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Chair

The Honourable Wayne Easter

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• (1530)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order. Under Standing Order 108(2), we are studying the second report of the Advisory Council on Economic Growth.

We would certainly like to thank two of the members of the minister's advisory council for coming today: Mr. Sabia and Ms. Treurnicht. Welcome.

As chair, I might say at the beginning that all members of the House thank you for the efforts you're putting into this advisory council and the good work that you do. We might not all agree on everything—that would be unusual around here—but a good effort opens up a lot of debate, and we appreciate the work you're doing.

I understand, and I think the committee is aware, that instead of the regular two hours, this meeting will be 90 minutes, as the advisory council members have other commitments—I believe some in the Senate.

I think you wanted to make a very brief introduction, and then we'll go to questions. Mr. Sabia, the floor is yours.

Mr. Michael Sabia (Member, Advisory Council on Economic Growth): Mr. Chairman, thank you.

On behalf of my colleague Ilse, and indeed all the other members of the minister's Advisory Council on Economic Growth, it is a pleasure for us to be here and to have the opportunity to talk about the recommendations that we have made so far to the government.

I'm going to speak initially in English. I'm not exactly sure how you prefer to do things, so I'll carry on in English for a while, but if you—

The Chair: Both languages are translated, and we all have earpieces, so just speak whatever you're comfortable with.

[Translation]

Mr. Michael Sabia: Thank you, Mr. Chair.

Because of my work at the Caisse de dépôt et placement du Québec, I am very comfortable replying to committee members' questions in French.

Mr. Greg Fergus (Hull—Aylmer, Lib.): You can answer in either official language.

[English]

Mr. Michael Sabia: As I was saying, it's a pleasure for us to be here. We don't intend to make a long introductory statement at all. As you know, we have divided our work so far into two pieces.

The first piece was delivered to the government and released publicly in October that involved three recommendations with respect to infrastructure, foreign investment, and immigration. A second round released much more recently, if I recall probably at the beginning of last week, on a series of other issues I'll touch on, all to deal with this fundamental issue, which is what can be done to enhance the level of economic growth in Canada.

This is part of a global phenomenon of pretty weak economic growth, largely having to do with two fundamental factors, aging of the population in OECD countries, certainly here in Canada, and second, relatively weak productivity performance across the OECD, and certainly here in Canada. Economic growth is really just the combination of those two things.

We've set a quantitative target for the work, which is to increase average median household income by approximately \$15,000 above where it would otherwise have been, which is about \$90,000 in 2030. That's our goal. That's a substantial goal to increase household income by that amount.

As I say, you have seen our recommendations in the first round. Round two—again aimed at the same goal—is focused on some very important issues around innovation. We have a variety of recommendations in many different areas to make Canada a more innovative place, which is especially important these days for reasons we can talk about.

Second, we've addressed issue of skills development and re-skilling, which is so important, particularly for Canada's small open economy. That issue of re-skilling and the creation of opportunity through new skills is a very important part of our mandate.

Third, we have done some work and thinking on the importance of identifying some key sectors that offer substantial potential for growth and export for Canada's future. In the proposals we've made, we have identified the agrifood sector as one of those, but there are a number of others.

Beyond those three core areas, we've done some work around turning Canada into a trade hub. That is very important in light of the tendencies in the world today around protectionism, which we certainly regard as a threat to economic growth on a global basis.

Finally, and very importantly, we've focused on questions of workforce participation and encouraging greater participation by groups that are currently not as fully involved in the workforce as they could be, which would be of substantial benefit to them and, equally, to the national economy.

A lot of that is also focused on another of our very important goals in addition to the \$15,000 increase, which is the inclusiveness of growth. That is an issue much discussed in the newspapers and media today on a global basis, because underlying some of the issues around trade and protectionism is a much deeper issue around the inclusiveness of growth.

So those two things, enhancing economic growth and reinforcing the inclusiveness of economic growth, are in effect what our work is about.

Thank you.

● (1535)

The Chair: We will start the question round with Mr. Sorbara, for seven minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

I'd like to thank Mr. Sabia and Dr. Treurnicht for the time and effort they and all the members of the committee put into these reports and on the advisory council. We thank you for your service. Both of you obviously have a long history of service.

I ran for office and wanted to be an MP to make sure that we have a good future for all Canadians, including my two very young daughters whom I care about deeply.

Three factors drive economic growth. The first is capital accumulation, the capital stock in an economy. The next is labour, i.e., immigration, birth rates, hours worked, and so forth. The third, which is the magical one, is known as technological advancement, productivity, and in the economic literature, total factor productivity. We see those three factors as the drivers of long-term economic growth in Canada.

When I look at the first one, capital, we have a lot of capital in this country, I think. Mr. Sabia, we have public pension funds, which we don't talk enough about, with have a lot of capital available to be put to use, whether for infrastructure, private equity, or an M and A activity.

With labour there's a headwind. We have a rapidly aging population. Not only is our labour force participation rate expected to weaken, but our labour pool could be shrinking in the years to come. I'm looking at some of the reports from Finance Canada.

Then we have a stubbornly low level of productivity, which is related to sources of clustering or lack thereof—but the commercialization aspect is getting better, I think.

What are the top three things you would recommend that we do to get that little bump, so we could get increased real GDP growth, which was once at 4.8% and is now 1.5%? It was 4.8% back in the 1960s and 1970s. Now we've averaged 2.4% in the last while and 1.5% to 2.5% is projected.

● (1540)

Mr. Michael Sabia: Honestly, it's going to sound as if I'm trying to avoid your question, but I'm not.

It is so hard to do what we're proposing and what the country needs to do to increase its growth rate. I'll speak personally about this. This is not a one or two or three silver bullet issue; this is a lot of hard blocking and tackling on a variety of different fronts.

You've seen, in both the work that we did and was released in the fall and the work we've done more recently, the topic headings reflect the things that we think are most important.

Canada has an infrastructure problem and an infrastructure financing problem because it cannot all be done on government balance sheets. That's the way it used to be done. It doesn't work anymore.

You make a reference to pension capital. Wearing my Caisse de dépôt hat, we invest in infrastructure around the world. Big pools of capital can be brought into Canada to build infrastructure. We think foreign investment in Canada is really important.

Given your comments about the labour force. We think immigration into Canada is really important to augment the labour force, which is a critical contributor to economic growth. Many people, I think, misunderstand the issue of immigration. Immigration doesn't take people's jobs away; it creates jobs.

Ilse spent her life working around issues of innovation. That's critical.

The things that we've talked about more recently—skills, sectors, stuff like that, all of those things—need to be addressed. What's required here is a comprehensive effort to address all of these issues.

Mr. Francesco Sorbara: Would you like to comment, please?

Dr. Ilse Treurnicht (Member, Advisory Council on Economic Growth): Yes, I absolutely agree. That's certainly true across the innovation landscape as well, which is why we've broken our innovation recommendations into a number of pillars that need to self-reinforce each other's impact.

