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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.)): I call the meeting to order.

It is exactly 3:30 p.m. Welcome, everybody, to meeting number 25 of the Standing Committee on Industry, Science and Technology.

Today we're going to hear from Michel Gérin, special adviser with the Intellectual Property Institute of Canada, and Jeffrey Astle, past president. From the Quebec Furniture Manufacturers' Association we have Pierre Richard, president and chief executive officer, and Réjean Poitras, vice-president, board of administration. Finally, we have Confection 4e Dimension.

A voice: They're not here.

The Chair: Oh, they're not here?

A voice: They were going to be by video conference, but they were bumped back for technical issues.

The Chair: Skip that last one. There's a technical issue. They're not here today.

All right, we're going to get right into it. Thank you, gentlemen, for coming in.

We'll start with the Intellectual Property Institute of Canada. You have 10 minutes.

Mr. Jeffrey Astle (Past President, Intellectual Property Institute of Canada): Thank you.

Good afternoon. My name is Jeff Astle, and I'm a member and past president of the Intellectual Property Institute of Canada, or IPIC. I am a patent agent, a trademark agent, and a lawyer, and as such, I work as intellectual property counsel at Pratt & Whitney Canada in Longueuil. With me is Michel Gérin. He was our executive director for 14 years, and he is now an adviser to IPIC and an honorary member of the institute.

IPIC is the professional association of patent agents, trademark agents, and lawyers practising in all areas of IP law. Our membership totals over 1,700 individuals from across the country, and we have been supporting innovation for 90 years.

I want to thank the committee for inviting IPIC to appear today. We will be making some recommendations to help ensure that Canada's IP system functions well, is competitive, and supports the manufacturing sector.

Before we go further, I would be remiss not to take this opportunity to speak about an important improvement to the IP system that came into force in June. The Patent Act and the Trademarks Act now include sections that protect confidential communications between clients and their patent and trademark agents from disclosure in court by a privilege akin to solicitor-client privilege. These enactments bring Canada's laws into line with other jurisdictions and will promote full, free, and frank communications between manufacturers and their innovation professionals.

Although I'm not speaking on behalf of Pratt & Whitney, I will say that our company and other innovators had sought these amendments. Congratulations to the previous government for putting the legislation forward, to the current government for ensuring that it came into force, and to the officials at Innovation, Science, and Economic Development Canada for their diligent work on this issue.

The natural progression to these changes is now to modernize the regulatory framework for patent and trademark agents. I will come back to that in a moment, but I will first ask Michel to speak about some other recommendations.

Mr. Michel Gérin (Special Advisor, Intellectual Property Institute of Canada): Thank you, Jeff.

[Translation]

The Intellectual Property Institute of Canada, or IPIC, proposes that the federal government create a first patent program. Such a program has existed in Quebec since 2015 and offers financial assistance to help businesses obtain a first patent or an industrial design. The assistance can cover as much as 50% of eligible expenses, up to a maximum of \$25,000. Such a program at the federal level would offer assistance to inventors and SMEs at a critical point when they have developed an idea to be protected, but may not have the necessary financial resources to obtain this protection or may not understand the importance of doing so. It is estimated that the program cost would be approximately \$25 million a year.

Second, the federal government should adopt an innovation box model that provides favourable tax treatment for income derived from intellectual property, or IP. The expression "innovation box" comes from the checkbox provided on tax forms to identify revenues eligible for a reduced tax rate. The expression "patent box" is also used.

Tax incentives related to research and development activities, or R and D, support the invention process, while innovation boxes support the commercialization of these R and D activities. These incentives are complements and not substitutes. They work together to improve both R and D activity and commercialization activity in Canada.

[English]

and it is important that the government and Parliament continue to devote resources and time to ensure that IP laws remain current and competitive. We hope that you, the members of the industry committee, will be busy during your term in examining more changes to IP legislation.

Jeff will now speak about a recommendation that would require legislation.

Mr. Jeffrey Astle: Thanks, Michel.

As I said, I am not speaking on behalf of Pratt & Whitney Canada, but I am happy to share my experience as someone who works in IP within a manufacturing company. Literally, my office is 30 feet from the heart of our manufacturing operations.

Our company designs, develops, and manufactures gas turbine engines for airplanes and helicopters used around the world. Competition in this field is fierce and relentless. The company invests over \$400 million a year in R and D and has close to 1,500 employees working in that area. For example, we are constantly striving to improve our products through innovation in performance, weight, and cost. Any development in one of the components that go into an engine can give us an advantage that in turn helps to keep and create jobs in Canada.

Let's take, for example, a replaceable component in a jet engine. An innovation in that component can make a significant difference in engine performance. We can have a patent on the component that protects its shape, its material, or its coatings, for example. We can also have a patent on the manufacturing process for the component if we invented the way to produce it.

We rely on the patent agents with whom we work to ensure that we obtain patents suitable to prevent our competitors from copying our inventions. If we didn't, we would lose the advantages that we achieve through our investments in research and development. For the agents to do this successfully, they must understand the technology and, more importantly, know all the intricacies of patent law, the rules, and the processes. I put a lot of faith in those patent agents, and they have the pressure to deliver. For example, when there is a patent dispute, trials can hinge on a word in a patent claim. I lived through one in the United States in which the stakes were in the tens of billions of dollars.

This is why we need a modern regulatory framework for patent and trademark agents, a framework on which innovators of all sizes can rely to ensure that agents are competent and that they are keeping current. They should see a system that is the same as the one they are familiar with for the regulation of other professionals that they hire, such as engineers, accountants, and lawyers.

Currently, we have only part of a system. The Canadian Intellectual Property Office, or CIPO, administers qualification

exams with the assistance of IPIC. This requirement has contributed to the excellence of the profession. However, there is no mandatory code of ethics, no clear discipline process, and no mandatory continuing education. Therefore, we need to complete the regulatory framework.

In this regard, IPIC is pleased that ISED recently held a consultation about the governance framework for agents. A question is whether CIPO should continue to regulate agents or if the profession should be self-regulated.

For the manufacturing sector, the choice of the model is very important because the IP system needs balance.

CIPO has examiners in its patent office who decide if an applicant gets a patent or not. CIPO has an important public interest role in preventing patents from being issued if they are not warranted. It represents the side of the equation that restricts the scope of patents and trademarks and industrial designs so that we maintain a healthy and competitive marketplace.

CIPO has a budget of about \$150 million and employs close to 1,000 people to perform its side of the public interest equation. For the system to work well, to protect and thereby incentivize innovation, we also need the other side of the equation. Agents therefore play an equally vital public interest role in seeking those patents.

Obtaining a patent is a back-and-forth process. I endeavour to seek protection that is as broad as possible for the company. A patent examiner may respond that protection of the scope that I am seeking is not allowable in view of the state of the art. Remember that we're dealing with cutting-edge technology, and things are, by definition, not obvious. Through this process, we isolate the invention.

That is where the agents come into play. Patent agents help clients craft patent claims in response to such examiners' feedback. To help properly protect the client's invention, an agent helps assess the validity of those claims and what would infringe those claims. They level the playing field for all applicants, whether big or small; ensure that there is balance in the system; and represent that side of the public interest equation.

I think we can all agree that given this role, they must be competent, must act ethically, and must keep up to date.

If CIPO sets the rules and training requirements and administers discipline and all other functions, it will have a conflict between its primary role of IP gatekeeper and its secondary role of ensuring that the innovators are well represented. The inherent bias in CIPO removes the balance in the system if it regulates agents.

My interests as an innovator are not well served if I can't rely on the independence of my agents. This was stated 20 years ago by a public administration expert, Professor Bruce Doern of Carleton University, in a report commissioned by CIPO in which he said,

...there is no convincing rationale for the patent and trade-mark profession to be so directly supervised by an agency of the federal government in matters of its professional qualifications.

● (1535)

As the federal agency involved, CIPO should focus on its more complex mandate tasks and should not be so closely regulating one of the client groups that it must interact with in other vital public interest ways.

• (1540)

Mr. Michel Gérin: Almost all professions are under provincial jurisdiction and almost all are regulated by self-regulatory bodies. This represents more than a million professionals in Canada. An example of a profession at the federal level that is self-regulated is the Canada lands surveyors. They have been self-regulated this way since 1999. Self-regulation is the most cost-effective solution because of the time that the profession devotes to make it work. For example, members of IPIC give hundreds of hours to prepare and mark the qualification exams, and also to train future agents. Essentially, they train their competitors.

We therefore recommend the creation of the College of Patent and Trademark Agents of Canada. It requires legislation to do so, as the college would be accountable to the Minister of Innovation, Science and Economic Development. The minister would appoint members of the public to the council of the college, and the college would issue public reports on its activities. It would administer the admission process, require continuing education and insurance, maintain a code of ethics, and manage a complaints and discipline process. This would improve the IP framework that is used by manufacturers.

Thank you. *Merci.*

The Chair: Thank you very much.

[*Translation*]

We will now yield the floor for 10 minutes to Mr. Pierre Richard from the Quebec Furniture Manufacturers' Association.

Mr. Pierre Richard (President and Chief Executive Officer, Canadian Furniture Show, Quebec Furniture Manufacturers' Association): Mr. Chair, committee members, ladies and gentlemen, good afternoon.

My name is Pierre Richard, president of the Quebec Furniture Manufacturers' Association and president of the Canadian Furniture Show. I am accompanied by Mr. Réjean Poitras, president of Amisco, a large furniture manufacturer in Quebec. He is also the vice-president of the board of directors of the Quebec Furniture Manufacturers' Association.

I am going to read our presentation, but Mr. Poitras will have very direct responses for you, due to his experience as president of a manufacturing company.

[*English*]

We wish to thank you for inviting us here today. We're pleased to present to you an overview of the Quebec reality, but also of the Canadian reality in furniture manufacturing. We have tabled a brief that gives you quite a bit more detail than what I will be presenting in the next few minutes.

