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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (1530)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Good afternoon, everybody. Welcome to meeting number 24 of the Standing Committee on Industry, Science and Technology.

Today we have some interesting folks visiting us. From the Entertainment Software Association of Canada, we have Jayson Hilchie, president and chief executive officer. We also have, from the National Angel Capital Organization, Yuri Navarro, chief executive officer and executive director.

Thank you very much for attending today.

Mr. Lobb?

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you very much, Mr. Chair.

At the last meeting, we were unable to finish our discussion on my motion in regard to the former chief of Stats Canada and his resignation. I was hoping that we could finish that off briefly this afternoon before we get into the witnesses' testimony.

As we see that more of the economic data that comes out isn't great, unfortunately for Canadians who are looking for jobs, the integrity of Statistics Canada is important, as are the numbers they collect and the reports they produce, which so many base decisions on. Banks and their chief economists, and businesses, etc., need that information.

Mr. Smith was very clear on more than one occasion about his concern with regard to Shared Services Canada. Their inability to perform what in many industries we would call the most basic of support functions should be a huge concern.

Also, in light of the fact that in the last election the Liberal Party made Stats Canada a huge issue, including the long-form census and many other components, in addition to the ability of scientists to have independence—which it looks as if they're not going to have under this government—I would think my colleagues across the way would want to have a few meetings, have Mr. Smith and others come in, and be able to discuss my motion.

In addition to that, have the vote in public and have the comments in public, not in camera. I believe we are either the only one or one of the very few that actually conduct their business in camera, which is unfortunate, because that's another pledge they made.

The Chair: Are you moving your motion?

Mr. Ben Lobb: I'm providing a preamble right now.

In addition to that, I would think and hope that members across the way, who I do respect, would want to discuss this in public and have a vote in public to have a few meetings and discuss this. If I have the ability, which I believe I do because I have the floor, I'd like to have my motion passed around, provided our staff has it.

I'll read it one more time, if they need it. They've had Monday and Tuesday to brush up on the topic, and hopefully we can have a little discussion and then a brief vote. It should only take about three more minutes. Then we'll be able to get on with our business.

Thank you.

• (1535)

The Chair: Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): I move that we go in camera.

The Chair: We have a motion to go in camera.

(Motion agreed to)

The Chair: We'll suspend while we get everything organized.

[Proceedings continue in camera]

• (1535)

_____ (Pause) _____

• (1605)

[Public proceedings resume]

The Chair: Mr. Lobb.

Mr. Ben Lobb: Thank you very much.

To the witnesses, sorry for the delay. That's a 40-minute delay for a one-minute motion and about a 20-second vote. It's unfortunate that it takes 40 minutes to do something.

The Chair: Are you going to move a motion or are you going to —

Mr. Ben Lobb: I'm just providing a preamble.

The Chair: I think you've provided your preamble and we've wasted enough time.

If you're going to move a motion, I'd like you to move your motion, please.

Mr. Ben Lobb: Okay. I was in the process of moving my motion. Can I move my motion?

The Chair: Go for it.

Mr. Ben Lobb: It's now 4:10, and we could have started this meeting at about 3:33. That's unfortunate.

We're currently doing a study on manufacturing, which is great. Some of the members across may want to be mushroom farmers, which is fine, but it's important that we shine a light on these motions that bring transparency to government, which we're having some troubles with right now.

My motion, which was prepared on September 21, is the following: "That the Committee on Industry, Science and Technology suspends its study of the manufacturing sector and commence a study on the independence of Stats Canada."

That's the long and the short of it. That's the text of the motion. This current study is an excellent study. It has a lot of value. However, for the space of time that we have, and for the sake of Mr. Smith and what he's done to try to bring transparency to Stats Canada and Shared Services Canada and the integrity of the data they produce, this is one of the highest-priority items that we should be looking at right now to maintain the integrity of Stats Canada, not only in the quality that they produce, but also in the independence that they've known for so many years.

Thank you.

• (1610)

The Chair: Thank you.

Mr. Longfield, you have the floor.

Mr. Lloyd Longfield: Do we have a motion on the floor?

The Chair: Yes, we do.

Mr. Lloyd Longfield: The government operations standing committee will be calling on the former chief statistician, Wayne Smith, after the November break. Another committee is going to be working on this. The issue will be dealt with appropriately at that committee. Therefore, there's no reason for our committee to undertake duplicate efforts to discuss this and to suspend the work on this important manufacturing study that we have witnesses here to help us with and that we've been working on for months. We want to get on with our study.

The Chair: Okay.

Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

I'll be supporting the motion. I appreciate that another parliamentary group is looking at this, but as Industry Canada is responsible for this file, I think it's very pertinent.

I'll go back to when I first got here and Stats Canada was an independent association that really had the respect of all the world. What happened from that point in time is that the then government decided to outsource gathering data in its collection to Lockheed Martin. Lockheed Martin became part of an outsourcing public-private partnership attempt to—so-called—save money. They laid off successive workers, and that was just prior to the complete count, Mr. Chair.

For those who are not familiar with the complete count, it was done in the year 2000 because Stats Canada has a research system that allows for study and it connects to how studies are then related to the public in surveys. Then they determine the allocation of

resources related to everything from housing to aboriginal issues related to supports and other matters. These are critical elements.

We did the complete count. In my riding we had one of the few door-to-door counts, which I was a part of as a city councillor in the year 2000. It was assigned specifically to increase the turnout, because the turnout in my riding was at such a low point, despite being one of the poorest ridings in an urban setting, and it required that type of challenge for door-to-door counts because of languages, skill sets, and populations that were moving—all those things. That all relates to strategic decisions related to industry, investment, and so forth.

At any rate, we fought that battle with Lockheed Martin, which is interesting because of the U.S. Patriot Act. Lockheed Martin at that time wanted to have its data assembled in Minnesota. That was happening when the Patriot Act was passed. The way it works with the Patriot Act is that they can get the data from a company—any information they want—but the company cannot report that back to the contracting party, to where they're getting the data from. Basically, Canadians' data and information was exposed to the U.S. government. We were successful in stopping the Patriot Act in regard to having Canadians' information from being outsourced. It was actually redone, and the cost to the government of the day was another \$6 million.

Now we fast forward to the reason why this is extremely relevant to this motion and why the committee should look at it. That then led to the next problem, which was that we had the long-form census killed by the Conservative government. There's more. I don't want to take up too much time here, but I think it's important that we have some of this in the context of what we're going to decide next. The long-form census was killed despite being one of the most important data summaries that a nation has. It was still done quite well despite the previous problems that I've referred to. Once again, the long-form census is very important. It backstops data for surveys, for agricultural surveys and so forth.

Then it became this whole thing.... Remember that thing about people going to jail for not filling out their census forms? It was Tony Clement who at that time was arguing that people could go to jail, that they were being harassed and all those different things, so we were going to go to a short-form census. That turned out to be a complete debacle as well, because there was no substance to that thing about people being rounded up and put in jail for not doing the census.