We also recognize that there are some lessons to be learned from what some other countries do well, but that we need to adapt those models to our unique, big, floppy geography and our low-density population.

Your reference to clusters is... What does a cluster mean in the Canadian context? We need to be smart about building networks to get the required level of density, of ideas, of capital, and of talent to drive growth in certain key sectors. I think that was one of the nuances that we were very aware of, not to reinvent the wheel but to look at some of the global models and be honest and thoughtful about how they might be adapted to the Canadian context.

● (1545)

Mr. Francesco Sorbara: Do I have more time?

The Chair: If you have a very short, snappy one—

We'll likely have a second round, Francesco, so you'll be able to get back in.

Mr. Deltell.

[*Translation*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you very much, Mr. Chair.

Welcome, Ms. Treurnicht and Mr. Sabia. It is a pleasure and an honour to welcome you here to the Parliament of Canada.

Mr. Sabia, I am just going to take a moment to briefly describe your career for our colleagues.

The Government of Quebec appointed you to head the Caisse de dépôt et placement du Québec, where our pension funds and such are invested, the mattress under which we keep our savings, so to speak. At one of the most critical points of its history and after a major crisis, the Caisse de dépôt had a record that was dubious to say the least. When I was leader of the opposition party in the National Assembly, the language I used was not a little harsh. But since you are our guest, I will refrain this time.

I do so especially because, since you took up the position and in spite of the situation—which was dire, as I mentioned—you have shown beyond any doubt that, when you have people's trust, when you make sound choices, and when you surround yourself with good people, it is possible to correct the course of a ship so that it does not sail into an iceberg.

You really have made the Caisse de dépôt et placement into an example for the world.

Thank you, Mr. Sabia.

Mr. Michael Sabia: That is very kind of you. Thank you very much.

Mr. Gérard Deltell: It is not just kind, it is true.

Could you please give my regards to two people with whom you do very good work? They are Daniel Fournier and Christian Dubé, whom I knew well in a previous life. You literally captured the attention of the National Assembly. Mr. Dubé is a former MNA, but, as I said, he will be of very great service.

Mr. Michael Sabia: We are always on the lookout for talent.

Mr. Gérard Deltell: Mr. Sabia, we are very pleased to see a man of your calibre join this brain trust in order to help the government in its actions. We are not opposed to the creation of an advisory committee made up of people as distinguished as you. Of course, it is up to us to assess your recommendations—for recommendations they are—and to pass judgment on them. A few months ago, you specifically recommended establishing an infrastructure bank, a suggestion that the government promptly endorsed.

Technically, we are not opposed to the principle, but why would we need a bank like that in Canada when another tool already exists—not in such a refined form as an investment bank, we acknowledge—by the name of PPP Canada?

PPP Canada is a fund set up some time ago by a government of the same political hue as mine—though that is not the point I wanted to make here—and which allows private investment. It also allows

entities like yours to invest in infrastructure. To my knowledge, Canada has never shut the door to foreign investment. Those are the objectives that the investment bank is working towards.

As I told you, we are not against the principle, but why create this bank, given that it is a tool we already have?

Another of our concerns is that, for five years, we are going to create a new entity and free up \$15 billion for it. So that money will not be available to meet the immediate infrastructure needs that you highlighted earlier. There really is a need.

In a word, why create a new entity to deal with infrastructure when we already have PPP Canada, which could perhaps do with some adjustments, but would do the job very well?

Mr. Michael Sabia: That is a reasonable question.

In our view, the bank has a number of objectives. What does that mean? We wanted to create a centre of expertise. As you are very well aware, the infrastructure finance market is highly sophisticated now. The idea is to establish a bank that could operate as a centre of expertise and attract people with the expertise needed to finance projects in as sophisticated a way as possible.

That financial expertise is not the basic expertise that PPP Canada currently has. Financial expertise is a major component of the bank's mandate.

Let me speak very directly and openly. I am very well aware that I am in Parliament, but I will still say that political decisions do not always make for the best investment opportunities and the best infrastructure projects.

By best infrastructure projects, I mean those that have the greatest impact on the productivity of our economy. Politically, other factors are always in play and they may even be very reasonable, but our mandate is to find ways to increase the Canada's level of productivity and economic growth.

Another important objective is to set the bank at a distance from government and to create an institution that can act a little more independently, so that its decisions are better. In other words, this is about increasing our country's productivity. Independence and the quality of decision-making are two reasons why we advocate the creation of a new bank.

● (1550)

[*English*]

The Chair: Okay, a very quick snapper.

[*Translation*]

Mr. Gérard Deltell: Thank you very much for making those comments, Mr. Sabia.

In our view, your vision could very well have been applied, with some modifications, to PPP Canada. Independence and outside expertise would have been welcomed at PPP Canada Inc. Then there would have been no need to create a new institution.

[*English*]

The Chair: Did you want to respond to that, Mr. Sabia? No?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Ms. Treurnicht and Mr. Sabia, thank you for joining us, but thank you especially for spending the time to prepare, research and produce this second report. Congratulations.

My first question deals with the chapter you have called: “Tapping Economic Potential through Broader Workforce Participation”, and particularly with the ideas you have proposed to help women with young children become more active in the workforce.

In your recommendation in that part of the report, you are quite direct. You propose the creation of a national subsidized childcare program, using Quebec's as an example. I am already convinced that allowing women and men with young children to participate more actively in the workforce would have a beneficial effect on our economy.

To help us in our work, could you share with us the research and the data you used to come to that conclusion. I imagine you based yourselves on facts before you made that proposal to the Department of Finance.

Mr. Michael Sabia: As you know, we identified four groups that are very important, in our view. One of those groups is women with children. There are a number of ways to meet the important challenge of encouraging an increase in the participation rate of women in the workforce in Canada. The Quebec model works quite well. Why is that so?

We could compare two figures. The workforce participation rate of women with children in Canada outside Quebec is about 86%. In Quebec, the figure is 93%. Given the size of those populations, the difference is quite significant. If we increased the participation rate outside Quebec to be identical to the one in Quebec, it would represent an additional contribution to our GDP, in the order of about an extra \$13 or \$14 billion per year. That is very significant.

The Quebec model, with subsidized day cares, is one way to go but there are also others. It would perhaps not be exactly the same, but you could, for example, create tax credits in order to achieve similar objectives. Clearly, the difference, the gap in the participation rate in Quebec and in the rest of Canada, reveals something.

We highlighted the program in Quebec because I feel that it is working and achieving its objective.

• (1555)

Mr. Pierre-Luc Dusseault: As you said, a small additional percentage of people joining the active workforce makes a significant impact on the GDP and on our economy.

Would you be prepared to say that the government could afford to invest directly in order to allow that particular group, women with young children, to be more active in the workforce?

Mr. Michael Sabia: Yes, but—

Mr. Pierre-Luc Dusseault: Could we afford it?

Mr. Michael Sabia: Yes, but in principle, our goal isn't to recommend a way to solve the issue of inclusion within the Canadian workforce. Our goal is simply to raise the issue, identify the four

groups for which we think we could do something and help the members of each of those groups. This would increase growth in Canada.

