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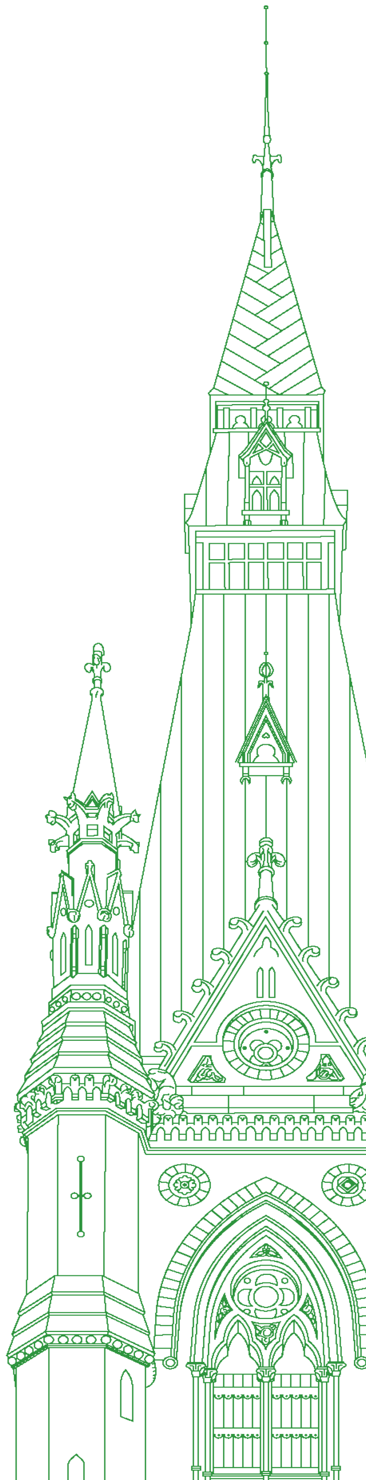

Chair: Ben Carr

Standing Committee on Industry and Technology

Monday, October 20, 2025

● (1100)

[*English*]

The Chair (Ben Carr (Winnipeg South Centre, Lib.)): Good morning, everybody.

[*Translation*]

I hope you had a good Thanksgiving and a great week at home in your ridings.

[*English*]

I know how valuable those are.

Welcome to the eighth meeting of the House of Commons Standing Committee on Industry and Technology.

As a quick note, the witnesses have completed the required connection tests in advance of this meeting.

Colleagues, we're here pursuant to a motion we passed about a month ago. We've held several productive—no pun intended—meetings in relation to productivity in Canada. We're continuing that conversation today.

We have a number of witnesses with us in the first hour, and then we'll have a second hour with a different group of witnesses.

As a quick note to the witnesses and to others, if you're using your headset and it's plugged in but not on your ear, please make sure you place it down on the sticker in front of you. This is to protect the health of our interpreters.

Witnesses, I think you're probably aware of how things work: There will be up to five minutes per organization to give introductory remarks. We'll then enter into a panel conversation with a predetermined allotment of time selected for each political party represented around the table.

From Deloitte, we have Dawn Desjardins, chief economist, joining us by video conference.

From Linamar Corporation, we have Jim Jarrell, chief executive officer and president; Mark Stoddart, chief technology officer and executive vice-president; and Linda Hasenfratz, executive chair.

From the Vancouver Fraser Port Authority, we have Alexa Young, vice-president, government relations and external affairs.

Madam Desjardins, the floor is yours for up to five minutes. We'll turn it over to you.

Dawn Desjardins (Chief Economist, Deloitte): Thank you so much for inviting me to speak to your committee.

I know previous witnesses have presented the challenges about Canada's productivity. As an economist, I think of productivity as how much is being produced per hour worked, or how capital and labour combined with factors like technological progress, economies of scale and organizational innovation produce goods and services.

It's well known that Canada's productivity performance has deteriorated, and our country has failed to keep up with most of our trading partners. Over the past 40 years, the gap between what Canada produces per hour and what the U.S. achieves has gone from about 88% to something like 71%.