At that time, the Liberals—I believe it was member Ted Hsu—had a bill on the census in the House of Commons, and I had a bill on the census too. The crux of where the difference between the Liberal position and our position was—I don't know where the Conservatives stand on this—is that my bill, which I still have, qualifies that the previous chief statistician, Mr. Wayne Smith, has independence. That, at the end of day, is what made him decide to walk away from his position: his independence was not provided and was undermined by the structure of the legislation.

Not only did we not fix anything, we enshrined this, not only with government but also with other government bureaucrats, as indicated through commentary in the media. The independence was undermined by data gathering that is supposed to be raw and crunched in a way such that it's used and applied for all sciences and also for other types of research. Also, which is really, really important, it's how funding is allocated by the federal government in terms of a variety of reasons.

•(1615)

For those reasons alone—I know there are many others, but I will do my colleagues a favour by not bringing up the others—I think there is a role for us to actually look at this. It's more appropriate, because we deal with a lot of grants, government programs, and services that use Stats Canada and the industry department as well for their research and development in projecting investment on a regular basis. How we got to our current situation and where we go in the future needs to be looked at with this committee being involved, because this committee, at the end of the day, is responsible.

I don't like somebody coming over—another committee—without us having some type of a connection.... I think it can be helpful, and in fact I've often felt that a number of committees can co-work. It has been done in the past. But in this case, we can't stand down just because somebody else is doing some work. We need to enhance that work and play our role. We should not stand down for somebody else who is using our file or doing work on our file. We're thankful for it because, for this serious problem, the more light shed, the better, but we do not want to abdicate our responsibility, which I think we do by not dealing with the matter.

The Chair: Thank you.

I feel the need to point out that the actual motion called for us to suspend the manufacturing. We're not standing down. The motion calls for us to suspend the manufacturing motion. I need to point that out.

Mr. Brian Masse: Yes, and for a couple of reasons, I understand.

The Chair: It's your turn, Mr. Nuttall.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

Thank you, Mr. Masse.

I don't need to go over what was just said. Look, at the end of the day, we're the ones who, when we've been appointed to this committee, I believe are accountable to the public for ensuring that the institutions that fall under Industry Canada are also accountable to those same people that we are. That means, therefore, that it's our responsibility to find out if there are issues. We may have a meeting and decide that there are no issues. I doubt that, but that is a potential result.

We may find the issues were pre-existing from last November or exist since last November. At the end of the day, it doesn't matter. What does matter is good governance and the independence of those employees whose information is relied on to make good decisions. There's a very simple and very easy task here, which is to have the individual in, conduct a study, and make a recommendation. Last time I checked, that's why we're here.

The Chair: Again, had your motion been stated differently.... But your motion is calling for this committee to suspend the manufacturing study.

•(1620)

Mr. Alexander Nuttall: I don't have a motion, Mr. Chair.

The Chair: Mr. Lobb's motion called for a suspension. Mr. Lobb is the one who wrote that. I think that's part of what the debate is over here.

Mr. Lobb.

Mr. Ben Lobb: There's no issue in the definition of "suspend". There's no issue in the interpretation of that. I'm quite clear, because I told you that it was a fine study, but what I would say.... I go back to the Liberal promises on the independence of committees: that they would be independent, independent of parliamentary secretaries, independent of the cabinet ministers, and independent of the PMO. That's great. We'll assume that it is.

However, the logic that because.... I can't remember what Mr. Longfield's committee is that he was going to study it, the operations committee or whatever it is. The idea that we should stand down to the operations committee is the incorrect logic. They should allow us to conduct the study. If there are some supplemental things or in tandem or in parallel that they would like to look at....

We know what Stats Canada falls under and it's our job. It's not their job. It's our job. If the Liberals just wanted to say, in their opening comment on this motion, that they're not going to support it because they disagree with me and they don't want to support it because we're going to protect our Prime Minister, that's fine.

But with all due respect, to say you're not going to support it because the government operations committee is going to look at it is ridiculous. We're supposed to have independence on this committee. That was a promise that somebody made in the Liberal Party at some point in time, and we should have the ability to study what we need to study when it's appropriate to study it.

We're not going to be studying Veterans Affairs issues on this committee. We're likely not going to be studying defence issues on this committee. We're studying issues that are germane to this department, which is Stats Canada. If the Liberals want to vote against this motion, that is their right and that's their individual choice, but they shouldn't do it under the pretext, in the context, that they're not going to do it because somebody else is going to do it. It's our job to do it on this department, just like the agriculture committee would look at an agricultural issue.

The Chair: Mr. Dreeshen.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you, Mr. Chair.

We did have the opportunity to talk to StatsCan. They were here. We've dealt with that. I think what we have to recognize is that we cannot be sure that the other committees seized with this issue would be seeking out the testimony that committee members such as ourselves would want covered in this standing committee. Since we have the responsibility to deal with StatsCan, I think it's folly for us not to take on that responsibility.

This is where it should be studied. We don't know exactly where it might be. Maybe it's something that's proposed in the other committees. If it is, maybe they can stop that study and bring it back here where it belongs.

The Chair: Mr. Masse.

Mr. Brian Masse: I'll offer a friendly amendment: suspend its study of the manufacturing sector on October 4 and 6 and commence studying the evidence of Statistics Canada. We get two days quickly for that and then we resume this.

I would also be mindful that as we try to wrap up our work on the manufacturing in committee, and hopefully have the witnesses here today, we also will have some government legislation to deal with, because the minister has tabled the bill.

I think that would be fair.

The Chair: Are you moving that amendment?

Mr. Brian Masse: Yes, that amendment, if it's friendly, for two meetings, if we don't want to use specific dates in case of other things. Two meetings, and if that's friendly, then—

The Chair: As per the clerk, there's no such thing as a friendly amendment.

Mr. Brian Masse: Okay. How about an unfriendly amendment?

Voices: Oh, oh!

Mr. Brian Masse: Okay. I would move to suspend this study for two dates.... See, that's the problem. I'm trying to keep an open mind here, but at the same time....

I'm just going to stick with October 4 and 6. Leaving it open-ended is the problem, unless it can be reworked by somebody. Or suspend it for two days in October: how about that? I would move that amendment for two dates in October.

• (1625)

The Chair: Okay. We have an amendment to a motion, for two dates in October.

Mr. Brian Masse: Really quickly, in regard to the amendment, Mr. Chair, that allows us also to have two special meetings if we want to. That won't bump government legislation or anything else that we might have to deal with. This creates complete flexibility in October 2016.

The Chair: I was going to put "2019".

Voices: Oh, oh!

Mr. Brian Masse: That also will get us out of having to deal with the minister's legislation...we do want to deal with that and to finish our study, which we've put so much work into, and hopefully hear from our witnesses who are here today.

The Chair: Is there any debate on the amendment?

If there's no debate, then we will move to—

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): I don't want to debate it. I'm ready to move on as fast as possible. I'd like to get to our witnesses.

The Chair: Okay. All those in favour of the amendment? Opposed?

(Amendment negated)

The Chair: The amendment does not pass.

Mr. Brian Masse: It was tied, I think.

The Chair: Where do you get tied?

Mr. Brian Masse: Let's have a recorded vote, please.

The Chair: Okay.

The Clerk of the Committee (Mr. Michael MacPherson): The question is on the amendment of Mr. Masse, to include, after the word "sector", the words "for two dates in October 2016".