What's the best way to answer these questions? We've decided to leave the ball in the government's court because the government is much more capable than the committee, of which I'm a member, with regard to this type of issue.

We've made the decision to raise the issue and to ask the government to take this important issue of participation rates into consideration because it's a significant way to increase inclusion and economic growth.

Mr. Pierre-Luc Dusseault: Let's spend some time on another subject, namely, the increase in the labour market participation of seniors. You proposed that the age of eligibility for old age security be raised, or rather, you proposed that the government study this possibility.

However, I didn't see any facts or figures in the report indicating that the old age security program isn't sustainable. You said the program isn't sustainable in the long term, although I don't see any facts or data on the subject. The previous government also didn't have very reliable data, but still said the program wasn't sustainable.

Do you have figures that show the program isn't sustainable?

• (1600)

Mr. Michael Sabia: No, but I'll go back to the comment I just made. Participation is an important issue. Our goal is simply to emphasize the importance of this issue. We haven't had time yet to address this issue as thoroughly as other issues, such as innovation or the strategic sectors.

I'm sorry for repeating myself, but we're asking the government to take this issue into consideration because it's essential. We haven't conducted all the necessary research, and I'm not able to respond directly to your question because we still have work to do in this area.

[English]

The Chair: Thank you both.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you both for being here. I have a number of questions, mainly focused around innovation, because it seems to be very woven throughout this.

The report describes innovation as the “secret sauce”. I'm quoting it directly. “Innovation” is a word that's thrown out a lot. We recognize it, but what does it mean? What are the things we focus on? I recognize that throughout the report you have those pillars and those recommendations, but for the average Canadian, if they are saying innovation is really where this country needs to go, we need to be much better.

You provide a lot of statistics, especially in comparison to the U.S. How would you properly describe innovation, or what would be the best way for Canadians and firms to start looking at how they innovate compared to what they might be doing now? I don't know if there is a simple way to describe that.

Dr. Ilse Treurnicht: Yes, there's recognition by the council—and, I think, by many of us who touch this field—that the word is so widely used now that it's in danger of losing its meaning. This would really be unfortunate given how critical it is, not only to driving productivity but also in a time of accelerating technological change, globalization, and these huge demographic shifts. Innovation is the one tool we have in our tool box to stay ahead on the economic growth front.

I always think about innovation in its simplest form. It is not something that happens only in labs, where people wear white coats and do work related to technology. In fact, innovation is a mindset and an approach to improve the way we do things. It touches every sector. It touches all aspects of our lives. Out of that quest for progress, which is really at the heart of the innovation process, new industries are born and new partnerships are forged. Particularly as we think about the complexity of the challenges we deal with today, whether it's providing health care to an aging population or climate change, we also need to form new public-private sector coalitions of problem-solvers to work together.

Those are a complex set of threads. I think what we have tried to do in our recommendations is to deal with a couple of the fundamental pillars. Risk-taking capital is essential to fund the process where new ideas and new technologies become validated; those ideas convert into products and services that can then enter the marketplace and make a difference in society. You need skills that can deal with that fast-changing environment.

Moreover, we also suggested the creation and a galvanizing of public and private sector actors in the form of these innovation marketplaces. Some of that reflects the challenge of our large geography and lack of density, but it's also a recognition that we haven't had the connectivity you see in societies like Germany, and in some parts of the United States, like California, between established businesses, young emerging businesses, top-notch researchers, and students coming into the funnel.

The idea of these marketplaces is to really bring together all the actors in that innovation system around real business problems, and to provide the connective tissue and then some of the capital and talent inflows to help us tackle those problems. As a result, our established businesses can become more innovative themselves, but will also become better receptors for the ideas coming out of younger companies. On the flip side, our younger companies can find customers closer to home and use those connections and validations as a springboard into international markets.

●(1605)

Ms. Jennifer O'Connell: Thank you.

Following up on that, this leads into my next question. It might be the chicken or the egg conundrum, in that you talk about investment and say that Canadian firms “would benefit from bigger injections of expansion capital”, but then there's also the issue of finding experienced talent. For more than half of technology company

founders, the biggest obstacle to growth is finding and hiring experienced business talent. If we just create these funds and inject more capital, when the people and the talent aren't there to know what to do with it, how do you grow? In having those more local customers and how to expand and get out of the niche that you talk about, or what's comfortable to them, what do we do first? How do we encourage that talent, or do we just inject capital and then they don't know what to do with it? Have you given much thought to that?

Mr. Michael Sabia: Yes, quite a bit. This is a very important point. As Ilse knows so well, in Canada, honestly, we don't have a problem starting businesses. I think the World Economic Forum, or somebody, rates Canada as the second-easiest place in the world to create new businesses.

Canada's problem is scaling businesses. We have too many really small businesses that don't scale, and the world today is about scale. One of the things we thought a lot about and did a lot of work on is, how do you scale businesses? That requires a few things, and you've touched on them. First, It requires not just capital, but patient capital. Second, it requires talent, and specific kinds of talent, particularly managerial and organizational talent. Third, and this is related to the second requirement, is what we would call at la Caisse in Quebec, *accompagnement*. I think in English that's mentorship. But people don't put enough emphasis on the last of those requirements.

In all the work we do as an investor, for instance in small and medium-sized Quebec businesses, that is always a component of what we do. We always work to connect those small businesses to a network of experienced entrepreneurs, people who have run businesses, because the biggest challenge that an entrepreneur of any age faces is learning how to scale a business. In the recommendations that we made with respect to setting up these two funds of patient capital, one of the elements that's constant and is really important is not to fund a business unless the business can demonstrate to you that it has access to this network of advisers and mentors, so it can facilitate its growth and, therefore, scale.

That issue of making *accompagnement* or mentorship an indispensable ingredient in one of the funds of government financing of these companies is extremely important. It won't work if you just throw capital at it.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you both very much.

We're turning to Mr. Albas for a five-minute round.

●(1610)

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Thank you to our witnesses for the work you're doing for our country.

I'd like to pick up where MP O'Connell left off. One of the things that you talked about is that governments should choose some key sectors to support. In picking those key sectors, is there a risk that government will choose sectors based more on political considerations, rather than economics? If so, how can that be prevented?

Mr. Michael Sabia: I have a couple of points to make here. It's very important to separate things and to clarify. Sometimes I wonder if we got it clear enough in the documents we wrote. I say that because there's this old 1970s, 1980s outmoded thinking around industrial policy and stuff like that. I think there's probably pretty much a consensus that it doesn't work very well if governments try to pick winners, individual firms, and to back them.

What we're suggesting is quite different—and this is broadly true of all the recommendations we're making—is that the role of government is not as a choice maker but a convenor, a catalyst, and sometimes an investor, but the notion is to draw on the expertise and the capabilities that exist in a lot of different organizations, whether in universities, companies, or civil society. A tremendous amount of expertise exists in the various dimensions of Canadian society. We're proposing a notion of government that draws this together, pools the best, and mobilizes it to address national issues.