There are many reasons for this underperformance, from the relative lack of investment in machinery and equipment per worker to a mismatch between workers and jobs and slow adoption of a technology. The composition of our economy, which relies on small and medium-sized enterprises, may also have contributed to this lower productivity. High levels of taxation, a complicated system to access government incentives and regulatory hurdles are some of the often-cited impediments to business investment.

We know there's not one policy or one change that's going to transform our economy, so I wanted to speak to a couple of areas we've looked at that we think will make an impactful contribution to transitioning to a more productive economy. Of course, this is critically important as it will boost wages and living standards for all Canadians.

First, as we know, interprovincial trade barriers take many forms, including geographical obstacles, limited infrastructure, export controls, different technical standards and various regulatory and administrative burdens. While these barriers impact industries in different ways, they nonetheless pose real costs for Canadian companies, costs that make it onerous, if not completely unprofitable, to do business across our country and achieve economies of scale.

Our analysis suggests that if we could completely phase out interprovincial trade barriers over the next five years, that could generate an additional $881 billion in economic output by 2040 and create over 100,000 new jobs in the process. Clearly, the longer we wait and leave these trade barriers in place, the more money we leave on the table as a country.

Our building ambitions, from homes to national infrastructure, are a key element, we think, to improving productivity. Affordability challenges act as an impediment to attracting labour in Canada in places where we need it most. The government's plans to construct more homes and build sorely needed infrastructure are table stakes if Canada is going to become a more efficient economy and attract capital investment.

Based on our understanding of the government's plans, our modelling estimates that just with the status quo, Canada would require as many as half a million workers to join the construction industry if these ambitions are going to be realized. This will require a multipronged approach, including a nationwide hiring campaign that leans heavily on immigration targeted to the trades. We know current pathways through express entry and provincial nominee programs exist, but the scale of the challenge requires increasing intakes considerably and fixing credential recognition bottlenecks. The objective should be to get newly arrived skilled workers into work sites within weeks, not years.

In addition, women and under-represented groups should be encouraged to pursue careers in the trades. Women make up only about 13% of the construction workforce. Another option is to shorten the long lag between apprenticeship and journeyman status by funding accelerated programs at colleges that fast-track new entrants into high-demand skills.

Finally, artificial intelligence is reshaping labour markets by automating routine tasks. Even without further advancements in AI technology, our research suggests AI adoption could add almost $300 billion to Canada's real GDP cumulatively over the next 10 years.

● (1105)

While this would boost our economy and has the potential to improve productivity, there's also potential for some negative impact on labour markets. Automating tasks once performed by middle-skill workers, such as clerical, accounting and some customer service roles, can lead to a hollowing out of mid-income jobs. It's essential that governments design learning and development strategies that both re-skill workers displaced by the recent economic shocks and AI, and upskill workers to better leverage new technologies.

I'd be happy to take any questions you have about these topics.

The Chair: Thank you very much. You were right on time.

We'll now go to Madam Hasenfratz from Linamar Corporation.

The floor is yours for up to five minutes.

Linda Hasenfratz (Executive Chair, Linamar Corporation): Thank you so much.

I think a lot of elements of productivity are in general not well understood. I want to talk a little bit about that this morning. I think there are three things you all need to really understand about productivity in Canada.

First, business productivity in Canada is in fact growing. We are diluted in the aggregate figure by growing ranks of government and not-for-profit workers in our overall calculation. The second key point is that Canada's overall productivity is pretty much aligned with that of most other advanced economies in the G7 and countries in the EU. Finally, although Canada does lag behind the U.S. on overall productivity, partially for the reasons I've just said, we don't lag in every sector. In fact, we are growing productivity faster than the U.S. in several sectors, including, importantly, manufacturing as well as financial services and transportation.

When most people hear that Canada's productivity isn't growing, they think it's business productivity that isn't growing, but in fact business productivity has grown 50% over the last 25 years. Offsetting that is the productivity of the non-business sector, government workers and not-for-profit workers, where the GDP per worker has not changed at all in the last 20 years. I did provide a chart to your team to illustrate this.