[*Translation*]

Let's begin by presenting an overview of the Canadian furniture industry.

This industry is composed of manufacturers of residential, office and institutional furniture, related products, and kitchen cabinets. Canada is the world's eighth-largest furniture producer. It is distinguished by the superior quality of its products, components,

finishes and assembly, their comfort, design, customization, customer service, and the great value-for-the-money aspect.

The Canadian furniture industry employs 63,300 workers, almost the same number of workers as the aerospace industry. The industry is largely composed of SMEs, with 97% of manufacturers having fewer than 100 employees. It is also the country's second-largest consumer products industry. Quebec and Ontario are the main furniture-producing regions: 36% of Canadian producers are in Quebec and 36% in Ontario.

In recent years, the Canadian furniture industry went through a difficult period due to three main factors: first, the proliferation of products imported from countries with low production costs; second, the rise of the Canadian dollar; and third, the economic and financial crisis of 2008-09. The furniture manufacturers who went through this period showed resilience and creativity by enhancing and increasing their efficiency.

Before I go further, allow me to say a few words about the Quebec Furniture Manufacturers' Association.

The QFMA was founded in 1942. We will be marking our 75th anniversary in 2017. It includes residential, office and institutional furniture manufacturers, as well as manufacturers of furniture components and industry suppliers. Most of the businesses are Quebec-owned.

The QFMA is also the owner and producer of the Canadian Furniture Show, created in 1972. This annual show is held in Toronto and, with more than 7,000 participants from Canada and other parts of the world, it is one of the five largest trade shows in the country.

Let's take a look at the impact of Quebec furniture manufacturing on the Canadian economy.

The Quebec furniture industry is a significant engine of prosperity. It generates annual revenues of \$3.4 billion. Looking only at the sectors represented by our association, annual production expenditures total \$2.3 billion. This amount generated close to \$1 billion in wages, about \$220 million in revenue for the provincial and federal governments, and \$207 million in parafiscal revenue.

We note also that the Quebec furniture industry is the top client of the Canadian hardwood forestry industry. It accounts for 24,000 jobs, making it one of the seven-largest employers in Quebec's manufacturing sector.

We will now present a brief overview of the main issues and challenges in our industry, as well as our recommendations.

I will speak first about research and development.

As you know, R and D costs are extremely high, with no guarantee of success. For our industry, R and D activities include new product development as well as manufacturing innovation, and are seldom accompanied by the obtaining of patents. We suggest enhancing the accessibility of assistance programs allocated to R and D and ensuring their availability to guarantee ongoing innovation within our industry.

In terms of jobs, the furniture industry realized employment growth from 1997 to the turn of the millennium, peaking at 117,000 jobs in 2000. Since that time, there has been a significant drop. As of 2014, there were only 72,000 jobs in the industry, including self-employed workers. This represents a drop of 39% during that period.

The industry is also facing a shortage of specialized labour. This shortage has been amplified because of a negative perception fuelled by plant closures, which have drawn considerable media attention. Among our recommendations, we suggest that the government organize major promotional activities to create awareness of the industry and careers in this field.

I would like to say a few words on the subject of e-commerce.

Our industry is lagging in this area. Furniture manufacturers, which are mainly composed of SMEs, simply don't have the means to develop tools to allow them to either work with the major online retailers or directly manage online transactions and relationships with consumers, in addition to marketing their products.

We suggest subsidizing the acquisition of the necessary equipment, providing financial support for the training of employees, and lastly, offering tax relief measures on the profits derived from e-commerce for manufacturers getting into this area for the first time.

Let us now move on to safety and environmental issues.

Public safety and environmental standards are continually going through a revision and updating process here in Canada, as well as in the countries to which we export. The QFMA and its members are obviously in favour of any measures aimed at improving public safety and environmental protection. This being said, we recommend ensuring that the implementation of new Canadian measures is done in collaboration with the industry and within a reasonable time frame and that, in certain cases, this implementation is accompanied by transitional measures.

Let us address exports, a very important field for our industry.

The United States is the favoured market for Canadian furniture manufacturers. In fact, for Quebec, 94% of our furniture exports are shipped to the U.S. In addition, furniture manufacturers have to constantly innovate and develop new products. They rely on Canadian and American trade shows, which are their main showcases to reach the major buyers.

Among our recommendations, we propose devising a furniture export strategy based on Canadian and American trade shows and providing financial support to take part in these shows.

With all these changes, it is clear that the Canadian furniture manufacturing and retailing industry has been transformed and that it is important to draw a precise profile.

The development of the industry, in Canada and internationally, requires a thorough knowledge of all of the stakeholders, which no one seems to have. To ensure the success of activities at the international level, the furniture industry needs to be able to develop a better understanding of its market and of the U.S. market. We suggest preparing a profile of Canada's furniture manufacturing and retailing industry, as well as conducting market intelligence,

including analysis of the competition, the clientele, decision-making processes, and selection criteria.

In conclusion, the Canadian and Quebec furniture manufacturing industry has gone through a very difficult time. It had to enhance and increase its efficiency. The future shows modest signs of optimism with the emergence of new opportunities. Our manufacturers are now well-positioned to take advantage of these opportunities and continue to contribute to the wealth and prosperity of the country.

However, in a context of constant change and a highly competitive global market, we remain vigilant, since nothing can be taken for granted.

Ladies and gentlemen, thank you for affording us the opportunity to present to you the realities of our industry and some recommendations to consider. We offer you our full co-operation in the context of the development of the Canadian and Quebec manufacturing sector. We will be very happy to answer all your questions.

Thank you.

• (1550)

The Chair: Thank you very much.

[English]

We're going to start with Mr. Longfield. You have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Mr. Chair, I'm going to be sharing my time with Terry Beech. Before I do that, I have a really quick question for Mr. Richard.

You mentioned the strong dollar having a negative impact. Have you not seen any recovery since the dollar has gone down? I know we've seen in other manufacturing industries that they haven't seen that recovery happen.

Can you comment on that, please?

Mr. Pierre Richard: I'll give a general comment, with pleasure, and then I'll go to Mr. Poitras. He is living this reality because he exports to the States.

From the general perspective of what we have seen from our members, it's not a light switch. If the dollar goes down, exports don't all of a sudden go up immediately. It takes time. You do not base an export strategy on fluctuating rates, because they will fluctuate in the other direction at some point. You also have to build a whole distribution mechanism to ensure that you can fulfill that.

Basically, as the dollar goes down, yes, we have seen an upsurge in exports. However, much of that is due to the recovering economy in the States, perhaps more than just the exchange rate.

Mr. Lloyd Longfield: Thank you.

Go ahead, Mr. Poitras.

[Translation]

Mr. Réjean Poitras (Vice-President, Board of Administration, President and Executive Officer, Amisco, Quebec Furniture Manufacturers' Association): That's correct. I think the recovery of the U.S. economy is as important as the current weakness of the Canadian dollar.

From a strategic point of view, we must not forget that we protect ourselves with foreign currency exchange contracts. Even though we can exchange a portion of our revenues into American dollars at the spot rate that we see, under the foreign exchange contracts we have signed with financial institutions, our average rate is not the one we see every day on television or on the financial markets. This is a sound strategy for balancing risks over time.

[English]

Mr. Lloyd Longfield: Thank you very much.

We'll go over to Mr. Beech.

Mr. Terry Beech (Burnaby North—Seymour, Lib.): Mr. Chair, I thank my friend Mr. Longfield for sharing his time.

Thank you for presenting today. Intellectual property is kind of a personal passion of mine. My apologies to the gentlemen at the other end of table, but I'll probably focus my questions on the two friends closest. I'm appropriately positioned.

There are three things I want to talk about. The first is with regard to your recommendations, the first patent program and the innovation box. If we have time, I'd then like to spend a little bit of time talking about intellectual property policies at Canadian universities and see if you guys have any opinions on that.

On the first patent program, I like the idea in general. I think it's very interesting. Of course, Quebec is new, so we don't have as much data as we might like. Are there any other countries in the world that are doing this that we could look to? Given that we've gone through a full year, do you have any information on who's actually utilizing the program—industry, academics, small business, large business, etc.?

Mr. Michel Gérin: With regard to the Quebec program, we know that in the first year, all the funds that were allocated were used. The criteria are for small businesses, and therefore it's not for universities to use. I don't have more information on exactly who is using it.

In terms of another country we're aware of that has something similar, China has subsidies for patenting, but I think it's broader than just the first patent. A broad range of all types of patents and so on are provided subsidies. Otherwise, I'm not aware of the existence of a first patent program elsewhere.

• (1555)

Mr. Terry Beech: Thank you.

With regard to the innovation box, I read your report. I get how it's different from other tax incentive programs like SR and ED. It's more on the commercialization side. However, what struck me when I read the proposal was the problem of preventing businesses from seeking intellectual property in order to qualify for the lower tax rate instead of what we're trying to incentivize, which is the other direction. How would you do that?

Mr. Michel Gérin: This has been developed in many countries, this innovation box. Among the most recent is the U.K. They went to a very generous program. That prompted other countries in the EU and the OECD to study this idea. The OECD has actually come up with guidelines on this type of tax incentive. I say "guidelines", but I don't know how much they can enforce them. They probably can't enforce them. I think the EU has agreed to them.

In the guidelines, you need to tie the income, for example, to R and D activity that has taken place in the country. There's a formula whereby the company that is claiming this tax credit has to show that it actually spent its own money on R and D to some extent. It doesn't need to have done all the R and D itself—it may have outsourced some of it—but a formula on that will affect the patent credit.

One thing I don't think we mentioned in our paper is that Quebec has also launched a program that's starting in January. Their criteria are that it has to have a patent, the R and D must have been done in Quebec, there has to have been some tax credits for R and D, and the manufacturing has to be done in Quebec as well. The idea is that it's not just getting IP but it's getting IP and also your manufacturing.