On the issue about sectors, we're saying this has to be done on a collaborative basis, with a set of pretty clear criteria, which we've enumerated: things like the potential of a sector to have a significant impact on GDP growth, its capacity to create durable jobs, and what the global demand situation looks like for that sector's products and services. There needs to be some objectivity in the criteria that are used to address the concern you just raised.

Once a sector—we picked agrifood as an illustration, but it's just an illustration.... The notion is to convene a group of people from that sector and bring them together to address the issues facing that sector. Yes, maybe government has something to do with improving the way the sector is regulated or removing obstacles to growth or whatever, but the thought leadership of that work rests in the sector itself and government's role is just catalyzing that conversation.

Mr. Dan Albas: You've also talked about strategic procurement. Would this approach hurt Canadian taxpayers by not prioritizing the importance of cost-effective procurement?

Dr. Ilse Treurnicht: No, absolutely not. This is not a new concept, and we're hoping that we can finally move to action on this. I think the notion is that we would begin to think about using a very small percentage of our procurement budgets, which at the federal level are around \$18 billion a year—across the country at all levels of government and public agencies, it's \$100 billion a year—to think about how to bring Canadian innovations into the public systems, and to use that more strategic procurement approach to begin to retool the system. We would think not just about low cost but about value and begin to focus on challenges that need to be solved, rather than being prescriptive that the procurement needs to meet these five specs. We would say that we want this kind of problem solved and then allow the innovative community to come together to propose solutions, which may not be anticipated by a system that's focused purely on the lowest cost.

I think, as we are looking at bringing in entirely new disruptive innovations into the health care system, for example, you simply

cannot evaluate their impact on the system, including their benefits to patients, and their benefits to costs in the system, by simply trying to be prescriptive. The benefit is multifold. It allows us to create opportunities for our innovators and young companies to begin to use our public systems, which are typically the buyers in regulated industries, to be a first validator and tester of those opportunities. It also allows us to begin to bring those innovations into our system and make our systems more productive and innovative.

• (1615)

The Chair: Thank you.

Mr. Robert-Falcon Ouellette.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, Chair.

I have a few questions. I'd like to go back to the question about scaling and how you scale. You talk about patient capital, the use of talent, specific managerial skills, and mentorship. Perhaps the issue is how you get those good managers, and where do they come from, and can you learn that in a few years in a post-secondary training course? I was in the army for many years; I've dealt with budgets and some days I still find it difficult to manage my MP budget appropriately. These aren't things they train you to do in schools.

Is our education system adequate to meet the demands of what you're asking for, to see these increases in productivity, by increasing scaling in the long term?

Mr. Michael Sabia: Honestly, I'm not going to present myself as someone who's competent to judge whether or not our educational system is up to scratch. I do think Canada has the benefit of having some world-class universities that are very important to the work that Ilse does and are very important nodes in an innovation ecosystem.

I'm going to leave education to one side, because where you really get at this question of mentorship and access to managerial talent.... In the work we do in my day job, we learned about finding people—and there are tons of them—who have lived these experiences. The kind of people whom we try to match a younger entrepreneur with—an entrepreneur of any kind—are people who've been through it. They're people who've started businesses, succeeded in running businesses, or people who've worked in larger enterprises and know about the kind of managerial systems that are required to help a company grow and to govern the growth of a company.

Our approach to this is more focused on the practical education that people have because they have spent a career doing it, or they're in the process of doing it. Our focus is less on the educational system per se and more on using this enormous wealth of capability and talent that exists, that's walking around on the streets. It's more on mobilizing that to help people who want to start and scale businesses to show them how to do it and work with them as partners and as advisers. That's more the notion.

Mr. Robert-Falcon Ouellette: My fear then is that if we don't have enough businesses that are scaled, there are very few people who've been very successful at it and we have a lot of people who have experience with failure. Failure is very good, as well; we always need failure in order to learn. However, one of the things I learned in the military is that no true great leaders are ever born. You can train to be a leader or a manager, and you receive that continuous training throughout your time in the military.

Are we not doing something perhaps in our post-secondary training? For instance, we often see students who do a sociology degree—I'm an anthropologist, I love anthropology, but I wouldn't profess to know how to run the *Caisse de dépôt* or to be able to do what is necessary to manage the Canada pension plan. I understand civilizations and societies and how they function, but maybe my skills, if I combined them with something else...? Maybe we're not using our post-secondary training. We have good elite schools—McGill, Toronto and a few others—but maybe the other ones have too many people doing too many things, which isn't going to lead to the long-term success we need in our economy.

Maybe you'd like to talk about that for a bit.

Dr. Ilse Treurnicht: I would say there is a growing recognition, and appetite, frankly, among students to get more exposure to startup ecosystems. You see campuses across the country, universities and colleges, now offering these kinds of immersive education programs and exposure. Frankly, to go to Michael's point, it is a bit of an apprenticeship to learn how to run a business. Joining a high-performing startup team is a fantastic learning experience, because you have to do everything from that perspective.

There are some very specific gaps that we see, and it's partly a maturing of the ecosystem. As you have more companies that are scaling, you have more of this talent recirculating. You see innovators who have built companies elsewhere returning to Canada and looking to join and support an emerging cohort of young companies.

If I take the example of life sciences and biotechnology, where we have extraordinary research expertise and talent coming out of our post-secondary educational institutions. We invest very heavily. It's highly specialized science, but we're still relatively immature in terms of scaling businesses. So what you see with some of those high-performing teams is that they have to bring managerial talent from elsewhere to join a team that may be here, which then helps to train some of that younger talent to do it next time. It is an ecosystem that we need to mature and, in some cases, where there are specific gaps, we need to fill them in real time—which has come out of our recommendations.

● (1620)

Mr. Michael Sabia: I don't want to take your time, but I just have to make one comment.

The Chair: Okay. Give a quick answer.

Mr. Michael Sabia: There was a recent McKinsey survey of a whole bunch of global CEOs.

This is an advertisement for a liberal education.

When the CEOs of big global companies were asked, "What is the educational background that you wish you had more of in your company and that you wish you had personally had more exposure to?", the answer was, "I wish we had more philosophy majors."

A liberal education and broad-mindedness and a capacity to think is really what this is about.

The Chair: Thank you.

Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): I will first of all thank you both for being here today.

I just want to make a couple of comments and observations and try to tie a number of things together and get your response.

I know this has nothing to do with you folks, but when I take a look at the council makeup, I'm a little disappointed that it's heavily weighted against the west. There are two members east of the eastern time zone on the council. That's not your issue, but I think it may feed into a couple of the other comments I want to make.

One of the government's consistent talking points is that the environment and the economy go hand in hand, yet in neither report nor in the discussion today have I heard you mention the importance of the environment, if we're going to have economic growth, or what role the environmental movement is playing or will play in economic growth.

Then I also see a complete absence of anything relating to the industry that has driven our Canadian economy for the past 20 years, and that's the natural resources industry, in which probably there has been more innovation in the last 20 years than in perhaps any other industry in the world.