The Chair: All those in favour of the amendment?

(Amendment negated: nays 5; yeas 4)

The Chair: Is there any further debate on the main motion? If there's no further debate, we'll go to a vote.

An hon. member: A recorded vote, please.

The Chair: We will have a recorded vote.

(Motion negated: nays 5; yeas 4)

The Chair: Could we have our witnesses to the table? We're going to move forward now.

Our apologies for—

An hon. member: [*Inaudible—Editor*]

The Chair: I'd like to apologize. It is the right of the chair to apologize, thank you very much.

We have an hour, so you still get your 10 minutes. We're going to go right into it.

Mr. Hilchie, do you want to go first?

• (1630)

Mr. Jayson Hilchie (President and Chief Executive Officer, Entertainment Software Association of Canada): Thank you, Mr. Chair, and thank you to the committee for the opportunity to participate in this study.

The Entertainment Software Association of Canada represents a number of leading video game companies with operations in this country, from multinational publishers and console makers to local distributors and Canadian-owned independent studios. Canada's video game industry is one of the most dynamic and prolific in the world. During the period of 2013 to 2015, the industry grew by 24% and now contributes over \$3 billion to Canada's GDP.

The video game industry is the fastest-growing segment of the entertainment industry globally. Here in Canada, approximately 475 studios from coast to coast directly employ over 20,000 full-time people in what many consider to be a maturing sector in Canada's burgeoning digital economy.

There's no debate: the video game industry is a strategic sector for economic development. Seven provinces have already recognized this fact and have introduced targeted tax incentives to attract and retain the industry in their jurisdictions. In fact, this model is now employed by many other countries and states worldwide in hopes of attracting and growing their own video game industries.

As our industry has matured in Canada, we have developed well-functioning ecosystems with fully integrated value chains for training, creative conception, development, quality testing, marketing, and sales and distribution of world-class entertainment software products.

We may not instinctively think of the video game industry as part of the manufacturing sector, but in a lot of ways it is very closely linked. From the collaborative nature of this sector with other creative industries, to the R and D being undertaken and the highly skilled workers required to innovate and excel, Canada has discovered the potential that digital manufacturing industries like ours can have for the economy. In fact, many of the technologies developed by the video game industry are now employed in many unrelated sectors. Technologies include 3-D animation and modelling in the defence industry, virtual reality in medical training, and motion sensing technology in law enforcement.

To maintain our success, we require policies, laws, and programs that help us grow in scale to remain competitive, protect our core assets—our intellectual property—and promote our successes.

I will start with the first point: help us grow in scale to remain competitive.

Some of the larger studios in Canada, employing several thousand workers in the cases of Ubisoft and Electronic Arts, are developing creative video game franchises that are exported throughout the world. Games such as NHL and FIFA, and franchises like Assassin's Creed, are now household names globally, even if few realize that they're actually made here in Canada. In addition, nearly 200 smaller studios in Canada are developing smaller games that are finding huge success on your phone, games that you likely play on the bus or the subway on your way to work.

While Canada remains a tiny market for domestic video game sales, we are a giant exporter, with 90% of the products developed here being exported and distributed all over the world, through physical retail outlets and, increasingly, digital online platforms. Despite our success, we continue to face challenges that are similar to those of other manufacturing sectors in Canada.

The most prevalent and concerning is the lack of timely access to skilled labour from abroad. Highly specialized talent and true innovators are hard to find in Canada and, indeed, in most other countries, yet those workers with specialized expertise are critical to our industry's ability to make great games, create new innovative technologies, and also remain competitive in an increasingly crowded marketplace.

Research conducted in 2015 by consulting firm Nordicity estimated that nearly 1,400 jobs in just the intermediate and senior categories needed to be filled in the video game industry between 2015 and 2017 to meet the rapid growth of the industry and increasing demand for our products. Canada must ensure that the environment for developing digital products remains competitive. Talent is our natural resource. As all digital industries continue to grow in this country, our natural resource is becoming more difficult to obtain.

We're pleased to see that the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons

With Disabilities made positive recommendations about the need to reform the temporary foreign worker program. Similarly, we are encouraged that the Minister of Innovation, Science and Economic Development has marshalled cross-departmental resources to address the issue of skills as part of Canada's innovation strategy.

That said, we encourage the committee to consider recommendations that encourage the government to implement digital skills training as early as kindergarten and throughout the school curriculum, similar to the United Kingdom, which aspires to lead the world in innovation into the future.

● (1635)

The second point is the protection of our most valuable assets, our intellectual property.

Intellectual property has long been recognized as a core currency in the digital economy. Intellectual property is also a key component of what makes manufacturing companies generally successful, and it gives them a competitive edge. Intellectual property protects our innovation and gives our creators, companies, and products commercial viability.

Strong intellectual property laws attract foreign investment and can fuel job growth in the digital industries. Legislated IP protections and meaningful investment in the practical enforcement of these laws must be strong and robust if Canada expects to lead in the economy of the future. Our industry is rapidly evolving away from products that are sold as packaged goods toward one where games are digitally downloaded. We encourage the government to engage more regularly with industry stakeholders and enforcement officials to stay up to date on our challenging IP environment.

In addition, we encourage the government to commit to Canadian innovators that you will not only help to incent innovation but will also protect commercial viability through strong enforcement frameworks and partnerships. Strong protections and enforcement will go a long way in protecting the work and the jobs of the thousands of people in this country who develop world-leading and innovative products.

Finally, our last point: promote Canadian innovation. We encourage the committee to consider programs that help raise awareness of Canada's manufacturing successes, whether in the digital economy or otherwise.

Many Canadians are unaware of the incredible accomplishments of our sector. Celebrating innovation raises awareness of the work being done in Canada domestically and internationally. Initiatives offered through the trade commissioner service, such as trade missions and export assistance, are crucial components in helping small Canadian video game companies grow into global players. We believe that Canada is an exceptional place to innovate and manufacture products that the rest of the world can enjoy and love, and we hope that through greater awareness of Canadian innovation we will achieve an even greater level of domestic and international success.

In closing, we encourage this committee to support efforts that help us grow in scale to remain competitive and meet market demands, that protect our core intellectual property, and that promote our success.

Thank you for the opportunity to appear and speak before you today.

The Chair: Thank you, Mr. Hilchie.

Now we will quickly move to Mr. Navarro.

You have 10 minutes.

Mr. Yuri Navarro (Chief Executive Officer and Executive Director, National Angel Capital Organization): Thank you very much for the opportunity to present to this committee.

I think that because angel investment is something that the government is now becoming more aware of, but that hasn't always been at the top of the list, let's say, I want to give you a bit of an overview about who we are as an organization and who we represent, and then maybe I could talk a bit about the manufacturing sector.

First of all, NACO is the national industry association for the angel investor community in Canada. We are here to help bring together the angel investment community and make it more effective as an asset class that can invest in innovation, essentially, by investing in those who come up with the ideas and develop the technologies and companies that are really leading the way in the new economy.

Because of that, we think we've identified the same gap that the government's Ministry of Innovation, Science and Economic Development has identified around the innovation and productivity gap. We think we have an interesting way of addressing that gap with our community.