In our case, we're proposing that it be in Canada. For manufacturers, the incentive is therefore to do R and D and then, if you commercialize it, there will be a reward at the end, an incentive to do so, but you should be manufacturing and doing your R and D here in Canada to some extent.

There are probably different formulas to look at—how much of the manufacturing, how much of the R and D, whether you can outsource some of it, whether it can be done in other countries, and so on—to arrive at a number.

Mr. Terry Beech: Thank you for that, and thank you for that reference. I look forward to reading those reports.

We have about a minute and 20 seconds, maybe less. The chair is more strict than I am.

With regard to intellectual property at Canadian universities, I've been doing a lot of research, looking at different policies across Canada and comparing them to other countries, such as the United States, the U.K., etc. What is obvious is that they vary greatly. Tech transfer offices have different rules on who owns the actual IP and how different revenue-sharing agreements are structured.

Do you have any opinions on how that is currently being conducted across Canada and how we might be able to do better?

Mr. Michel Gérin: IPIC is not taking a position on the best formula in terms of ownership, but Jeff has extensive experience working with universities in his day job. Maybe he wants to share some comments here.

Mr. Jeffrey Astle: We have relationships with about 18 universities at last count. Based on my experience, what has facilitated our work with the universities over time was establishing a simple arrangement in terms of IP rights and the work between us that so we didn't have to negotiate agreement after agreement.

We get ourselves into a sort of draft template and we try to apply it across all universities. We try to be fair in terms of what we get and what the universities are allowed to take with them and commercialize if possible. Establishing this type of relationship with universities facilitated our ability to work quickly and get projects going a lot faster.

I mean, the agreements were standing in the way of getting things done. It was taking forever to get a project together. Once we had those templates down and working, it was fine.

The Chair: Thank you very much.

We are going to move to Mr. Dreeshen. You have seven minutes.

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

Thank you for coming today to give us some very important information.

I will first talk to the Intellectual Property Institute of Canada.

You went through some discussions about the idea of a college, similar to that of the engineers and physicians and surgeons. There are some issues that occur under those circumstances and those groups as well.

I wonder if you could expand on how you feel that would develop with the code of ethics you were speaking of, as well as the competency requirements to make sure that the people who are dealing with patents and IP information are able to maintain the credibility and skills they need to keep up in an ever-changing world.

•(1600)

Mr. Michel Gérin: One thing that does not exist today that a college would require is continuing education. As more and more is done in the professions, whether by engineers, lawyers, or doctors, there is a requirement that every year you must meet a target in terms of keeping up to date. A college would set those requirements.

That is not to say that agents today are not keeping up to date. They are, on a volunteer basis. The institute provides many opportunities in terms of webinars and conferences to keep up to date, but it's an important factor. You are correct in raising that question, because it changes continuously. The statutes change, court decisions happen that impact intellectual property, and the technology is always changing. The college would require agents to meet certain targets.

Mr. Earl Dreeshen: You also spoke of the concerns with being a gatekeeper and, at the present time, trying to make decisions.

The other part that I'm curious about is the backlog. We've heard that if something gets sent in and, in their mind, is not dealt with quickly enough, that seems to be a concern. What would you suggest if people feel that way, and are there things you might be able to do to increase the confidence when patents are sent in to be looked at?

Mr. Jeffrey Astle: I can answer a bit of that.

We just had our annual meeting a few days ago, and CIPO presented to us statistics with respect to the improvement on their end in terms of the turnover of patents in their office. There were some very promising numbers in there. I think they've been wrestling with improving technology to move these things. A lot of paperwork is handled by those offices, so it's quite daunting to get that work in and out the door, but I think there have been a lot of improvements on their end.

There is not much we can do to speed up that process, other than to work quickly in the interactions we have with our clients and respond as quickly as possible when we have some sort of action from them.

Mr. Earl Dreeshen: Go ahead.

Mr. Michel Gérin: That is one reason we proposed the creation of a college instead of having CIPO regulate agents: it is so that CIPO

can focus all its energies on its core mandate of processing those patent, trademark, and industrial design applications and not be involved in a task that, in Canada, is not usually done by governments, which is the regulation of a profession. One of the many advantages of a college would be to free up that energy and time at CIPO so they can focus on those backlogs and timelines.

Mr. Earl Dreeshen: An offshoot of that is that when you speak to those groups and businesses that are doing work here in Canada and elsewhere, the comment again is that it can be done faster in other jurisdictions. Are there things we should be doing that would allow that, or is that simply a perception that might not have that much bearing?

Mr. Michel Gérin: One aspect that we touched briefly is to always ensure that our legislation is kept up to date, and that if there are issues—sometimes a court decision will affect how we interpret how our patents should be processed and so on—to be quick in analyzing that and implementing proper policy and sometimes legislative changes. That can help overall in reducing the length of time, because sometimes the slow progress on applications may be due to uncertainty and a lot of back-and-forth when there are changes in the law and so on. The more you can make it predictable and certain, the more it can help to reduce the time.

As Jeff mentioned as well, I suppose looking at the technology aspect would also help.

Mr. Earl Dreeshen: To our Quebec furniture manufacturers, we have some of the best furniture in the world. We have the best products. We have the best natural resources. I think we should be proud of all of our natural resources, and that's what we take to the world.

It was great to see your summary of recommendations. In it you identified a number of items, such as dealing with the high cost of innovation and the shortage of a specialized labour force. I wonder if you could, because we have the right people beside you, speak to the high cost of innovation and how that actually affects your members.

•(1605)

[Translation]

Mr. Réjean Poitras: It is necessary to develop a very large number of products. In the case of the furniture industry, we don't talk about innovation in its pure form. In fact, not many of our products can be patented. Given that the industry is very focused on fashion, it is important to always innovate and design products that closely follow recent trends.

This market evolves as quickly as fashion apparel. The costs associated with the need to constantly develop new products are very high. In addition, it is necessary to participate in product marketing as part of trade shows and by means of marketing tools, at significant cost.

[English]

Mr. Earl Dreeshen: On the other part, dealing with e-commerce, we've seen the things that are happening as people try to reach out to the world. If you've got a great product to sell, this is what you need to do.

You've outlined a number of possibilities. One is subsidization and the other is trying to come up with other types of support. Who have you reached out to? What would be your thoughts on some type of a subsidization program?

The Chair: You have about 15 or 20 seconds. No pressure.

Mr. Pierre Richard: A 15-second answer would be that we are late in the game. We're working with the Quebec government, which was about to release the details of what they call *la stratégie numérique*. We hope that within that there will be a few indicators of where we can be more concrete in the support that can be provided to our industry. Selling online is one thing, but there's also the huge cost of transportation, because what we sell is rather large, in many cases.

It's a complex game that costs a lot to get into. We have a few more detailed recommendations of perhaps how some of the help could take shape.

Mr. Earl Dreeshen: Thank you.

The Chair: We're going to move to Mr. Stetski for seven minutes.

Mr. Wayne Stetski (Kootenay—Columbia, NDP): Thank you for being here today.

I have questions for both delegations, but I'll start with the Intellectual Property Institute with some basic questions.

How easy is it to get a patent in Canada? How expensive can it be? Are there barriers? What can government do to help remove those barriers?

First, how easy is it to get a patent in place in Canada, and how expensive can it be?

Mr. Jeffrey Astle: It's an interesting question. To get a good patent, it's not necessarily easy. It's always easy to get something bad, but not necessarily good. I could maybe explain that a little bit more.

For an individual looking to get a patent, I think it's difficult for them to know where to go initially. For a large company, I'm already there, so it's a different story. My difficulty is pulling the innovation out of the woodwork, so to speak. For an individual in a small company who has not dealt with the patent agents who work in this area, it might be a bit daunting to find one and figure out what they need to do to start the process rolling when they need to start it rolling. You can do Internet research and hope for the best, but I think there's a bit of a barrier to get in that front door.

Once you're in there, your agent can help break down the problem of what you've invented and how you can get some protection for it. It's a fairly standard process of discussion and consultation to do that.

The costs associated with getting that depend on a number of factors. If it's a simple invention of a mechanical type, the prices are lower. If it's a high-tech patent, something difficult to get, the price will be higher. It also may depend on the expertise—

Mr. Wayne Stetski: What would the range be?

Mr. Jeffrey Astle: It's hard for me to say.

I would say probably between \$10,000 to \$20,000 per patent is sort of a rough range. I think you can find it lower than that, if you're getting in bulk, and if... It really depends on the technology in question. That's sort of a rough guess, though.

Mr. Michel Gérin: Quebec's First Patent program provides up to \$25,000. That's 50%, so that's—

Mr. Wayne Stetski: Is that one way that government can help them?

Mr. Michel Gérin: That's one way that government can help.

It's breaking the ice. As Jeff said, it's \$10,000 or \$15,000 if you're getting your patent only in Canada, but if you're going around the world or if it's a complicated technology, then that's where the costs add up.

There was a study done recently by the U.S. Patent and Trademark Office. University professors did this on behalf of the U.S. office. They looked at 43,000 start-ups in the United States that had asked for and received a first patent. A few years after those companies got their patents, their sales had increased by 50%. Job creation increased by 36% as a result of getting that first patent. It gave them then the propensity, the resources, to continue innovating.

One thing the first patent does for a small business is give them an asset that they can bring when they go to see investors, venture capitalists. They have something to show that somebody can invest in. It's not just for defending your technology but attracting investment.

• (1610)

Mr. Wayne Stetski: Somewhat related to that, what's the relationship between a patent that's registered in Canada and other countries? For example, does a patent issued in Canada mean anything in China?