Productivity in the not-for-profit sector is exactly the same as it was in the early 2000s, whereas business productivity has continually grown. All these folks are in the denominator of our productivity calculation and adding nothing to the numerator. It's just math. We need to drastically reduce the number of folks in the non-business sector and get them into revenue-generating businesses. That would have a big impact on productivity.

Over the past couple of decades, Canada has demonstrated, I think, a consistent trajectory in terms of productivity growth, aligning closely with a lot of other major economies in the G7 and the EU. Again, I have provided your team with a chart that illustrates this. I think we need to think about maybe not what Canada is not doing but what the U.S. is doing that we can learn from and try to emulate.

Finally, there's this idea about the sectors. Certain industries within Canada have for sure outpaced their counterparts in the U.S. in terms of productivity growth, including manufacturing. Manufacturing has embraced automation and lean production techniques. Certainly we have at Linamar. Canadian productivity has been growing at twice the pace of U.S. productivity over the last 15 years, with 13% growth since 2010 versus U.S. growth of 6% in the manufacturing sector. That's double.

In summary, Canada's business productivity is growing in some sectors faster than the U.S. Our productivity story does align with that of most developed economies outside of the U.S. Our story at Linamar completely aligns with this story. The productivity of our Canadian plants is the highest, by far the highest, of our 75 plants globally, and is growing the fastest. We have the deepest bench of talent here, and notably skilled talent. We have the strongest level of motivation around continuous improvement that I see—believe me, this is an area that I spend a lot of time in—anywhere in the world. We have 75 plants around the world, and 29 of them are in Canada. If I look at our productivity in terms of value-added sales per employee, it has increased 54% in the last 10 years.

Here's a really important point as well. In the automotive industry, which is by far the majority of our Canadian sales, we have to give 2% price reductions to our customers every single year. Every year the price is 2% down. The idea of increasing prices in line with inflation is absolutely not in existence in the automotive industry, which makes our 54% productivity growth even more impressive, because that has offset those 2% price reductions every single year.

Our teams need to find cost improvements to offset these customer givebacks as well as wage increases, of course, for our employees. No one does it better than our Canadian teams. It is why we've continued to invest in our Canadian operations to launch new programs for continued growth at Linamar. Our investment in Canada this year is by far the largest of any country we're investing in around the world. This year, in 2025, it's actually at four times the level of the next closest country. That alone is evidence of our strong support of our Canadian operations and our confidence in our amazing teams.

● (1110)

I'll just conclude with four recommendations of things that I think we should do as a country and as a business to help accelerate productivity further.

First, reduce government and not-for-profit sector workers and get them into revenue-generating businesses.

Second, promote continued focus on innovation, investment and advanced technologies through four things: target incentives to help companies invest in AI, robotics and data analytics; reduce corporate taxes; reduce regulations and red tape to help streamline investment; and target incentives to help folks upgrade skills and develop people for new technologies.

Third, encourage companies to expand internationally. We're already doing that, and that's a great idea.

Finally, we need to do a better job of telling Canada's amazing story. We're too hard on ourselves. We're always out there saying how bad we are, when, in fact, I think the coming decades are the most promising decades for Canada that I've seen in many years. We're better positioned than many other countries.

Our business sector, as I've just illustrated, is highly productive. We're growing productivity faster than the U.S. in key sectors like manufacturing. We have an amazing technology sector, globally leading in many ways, that we can lean on to help drive up productivity.

We have access to critical minerals, clean water, clean electricity—more than almost any country in the world. We have free trade agreements with 56 countries around the world, representing two-thirds of the global economy. We have a great education system and some of the best health care expertise in the world.

Importantly, we live in a diverse and inclusive society that still values democracy, good governance and basic human rights of free speech and religion, which is more than I can say for a bunch of other countries in the world, including, unfortunately of late, the U.S.

In summary, Canada's competitive position today is excellent. We just need to do a better job of telling that story to attract more investment into our country.

Thank you.

● (1115)

The Chair: Thank you very much.

Ms. Young, it's over to you for upwards of five minutes.

Alexa Young (Vice-President, Government Relations and External Affairs, Vancouver Fraser Port Authority): Thank you, Mr. Chair, and members of the committee.