Just for some definition and context, angel investors are high-net-worth individuals who are usually former entrepreneurs or professionals. They depend on social networks to identify entrepreneurs or investments they want to make. They're usually locally focused, but they enjoy investing in early-stage high-risk companies, something that is often seen as rare in the Canadian marketplace. Unfortunately, though, because they are fairly individualistic, they are often investing alone and are typically uncoordinated, and they lack a lot of self-awareness about their practices and about what else is going on around them. But they do fill a very important gap between where government and grants and programs like that can come in to help support entrepreneurs, and where larger stage venture capital, institutional capital, can come in to support these companies. This is what makes them so essential to what we call the "innovation continuum".

Since 2002 NACO has been around to help support this ecosystem. We started off with about 100 angel investors back then. Today, we're a community of about 2,800 angel investors, with 38-plus angel groups. We have members in every province and in every major region. Our members invest in different things, depending on where they are, based on what is really booming in that region. For example, in Vancouver and Montreal there's a lot of gaming, and we have many members who are invested in that space.

Our mission as an organization, just so we're clear, is to grow and develop the angel investment community in Canada and evolve it into an asset class that will drive Canadian economic development and prosperity by investing in the entrepreneurs who have the ideas and the vision and can execute on those.

At our core, we do this in three ways. One, we identify and connect the angel investor community. These are people who are very independent and require a bit of connectivity. We help them build the social networks that allow them to collaborate on investing in these companies to help these companies grow over time and over various cycles of funding. You often hear from entrepreneurs that it can take about 100 or more meetings with investors to find the five who might invest in your company. This causes entrepreneurs to be focused more on fundraising than on building their products, so through these connections we help reduce that challenge and make it easier for the entrepreneurs to find the capital they need.

We also collect data. We've been doing this with Industry Canada for six years now. We collect data on the investments of our members and on their best practices. We use that to help them identify trends and identify areas where they can improve and to help them benchmark their activities. Through that, we help them become better investors and improve their outcomes. Because we've been working with Industry Canada and others, that information is also available to the government and can help bring a bit more colour and detail into the granularity of the information the government has about some of the Canadian businesses out there that it wants to support.

● (1640)

Finally, we also provide a voice for the angel investment community. This includes things like what I'm doing right here in speaking to the committee. More importantly, we are creating awareness about angel investment and this industry, because that starts to create the culture change we need in our country to support this innovation. We're often criticized in Canada for not being risk-takers and for not thinking big enough. We need to celebrate the successes and the failures in order to make sure that our communities of investors and entrepreneurs are willing and able to take those bigger risks and build those billion-dollar companies that we all want to see here in Canada.

Our goals for this community are: to grow the size of the angel community; to create stronger local networks and collaboration between them; to reduce our investor risk through collaboration, knowledge-sharing, and syndication; to improve access to capital for our brightest Canadian companies; to make angel investment a sustainable asset class, in the sense that if investors lose their money they're not going to keep investing that money; and, to narrow the innovation and productivity gap in Canada by making sure that we're funding the best and brightest of our entrepreneurs.

Our slide shows some of the members we work with. It doesn't show all of them. This is just a selection that's fairly regional. They are some of the partners we work with. Again, we work with many incubators and accelerators that help to create and initiate some of these companies, but they look to our community for funding to help those companies grow and develop into revenue-making products, as opposed to just prototypes.

We think this is a key challenge facing innovative Canadian companies, regardless of what sector they're in. Manufacturing happens to be one of those sectors that our members invest in. We think that by bringing together the angel investor community, which represents mentorship, capital, and networks for these companies, we can help to reduce the innovation and productivity gap. The effect of that, of course, is to avoid company failure, to avoid the flight of talent, which we've seen in the past, and to avoid the loss of jobs. In fact, if you look at what's happening right now in the ecosystem, you can see that this is starting to become a reversing trend, in that more companies are starting to stay here and build here.

More of the talent that left the country—it was often considered the brain drain era—has come back now. They have started investing in companies in Canada and investing in building Canada. What that has meant is the creation of thousands and thousands of jobs, not just in the technology sector but in many other innovation sectors, and even in traditional sectors where we've been able to apply innovation to things such as the advanced manufacturing, automotive, and even forestry sectors.

This is the role that angels play. They help support nascent Canadian innovation with their financial capital, intellectual capital, and relationship capital, which they can bring to bear for those companies. The result is growing Canadian innovation and economic prosperity.

We have here a chart that we've put together based on some data from the research we've done, including some of the research done by the Canadian Venture Capital and Private Equity Association and some that we were able to pull together from government programs. Again, this isn't perfect, in that it doesn't look at the outliers. There are outlier programs, obviously, but generally speaking we're talking about the gap between where government programs and grants can often fund companies and where later-stage venture capital actually comes in and starts to invest.

That gap—and this is based on the data we've collected—is currently being filled by the angel investor community. Through the later stages, it is being filled by collaboration among the angel investor community, whether as networks of angel investors or as funds of angel investors. This is really important, because without that, these companies essentially would either leave or die.

From our point of view, we're recommending that this committee look at supporting initiatives that would allow us to effectively bring together this community using fewer resources.

● (1645)

We do have certain partnerships with the current government, as we had with the previous government as well, which we have been able to use to build up the community. They've been very effective, but there are limitations within them that require more burden than we would like in terms of administration. We would like to instead redirect those resources towards building up the community and collecting data about the community. Also, we would like to be able to present that single set of statistics to the government in order to help your policy development. Through that, then, we think we can have a meaningful impact on the access to capital for early-stage entrepreneurs.

That's it. I have more information about some of the sectors our members invest in and some of the stages of investment. I'm happy to go into that later, but that was at least the overview.

The Chair: Thank you very much, both of you, for your presentations.

We're going to go right into questions.

Mr. Arya, you have seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Mr. Navarro, throughout your presentation, you only once made a passing remark regarding manufacturing. Can you highlight very briefly how many of your members invest in manufacturing sectors?

Mr. Yuri Navarro: From the data we've been able to collect, we can see that direct investment in areas of manufacturing is about 30% of what our members have invested in over the last six years. In terms of looking at dollars invested, it's about 33% of the total dollars that they've invested.

When I talk about “direct”, I talk about companies that either are producing products that they're building here or are directly addressing the manufacturing sector through things such as the Internet of things, advanced manufacturing, and the like.

If you were to look at digital manufacturing, that would obviously be much greater, because we did not calculate in that all of the jobs we're creating in terms of software design and creation, gaming, and those things. We're just talking about products.

Mr. Chandra Arya: In the growth phase, the “valley of death” is of course that very critical stage that can make or break many companies. I know that the commercial banks will never come in there, and I know that angel investors are filling the gap. Do you think there are any institutions out there that are ready to fill that gap?

Mr. Yuri Navarro: I think there are institutions that are trying to do that. There are institutions that would like to be more active. I have a great relationship with many of our banks and organizations, such as the BDC, that are trying to address that. It's difficult for big institutions to do that. The risk profile is just much too high.

Our angels usually come in and fund a company at the initial stages where the math doesn't make sense for these institutions. They take those risks knowing that they are very likely to lose all their money on these companies. Once these companies are able to generate revenues, it makes it a lot easier for them to access institutional financing.