Mr. Jeffrey Astle: It does not, although it may establish the priority for a corresponding application that you might file in China. There's a point in time that applies, based on conventions between countries. From the date that you file your patent application in the country where you first filed it, you have a certain period of time to then file corresponding applications in other places in the world. However, the patent that you get is only effective in the country in which it was issued.

Mr. Wayne Stetski: Is that something we could do differently or better in terms of trade agreements in the future? Could we try to protect that or share that some way?

Mr. Michel Gérin: It's not really an issue.

Mr. Jeffrey Astle: Europe has European patents, for example. You can get a single patent that's effective in a number of European countries, but it still has its issues. They continue to try to improve that system. I mean, there's getting the patent and there's enforcing the patent afterwards. It gets very complicated. When one of the countries jumps out, it gets really complicated.

Mr. Michel Gérin: It's simply a strategy that the client will work on with their patent agent. The client will say they're thinking that their competitors are in this and this country, and they need to protect their invention. The response will be, "Okay, based on the application we prepared here in Canada, we'll correspond with our associates in that country and we'll get you those patents. We won't get you more than you need; we'll just target those."

The idea is that you're targeting only the countries where there's a risk that somebody is going to copy your product or sell a copy of your product, and so you do it that way. That's the way the system works now.

Mr. Wayne Stetski: Thank you. How much time do I have left?

The Chair: A minute and a half.

Mr. Wayne Stetski: Turning to the furniture industry, first of all, I want to congratulate Quebec on the quality of its furniture. I'm celebrating my 38th wedding anniversary this Friday. We've had the same bedroom furniture since then, much to my wife's chagrin at times. I keep telling her it's perfectly good; we're not getting new furniture.

Mr. Pierre Richard: Congratulations to you.

Mr. Wayne Stetski: Thank you.

In relation to that, do past trade agreements protect the Canadian furniture industry? Do you know what impact on furniture the trans-Pacific trade partnership could potentially have if it were signed?

Mr. Réjean Poitras: I believe it would have very little impact on the furniture industry. That's not where the game is for us.

Mr. Wayne Stetski: Would more promotion and markets beyond Canada help the furniture industry, or are you just looking at the U.S. potentially?

Mr. Pierre Richard: We surveyed our members on this matter. A number of our members actually were exporting to Europe. Today we have very few. It's very costly to play in the European market. Also, there are a lot of *barrières non tarifaires*. Therefore, the American market is the market of choice for our exporters. That's why 94% of what we produce and sell abroad goes to the States. There's very little interest in foreign markets at this point.

Mr. Wayne Stetski: Okay.

The Chair: Thank you very much.

We're going to go to Mr. Baylis.

You have seven minutes.

[Translation]

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): Hello. Welcome.

You spoke about a problem with qualified labour. Could you comment further on this? Do you have any suggestions for the federal government on how to improve things?

Mr. Réjean Poitras: Labour skills, and therefore training programs, are a problem for the labour force in general. There are important issues concerning the technical training that schools could offer. An even more important issue, including for my business, is labour availability. My two businesses are located in regions where

the unemployment rate varies between 4% and 5%. We have just invested to expand one of our plants, and we won't be able to go further unless there is labour available.

From my point of view, I don't think it's right that in Canada and even in Quebec, there are so few incentives to take labour from regions where the unemployment rate is 10% and send those unemployed workers to regions where there are a lot of jobs available and the unemployment rates are still very low.

Obviously, there is also the whole question of labour force training. Just the same, we manage to do things using the existing programs. It's hard, but we manage just the same.

• (1615)

Mr. Frank Baylis: Is this training at the university or college level?

Mr. Réjean Poitras: For furniture industry plants, the training involved is actually technical training. For our part, we can provide on-site training for employees who want to work. There are positions for managers, engineers, and other positions of this type that we manage to fill. In the Quebec City area, it's hard, but we still manage to find people. Labour availability is the most important issue.

Mr. Frank Baylis: Where exactly are your plants located?

Mr. Réjean Poitras: We have one plant located one hour east of Quebec City, and the second plant is one hour and forty-five minutes east of Quebec City, near Rivière-du-Loup.

Mr. Frank Baylis: So these are really rural challenges.

Mr. Réjean Poitras: Exactly.

Mr. Frank Baylis: For these plants, there is a labour shortage.

Mr. Réjean Poitras: It's the same thing in the whole Quebec City region, in the Chaudière-Appalaches region, in Beauce. Many manufacturing businesses are facing this problem of labour availability. I am certain that other regions are experiencing the same problem, in Toronto, for example, or elsewhere in Canada. This problem exists in the rural setting, but it probably exists elsewhere.

Mr. Frank Baylis: Let's assume this problem exists elsewhere. Do you want the government to encourage people to move?

Mr. Réjean Poitras: The employment insurance program should encourage people to move. The people who live in an area where the unemployment rate is high must, at some point, decide to contribute to the economy by going to work somewhere else, instead of living at the expense of government institutions, whether it's employment insurance or another program. The citizens must—

Mr. Frank Baylis: So, you suggest using that kind of leverage.

Mr. Réjean Poitras: Yes.

Mr. Frank Baylis: I see.

You have a plant in a rural area. Aside from the rural setting, do you face other challenges?

Mr. Réjean Poitras: E-commerce is a huge challenge. The clientele of furniture manufacturers are retailers. Currently, retailers, whether they are in clothing, furniture or other sectors, are going through significant upheaval caused by online commerce. However, we are in a position where businesses who know how to adapt will be able to deal with that.

We sell to online retailers. We made that shift, and it was fortunate that we did, but others have to do so. For the furniture industry, it's an issue. More and more manufacturers have to be able to sell to online retailers. The traditional retailers are going through a period of major upheaval.

Mr. Frank Baylis: Many people have come to tell us they do not have access to high-speed Internet in rural areas. Is this a problem?

Mr. Réjean Poitras: No.

Mr. Frank Baylis: Why haven't furniture manufacturers gotten into online commerce?

Mr. Réjean Poitras: Some have done so, some have made the shift fairly quickly, and others are lagging.

Mr. Frank Baylis: What is the association doing and what could the government do in terms of concrete steps to advance this cause?

Mr. Pierre Richard: There are examples of companies in Quebec that have made this shift. I'm thinking of South Shore, for example, which sells 95% of its products online now, as well as in Canada. This company offers IKEA-type products, which may be easier to sell online compared with more traditional products.

To make the shift, you need a little money. As I was telling you, 97% of our manufacturers have fewer than 100 employees. This means that the available funds are limited. The investment to take this plunge is fairly large. One of the possibilities would be to have tax credits for a certain number of years, perhaps for three years. This would give those who choose to invest in this transition a break profit-wise and would enable them to cover the costs later.

• (1620)

Mr. Frank Baylis: Is there an interest in online commerce? Is there a lack of know-how?

Mr. Pierre Richard: In fact, the whole world is looking at this very closely.

The furniture industry overall is lagging somewhat. Seven or eight years ago, consumers made online reservations for airline tickets or other tickets. Then, they started to buy shoes. Ten years ago, no one would have believed that people would buy mattresses online. And yet today, people buy mattresses online. Everything can be bought online and the numbers are growing.

We must make this shift. Many of our members are interested and are curious about this, but they don't quite know how to do it. We are making efforts.

As a matter of fact, at our conference that will be held in a few weeks, many are going to raise the issue of the digital shift to help our members, small and medium-sized businesses as well as the larger ones, make informed decisions.

[English]

Mr. Frank Baylis: How much time do I have, Chair?

The Chair: You have one minute.

Mr. Frank Baylis: I have a quick question on the IP side.

On this unique lack of regulation that the patent agents of Canada are missing, there are a number of things. If this self-regulation were put in place, how would it have a positive impact on Canada?

Mr. Jeffrey Astle: Myself, I passed the exams in 1992 and other than self-educating along the way, I have had no impetus to continue to learn what is going on with the law or what have you.

It is such an important right that you get in these patents, and you need to have someone who understands what they are doing to get it for you. It is a very complex area. The benefit is that there will be a plan of continuing education to allow these people to make sure that their credentials are up to date.

For a large company, it's not as much of an issue. I deal with agents and others within firms from time to time, but for smaller companies that are going to any hole in the wall to get this done, you've got to question whether those people's credentials are up to date. Based on the people I deal with, I think the tendency is for them to be up to date, but it's not clear that it's across the board and uniform. I think that's very important.

The Chair: Thank you.

We're going to go to Mr. Lobb.

You have five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Thanks very much.

To the CIPO people, let's suppose I want a trademark. I've got an idea: Huron—Bruce is great. That's my trademark, and I want to go and get that trademark. Then I'm going to sell hats and shirts and I'm going to make a fortune, right?

Just trademark something as basic as that, what does that cost? Would it be \$1,500, maybe?

Mr. Jeffrey Astle: I don't know the answer.

Mr. Ben Lobb: I think your website recommends I should hire an agent, like a lawyer, to do this.

Mr. Jeffrey Astle: CIPO is the agency that is part of the government that takes care of this. We're the agents who work outside of that agency to help the clients deal with CIPO.

Mr. Ben Lobb: The point is that the website leads me to believe that if I want to do something as basic as just getting a trademark like that, I need an agent or a lawyer. Is this realistic?

Mr. Jeffrey Astle: I think it is. If you're going to develop—

Mr. Ben Lobb: I could do it myself.

Mr. Jeffrey Astle: You can do it yourself, but as I was saying to somebody today, I could probably perform appendix surgery, but I wouldn't advise anybody to be my patient—but you can do it yourself.

Mr. Ben Lobb: When we're using a really basic example like this, it should be something a small business owner should be able to do in two seconds and then get on with making their hats and their shirts, shouldn't it?

