terrific. That's exactly what I was hoping to hear because I know there is a bit of a backlog and that some clients have been looking for projects to be approved.

The Chair: You have two minutes.

Mr. Lloyd Longfield: I'm also going to share one question with Mr. Jowhari.

On that theme of investing in grants versus expenditures, maybe there's a similar answer for NSERC and SSHRC, where we're increasing grants at a much faster rate than expenditures.

Mr. Lawrence Hanson: To give you a sense of that, the operating costs for both SSHRC and NSERC are remarkably low. They tend to be in the 4% or under range. They operate very efficiently up to and including SSHRC's and NSERC's share of all their back office audit functions in their finance and corporate services, etc. Over the years the granting councils have worked to ensure that they can deliver their grants and contributions programming in a fairly lean manner.

Mr. Lloyd Longfield: That's perfect.

Mr. Jowhari had a quick question.

Mr. Majid Jowhari: I have a quick question on stem cell funding. I understand that we allocated \$12 million for that in budget 2016, but in your opening remarks you mentioned you are requesting \$6 million of that \$12 million to be brought as part of the new spending, so I'm a bit confused. Can you explain to me whether this \$12 million was allocated and why you are now pulling \$6 million forward—or is this new, increased funding?

Mr. Lawrence Hanson: This is new funding of \$12 million, or \$6 million annually, so we're seeking the first \$6 million of that two-year funding in these supplementary estimates (A).

Mr. Majid Jowhari: Okay, we're going to start next year, and the year after, and that for each \$6 million we're just pulling forward the next year's \$6 million.

• (1640)

Mr. Lawrence Hanson: It's two years of funding, \$6 million for this fiscal year and \$6 million for next fiscal year.

Mr. David Enns: You will see the next \$6 million in the main estimates next year.

Mr. Majid Jowhari: Thank you very much.

The Chair: That's bang on five minutes. You get a gold star.

Mr. Webber, you have five minutes.

Mr. Len Webber (Calgary Confederation, CPC): Thank you, Mr. Chair. I'll likely share some of that time with my colleague here.

Thank you for being here today. This is my first meeting at this particular standing committee. It's a pleasure to be here. I serve on the health standing committee, so this is relatively new. We have our estimates tomorrow, so hopefully our health minister will be there. I do find it shocking that the minister is not here today. No disrespect, but in my 10 years with the Alberta legislature, in all the estimates I sat through, the minister was there. I just want to send a message to the minister that hopefully next time he will be here.

I have a question with regard to what Mr. Enns talked about, the \$500-million post-secondary institutions strategic investment fund. It's a significant amount of money, and I'm curious to know where that money is going to specifically. What post-secondary institutions are they? Do you have a list of dollars and where they're going to be going?

The reason I ask is that I have three post-secondary institutions in my riding in Calgary centre, which is called Calgary Confederation, but it's in the centre of Calgary. I have the Southern Alberta Institute of Technology there, the University of Calgary, and the Alberta College of Art and Design.

Are any of those institutions receiving any of this money?

Mr. David Enns: Once again, I'll defer to my colleague who is actually responsible for the delivery of that program. He'll be able to give you some information on that.

Mr. Lawrence Hanson: I'm not in a position to say at this point which institutions are receiving funds. We are still in the project assessment stage, and we're still working with provinces and territories who are identifying their priorities as well under the program. We are hoping to be able to reach agreement with provinces and territories on projects, and then subsequent project announcements over the June-July time frame.

Mr. Len Webber: Okay.

Is the June-July timeframe when you hope to have the list available for the public to see?

Mr. Lawrence Hanson: That's correct.

What will happen is that we'll have a contribution agreement with each province and territory, and the list of agreed-upon projects will be an annex or a schedule to that agreement. Obviously, institutions will be notified immediately upon that. Part of the issue of this program is that we are trying to move it forward quickly, because part of its benefit is stimulative. The intent is for the preponderance of the work to be done this construction season, and then the subsequent construction season.

Mr. Len Webber: Who does the assessing to determine who gets what?

Mr. Lawrence Hanson: As indicated earlier, we are conducting an assessment of all the individual projects, the extent to which they meet the terms and conditions of the program, and fulfill the merit criteria of the program, and the extent to which provinces and territories themselves are willing to identify individual projects as priorities. On that basis, individual decisions will be made in

conjunction with the provinces and territories on which projects will be funded.

Mr. Len Webber: I'd like to move on to another area of curiosity for me, and that is the \$2.6 million, going to FedNor, northern Ontario, to support community infrastructure up there in celebration of Canada's 150th anniversary.

Can you give me some more detail on what infrastructure projects are going to be built up there to celebrate our 150th?