● (1650)

Mr. Chandra Arya: Mr. Hilchie, you touched on the challenges with respect to the talent. During the last 20 years, the landscape of the industry has changed, not just in the diverse video games industry, but the entire manufacturing industry. There was a time when industry used to take in fresh graduates, train them on the job, and then continue their employment. Today, that is not the case.

Do you think our post-secondary institutions are well equipped to supply the talent that is required by your industry?

Mr. Jayson Hilchie: The short answer is no. There are a couple of reasons for that.

The first is that we can go all the way back to the supply of talent, going from the school system into the post-secondary education system. I've spent a lot of time meeting with deans of computer science programs in schools across the country. They'll tell you that they get their students in two ways.

In the first way are the kids who teach themselves computer science and programming in their basement because they're interested in it and they do it. The other kids are the kids who are really good at math and don't know what they want to do with their lives, whose parents tell them they can make a hundred grand by taking a computer science degree and becoming a computer programmer.

That is not an official way of building a talent pool for a digital economy. You can take chemistry, physics, and biology in grades 10, 11 and 12, and then enrol into a chemistry, biology, or physics degree in university, and you've already had three years of training. You don't have that in computer science. Oftentimes, the very first time you take computer science in formal education is in your first year of university. That's not a successful way of building a digital economy.

Mr. Chandra Arya: You mentioned the 1,400 jobs. If I recall correctly, you're referring to the medium-level executives and senior-level executives, right?

Mr. Jayson Hilchie: That's correct.

Mr. Chandra Arya: Is the temporary foreign worker program a hindrance for you today?

Mr. Jayson Hilchie: The temporary foreign worker program should be able to help us bring in those types of people in that we can't find. However, over the last number of years, since the federal IT workers program was shut down around the end of 2010 and in early 2011, we've been having non-stop problems with the TFW program, primarily with the labour market impact assessment.

Mr. Chandra Arya: Other than the angel investors or the venture capitalists, are there any other programs or institutions that are there to help your members?

Mr. Jayson Hilchie: Yes, our members receive money through all sorts of different avenues. His graph is quite interesting. I would say that most of our industry is getting money by starting with the family and friends area.

Mr. Chandra Arya: Is there any institution like the BDC?

Mr. Jayson Hilchie: The BDC is actually quite helpful. I've met with the BDC in the past few months. I've met with the CEO, Michael Denham. The BDC is actually one of the more active institutions for small business loans to the video game industry. They have done some equity financing and some venture capital as well.

Mr. Chandra Arya: Mr. Navarro, as you know, we have great programs for innovation, whether it be SR and ED or IRAP and other things, of course, which your members are quite aware of, but there's a big gap in the commercialization side of it, in the funding. Do you have any thoughts on that?

Mr. Yuri Navarro: We've asked our members about it. We collect a lot of data from our members. One of the points that we actually collect from them is about what government programs out there actually have an impact on the decision to invest.

Some programs like IRAP and SR and ED actually have had a leverage effect on our members in terms of encouraging them to take the risk. But that works almost in the opposite direction, as maybe it should, in that the government will come in and invest first, before they know whether they have a "venture backable" business, and the venture investors will come in and invest afterwards. I think there could probably be a bit stronger alignment between what the private sector is willing to invest in growing and where some of those dollars are going in terms of making the leverage numbers better.

Generally speaking, people are very positive about those programs. Even when we talked to foreign investors, they named them.

Mr. Chandra Arya: Do you think we should tweak any of the current programs? Or is a totally new program warranted here?

Mr. Yuri Navarro: I think the community generally is very supportive of those programs. There are some programs that could be more effective.

We're currently conducting a bit of a study of our own on which programs are having a great impact with respect to the investor community in terms of attracting investment. I think many of the programs are effective. Those that you've named definitely are at the top of the list not only for our own members but also for foreign investors who have started to invest in Canada. When we talk to them about why they're starting to keep those companies in Canada, those programs come up.

There's always room for improvement, but generally speaking I think they've done a good job.

• (1655)

The Chair: Thank you very much.

We're going to move to Mr. Dreeshen for seven minutes.

Mr. Earl Dreeshen: Thank you very much, Mr. Chair.

Thank you, gentlemen, for being here today.

Mr. Hilchie, I wanted to address some of the things that you've spoken of. I was a high school math and physics teacher for 34 years, but I also started in computing science. At that time, the key point was your ability to manage machine languages and so on. Of course, in the school system during that time, everyone had a black Apple, and they were trying to find ways to do the programming. That seems to have gotten lost, because now all of a sudden it's a lot easier to use an app and set things up rather than to go through it and develop things.

I'm going to ask you for your opinion. If we could get back into the elementary schools—or we could probably go back further than that, because kids have an amazing ability to grasp the skills that are needed—I think we'd find that this is what we're missing and what is part of what we need to look at.

If we're trying to find ways of getting 1,400 jobs filled, yes, we can fill them from other countries, but the point is that the other countries are doing that and we're not making the effort, or we don't realize how important it is to make that particular effort. For any way that you could encourage school systems to get the juices going, whether it be in contests or whatever, I'm sure you would see a benefit.

That's the first comment I wanted to make in that regard.

Since we have the two of you together, do you get angel investors who are engaged in your industry?

Mr. Jayson Hilchie: Can I quickly address the first question?

On your first comment, what's happening is that because the school system across the country is not picking up on this as fast as necessary, there are organizations filling the gaps. There are extracurricular organizations, things that aren't necessarily associated with the school system. In Montreal, we work with one called "Kids Code Jeunesse". They teach teachers how to teach basic computer codes. They do what are almost like junior achievement days, where they make small apps and things like that.

We're also hosting a breakfast next week, an event where we're bringing in my counterpart from the United Kingdom, who was very successful in lobbying the Government of the United Kingdom to get rid of what you're talking about—the consumption technology courses in the school system, things that teach you how to use computer programs—and then replace those with technology programs that teach you how to create computer programs. There are a number of things. We're on this. It's a huge issue for us. We need to tackle it.

Second, just quickly, and then I'll let Yuri answer, our industry does take advantage of private angel capital for smaller companies that are looking for investors. The problem is, though, that we're a hit-driven industry. Video games are very risky investments. They're not necessarily a linear product that you can take from an early-stage life cycle to an exit. You have an entertainment product that gets released and gets adapted to the market, but it's either popular or it's not. It's very risky, and it's difficult, when you're dealing with angel investors, to convince them to invest in video games. It happens, but it's challenging.

Mr. Earl Dreeshen: Yes.

The Canadian Music Publishers Association spoke with some of us earlier. They had a concern about patent protection and trying to tie it to the way it was with the EU and the U.S. I don't expect there to be a 50-year to 70-year rollout on some of the games we have right now, but when you talk about intellectual property and how you hang on to that when you have so many actors coming from different parts of the world, do you have a strategy that you use in order to ensure that those investors actually can protect those investments rather than have others take advantage of you?

Mr. Jayson Hilchie: Every company would have their own strategy in regard to intellectual property, but of course all of them are very interested in protecting the rights to that property for as long as they can. In fact, we advocated on behalf of an extension of copyright protection like the music industry received. I do believe that we would get that under the TPP, if the TPP is ever ratified.