The final comment I would make is that one of the greatest deterrents to foreign investment is tax structure. You haven't mentioned taxes, and I think we have a looming situation in our country such that we may be in an uncompetitive situation, if the United States decides to take some serious measures on taxation.

I'd just like some general comments on how all of those things tie together with the work that you're doing.

Dr. Ilse Treurnicht: I might offer a quick comment on the energy and environment. You will notice that among our sectors we specifically mentioned energy and renewables—both oil and gas as well as renewables—as one of the sectors that should be prioritized, for all of those reasons you mentioned.

To speak to Michael's earlier point, we also had a call-out box to say that we recognize, particularly for the clean tech industry, which is a fast-growing, new emerging industry, that it has specific capital needs and so on, and that some of our fund structures haven't specifically tackled the unique features of the clean tech industry.

But there has been a lot of discussion around the table on exactly this point, and I fully anticipate, as we go into our next round, that we will revisit the oil and gas sector and the natural resources sector.

Certainly in agriculture a lot of attention was paid to the forestry examples, which we could see as real opportunities for Canada globally.

In terms of taxes, there has been also a lot of discussion, as you would anticipate, in the last two to three months of the council's work on how the changing dynamics might impact some of our recommendations. We recognize that Canada has a relatively attractive tax environment today but will need to revisit its position should the U.S. make some substantial moves in that direction.

But I think there is also recognition around the table that tax is only one element of what drives inclusive growth. We certainly want to make sure that it's considered, but it's part of a package that we need to always keep in mind as we think about a more holistic strategy to drive inclusive growth.

Michael?

• (1625)

Mr. Ron Liepert: Go ahead, Mr. Sabia.

Mr. Michael Sabia: No, I'm signed up with Ilse. I'm good.

The Chair: Okay.

Mr. Liepert.

Mr. Ron Liepert: I'm happy to hear that this is in the works, especially for the natural resources sector.

You mentioned renewables. My concern is whether your agenda will be driven by economics or by politics. Will you be making recommendations and having discussions based on the knowledge that we have a government in office that is environmentally driven rather than economically driven?

Mr. Michael Sabia: I'm not 100% sure how to answer that question. I'll just say that you can see in what we've done so far that the focus of what we're trying to do is on providing a menu of ideas about things that we think are pretty directly connected to economic growth.

Now, in fairness to your question, as for what the government chooses to do with those recommendations, they are going to have to take a decision as to whether they're interested in some of the things we have to say or are not. I would say that I thought the government's reaction so far to the first round of recommendations that we made was reasonably quick and that they're getting on with the job of doing some of the things they need to do.

From our perspective, when we meet as a group our focus is on what we can do to generate economic growth and what ideas we have to do so.

As to the overall complexion of the government, you should probably ask other people about that rather than us.

The Chair: Thank you both, and they probably will.

Some hon. members: Oh, oh!

The Chair: Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to the witnesses for coming today.

You spoke about the increase in immigration targets in your first report and you mentioned it again in your most recent report. I have a unique story.

I'm the son of immigrants. My parents came here in the late seventies or early eighties. They worked really hard, and lo and behold, I got a chance to go to some of the best schools in the country. Something really interesting happened when I became a member of Parliament. I heard people of my parents' generation, who are now well settled in Canada, start to complain that new immigrants were taking their children's jobs.

The irony was not lost upon me. I'm sure that somebody was complaining that my parents were taking their jobs .

You have said that immigration is good for economic growth. Can you expand upon that a little in layman's terms, so that the average, everyday Canadian could probably understand the idea?

Mr. Michael Sabia: Do you want me to start?

Dr. Ilse Treurnicht: Sure.

Mr. Michael Sabia: As I said before—and I'll try to break this down—economic growth is just a combination of two things: how big your labour force is and how productive labour is. It's just about labour force and productivity. Put those two things together and you get economic growth.

Taking that down a level, the bigger your labour force is and the more people you have—the bigger your domestic market—the more demand there is for products and services. That creates growth opportunities for businesses. They hire people. That creates more jobs. More jobs create a virtuous circle of more consumption, more investment, more jobs. That's how it works.

But in the idea people perceive, and it's around a lot—you can certainly see it in the current circumstances politically in the United States, and you can certainly see it in western Europe, and I'm sure that to some degree it's true here in Canada—that if someone comes in, a job is being taken from someone, what they don't see is that the person coming in creates a demand for things, which contributes to a positive cycle of growth. It creates opportunities.

That's a view that we very strongly hold in this council.

The other part of this that's really important from an immigration point of view—and this is a statement of the painfully obvious—is that the world is just filled with smart people, and the more of them we have in Canada, the better off we are, particularly in a future in which competition is going to be about knowledge and less and less about physical force and more and more about intellectual force.

I spend a lot of time in India. We do a lot of business there. I spend a lot of time in China. These countries are just filled with talented people, literally filled with talented people. And they're not just there: there are many other countries around the world in which the same thing is true.

Our view, therefore, is that if Canada can get its share or more than its share of top talent that comes from other countries, that's going to contribute to the kind of work that Ilse does. It's going to contribute to innovation, it's going to create more managerial talent, it's going to help companies scale, it's going to help create new ideas, create new businesses.

It's an old phrase that was coined a long time ago: we're in a war for talent. Immigration is a source of talent, and the more of it we have—and the more disproportionate the share we have as Canadians—the better off our economy is going to be. It's going to create opportunities for everybody.

• (1630)

Dr. Ilse Treurnicht: To add to that, sometimes there's a perception that there's nothing wrong with our just keeping our population relatively static and happy and unthreatened. I think that view, however, loses the really important nuance of our dependency ratio as our current population ages. In fact, we have a shrinking labour force as a result of it. Bringing in new talent... You see it from the latest round of Statistics Canada data that just came out: immigration is more important than ever.

I think there is also considerable interesting data, not just in Canada but elsewhere in the world, that immigrants tend to bring a higher degree of entrepreneurial energy into the economy. You see the participation of immigrants in leading and building these new businesses. Speaking to Michael's earlier point, they're not taking jobs away; they're actually job engines. That's another really important part.

Something that we see from a MaRS perspective, which I'm so excited about, is that the diversity of our entrepreneurial talent pool gives us connectivity to markets elsewhere. In particular, as we see more and more newcomers to Canada building businesses for the Chinese market, for the Indian market, for the African market—not just for the U.S., which has been our traditional default—this activity gives us the sort of trading network that's built on immigrants who have relationships in those markets.

There are lots of benefits beyond just the simple math.

Mr. Michael Sabia: If you want to see the dark side of getting immigration wrong, look at Japan and the last 20 years of Japan's economic performance. Look no further; there's a living lab in front of us.

The Chair: Thank you, all three.

Mr. Dusseault, you have three minutes.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I want to go back to a subject raised earlier, namely, the procurement policy.