Mr. Jeffrey Astle: Perhaps, but if you're going to invest in this brand and develop it over time and it's going to become what distinguishes you from all of your competitors, it may be that the trademark you choose in view of other trademarks that are out there may not be the best one. You may choose something pretty close to Coca-Cola, and they're going to knock you out once you get big enough to cause them some concern. It's good to know the lay of the land and to have someone who can search trademarks and help you pick one that's going to distinguish you and allow you to develop a brand that you can continue to invest in over time.

Mr. Ben Lobb: But once I get big enough, they're going to knock me out anyway.

Mr. Jeffrey Astle: They aren't necessarily.

Mr. Ben Lobb: Here's another question, and I've dealt with this in my past work.

Suppose you have a great Canadian product and you're starting to sell in the U.S. You're getting a little bit out in the U.K. and in Australia and other places, and then the American company you're competing against says, "You're violating everything with what you're doing, so we'll see you in court in Texas." At that point, everything you've done in Canada is pointless, because you're fighting all your court cases where you do all your business, in the United States.

What is out there for young Canadian firms to protect themselves in this situation? The Americans aren't interested in fighting us here; they're going to fight us on their home turf.

Mr. Jeffrey Astle: Right. Usually the agent that you work with here in Canada works with a network of agents in other places where you ultimately plan to do your business. If we're talking about trademarks and the like, they help do searches of their registers as well as the registers here or other places where you plan to see your business growing, and they help find you a mark that's going to slide in between and not offend anybody. When it comes to patents, it's the same thing.

•(1625)

Mr. Ben Lobb: What if you have a brilliant university student, an engineering student or what have you, who has a great idea and who doesn't want to work for another company? They want to be an entrepreneur and develop their own great idea. They've applied for SR and ED, IRAP, and what have you. They've never taken the time to protect themselves in this area, and they leave themselves wide open to waste all the money the government has given them to do their SR and ED and everything else.

Is this something we should be looking at, and should we be saying "We don't want to move forward with any grants or anything until we make sure you guys are airtight with your idea."?

Mr. Michel Gérin: That's a good point.

There's an issue we haven't raised today, but I think others may have raised it. You mentioned the SR and ED program. Your R and D costs are eligible to be covered by SR and ED, but your patenting costs are not, and that's something that should be considered. I'll give you an example, because you're right that you're investing government money in R and D, and you may not get any IP out

of it that's owned by this company, or the company may go bankrupt and everything becomes public.

Mr. Ben Lobb: Communitech might be a little different, but most of these kids who are maybe 25 or 28 years old don't even know what this is about. They know it's an idea, but they don't know that the future of their company could get wiped out in the U.S. if they aren't airtight.

Mr. Jeffrey Astle: This is a concern that I have. We hire lots of engineers, and I work with a lot of engineers, and they come to work and have no idea about intellectual property rights.

Waiting until you get to a law school curriculum or waiting until you get trained in the field as an agent is far too late. I believe that students need to have this training as part of their high school curriculum, at least in part. They don't need to know how to deal with the patent system, but they do need to know what the patent can do. It should be absolutely essential for business students and engineers to understand these things when they are coming out of university. I think waiting until they get into a job and having me knock on the door is way too late. I think knowing this would serve not only businesses like mine but also those individuals you're speaking of.

The Chair: Thank you very much.

We're going to move to Mr. Jowhari.

You have five minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Thank you, witnesses, for coming in. Let me start with the IP.

You mentioned a point that was very interesting for me. You gave the example of the Canada lands surveyors, who are regulated federally, and then you also suggested that we should probably form a college for IP and have it federally regulated.

Can you explain to me how it will save costs and time, and how it will shorten the processing time that small businesses are dealing with?

Mr. Michel Gérin: In the current system it's CIPPO that regulates agents, manages the exams, and so on. As we mentioned, that's not CIPPO's core mandate: CIPPO's core mandate is to process those applications from small businesses. They should not be devoting resources to regulating a profession, especially when there's a conflict when they are regulating a profession that's advocating to them on behalf of the clients. There has to be that independence.

Most professions in Canada are self-regulated, so there's no reason government should regulate the patent and trademark profession. If there were an issue, if agents were behaving badly and there were many complaints and so on, then perhaps government would need to step in and do that regulation. That's how it works in Canada. Self-regulation is a privilege that a profession is accorded by government.

That's not the case with patent and trademark agents. It's a profession that's well behaved. There are very few complaints against agents. IPIC has had a code of ethics for the past nine years. The problem is that it's a voluntary code of ethics. We can't enforce it because we don't have that regulatory process.

If we put that all into a regulatory framework and had self-regulation like other professions, then small businesses will know. They won't be wondering, "Who do I hire to get a patent? These people? How are they governed? Where do I complain?" It'll be the same as it is for engineers, accountants, and so on. They will think, "Okay, I know they have a code, I know this is how they're trained, and I know where I'll go to complain if I'm not happy."

This is how it'll work. It will encourage people, their professional bodies, and government who should be dealing with them. We'll be focusing on receiving applications.

• (1630)

Mr. Majid Jowhari: You cited engineers. Engineers are regulated by their association, and they're also regulated provincially but not federally. What I'm trying to understand is the advantage of a federal oversight.

Mr. Michel Gérin: Okay, sorry. We're not suggesting that. It's just a matter of fact, because patent and trademark agents are created by a federal statute. The other day at the annual meeting, we made an analogy by saying, "You can choose your friends, but you don't choose your family." I'm not an agent, but patent and trademark agents were born in the federal family. The federal family is a great family, but it's slow to let its kids leave the home, contrary to the provincial families. Just in Quebec, there are 54 provincial regulatory bodies with self-regulation.

Mr. Majid Jowhari: Thank you. I was just wondering.

You mentioned that in the past you've had a 39% loss of jobs. What was the major reason for those job losses?

Mr. Pierre Richard: With the perfect storm I mentioned before—the Canadian dollar, the products coming from low-cost production companies, and the slowdown of the economy—we were selling less. What has happened is that products coming from countries that produce at low cost have basically wiped out our ability to compete at the lower product quality end of the market.

In Quebec, what you see today are manufacturers who have niche markets or compete at the middle to higher end. There they can *se démarquer*. They can compete in a way that people from overseas may not be able to compete in our market. We're doing well. A company like Amisco—

Mr. Réjean Poitras: I'll add that mass customization is important in our industry, and the companies you see today can ship fast and with a variety of colour combinations. My company can produce and ship products within 24 hours in different colours. The biggest advantage we have is that we're close to the market. One of the reasons we don't try to go overseas and sell to Europe is that our advantage is the proximity of the clients we have.

Mr. Majid Jowhari: That explains why 94% of your trade is with U.S. That's what I was going to ask about next. What is your growth strategy? If you're high quality and you're a niche player, how would you be able to grow and get out of that 94% dependency on the U.S.?

The Chair: If I can jump in—

Mr. Réjean Poitras: In my opinion, it's very difficult to go overseas.

The Chair: You have 10 seconds.

Mr. Pierre Richard: Be better than the others.

The Chair: Thank you.

We're going to move to Mr. Nuttall. You have five minutes.

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

To my two friends from the furniture manufacturing industry, I realize you're from Quebec, so you probably have some insight into what's happening in Quebec versus other parts of the country. Is there a distinct difference in the overall success of the sector in Ontario, let's say, versus Quebec?

Mr. Pierre Richard: We're going beyond our area of expertise; however, we do know a bit about the Canadian market.

I would say that in Quebec we are very strong in the residential portion of the industry. In fact, it's higher than the 36% we were talking about in terms of the overall industry. In the residential portion, we're probably closer to 45% of the jobs and of the portion of the market that is made in Canada. As far as office furniture goes, I would say that Ontario is probably slightly stronger in that domain.

Now, why is Quebec as strong in furniture as it is? Perhaps that's also part of the question. I would say that the passion of these entrepreneurs, the owners of these companies, such as Mr. Poitras here, has enabled them to go through hard times, to change the way they used to do business—because that's just not acceptable anymore—and to really drive the quality.

Mr. Alexander Nuttall: I guess my question is this: what headwinds are you facing in Quebec versus Ontario? In Ontario, our hydro rates affect manufacturing everywhere. The cost of labour, I assume, wouldn't be that much different from Quebec's. What are the headwinds that you're facing in Quebec versus—

• (1635)

Mr. Pierre Richard: That are different from those in the rest of Canada?

Mr. Alexander Nuttall: Yes.

Mr. Réjean Poitras: I think they're very similar. In residential furniture, we all fight against China. Office furniture is a little different, as Pierre said, but in residential furniture, it's pretty much all the same.

Mr. Alexander Nuttall: Okay.

I've been going through some of the recommendations here. A lot of them are recommendations to either subsidize or provide some sort of financial relief. Do you have a non-monetary set of recommendations?

Quite frankly, I saw some in here that were related to "the implementation of new measures" being done "in collaboration with the industry", "gradual implementation", and reasonable timelines. In terms of non-monetary measures, is that the extent of what we should be focusing on in terms of our recommendations?

Mr. Pierre Richard: You're right. Many of the recommendations are monetary.

On the non-monetary side, I would say that the one you just mentioned is very important. When there are changes in government regulation and the industry is not consulted and finds out about it in a memo that's sent to the industry, it can be incredibly damaging to the industry. That's something that we need to be involved in, and when transition measures are possible, that's great.

As far as employment goes, one of the recommendations that's perhaps non-monetary is to help raise awareness that this is an industry where you can actually find a job. Many of the manufacturing sectors or manufacturing industries are not well known. In this market, it's not just about being an *ébéniste*. It's not just about being a carpenter. Many of these jobs in these companies are in video games. They are appealing to the youth of today, but they just don't have that perception.

We have a job to do in trying to attract people to the regions and also to attract the companies in big centres to raise awareness of what this industry is about. Perhaps that's something the government can do through its programs in raising awareness of the manufacturing benefits of jobs.

Mr. Alexander Nuttall: Okay. In your opinion, within your region, is there a shortage of skilled trades?