In short, every company sets their own arrangements contractually with investors. Keep in mind that a lot of the very big companies that have global IP are the ones that wouldn't need an angel investment anyway, right? It would be the smaller companies, on a smaller scale.

● (1700)

Mr. Earl Dreeshen: Mr. Navarro, you mentioned that it's rare to invest in Canadian companies, or that there are some issues associated with that.

I had the opportunity to be with the Minister of Science in Germany last week. We were talking to research organizations. What they were talking about was how you get business engaged in research.

Of course, if you're in Germany, that's where everybody wants to go. If you're in the U.S., that's where the critical mass is. How does a country such as Canada manage to deal with this when we have obstacles such as our geography, where you're looking at six hours to fly from one side to the other; the jurisdictional aspects, when you have provincial regulations that all have to be dealt with; and, of course, the proximity to a larger market? Even though Canadians and the Canadian government over the years have invested in research for universities at the same rate the Germans have, these are some of the reasons why we don't get the overall dollars: because companies aren't prepared to engage.

I'm wondering if angel investors have that same sort of concern: are we really going to put it into the Canadian market? Will they do that if they know they can move it to places outside of Canada?

Mr. Yuri Navarro: I think it's less of an issue than it used to be in Canada. Just for clarity's sake, I would say that in Canada, in a typically Canadian fashion, we don't celebrate our successes enough. I think we're actually doing quite well. If you look at the global rankings, you'll see that ours is high—we're up there—and that we have four or five ecosystems that are on the top 20 list of tech ecosystems in the world right now. I think we are the only country other than the U.S. that has more than one.

I think we are doing quite well. The proximity to the U.S. helps us, but also, in the digital economy, the realities of geography don't affect us as much. Where we are really strong is in having a great cultural.... I look at our culture as an asset, in that we are seen globally by the tech community as a great way to test products before going to a larger market. We also have a great talent pool—even though obviously it can always be improved—and not as much competition for that talent as they might have in Boston or the Silicon Valley, for example, which actually attracts a lot of companies to come here. That's part of the reversal of the brain drain we've been seeing.

There is still a lot of room to grow. Where we have challenges in building global companies is mainly in some of the more senior executives or sales—things that we haven't had a long history of doing and where we need to improve.

The Chair: Thank you very much.

We are going to move on to Mr. Masse. You have seven minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

Thank you, gentlemen, for appearing here today.

Mr. Hilchie, I have witnessed this industry grow quite a bit, because I've been playing on everything from Intellivision—Pong and Sega—to Xbox. PlayStation is what I use now with my son, who unfortunately is coming to the age where he is starting to beat me, so those days will soon be gone....

What is really interesting is not only the value of what we are getting here, but also the other industry that you create. I was doing research for another bill, one on e-sports, which unfortunately didn't get to the committee. In South Korea, for example, they have a minister of e-sports, and in the United States it's a billion-dollar industry.

For those who aren't familiar with e-sports, you'll see this at a theatre. They'll rent a theatre and play video games online. It's to the point where there are actually teams that live together. They play together for years. They train. At the end of the day, all this is done through the video game products.

Maybe you can talk a little about that in terms of its potential beyond just the game you're playing at home with somebody. Also, with that is CGI and the skills that overlap with the movie-making industry. My nephew recently graduated from Sheridan, and he did part of the chariot scene in *Ben-Hur* as part of that. I want to say that it's extra value added. People think about it as just playing around, either at home or in your basement, but the reality is that other things are leading to more jobs.

• (1705)

Mr. Jayson Hilchie: I'll address the second part, and then I'll get to the e-sports.

Absolutely, there is crossover between our industry and computer graphics. This is probably one of the more natural crossovers; they're very similar skill sets. In addition to that, as I said in my opening remarks, we're also responsible for simulations that are training military personnel all over the world. Through virtual reality, they're learning to fly helicopters and airplanes and also learning tactical combat and inner-city urban warfare. Doctors are learning how to become better surgeons through virtual reality, and police officers are learning to do their jobs better through motion detection and things like that, which were invented through the video game industry. A number of spinoffs from the technology we develop end up in the mainstream economy.

In terms of e-sports, it is a growing segment of the video game industry. I will be honest that our interactions with e-sports have been limited up until this point. It is outside of the main video game industry. Operators like Cineplex have signed deals with Sony and PlayStation to provide e-sports competitions in the theatres within Cineplex, as you were saying. That's a huge opportunity. We have organizations that have started their own Canadian League of Gamers. There was a competition at the Air Canada Centre in Toronto a few weeks ago, League of Legends, that sold out the ACC for people to watch video games. It is a growing subculture of the video game industry, absolutely.

Mr. Brian Masse: I would even argue that it's almost past that, because now people play for a living.

Mr. Jayson Hilchie: People are making a living playing video games, absolutely. CBC has done a number of profiles of young

Canadian gamers who are making in the six figures playing video games.

Mr. Brian Masse: We could go on for a long time with this, but I want to give Mr. Navarro a little time here.

It was interesting, because these are the things that I always puzzle over, and it's good to hear about some good work with venture capital and about a number of things that are happening. It always seems that there are others who are doing the work that the banks refuse to do, but the banks come in later on to clean up when there's a success story.

I'm not sure that's the best strategy. I don't know what's happening with your organizations in terms of risk and reward. I look at that through other institutions. It always seems that they're not interested until the risk is diminished, and then they come in and get the spoils, for the most part. They obviously do take some risk, but there certainly isn't the same reward. I'm just wondering if the reward element is there.

Mr. Yuri Navarro: I think the risk-to-reward equation is the same for anybody who gets involved in this space, but I think what makes it difficult for institutional capital to get into this space as early as the angel investors do is simply the uncertainty. That's related to this. Obviously, institutional capital is usually based on certain formulas and theories that are followed in order to determine how it will be invested. Angel investing oftentimes is a lot more of a gut feeling. It's much more about investing in the person, the individual, rather than the technology. It's not as clear cut.

If you ask seasoned investors about their portfolio and they have 40 companies in their portfolio, they'll often tell you that they had no idea that the five that ended up being the big successes were going to be the big successes, while the ones that they thought were going to be really successful ended up being dogs and not going anywhere. When people are looking at this honestly, they'll admit that there's really no way—or that it's very difficult—to know how to predict what's going to happen in this space, because there are so many variables.

Often, angel investors are actually looking at this as investing in the person. Sometimes they'll invest in an entrepreneur with a great idea even if they don't believe in the idea, because they see it as investment in that person. Even if that business fails they might be able to invest in the next one, and maybe that one will succeed. It's a kind of skills development.

I think there's a certain aspect of almost philanthropy that our members are undertaking. If you really look at them, you'll see that they are really nation builders. It's probably only 10% of the accredited investor class that has the stomach for this kind of thing. That's why I think we need to encourage them to do more of this.

I don't think there are any easy answers in terms of how we get institutional capital to do this. As long as you're responding to a shareholder or somebody else.... Even our members have a hard time sometimes in dealing with their families and trying to explain to them how they're taking these risks.

• (1710)

Mr. Brian Masse: Right—

The Chair: Thank you very much.