Ms. Treurnicht, you spoke about a needs-based or value-based procurement system. You recommend a value-based system. However, have you looked at the possibility that it would be restrictive, given our trade agreements, to have procurement policies that are too strict or “Canada-centric”, if I may use this expression? If our procurement policies are too strict and if they shut out goods from other countries too much, couldn't they be challenged by our trading partners?

• (1635)

[English]

Dr. Ilse Treurnicht: Absolutely. That is a really important consideration.

Again I want to emphasize that we are talking about taking a very small percentage of the overall procurement budgets and using that small percentage to create channels for Canadian products to be tested and validated inside our public sector systems.

The recommendations that are made in our reports are also very much based on models that have been adopted elsewhere. In particular, the SBIR program in the United States is widely regarded as a global best practice standard. It uses similar percentages, taking its departments and agencies that have significant R and D budgets and allocating something in the range of 3% to 4% to those more open-ended procurement methodologies, for the system itself to learn and to create those validation approaches.

We have to stay on side with trade rules, but I think it's a well-trodden path. In fact, the SBIR program in the U.S. has been adopted and adapted in Australia and in the U.K. as well. We don't have to reinvent the wheel; this is a set of methodologies that we can adapt to Canada with relative ease.

[Translation]

Mr. Pierre-Luc Dusseault: I've already heard this idea. Given that their products are purchased by the government, emerging companies can obtain a sort of approval. I think it's a way for them to have a seal of quality.

Are you analyzing the option with this in mind as well? Is it to allow small emerging companies to have access to government contracts, and, by extension, to have credibility?

[English]

Dr. Ilse Treurnicht: Absolutely. The SBIR program in the United States is highly competitive. It is not seen as a handout at all. It has very structured rules in terms of what stage the product is to be assessed. You progress to the next stage if you generate evidence that shows performance and efficacy. When you get to the third, highly competitive stage, you then get the government as a first customer. That becomes a very important validation, particularly if it's a data-driven and high-performing system and is not seen as some kind of soft test bed.

This notion of inclusive growth also allows governments to think about ways to create opportunities for certain disadvantaged groups. You see in the United States as well that some of these procurement channels would be open to indigenous businesses, for example. So this can be used for other social purposes as well.

The thing that is really important for us, and we see it in the health care space—and here I can talk from my own experience—which I know is a more provincial jurisdiction, is that the Ontario health care system, a very large public system, procures, if you think about it, almost no medical devices originating in Canada or Ontario. It's that mindset of thinking of our health system as, like our energy system, a service taking care of sick people rather than as part of our economic engine.... This is one of those switches we can flip to begin to unlock the capacity of using our system.

If a young innovator in the health care space can't sell into the Ontario system, they go to the U.S. market or the European market, and the first question they get is, "What does Ontario think of your gadget?" If the answer is, "I can't find anybody to talk to at the Ontario health system", that's incredibly unhelpful for getting those companies to scale.

• (1640)

The Chair: Thank you.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: Thank you, Mr. Chair.

Ms. Treurnicht and Mr. Sabia, thank you for your presentations and for your contribution to the committee. You're well-known within your profession. We're pleased to have this opportunity to meet with you and benefit from your advice.

Before I entered politics, I worked in post-secondary education. In your second report, you said that, in research and development, there's a lack of collaboration among universities, the private sector and the federal government. I agree.

The report also noted that, since the early 1990s, the private sector has reduced its learning, development and training investments for employees by 20%. Also, employers say that students aren't well trained.

Do you know of a model or country where the private sector, universities and the government work well together?

[English]

Dr. Ilse Treurnicht: There are models that I would say we can take pieces from and look at. Certainly, the Fraunhofer models in Germany are very well regarded models of collaboration between industry and the public sector as well as post-secondary education. As you know, they have a much stronger apprenticeship system in the middle that provides some of the glue.

Singapore is a model, but it's a neat and tidy economy. You see very structured models of collaboration between those two groups.

In our case there are a number of reasons that there is a continuing challenge to bridge the gap and broker the partnerships. Our established firms spend less on R and D, so they are not as strong receptors for the breakthrough research and ideas that emerge from

our academic sector. The academic sector is not necessarily resourced to build the bridges to those other markets. Then, we have a lack of risk capital to fund the collaborations.

Mr. Greg Fergus: Patient risk capital.

Dr. Ilse Treurnicht: That's right.

Part of our marketplace idea is to try to build more connections.

You will also see our recommendation around future skills, whereby we really are trying to bring together not just governments but also the private sector as well as the non-profit sector and other skills agencies to collaborate in defining what kind of skills are required, experiment and test to try some new approaches to building skills that are relevant to this fast-moving economy, and in the process find some better partnerships to support people through the different career transitions that will be inevitable amid the changes that are happening in our economy.

[Translation]

Mr. Greg Fergus: Mr. Sabia, what do you think?

[English]

Mr. Michael Sabia: [Inaudible—Editor]

Mr. Greg Fergus: Thank you very much for getting that on the record. I think it's going to be very important for us to keep the very important points you've raised in mind.

What would you recommend, if you were in our shoes, as concrete actions to create in a short order the connective tissue we need to have so that we can get the growth and get the mentorship and the scaling up that we need to have in Canada? Given that we have a vast geography and a small population relative to others, so that we don't have the same density, what short-term or medium-term actions can we take to encourage, or what steps can we take to get to that point?

Mr. Michael Sabia: One thing for sure is that the proposal we've made with respect to creating what we've chosen to call "innovation marketplaces" is one concrete thing the government can begin to do to bring people together. As Ilse has said, one of Canada's challenges here is that if you look at our performance in commercialization relative to that of, say, the United States, it's night and day. The commercialization of research and its success in the United States comes out of a variety of factors, but they have succeeded.... In their case, it's both geographic and sector-specific or problem-specific.

Certainly everybody knows about Silicon Valley, everybody knows about Pittsburgh, everybody knows about Boston, everybody knows now the beginnings of some interesting things in and around New York, where that connectivity has happened, where universities and research and capital and entrepreneurs are finding ways to connect.

That's really what Silicon Valley is about. You're seeing some of the same things happening in places in Israel. It's happening in a variety of places around the world.

Anything we can do to bring people together and put them in the same room to focus on the solution to specific problems so that it's not just chit-chat—because that's not going to get anybody anywhere.... The idea behind innovation marketplaces was to have specific problems that need to be solved, problems that are important for business, so that businesses come to the table with receptive ears to hear about innovative ideas.

The notion of the government is not of the government solving the problem; it's of the government creating a context whereby people can sit in a room with a specific issue that is an issue for business, so that business comes to the table, as I say, with the right mindset. That's what needs to be done.

I'm sorry to say this, but this is something that takes time. This is about building muscle reflex; this is about building different standard operating procedures.

Let's be honest. I'm not going to make any friends when I say this, but there are many people in the academic world who think that commercializing research somehow debases the pursuit of truth. I'm not signed up for that. I think that if you can commercialize research, that's probably a pretty good thing.