Mr. Pierre Richard: The answer is yes. There is a shortage of skilled trades. Number one is to attract the people. In some cases we can train them up pretty easily, but in other cases you do need labour that is a bit more skilled. That's correct. There is a shortage.

Mr. Alexander Nuttall: Very quickly, is there a specific skilled trade that there's a major need for?

Mr. Pierre Richard: Right now in Quebec, one of them is *rembourrage*. We also need people who sew.

Mr. Alexander Nuttall: Okay.

Mr. Pierre Richard: For sofas, etc., that is one of the areas that is very difficult to find people for at this time.

The Chair: Thank you.

Mr. Réjean Poitras: We make metal furniture. We need welders.

The Chair: Thank you very much.

We're going to jump to Mr. Sheehan. You have five minutes.

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

My first question is about intellectual property.

How active is Canada's manufacturing industry in filing for patents, in your experience?

Mr. Michel Gérin: I don't have exact statistics on that. It's possible that they are available at the Canadian Intellectual Property Office. Generally we know that Canada is lower in patenting than most countries.

The Canadian Chamber of Commerce produces a report on innovation. There's a comparison of countries, and the three main markets are the United States, Japan, and the EU, and more and more in China. Canada is always at the low end of the graphs in terms of per capita or per investment or per investment in R and D in terms of patent filing.

I don't know specifically about manufacturing, but there's the likelihood that it probably fits that overall picture.

• (1640)

Mr. Terry Sheehan: That leads to my next question. I was going to ask what other countries are leading the way in filing for patents and intellectual property.

It's not just about saying their names as you did, but why. What do they have? What have they implemented? What kind of strategies, incentives, do they have?

Mr. Michel Gérin: We talked, for example, about innovation bucks that exist in a number of countries—China, the U.K., France, and so on. They're incentivizing commercialization, getting the IP, commercializing the R and D, and so on. That is one aspect.

China also has a broader range of grants in terms of IP. It's also developing the culture. Jeff mentioned the importance of teaching about IP in high schools, universities, and so on. That's part of it too, developing that culture of innovation and a basic knowledge of IP.

That's why we see in the United States that there's a tremendous amount of patenting, and in China as well. In China, at first it was just the manufacturing, and more and more they have realized that they should own their IP as well. They're doing that much more.

It's a question of incentives, culture, legislation. We mentioned at the outset, for example, the privilege to protect communication with agents. On this, Canada was behind. It existed in other countries. That's part, as well, of building that culture and that framework wherein inventors and innovators are comfortable in thinking they should go get a patent or a trademark and hire an agent. They think that's what their neighbour is doing, that's what others are doing. They're comfortable that the system will work for them, that they won't be disadvantaged in court because they don't have that privilege while their American counterpart has it. It's things like that.

Those are things that we have been discussing over the years. Many improvements have been made. More could be done.

With regard to the framework, make sure it works, that it serves the innovators. Make sure people understand the importance of IP, of innovation, and then have the incentives to further encourage it. In those countries that are ahead, it's a combination of those elements.

Mr. Terry Sheehan: Thank you very much.

My next question will be for the furniture manufacturers.

You've touched a bit on the various sorts of skills needed to work in your industry. I have worked for the Ontario government doing some of that stuff in the past. A lot of the questions have been asked, but one of the questions I have—and you touched on it—is around the need for IT, high tech, the trades and the welding, etc.

As it relates to immigration, we've heard from other witnesses about the good and bad of it. Do you have any comments about immigration as it relates to acquiring the skilled labour, and not just immigration, but cross-provincial skills travel as well?

[Translation]

Mr. Réjean Poitras: Some employees come from the Maghreb, for example, and have engineering degrees or similar degrees. The experience we have had has been very good. In the whole group, meaning both businesses, there are about 250 employees, three of whom have technical or engineering degrees and come from that region, meaning Tunisia, Algeria or Morocco. The experience has been very positive.

At the same time, it is difficult to get them into the region. We are east of Quebec City, so it's in the region. However, for those who have chosen to settle there, the experience has been very positive. We would like to have more of them.

[English]

Mr. Pierre Richard: Perhaps I could add an example. One of our companies in the region recently hired five new Canadians who decided to settle in Montreal. Every Monday morning the company puts them on a bus to Lac-Mégantic. They work there until Thursday night. On Friday they get back on the bus and go back to Montreal. They have not integrated totally, because their families are still rooted where the social network is perhaps a bit easier, in Montreal. Hopefully they will take root in the region, but a lot of work is needed to attract skilled workers, or even workers, out into the regions.

Mr. Terry Sheehan: Thank you.

The Chair: Thank you very much.

Mr. Stetski, you have two minutes.

Mr. Wayne Stetski: Thank you.

I'll be somewhat opportunistic—I am just sitting in today for Brian Masse—and talk about my riding in southeastern British Columbia. People come from all over the world to visit us. We have six downhill ski areas and over fifteen 18-hole golf courses. We're on the U.S. border and we're on the southern Trans-Canada Highway and CP rail line. What would it take to get a Quebec manufacturer of furniture to expand over to southeastern British Columbia—it's a serious question—and why wouldn't the institute relocate to southeastern British Columbia?

What does it take to get the industry going or to get an institute to come to your riding?

•(1645)

Mr. Réjean Poitras: I'm not sure we can move there—

Voices: Oh, oh!

Mr. Réjean Poitras: —although I'd love that, myself.

If we were to make an investment in another place, I think it would not be in another province. If we were to go somewhere else, it would probably be Mexico. We have assets in Quebec. If we cannot grow that, the next step is probably Mexico.

Mr. Wayne Stetski: And the institute?

Mr. Michel Gérin: The patent agent profession grew generally out of Ottawa first, because that's where the patent and trademark office was located. Before the Internet, everything was done on paper. You'd go to the office and search. Today the profession is across the country. We have many members in B.C., mostly in Vancouver, but some in Victoria as well, and so on.

The institute itself and its staff are located in Ottawa, and I don't think they're necessarily interested in moving. However, if we create a college of patent and trademark agents, this is a new organization. It's open as to where that office would be located, so it could be southern British Columbia.

Mr. Wayne Stetski: We look forward to seeing you in the riding.

The Chair: We'll jump to the next round. This time it will be six minutes.

Mr. Arya is up next, then Mr. Nuttall, then Mr. Stetski, and then we'll see what time is left after that.

Go ahead, Mr. Arya. You have six minutes.

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

Dr. Gérin, as you know, we have quite generous research and development funding here in Canada. We have SR and ED and we have IRAP. Mr. Astle can talk about the SADI program. For many of the companies, the combined incentive can go as high as 75% of the total R and D cost.

Your proposal to give other tax funds for the innovation box is quite interesting. The number you gave from the U.K. was that it saved \$590 million. How much were the incremental sales due to this innovation box—that is, the sales that wouldn't actually have happened without this innovation box?

Mr. Michel Gérin: Sorry, I don't have that information. The report we had on the U.K. gave simply the statistics on its use.

In terms of other information I can give you, though, I looked up what Quebec budgeted for its innovation box starting in January. I think they expect that about \$150 million will be their cost over five years in terms of tax income they lose, but this hasn't started yet, so —

Mr. Chandra Arya: In the Quebec case, I know that their cost will be \$150 million, but have they estimated how many incremental sales this innovation box is bringing in?

Mr. Michel Gérin: I have not seen it. I will admit that this is certainly an unknown part of the equation. The idea, of course, is that you're encouraging innovation, you're encouraging commercialization, in the hope that you're encouraging growth—

Mr. Chandra Arya: I understand.

Mr. Michel Gérin: —but I haven't seen that number.

Mr. Chandra Arya: Generally, out of the number of patents that are filed in Canada, what percentage comes from manufacturing companies?

Mr. Michel Gérin: I don't have that information. They may have it at the intellectual property office. We could look it up and get back to you.

Mr. Chandra Arya: That's fine.

The Chair: If you do have that information, could you forward it to the clerk?

Mr. Michel Gérin: Yes.

The Chair: That would be helpful. Thank you.

Mr. Michel Gérin: Okay. We'd be happy to.

Mr. Chandra Arya: Also, you mentioned pulling innovation out of the woodwork as a challenge. Can you briefly explain that? You are in a well-established company that has been commercializing quite a bit of innovation and R and D over a period of time.

Mr. Jeffrey Astle: Engineers like to do engineering work, and they don't recognize or necessarily understand until they've dealt with us a bit that part of the package of innovation is also to protect that innovation. It's taken some time, but we've worked closely with engineering to develop different ways to facilitate discussions with the engineers within different phases of an engine development program to help them understand what might be novel and what might be worthy of protection and to then have processes in place to get them to file—

Mr. Chandra Arya: In this manufacturing study, we have been talking to many Canadian companies and various associations. One common theme we have heard is that there is a lack of talent in Canada in high-tech manufacturing or advanced manufacturing. What is your experience with that?

•(1650)

Mr. Jeffrey Astle: We have some very high-tech manufacturing capabilities. I know I've been working with those individuals just recently, and what they do is quite fascinating. I think there's more to be done going forward, possibly with 3-D manufacturing, for example. Some of these concepts are just coming into play.

Mr. Chandra Arya: Being a big company, of course, you have access to talent. I was wondering more in terms of the vendors you have, the small companies. Do they also get the same level of talent that you guys can get?

Mr. Jeffrey Astle: I believe so. We try not to develop everything ourselves. For example, we'll work with robotics companies and vision measurement system companies on different projects to improve our manufacturing capabilities. It would be far too costly to do everything ourselves and to pull in all of that expertise and maintain it in our own organization, I would say.

It's not my strongest area, but I know...

Mr. Chandra Arya: Mr. Gérin, you mentioned the U.S. study and how 6,000 companies or something like that saw an increase of 50% in sales and 36% in job creation with the first patent, if I'm right. What do you think comparable numbers for Canada would be?