Mr. Brian Masse: —and I would like to see more reward go to that.

The Chair: Your time is up.

Mr. Sheehan, you have seven minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much.

Thank you to both of our presenters.

My first question is for you, Yuri. I noted that some of your funding partners are the Western Economic Diversification fund, FedDev, and the Business Development Bank. What is their share? What does their investment look like for your group?

Mr. Yuri Navarro: In many cases, the investment our community gets from those organizations is actually about building. They give a small amount of capital up front to help leverage these organizations to build, essentially.

In the case of Western Economic Diversification, for example, we have a program whereby we identify nascent angel networks. We have a group of 10 or 15 people who are doing investments regularly and are coordinating, and we help them to grow into a network of 50 people or maybe 100 people, and actually beyond that, to collaborate more with other networks, because these networks are social networks, and not everybody is always going to get along with each other.

It's important to make sure that when the opportunity comes to collaborate beyond the means of your own network, you have an easy way to tap into those other pools of capital to help these companies grow. Otherwise, these companies are left to themselves to figure this out. They usually provide some kind of base support that helps certain initiatives, like recruitment drives, marketing, or research, in many cases, to help these people do a better job collecting their own data. They usually do a horrible job of doing this, as angel investors.

In our case, it's the same. The project funding we've received has often helped to support some of the research initiatives and some of our data, creating resources for our members to become more educated. We recently launched an education program for the angel investor community based on some of that support that we've had.

The challenge, if any, has been that it's sometimes regionally focused because of the nature of these organizations. That does limit our hand in terms of where we can grow and develop.

I have a graphic I'll show you of what our membership looks like in terms of dollars invested in members. If you look at this, what you'll notice is that a lot of the growth in this community has happened in Ontario and Quebec. Quebec gets a tremendous amount of support from the local government and institutional capital. They've had a tremendous amount of success and, in many cases, have best practices to share with the rest of the country. Ontario is the same because of FedDev. We've had four or five years to build this community in Ontario, and that's resulted in fantastic success. In western Canada, we've only been working on this for two years now, and in eastern Canada it's very nascent.

This is where you can see the direct impact of some of the funding that has been received by those communities. In terms of turning it into investment for entrepreneurs, we've actually been able to measure this funding and have come up with a statistic which suggests that for every dollar the government has invested—whether directly to the networks or to us—into this community, into building the infrastructure to really facilitate these transactions to happen, we've been able to track about \$37 of investment going to entrepreneurs and companies from those investors that we engage.

Mr. Terry Sheehan: That's great. I have a supplemental question on that. Back in the day, I used to be the general manager of an entrepreneurship centre for the region. It's amazing how complex the angel investors have become. There was a list my boss gave me of people he knew of who were angel investors, and we added and deleted, and started having breakfast pitches and things of that nature.

Currently, in northern Ontario, in Sault Ste. Marie, there's a Northern Ontario Angels group that's supported by FedNor. There have a really interesting model, whereby they will get one third from the angel, one third from the Northern Ontario Heritage Fund, and one third from FedNor. The job of their staff is to help them do the paperwork and navigate the “red tape bureaucracy”, if you will. It's really successful. It has been amazing. That number you gave doesn't really surprise me, at least in my area.

My question is—noting that northern Ontario is 90% of the land mass of all of Ontario, so it's pretty rural—what other innovative kinds of deals has government gotten into, say in Quebec or some other areas, to spur on manufacturing everywhere, but in particular in rural areas as well?

• (1715)

Mr. Yuri Navarro: I think northern Ontario is a great example. Mary, who is the manager of that group, is one of the members that I like to parade around in terms of everything that she has accomplished. Especially given the complexity of that geography and the economic profile of that geography, I think they've done a fantastic job with the fairly limited support they've received. That's a great example. Because of the economic profile of that jurisdiction, they have an overweight, I would suggest, in manufacturing investments. They invest a ton in products that either directly or indirectly have a manufacturing impact.

As for other regions, I would include Ontario. We see a lot of that in Ontario and in B.C. as well. The tax credit has been quite effective in B.C. in terms of accessing that capital. That's one example we point to.

In innovative approaches, though, I think northern Ontario definitely is one that has taken a unique approach. I think you need that for certain jurisdictions. The product has to fit the market, as we always say to our companies. I think that's a good example.

Quebec is another good example we always point to in innovative approaches. In Ontario, we always point to FedDev's IBI program. Essentially, the way it works is that if one of the angel investors is willing to invest in that company, FedDev will consider that company for a loan. That loan then leverages the angel investment that allows them to ramp up that company faster than they otherwise would.

There are a number of interesting examples. Those are the ones I always point to: the Quebec fund, the IBI program, and the tax credit in B.C. They are good examples that have generated certain outcomes that I think are measurable and positive.

Mr. Terry Sheehan: I have a real quick question for Jayson. When we talk about rural Canada and the development of manufacturing—we know it, but we need our witnesses to describe it and say it to get on record—what is the importance of broadband to industry for producing products? Just in few seconds—

The Chair: You're done.

Mr. Terry Sheehan: It's vital.

The Chair: You're done.

Mr. Nuttall, you have five minutes.

Mr. Alexander Nuttall: Thank you, Mr. Chair.

Regardless of that five minutes, it wasn't my expectation that we wouldn't be able to get to any other portion of the meeting today. I have motions I'd like to move regarding this current study and the invitation of some key members to bear witness to this committee.

In June the innovation minister made an announcement regarding innovation leaders and appointing a committee. Part C or 3—I can't remember if it was numeric or alphabetic—of this committee study is with regard to innovation in the manufacturing area: how do we make our manufacturing sector more competitive and how do we innovate and become that group of tomorrow?

I have a series of motions to invite those individuals to give testimony and provide advice to this committee, which in turn will provide advice to the government.

That said, I'll start with the first one. Copies are in both official languages and have been given to everyone.

As part of the committee's study on the manufacturing sector, I move:

That the Standing Committee on Industry, Science and Economic Development of the House of Commons invite the Liberal party donor, and the quote "innovation leader," Valerie Fox, appointed by Minister Bains on June 14th, to appear before the committee to speak about how we can make manufacturing more innovative.

I'll put that on the floor.

The Chair: You're making a notice of motion. The clerk has them.

Mr. Alexander Nuttall: It's not a notice of motion.

The Chair: It says on there "Notice of Motion".

Mr. Alexander Nuttall: It's not a notice of motion for the day; it's regarding what's currently being discussed on the floor, so we can actually deal with it right now.

A voice: It says "Notice of Motion".

• (1720)

Mr. Alexander Nuttall: Even though it says "Notice of Motion", it doesn't affect.... I move the motion.

The Chair: How come you're not just inviting them as your witnesses? I don't understand.

Mr. Alexander Nuttall: I don't understand what your question is.

The Chair: These are witnesses you want to invite.

Mr. Alexander Nuttall: Yes. There are 10 of them that I want to invite.

The Chair: Why don't you put them on the witness list?

Mr. Alexander Nuttall: Because I don't have control over the witness list. I don't even get to talk about the witness list because it's dealt with at the subcommittee.