There are other people who say that's crass. Well, okay, but that's a cultural factor. That's not going to go away tomorrow. It's something that's going to have to be worked on over years and years.

• (1645)

Mr. Greg Fergus: Okay—

The Chair: I'm sorry, Greg—

Mr. Greg Fergus: [*Inaudible—Editor*] ...as well, just so that he could answer part of that and elaborate.

The Chair: The time is up. I hope we'll have time for one more question from each of the parties.

There is a point that I do want to make. The part of your report that I got the most calls on, both positive and negative, was the agrifood sector— in a very positive way from the agriculture community in general and from industry—in emphasizing that's one of the industries with potential, but there was some concern from the dairy industry about what you mentioned in your report. I don't think that was your intent in any way, and I do note that your report is based on the Conference Board study. I would suggest that you gather some facts from the Dairy Farmers of Canada. Their concern is that this will again open up an attack from those who don't like the supply management industry and who, I would suggest, use quite a number of what you could call “alternative facts”.

Also, on your point on productivity here, keep in mind that the dairy industry is number one or two in 7 out of 10 provinces. In 2015 it was a \$19-billion industry in terms of the GDP. This report talks about productivity. In terms of our productivity per cow, we have the cutting edge in technology in our dairy industry in Canada. We are second to none. Our Holstein breed has the most productive dairy cattle in the world. Our production has increased 130% over the last 40 years. In the United States, it's 116%. In New Zealand, which is always held up as the example, it's an increase of 49%.

The last point I would make is that we have an industry here that is healthy and that doesn't depend on direct subsidies. It should be

noted that in Australia, a bailout package of \$578.8 million for the dairy farm industry was just announced. As well, the EU just announced its bailout package of one billion pounds. A little while ago, the United States announced a \$40-million buyout package for the surplus of cheese, and that's on top of the up to 31¢ a litre that they already directly subsidize their industry with.

I'm putting those facts on the record and saying to the advisory committee that wherever this information comes from in the Conference Board of Canada, you should balance it with some from somebody who's in the industry. I wear supply management on my sleeve, and I'll admit it.

Turning, then, to—

• (1650)

Mr. Michael Sabia: May I respond?

The Chair: Yes.

Mr. Michael Sabia: I want to be really clear on this point. You won't find in any of the documents we issued, and certainly not in the one on agrifood and the importance of identifying key strategic sectors, a recommendation with respect to supply management. We were quite clear in not making a recommendation about it.

Why? Because it is, in and of itself, a highly complex subject. It's not something that you can leap to conclusions about one way or the other. It's something that requires a lot of intensive study in and of itself.

Our focus in making the recommendations that we did was actually a bit different from that. What we're trying to encourage government to think about, or people in general to think about, and all of you to think about, is more around issues of how Canada can move up the value chain.

How can Canada, in the agrifood sector, do more value-added processing than we do today? About 50% of our agricultural exports have some processing component, but 50% don't. Because that processing is good in terms of creating value and creating jobs, what more can we do there? What more can we do in terms of enhancing the technology and being more technologically sophisticated in the agrifood sector? What more could we do creatively around branding Canada as a source of nutritious, safe food in a world that's hungry?

Our focus was on what other trade agreements we could enter into that would give us access to hugely important markets for Canadian agricultural products, such as China, India, and Japan. Our focus was on what more we can do to take this industry that has so much potential, clear its path, and encourage it to grow as fast as it can and to export as much as it can.

Hold onto your hats on this one, but we export less in terms of agricultural products than Holland. Now, you can take your hat off to the Dutch. They have a very small country, but it's a very small country that's managed to marshal its resources and build an extremely capable agricultural sector. What we're saying is that if the Dutch can do it, why can't Canada do it?

The Chair: Those are valid points.

Mr. Deltell.

We'll go to three five-minute rounds. We'll run a little past the five o'clock end time.

[Translation]

Mr. Gérard Deltell: Thank you, Mr. Chair.

I want to invite you to the next Conservative Party leadership debate. You have an interesting point of view to put forward and share.

[English]

The Chair: Will you let me on the stage? I'd love to debate your man from Quebec.

[Translation]

Mr. Gérard Deltell: Of the 14 candidates, 13 share your point of view.

Mr. Sabia, I'll go back to you.

Earlier, you said that new products must be conceived and created. However, those products must also be sold, which isn't easy.

I'll give you a historic anecdote. The Lumière brothers invented the cinematograph in 1895. One year later, in 1896, Louis Lumière said that, other than a few technical applications, their invention had no commercial future.

Goodness knows that, 125 years later, we can enjoy all the commercial virtues of the cinematograph invented by the Lumière brothers. However, this means that we aren't able to market something simply because we've invented it. As the saying goes, we should stick to what we know.

More specifically, you mentioned earlier that Canada's future in certain sectors must involve innovation, technology, education, knowledge and high technology. We fully agree on this matter. However, how can we attract the best creators in the world to Canada, individuals who excel in their field, and keep them here if the taxes are very heavy in comparison with our main trading partner and competitor, the United States?

•(1655)

Mr. Michael Sabia: Do you want to answer this question, Ms. Treurnicht?

Dr. Ilse Treurnicht: Okay.

[English]

The Chair: Go ahead.

Dr. Ilse Treurnicht: Obviously, we have to have a competitive tax environment to create that environment, but we also need a rich field of opportunities for people to come to. Typically, they would move to Canada in fields such as technology, knowing that they're not just coming for one opportunity but that there are opportunities they might move to beyond the first entry point. We need to create that rich, high-performing innovation ecosystem and couple it with quality of life, communities, and health care, because even talented human beings still make very basic human decisions about where they want to live.

I will tell you that from my window today, I feel incredibly optimistic about this. The talent we see wanting to come to Canada today is beyond anything I have seen in the past. The government is

already paying attention, particularly to our first set of recommendations, which focused on that rapid track—opportunities for those with highly specialized skills to come in and work with our highest-performing firms. I think there's a general recognition in the sector, as well as among governments, that this is really important.

We then have to do the work of building vibrant communities that will make them want to stay here. I think that's what we do very well, so I'm optimistic.

[Translation]

Mr. Michael Sabia: I just want to add a comment.

You're certainly well aware of this issue, but I want you to assess the current situation in Montreal. Obviously, as Quebecers, we pay taxes that are, let's say, significant.

That said, I think Montreal is currently booming. New companies are being developed and all sorts of entrepreneurs are coming to the city. At this time, the establishment of new companies in Montreal is truly remarkable. How long has this phenomenon been going on? It hasn't been for 20 years, but maybe for five, seven or eight years.

Obviously, I'm talking about companies such as Moment Factory, Hopper Inc. and all sorts of other small businesses. In reference to Ms. Treurnicht's comments, Montreal is an attractive city on a global scale. Why? Because the city is very diverse, full of opportunities and offers a good quality of life. All these factors help create a vibrant city. I completely understand your point of view. You're right. The tax and taxation level issues are obviously important, but they're part of a much more complicated larger picture.

[English]

The Chair: Mr. Grewal and Mr. Sorbara, you're splitting your time. Who's first?