Mr. Michel Gérin: The sample would certainly be smaller, and as I said, proportionately we don't patent as much in Canada and so on, so it's hard to tell. The sample they used in that study was 43,000 start-ups getting a first patent. In Canada, the total number of patents

delivered in a year is around 37,000 or 38,000. That's not just for the start-ups, so we're looking at maybe 2,000 or so.

Mr. Chandra Arya: Is it possible for you to give us any idea about patents for the life sciences sector in Canada?

Mr. Michel Gérin: It's certainly a sector that is also patenting, but I'm not sure what more I can tell you.

Mr. Chandra Arya: Okay, that's fine.

The Chair: You're pretty much done.

We're going to jump to Mr. Nuttall, I believe. You have six minutes.

Mr. Alexander Nuttall: Today there was an announcement regarding changes to environmental laws and carbon taxing in Canada. I know in Quebec there's already a system in place. Considering the fact that the federal government was already talking about going down this road, do you know anything or have you done any research with regard to the effects that \$50 per tonne will have on your industry?

Mr. Réjean Poitras: I have no idea, but I would think there'd be very little impact.

Mr. Alexander Nuttall: Okay. Do you know what the carbon footprint of your business is?

Mr. Réjean Poitras: I do not know that.

Mr. Alexander Nuttall: Thank you. I will cede the floor now.

The Chair: You're done? All right.

We're going to move to Mr. Stetski. You have six minutes.

Mr. Wayne Stetski: Can you clarify a little bit the relationship between CIPO and your organization, and is CIPO adequately staffed and resourced to do what they need to do for you in that relationship?

Mr. Michel Gérin: CIPO is an agency of the Department of Innovation, Science and Economic Development and IPIC is a professional association. IPIC's members are the agents who represent clients before CIPO and advocate on behalf of clients to obtain patents, trademarks, or industrial designs.

CIPO hires examiners. If Pratt & Whitney files for a patent, Jeff will hire an agent and prepare the application. We'll file it to CIPO, and an examiner who specializes in that area of technology at CIPO will examine it to determine if Pratt & Whitney should receive a patent for this invention and if it's an invention or not.

In the past few years, CIPO has significantly increased its staff to deal with increases in patent applications and to reduce the time and so on. Are they at their best level right now? I'm not sure if I'm able to answer that question.

One thing that may be useful for you to know is that it's a self-funded agency of the government. It charges fees for the patent applications and so on, and from those fees it hires its staff.

•(1655)

Mr. Wayne Stetski: How long might it take to get a patent through CIPO from start to finish?

Mr. Jeffrey Astle: I'm at a loss to know. I think it's probably two years until your first examination report. Some of the guys in the gallery behind me would have better answers than I would right now, but let's say that three years to get a patent through the system is about right, from application to issued patent.

Mr. Wayne Stetski: Would a better—if I can use that word—level of resourcing speed that process up, do you think? Is it a barrier in terms of the length of time it currently takes?

Mr. Michel Gérin: It's a barrier to some extent, but there are options to accelerate the process. Patent applicants can request—I think there may be an extra cost—that the process go faster, I think. Some would like to see it faster; others are okay with that duration. Probably with more staff they could reduce the cost. What would be the optimal mix? That's difficult to say.

Mr. Wayne Stetski: For furniture and manufacturing, if you could help me out here, please, what does research and development look like in the furniture industry, and can government do more to help on the research and development end?

[*Translation*]

Mr. Réjean Poitras: In our case, it is important to pay attention to the trends. I repeat that this is a fashion-focused industry, and the trends evolve a great deal. It is absolutely essential to be on the lookout for new trends in terms of style and to always develop products that, we believe, will follow the trends that are going to be important in home fashion. The biggest investment is made around this, and the entire product development process must be connected to it.

[*English*]

Mr. Pierre Richard: I would add that because it's a very competitive industry, there are many new materials that are being used in the production of material, such as different solvents. With different environmental laws, you need R and D to keep up with the new regulations. There's an awful lot of R and D in the materials themselves, whether they be glues, solvents, or paints. Help can be worthwhile in that case. We do work with various institutions in the province, such as FPInnovations—which is actually pan-Canadian—but there is never enough R and D.

On the office side, significant R and D goes into the design of new types of furniture. The office environment is probably changing more quickly than the residential as far as usage of space is concerned, with younger employees looking for different ways of working with IT within the office environment. There's a lot of R and D going into materials and new products on the office side.

Mr. Wayne Stetski: With regard to those materials in particular, I used to be the mayor of Cranbrook and I worked with our fire department on several occasions. There were concerns, quite frankly, in terms of some of the products going into furniture these days and how volatile they are.

Does industry work with fire departments or comparable organizations?

Mr. Pierre Richard: The answer is, yes, in some cases. I'll give you an example for when you talk about combustible materials.

California put out a regulation called TB117-2013. It was a technical regulation that had an impact on the smoulder test for mattresses. Even though the regulation only applied to California, it affected the whole North American market. It changed the way the testing was done and what materials could be used.

Originally, you had various materials injected into the mattress to prevent it from flaming up, but California said, "We don't want any of those because they cause cancer." It has changed totally the way that manufacturers buy products and combine them to meet these various tests. These types of tests occur in different places across North America, and depending on where you are exporting to, you need to match them.

Local fire departments play only a small role, though, because you're trying to meet criteria that in many cases are established provincially, federally, or for all of the North American market.

•(1700)

Mr. Wayne Stetski: Can government help you on the R and D?

The Chair: Thank you—

Mr. Pierre Richard: Yes.

The Chair: Thank you very much.

We're going to move to Mr. Longfield. You have six minutes.

Mr. Lloyd Longfield: Thanks, Mr. Chair, and thanks to our colleagues across the table for letting us go through the study this week. We've had good presentations. We've had great information.

Mr. Stetski made a comment earlier about being married for 38 years. My wife and I also have been married for 38 years, and this bridges to our furniture purchases. Thirty-eight years ago we bought a Canadian-made couch. It has a maple frame. It's still in our house, and it has held up over raising three kids. We've gone to the discount stores, and those purchases last maybe two years, maybe three years, and then you have to recycle them and get them out.

The Canadian brand is a solid brand, and I wonder whether either the association or the government can be working together with industry to promote the Canadian brand as a solid brand, which is made with Canadian maple or made with Canadian hardwood trees. Has that come and gone in your industry? Is that something we need to get back to?

Mr. Pierre Richard: You're right that the Canadian brand represents quality.

Branding in this world is difficult and costly. We have attempted to raise that through the Canadian Furniture Show, which we own. We have a website that lists about 70 Canadian manufacturers, and we get a lot of hits on that because people are looking for quality Canadian furniture. The site refers you to the websites of the companies, and there you can find the furniture.

There is a tendency in the States of reshoring in furniture manufacturing. It's perhaps more an intent at this point, as opposed to a reality, but many consumers are experiencing what you have just said. They thought they were getting a deal, but three years later it's on the sidewalk. That's not a deal. It's a deal for the person who sold it to you, but not for you.

How do we get around that? Consumer needs have changed and consumer desires have changed. Perhaps the youth of today don't want to buy a bedroom furniture set that will last 38 years. Perhaps they want to put their money elsewhere, so it's finding this in-between.

As far as branding Canadian is concerned, there is an opportunity to raise that profile. How do we do it? It's not something that can be done individually as a company or as an association, but only as part of an overall government effort to promote "Made in Canada" and manufacturing in Canada.

What I'm saying about furniture being representative of quality is not just true about furniture; for most of the manufacturing in Canada, if it's not quality, it's not surviving.

Yes, I think there is something that can be done about raising our profile. When you see that something is made in Canada, that means it is good and you're getting value for your money.

Mr. Lloyd Longfield: I'd like to extend that. I was fortunate to have a career in mechanical engineering technology, and I worked across Canada with different manufacturers making wonderful products.

Canadian engineering is another standard, and we're too humble to say that Canadian engineers lead the world, but when we look at the aerospace industry, we see what's going on at Pratt & Whitney or other companies in Quebec to attract students into these industries in which Canadian engineering is the leading engineering in the world. Are there any comments from Pratt & Whitney or from the furniture industry on how you see your industry? In the Avro Arrow disaster, we had the best engineers, but they went to NASA or they went to France and developed the Concorde.

Is there a role government can play in tooting our horn?

Mr. Jeffrey Astle: I don't really have a sense of that to give you a good answer. I'd have to go and talk to some friends back at work as to what their thoughts are on it. I don't disagree with what you have to say, but I don't know whether there's a flux in or out.

Mr. Lloyd Longfield: When my father was alive and I would come up with a design, he used to say, "Did you think of patenting that?", but I would be on to the next problem. Whatever the problem, it was yesterday's, and we didn't grab our intelligence and say, "Okay, we're going to spend time and really take credit for the work we're doing." Dad could never understand that. He would say, "Wouldn't you patent that?"

For a layperson, is the reason we don't patent that it's a barrier, considering that it takes three years and costs \$3,000? Is it more of a mentality thing?

• (1705)

Mr. Jeffrey Astle: Some of it is. I think some of it's culture. Your dad's thinking was not unusual. I think that if your mindset is local,

getting a patent might not be as important to you, but I think people are thinking more globally now, so you have to protect yourself not only here but abroad, and it's necessary to think a little bit beyond just getting your product out your own door and to think about getting it onto the doorstep of someone somewhere else.

The competitive forces outside of Canada are different. It's tough out there, so you have to make your foundation nice and strong and then grow from there, rather than just moving to the next idea before protecting what you've sort of left behind.

Mr. Michel Gérin: Can I just add to this? A couple of years ago I met an entrepreneur from the Saguenay in Quebec who had a small electronics business and who had gotten patents and had later made a lot of money selling those patents to IBM. She wrote a book and did a tour across Quebec to explain to entrepreneurs. Her book was called "Innovating is good...patenting is better!" It was for entrepreneurs. It was in basic terms and it said not to be afraid of the patenting system.