The Chair: We talked about this at the last meeting. I suggested that you look back and you add people to the witness list.

Mr. Alexander Nuttall: Absolutely. I'm putting them forward.

The Chair: Okay. What's the challenge? What's the problem?

Mr. Alexander Nuttall: Why is that a problem?

The Chair: I didn't say there's a problem. I'm confused as to the way that you're doing this.

Mr. Alexander Nuttall: I'm putting in the motion.

The Chair: You want to move your motion right now is what you're trying to say.

Mr. Alexander Nuttall: Yes. We're at 5:15. We don't have time, really, to go over this stuff after we've gone through the questioning, because of the earlier stuff.

The Chair: So are you not going to—

Mr. Alexander Nuttall: I've put aside my questions of the two current witnesses, and I've put a motion on the floor to invite other witnesses as part of the debate.

The Chair: All right. The floor is open to debate.

Mr. Longfield.

Mr. Lloyd Longfield: I move that we adjourn debate.

The Chair: It's been moved that we adjourn debate.

Mr. Alexander Nuttall: That's non-debatable, correct?

The Chair: Yes.

The Chair: All in favour of adjourning debate on the motion? All opposed?

(Motion agreed to)

The Chair: Okay.

An hon. member: It's a tie.

The Chair: Where do you get a tie?

An hon. member: Mr. Baylis didn't vote.

The Chair: He did.

Mr. Frank Baylis: I'm not allowed to vote from back there...?

Mr. Ben Lobb: Just on a point of clarification, can the clerk tell us if you have to be at your seat and sitting down to vote?

The Chair: I recognized Mr. Baylis as he was walking back to his chair.

Mr. Ben Lobb: I have one more point, then. Can I vote by text message from the hallway?

The Chair: You could try.

Mr. Ben Lobb: Okay. I'm just curious.

The Chair: I doubt that it would work.

Mr. Alexander Nuttall: Okay.

Mr. Chair, as part of the committee's study on the manufacturing sector, I move:

That the Standing Committee on Industry, Science and Economic Development of the House of Commons invite the Liberal Party donor, and the quote "innovation leader," Austin Hill, appointed by Minister Bains on June 14th, to appear before the committee to speak about how we can make manufacturing more innovative.

To speak to that, I'm not sure why we would adjourn inviting people who the minister has the utmost confidence in regarding innovation in this country, in providing testimony on innovation for manufacturing in this country.... It doesn't make a whole lot of sense to me. These people already have the approval and the seal of the Minister of Innovation Science, and Economic Development. They have the approval and seal of the New Democratic and Conservative Parties here to come and bear witness.

Why would members of this committee, of the Liberal Party, vote against their own minister's, quote, leaders on innovation, at the innovation committee? It doesn't make a lot of sense.

The Chair: Mr. Baylis.

Mr. Frank Baylis: This is for clarification from the clerk.

He's moved a motion. We can just vote on it. Is that right?

The Chair: We can debate it. We can vote on it. You can choose to adjourn the debate as well. You have some options.

Mr. Frank Baylis: I move to vote, then, unless he wants to talk more.

The Chair: You can't call the question, but we are open for debate. Is there any further debate on.... Which one are we doing?

Mr. Alexander Nuttall: It's number two, because number one was adjourned, Mr. Chair.

Mr. Frank Baylis: Could we block-vote all of these? I've read them and they're all the same. Or do you want to read each one?

• (1725)

Mr. Alexander Nuttall: They're not all the same. There are different names.

Mr. Frank Baylis: Can we block-vote the two different groups? There are two types.

Mr. Alexander Nuttall: No.

Mr. Lloyd Longfield: So you don't want to do the manufacturing study is basically what you're saying....

Mr. Alexander Nuttall: No, we do want to do the manufacturing study. We want to bear witness from innovation leaders on innovation in the manufacturing study.

These witnesses, I assume, will go at the back end. If we just hurry up and vote, then we move on.

The Chair: Mr. Sheehan.

Mr. Terry Sheehan: This is for clarification.

Just in taking a look at what we've been discussing today, we've been hard at it, and our witnesses have been interrupted a few times now since the beginning. Now we're getting towards the end. We have only a few more minutes left. Out of courtesy, I think, we might

want to consider, perhaps, that if we're not going to ask any more questions, we allow them to leave. I see them nodding their heads as well. I think it's a matter of courtesy. We've interrupted them a few times.

We started at around 3:33. We continued to talk and talk, and we went back and forth and spent a considerable amount of time in the continuation of talking about whether or not we should in fact use their valuable time, their valuable resources and knowledge. We had such a wonderful line of questioning with such information. I took a look at the slides up there. There's so much more we could learn and get on the record. I know we have only a few more minutes left, but I think we really have to acknowledge that and thank them so much for the information they have.

We can go off-line and we can have discussions. That will help me, but it doesn't necessarily help the study. The study does not get it on the record. It does not get to our friends here for them to be able to record it and for us to put forward the best strategy that we possibly can. It's going to have in it what we heard over and over again, which is the need for access to capital for small and medium-sized businesses, not only in large areas such as Montreal, Vancouver, or Halifax, but in other areas, in rural Canada where I'm from, in northern Ontario. We heard about a model they have. I was glad they were able to talk about this great model of northern Ontario, but I'm sure there are other things that we'd like to learn about.

My friend Jayson was about to undertake and share with us the importance of broadband as it relates to the industry that he has represented so well. We've seen the explosion of jobs in that industry. It behooves us to continue to use our time to listen to these great presenters, to celebrate them, and to acknowledge the work they've been doing and continue to do. Through these exchanges, it also helps them to serve their clients. We're doing their clients a disservice, because their clients do pay attention to this. They're asking, "Where is this government's head?" That's all of us, all the parties: the Liberal Party, the Conservative Party, and the New Democratic Party. They're able to actually learn from us.

The Chair: I'm recognizing a point of order.

Mr. Brian Masse: On a point of order, I just wanted to see if the clock is accurate, and in the time we have left, if you want to remind the honourable member—

The Chair: It is 5:28.

Mr. Brian Masse: If the honourable member wants to have our delegation speak, he might want to cede the floor to them.

The Chair: We're having debate, so he has the floor.

Mr. Terry Sheehan: Unfortunately—and just for clarification, I appreciate that, Brian—I'm not able to do that, because right now we're talking about these notices of motion that have now become motions, which has suspended our discussion. I'm making a salient point, and I think we need to recognize this for the future when we have great speakers like this. I don't want to do this again. I really don't. I want to have this manufacturing study.

In Sault Ste. Marie, our largest employer, Essar—Algoma Steel—is under creditor protection. Right now, there are very similar businesses that are facing challenges. Again, it behooves us to get out there and listen and to create this manufacturing study. I can't say enough about that. There are other start-ups. I worked in the industry for a very long time, and angel investing, as we see by this chart here, is making a big impact and difference in Canada.

•(1730)

The Chair: I hate to cut you off, but our scheduled meeting does finish at 5:30, and it's 5:30, so I am going to adjourn.

Mr. Alexander Nuttall: We might have unanimous consent to keep going.

The Chair: We actually have bells.

With that, thank you very much to our guests for coming. We should have provided the popcorn.

The meeting is adjourned.

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