Mr. Raj Grewal: It looks like I'm first. Thank you, Mr. Chair.

Mr. Sabia, one of the recommendations states that there are policy barriers and that over-regulation is impacting economic growth in Canada. You also recommend foreign direct investment in Canada, but a lot of that goes against existing regulation. It's very complicated in certain industries such as telecom, as you know, to get foreign direct investment into the country.

What do you think the government could do relatively quickly? With your experience as the former CEO of a major telecom, please use current examples that could help bring more foreign direct investment into Canada. That will lead to more jobs in Canada, and it will lead to more economic growth in the country.

Mr. Michael Sabia: Look, we haven't been specific about individual regulations, etc. We've been more concerned about encouraging government to take stock of what it's doing from a regulatory point of view and, in fact, to take stock of what it's doing from a programmatic point of view as well. When you look across the lot, you see there are something like 50 different government programs focused on innovation. Sometimes you can have too much of a good thing, and maybe if there were fewer of them and they were better focused, you would have more impact. We're hoping that government will take on that challenge, clean house a bit, and align these things better with what needs to be done.

On the regulatory side, we're basically saying pretty much the same thing, which is to try to review...because some of these things, some forms of regulation, are necessary. Take, for instance.... I'm not suggesting this is necessary, but what I'm suggesting is to take a sector that you and I know a bit about, which is telecommunications, or banking.

Canada has today a set of rules around ownership structure in those sectors. The reason it does is that they're complicated sectors. They have roots in Canada as a relatively small country beside the largest economy in the world and a very globally preponderant culture that emanates from the United States. There's a whole host of factors that go into a public policy decision about whether or not a particular sector should have some kind of constraints on foreign ownership.

I think the public policy decision is more complicated. It requires a reflection on a set of factors that is broader than a relatively limited or focused one on this or on that. It requires a broader picture, because these are complicated issues.

The second thing, just continuing on a bit about whether it's in telecom or other things, is that it's important for Canada not to be too much of a boy scout. If as a country we think that America is wide open to foreign investment, that's just wrong. America is not. There are all kinds of hidden barriers that exist there. Again, I'm not suggesting that's wrong. I'm saying that it reflects the public policy choice. The Department of Defense in the United States plays a very important role in stimulating technological innovation in the United States, and it has for years.

It's not like the world is this completely free-trading and open place. Look at the Europeans. There are all kinds of hidden barriers. I won't name individual countries, but across the European Union there are a lot of similar kinds of issues.

As Canada thinks through issues like telecom or banking or other kinds of regulations that are there, yes, it's a much broader, more complicated thing that has to be thought through.

• (1700)

The Chair: A quick question, Francesco.

Mr. Francesco Sorbara: In the “Building a Highly Skilled and Resilient Canadian Workforce through the FutureSkills Lab” report and the list of three core functions of the FutureSkills lab, it was remarkable to read that there is “\$17 billion in annual public spending on skills and training programs”.

I'm really curious about that. Could you comment on the FutureSkills lab? I think that's an endeavour that all governments in Canada—all three levels, and if you count the regional, four—really need to look at, because we are investing a lot of money in skills training. Maybe some of those programs need to be reviewed. Could you comment on the FutureSkills lab?

Dr. Ilse Treurnicht: The FutureSkills lab was, on the one hand, very much focused on recognizing that we have a vibrant labour pool that's talented, diverse, and highly educated. At the same time, we are facing some very important shifts coming in the future of work and the nature of jobs, through automation and digitization and so on.

The idea of the FutureSkills lab is to fill a bit of a gap by creating a neutral entity that sits between the educational institutions, the corporate training environment, some of the non-profits that deliver skills training, some of the regulators provincially, and so on. It is to create an opportunity for all of these groups to come together and begin to identify shared challenges and experiment with new innovative approaches to skills training, after creating alignment on where some of the pain points are. It is also to create more agile data collection mechanisms to stay ahead of the trends, in particular using digital signals, which are not typically captured in labour market information systems; then very importantly, in a very evidence-driven way, to begin to collect the results of those shared experiments, bring some of the best practices from global institutions—countries such as Singapore and Australia are doing very interesting things on future skills—and make sure that those learnings are widely available to organizations at the provincial level, at the federal level, and in the non-profit sector so that we can up our game on all fronts.

We think it fills a very important gap to foster a kind of new environment and to try new approaches.

• (1705)

The Chair: Thank you all.

Mr. Dusseault, there is time for one question. Then we'll have to cut it there.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

My question will be quite short.

Mr. Sabia, you mentioned earlier the role of catalyst and investor that the government can play to promote economic development. I want you to elaborate on the investor role.

Traditionally, the Canadian government has loaned large amounts to private companies, and it did this very recently. In particular, the government gave an approximately \$380 million loan to Bombardier, whereas the investor strategy was observed in Quebec. The Quebec government invested in the C Series by buying shares in the company.

Do you think the Canadian government should play an investor role? Do you think it's really the government's role to invest directly by buying shares in private companies?

Mr. Michael Sabia: I could tell you all sorts of things.

When a government plays the role of unifier, catalyst and investor, the goal is to try to present a new image of a government that won't intervene, but will work with the private sector and other stakeholders to consolidate everybody's skills. The goal is to work together to mobilize our society and achieve important goals. The first thing would be to propose very high and very ambitious performance targets, and also to bring people together to try to achieve these goals.

I want to go back to our discussion on infrastructure funding. At the same time, I can answer Mr. Deltell's question on the investment bank.

We suggest that the government's financial involvement in an infrastructure funding project be treated as an investment. I'll give you an example. In Montreal, the Caisse is currently planning a new public transit system. At this time, we're negotiating with the Quebec government and the Canadian government to determine how they could participate in the project.

The goal isn't to ask them for a subsidy, but for an investment that will generate a return for both levels of government. It's another way of viewing the government's involvement. A government won't always be able to play an investor role. That's not realistic. Also, in a number of cases, such as the infrastructure funding case, there will be chances to change our way of thinking about this issue.

That's why we're focusing on the idea of a government investor. An investment isn't always just the idea of something in financial terms. For example, if a government facilitates the development of a skills lab, it's an investment in the skills of our workforce to encourage more labour market participation. It's an investment that

will generate a return. In this case, the return is a social return, and, indirectly, a significant economic return. It's an example of the government's role as an investor in the development of our human resources. That's why we're creating this idea of an investor.

• (1710)

Mr. Pierre-Luc Dusseault: Thank you.

[English]

The Chair: With that, we'll have to end today's discussion.

Thank you very much, Ms. Treurnicht and Mr. Sabia. Thank you for your thoughtful answers to questions, the discussion you provoked, and the work you do on the advisory council. We really appreciate that as a Parliament and as a people.

I have just one bit of information for committee members before we adjourn. The deadline to submit amendments to Bill C-240, that's Brian May's bill, is 5 p.m. tomorrow.

With that, we will adjourn till next Wednesday.

The meeting is adjourned.

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