Mr. Mitch Davies: The answer here is similar to that provided about the other regional agencies.

This is a community infrastructure program. This will provide an opportunity to fund more projects in FedNor's area of responsibility. These are the types of projects that my colleague referred to before, such as upgrades to recreational centres, community centres, areas of broad public benefit which can commemorate our anniversary, but also improve that kind of infrastructure in communities.

It's smaller projects, and it's based on existing infrastructure. We're not talking about building new things, but certainly enhancing and improving the community infrastructure that's in place and then being able to make that part of the commemoration of the 150th anniversary of Canada. This will allow FedNor to take on more projects than it would have otherwise done.

• (1645)

Mr. Len Webber: There are dollars allocated to our northern Alberta communities, especially around Fort McMurray with the fires. That is just a comment there.

A real quick question?

The Chair: Sorry, we're over and above our time.

We're going to go to Mr. Baylis for five minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): I'm going to focus on the NRC in my questions.

First of all, I noticed that, as you said, that NSERC is using about 4% of their budget to deliver their programs, some \$43 million, and are delivering over \$1 billion in grants.

When I look at the NRC, I see a different picture. You had mentioned, first of all, IRAP and how that has changed, but I have the last 10 years of IRAP's operating budget. In 2005, it was \$48,600,000. In 2015, it's \$48,100,000. It's the same number of dollar terms, but in buying power, it has actually gone down, but they're delivering way more. I see a huge increase in efficiency in IRAP.

However, when I look at the overall NRC program, I see that their operating budget exceeds their grants significantly. Why is that?

Mr. Lawrence Hanson: Do you mean beyond grants, beyond IRAP grants? Which grants would you be referring to?

Mr. Frank Baylis: It says grants and contributions are \$319 million; operating expenses are \$400 million.

Mr. Lawrence Hanson: We had to distinguish between different kinds of grants and contribution programming. The IRAP grants are a certain kind, dealing directly with individual SMEs. There are economies of scale with that.

Mr. Frank Baylis: I know what IRAP grants are. I wasn't asking about the differences between the IRAP grants and the full granting that NRC's doing. I'm asking why their operating expenses are \$400 million and they're delivering \$319 million of grants, whereas NSERC has operating expenses of \$43 million and is delivering over \$1 billion of grants.

Mr. Lawrence Hanson: The thing to recall is that the two organizations are dealing with very different kind of programming in grants and contribution programming.

For an organization like NSERC, much of their funding is going to individual doctoral fellowships, graduate fellowships, etc. NSERC and SSHRC are actually able to realize significant savings from the fact that they get a lot of the administration and the conduct of their contributions for free, because of the willingness of individual university faculties across the country to devote their time, gratis, toward the actual overall peer review process for academic research. It's necessary in a peer-reviewed system to have that. So that is part of it.

Mr. Frank Baylis: Let's focus on IRAP, not NSERC. I just used that for comparative purposes.

Mr. Mitch Davies: If I could add, Mr. Chair, I think it might be helpful to distinguish that the NRC, in addition to providing grants for IRAP, is also a performer of research. That distinguishes it from NSERC, which grants funding to the performers of research.

In one case it's a mechanism to flow funds to meritorious projects, as you would with IRAP, in fact, in funding a business. The other side of the NRC is they actually have expertise. Their operating dollars would be their talent, their personnel, and they dedicate those people towards strategic research projects in collaboration with industry and other sectors to actually solve problems. They run labs. They have talented people. They have Ph.D.'s. They have expertise. They're actually in a different line of business than NSERC.

Mr. Frank Baylis: Yes, I understood that.

That leads me to my next question. Do we have metrics that tell us how successful they are, because an awful lot of money is going to that? For the non-granting part, but the part that's doing all that extra research, I know there have been a lot of changes in the last few years to the NRC structures. Do we have anything that tells us if that's well-spent money, in a global sense?

Mr. Lawrence Hanson: Yes.

The NRC is still in the midst of an overall transformation to become a much more outward-facing, business-oriented, research technology organization than in the past. They continue to work very effectively with industry on a wide range of projects.

I would note that some of their ability to perform and do some of that research and activity was affected by external events, for example, a cyber-intrusion and other kinds of activities, but yes, the NRC continues to partner very effectively with industry.

• (1650)

Mr. Frank Baylis: Do we have metrics for that expense? It's a simple question.

Mr. Lawrence Hanson: To get the actual performance metrics of the NRC and what's currently available, I'd probably suggest that our colleagues at the National Research Council could provide further information on that.