Our suggestion for the first patent program that they're starting in Quebec is this: break the ice, and you'll see that it's not that complicated. We're going to help you break the ice and get that first one. Then once you do that, you can say, "Hey, I have an agent now. I know how to do this", and then it will snowball.

Mr. Lloyd Longfield: What used to really bug me was when my colleagues in Pittsburgh would take my ideas and patent them and sell them back to us.

Thank you, Mr. Chair.

The Chair: Thank you very much.

Now we're going to move to somebody on this side.

Mr. Alexander Nuttall: That's me.

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

Mr. Alexander Nuttall: Mr. Chair, I would like to reintroduce or call back the motion that was adjourned last meeting. It was the first one regarding Valerie Fox.

The motion is moved, Mr. Chair. Hopefully, we can invite these people to committee to discuss the state of manufacturing and possibilities for becoming more innovative and more successful in the future.

For the second one, we actually ran out of time in the meeting, so I'll put this on the floor. I don't think I need to go back regarding this particular individual, but I will say that Valerie is the chief innovation consultant at The Pivotal Point. She is the co-founder and former executive director at Ryerson Digital Media Zone, a university business in computers housing over 190 companies.

I think that bringing Valerie here to testify is in line with what the minister was intending when he appointed—

The Chair: Before we jump to Mr. Longfield, is there any objection if we thank our witnesses and let them go?

Gentlemen, *merci beaucoup*. Thank you very much for some really great information. We look forward to seeing how the analysts can put it together in our study. Thank you very much for coming in.

We're going to keep going.

Mr. Longfield, you had your hand up.

Mr. Lloyd Longfield: Yes. Out of respect for our witnesses and the great work we're doing on our manufacturing study, I won't be supporting this motion. I'd like to move on with our study.

The Chair: Is there any other debate? Go ahead, Mr. Nuttall.

Mr. Alexander Nuttall: I find it difficult when, with the support of our NDP counterpart, we look to adjourn the study into the changes that are affecting StatsCan because this study is so important that we can't take a two-meeting break, and then when we invite other people to come and testify, because this study is so important, we fail to invite those people to come.

These are people who have been appointed by the Prime Minister and the Minister of Innovation because of their skills, because of their experience, because of what they have brought to the table, and then members of the Liberal Party vote against their participation. Am I the only person who sees how ridiculous this is?

Either the study is so important or it's not. Which is it? If it is so important, certainly we want those who have been defined as the most skilled innovators in Canada at the table. It just makes sense.

If we're ready to move to a vote, I'm fine with that. If there are others who want to speak, I'm fine with that too. It's just strange to me.

• (1710)

The Chair: Is there any further debate?

Go ahead, Mr. Lobb.

Mr. Ben Lobb: Thanks very much.

This is another example.... To be quite honest, Alex has a few new names of people to appear at the committee, which is perfectly reasonable. I'm sure other members may want to bring up new people to provide some insight into this study at any time, yet here we are, in an open forum, and Mr. Nuttall's witnesses are not even being considered at all. It's just a straight-out "no".

What's ironic about the whole thing is that the Prime Minister thought enough of these are people to appoint them to a panel or a committee. We should have them in here and let them provide their thoughts.

I'm not sure how many meetings Mr. Nuttall thought it would take for them. For example, today we had two groups here. You can make it for two hours or you can make it for one hour, whatever works out, but really, in an hour we could have learned everything we needed from these two groups, and in the second hour of this meeting we could have had two of Mr. Nuttall's people here.

I'm not criticizing the chair or the clerk here. That's not my intent. I'm just providing an option to allow for more witnesses to appear. Doing that would make sense and would not take away from what we're trying to do.

It's an opportunity for my Liberal colleagues to show the independence they were granted. I can't remember if they had their mandate letter from the Prime Minister directly or if it was generally speaking, but it's an opportunity to show their independence and say that they've already shot Lobb's motion down. That was probably a direct action from General Leslie, and now we have another series of motions to bring speakers in to provide good comment, and General Leslie doesn't think we should hear them either.

I don't know why we're hearing this now. There are still many witnesses that I've put forward, and I don't think any of them have appeared yet. I think some of them have been invited, which is great, but I can't remember our putting a time limit on this study. Maybe there is one. However, if the Liberals are going to vote down the opportunity to have two meetings to hear the most relevant bit of news that's come through here on Stats Canada—

The Chair: Sorry, but we're not talking about StatsCan. That's a motion that's not on the table. We're talking about—

Mr. Ben Lobb: I am just tying it all together, Mr. Chair.

They are saying no to Mr. Nuttall and they are saying no to this; it all ties together. It's all relevant to the data that helps manufacturers and other people make decisions. It helps—or it should help—policy-makers in this country make the decisions.

What are we seeing from the Liberals so far? In short, they are breaking the promises they should have kept and they are keeping the promises they should have broken. That's really a one-year summation of what we are seeing here.

I have a list of other things I had to say, but I'll save them for later.

For heaven's sake, a few more people could come to a committee and could either be tacked onto the end of an existing panel or be on a separate panel. Some of these people probably live in Ottawa or Toronto, so it wouldn't cost much to get them here, or they could appear by video conference, and there really would be no cost. Perhaps some good points can be made. I'll leave it at that for now.

When you look at the intent that the Liberals had in the early part of November last year in regard to the independence of committees.... There is no independence of the committee. This is a whip-driven system, the same as it was before. We saw last week that when the going gets tough, the Liberal whip's office comes right down here lickety-split and starts providing advice to the Liberal members.

In an independent system, the members have complete autonomy in their committee, and the only time you should see the whip's office in here is when they are providing a sheet for substitution. That's another point you should bring out.

• (1715)

The Chair: Are you done?

Mr. Ben Lobb: For this segment, yes, I am.

The Chair: Mr. Stetski, go ahead.

Mr. Wayne Stetski: Good decision-making comes from a willingness to hear from a variety of witnesses with a variety of viewpoints, so I know Mr. Masse would support hearing from some of these witnesses.

The Chair: Mr. Dreeshen, go ahead.

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

As was mentioned, these are amazing individuals who have been chosen for this particular committee, and I think it's important that we recognize what they have to say.

What I believe the committee talked about a few days ago was to come up with names of people we could invite. This is simply a different way of going about that same process. We have had these names available for people to peruse here in the last little while. I think this is simply an extension of the offer that was given. For the Liberals to suggest that simply voting it down is a way out of it ties into the points that both Mr. Nuttall and Mr. Lobb indicated.

The Chair: Mr. Nuttall, go ahead.

Mr. Alexander Nuttall: This will likely be the final word before the vote, I assume.

I am left with the question of why we don't have confidence in these people. The Prime Minister has confidence in them. Mr. Bains has confidence in them. Could somebody tell this panel the rationale for not bringing these people here?

The Chair: Is there any further debate?

All those in favour of the motion—

Mr. Alexander Nuttall: Could we have a recorded vote, please?

The Chair: Okay.

The question is on the first motion of Mr. Nuttall with regard to innovation leader Valerie Fox.

(Motion negated: nays 5; yeas 4 [See *Minutes of Proceedings*])

Mr. Nuttall, go ahead.

Mr. Alexander Nuttall: I started a second motion last week. It was in regard to Austin Hill. We could perhaps proceed with that one at this point.

I would just echo what we've already talked about, with the only caveat being this: that this committee requires both sides coming to the table and making concessions, those concessions that I think I and others on the other side of the table have talked about. I'm still dumbfounded by the opposition to having the former chair or president of StatsCan here.

Going forward, I'm dumbfounded again. It's ridiculous. Maybe they know something about these people that we don't. It's very strange.

I'll read out Austin Hill's quick bio. He's the co-founder and CEO of BlockStream, a provider of Bitcoin and blockchain technology. He was a venture partner with Montreal Startup and helped create Real Ventures, Canada's leading early-stage venture capital firm. Mr. Hill was also a co-founder of Zero-Knowledge Systems, the largest and most funded research company focused on cypherpunk technologies for privacy, anonymity, and electronic cash—but not good enough to come to this committee, apparently.

I'll just read into the record that it's not because the Conservatives and the New Democrats don't believe he's good enough: it's because the Liberal members of Parliament don't believe he's good enough to come to this committee.

● (1720)

The Chair: I would suggest that you're putting words in people's mouths, but....

Go ahead, Mr. Dreeshen.

Mr. Earl Dreeshen: I've had an opportunity to meet with the science ministers. We've talked about innovation leaders throughout the world. One of the key things has to do with blockchain technology. There's an opportunity for us at this committee, when we talk about manufacturing and innovation, to be able to bring in one of the leading experts in the world to deal with this subject, and we are certainly missing an opportunity here.

Perhaps the government members do not realize that they get a chance to ask the majority of the questions and to look at issues that could benefit every one of us here in this committee. We're responsible for that. Yes, we have an opportunity to ask questions as well, and this is what we're asking for. Certainly, when you look at the types of expertise, I think we are proving today, as we look through this and speak to the witnesses, that we are prepared to get the best out of every opportunity we have.

To use this particular ploy at this point in time, Mr. Chair, I think is deplorable. You have an opportunity on this second motion to correct the mistake we made on the first one.

The Chair: Is there any further debate? No? We'll go to a vote.

An hon. member: A recorded vote, please.

(Motion negated: nays 5; yeas 4)

The Chair: Shall we go on to the next one?

Mr. Alexander Nuttall: I don't think we have enough time.

Mr. Chair, I would say, if I may, that we have been through this before, and it resulted in having to go through the media to get the minister to appear at the committee. It's just silly.

The Chair: That will do it? Okay.

There being no further business, I adjourn the meeting.

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