Mr. Frank Baylis: Perhaps you could provide that information on the outputs, if we could tease out the IRAP part of the NRC's budget. I have been happy to see a much better flow over the last 10 years between the operating budget versus the granting. Let's pull that out.

Then we're left with a lot of money to run these institutions. I know they've gone through a lot of changes, but I'd like to see what metrics, if any, we're getting out of that. We can say that they're helping all of our companies. That's great, but I'd like to know how many and in what manner.

The Chair: We have about 10 seconds.

Mr. Frank Baylis: You can send it to me in writing. Send it to our clerk.

Mr. David Enns: We'll endeavour to get that information for you.

The Chair: Thank you.

Finally, Mr. Masse, you have two minutes.

Mr. Brian Masse: Is the funding for AUTO21 being reviewed right now?

The minister promised this at this committee. It was sunsetted with a seven-year imposed limit on it. I'd like to hear what's being done with regard to that right now.

Mr. Mitch Davies: Mr. Chair, I'd like to have a specific answer, so I think I'd best take that back to the department. Our colleague who is responsible for the auto sector, the industry sector in the department, is not with us today. Given this specific question, I'd like to take it back to the department and provide a written answer, if that would be acceptable to the committee—

Mr. Brian Masse: That's acceptable.

Mr. Mitch Davies: —rather than providing a general answer, which doesn't get to the specifics you asked.

Mr. Brian Masse: No worries.

It's a concern. With that answer, I'd also like to understand why there was a seven-year limitation and then a renewal, including the reasons for it, and why there was then no opportunity for review. A lot of the work is being done there. For every \$1 put in there, \$12 have gone back to the economy. We have partners that have basically paid almost the equivalent in private sector and philanthropic donations that equal the investment there.

I'd just be curious with the regard that, but also the overall programs that are successful. These research excellence centres are going to automatically die on the vine because of an ideological decision over a decade ago about them.

I'll leave it at that, Mr. Chair.

The Chair: Thank you very much.

Here's where we stand. We've gone through an entire round of questioning. We have about 35 minutes to go through the actual estimates.

Do we have unanimous consent to go right to the estimates and start discussing them, or do people still need more debate?

Some hon. members: Agreed.

The Chair: There are different categories: we have a vote for the Atlantic Canada Opportunities Agency; we have two votes for the Canadian Northern Economic Development Agency; and we have one for the Canadian Tourism Commission.... We can go through each one individually or we can go through the categories.

• (1655)

Mr. Brian Masse: I will be voting on division. You can group them if you want or not. I'm comfortable with either situation, as long as we're going on division.

The Chair: If we are ready to proceed then we will go to the votes.

ATLANTIC CANADA OPPORTUNITIES AGENCY

Vote 5a—Grants and contributions.....\$8,300,000

(Vote 5a agreed to on division)

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

1a—Operating expenditures.....\$4,668,559

5a—Contributions.....\$23,763,634

(Votes 1a and 5a agreed to on division)

CANADIAN TOURISM COMMISSION

1a—Payments to the Canadian Tourism Commission.....\$25,000,000

(Vote 1a agreed to on division)

ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC

5a—Grants and contributions.....\$15,600,000

(Vote 5a agreed to on division)

FEDERAL ECONOMIC DEVELOPMENT AGENCY FOR SOUTHERN ONTARIO

5a—Grants and contributions.....\$22,200,000

(Vote 5a agreed to on division)

INDUSTRY

1a—Operating expenditures.....\$7,933,481

5a—Capital expenditures.....\$8,518,900

10a—Grants and contributions.....\$522,431,813

(Votes 1a, 5a, and 10a agreed to on division)

NATIONAL RESEARCH COUNCIL OF CANADA

1a—Operating expenditures.....\$924,300

5a—Capital expenditures.....\$3,350,000

10a—Grants and contributions.....\$50,000,000

(Votes 1a, 5a, and 10a agreed to on division)

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

1a—Operating expenditures.....\$827,500

5a—Grants.....\$14,050,400

(Votes 1a and 5a agreed to on division)

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

1a—Operating expenditures.....\$482,400

5a—Grants.....\$15,459,850

(Votes 1a and 5a agreed to on division)

STANDARDS COUNCIL OF CANADA

1a—Payments to the Standards Council of Canada.....\$945,000

(Vote 1a agreed to on division)

WESTERN ECONOMIC DIVERSIFICATION

5a—Operating expenditures.....\$23,100,000

(Vote 5a agreed to on division)

The Chair: Shall the chair report the supplementary estimates (A) 2016-17 to the House?

Some hon. members: Agreed.

The Chair: Thank you all very much.

Thank you to our guests for coming in.

Thank you very much.

This meeting is adjourned.

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