I'm pleased to be here to speak on a topic that really couldn't be more timely. Making our economy more productive is always a must-do, and with trade rules upended and Canadians concerned about their economic future, it's more critical than ever that we double down on the task at hand.

As Canada's largest and North America's most cargo-diverse port, the Port of Vancouver is uniquely poised to play a leading role, particularly as Canada increasingly looks west to unlock its trade potential, because that's what we do. Even in the face of weather, labour and geopolitical disruptions, the Port of Vancouver delivers for Canada.

In 2024, we moved a record 158 million metric tons of cargo, a 5% increase year on year. This is a trend that's continued in the first half of 2025, with trade volumes up 13%, the highest mid-year jump in 15 years.

Today, I'd like to share the ways in which the port authority continues not only to support but also to enable Canada's productivity and competitiveness. I'll also share recommendations on how the federal government can help us play an even stronger role.

How does the Port of Vancouver contribute to productivity gains?

First, the port is a major driver of regional productivity. We're talking about over 132,000 jobs Canada-wide, including the longshore, logistics, distribution, rail, trucking and other workers who make what we do possible. What's more, we contribute over $16 billion to Canada's GDP and nearly $2 billion in tax revenue to all levels of government. This all means higher incomes, greater consumption and a continuous focus on skills development in all parts of the country.

Second, Canadian businesses count on us to get the products they manufacture, mine, harvest and grow to customers. Today, we ship to and receive goods from more than 170 countries, including Japan, South Korea and China, with opportunities to expand and diversify further, particularly into Indo-Pacific markets.

To keep building those trade relationships, we know it's about making sure we're getting products to customers reliably and cost-effectively. Around 3,000 ships call to the port every year, and with demand for Canadian commodities going up, so will our volumes. That requires taking action now to innovate, optimize and adopt new tools and digital tech to help us move ships in and out of the port better and faster.

Take our active vessel traffic management program, designed with Transport Canada and first nations partners. We're adopting new tools that make vessel movement safer, more predictable and more sustainable. When fully rolled out this year, we'll see the optimization of thousands of ship transits.

One key component is a new centralized scheduling system made possible by digital twins. This is a tool that tells us what's happening with the weather, tides and currents and is shareable between terminal operators, rail and others. Already, CN's participation in the program has increased weekly train movements to and from North Vancouver by 10%. This is all proving that when we partner to innovate and optimize, productivity gains follow.

Third, together with our partners, we're getting projects built. DP World's $500-million Centerm terminal expansion project increased the movement of containers by 60% with only a 15% increase in the terminal footprint.

Efficient port approval processes of BHP's new potash export facility at Westshore unlocked the final investment decision for their Jansen mine in Saskatchewan and will see four million tonnes of potash shipped annually. Efficient permitting of the Westridge marine terminal by the port enabled a 200% increase in exports as the expanded Trans Mountain pipeline came online.

Looking ahead at Westridge, we're leading dredging works near Second Narrows bridge that will help vessels calling there to more fully load, from 70% to closer to 90% to 100% capacity.

Our Roberts Bank terminal 2 project will build new industrial land, increase container capacity by 30% and add $100 billion in annual trade capacity.

This is exciting stuff, and to further help Canada step up, here are a couple of recommendations.

The first recommendation is red tape reduction. The port authority delivers over 90% of our permitting decisions on time, with robust consideration of environmental interests and those of first nations and communities. We were pleased to see the government's 60-day red tape review deliver some initiatives, but more can be done now, including more use of substitution agreements and expanding and making greater use of the port authority's permitting powers to accelerate delivery of private sector-led projects.

Lastly, invest in trade-enabling infrastructure. Previous joint investments under the national trade corridors fund delivered more capacity and better fluidity in the Pacific gateway through things like road and rail projects and the Annacis auto terminal optimization project. We urge the government to swiftly launch the promised $5-billion trade diversification corridor fund to contribute to building up our capacity and resilience and help Canada meet this moment.

● (1120)

Thank you. I look forward to your questions.

The Chair: Thank you very much, Ms. Young.

To start our first round of questions, Mr. Guglielmin, the floor is yours for six minutes.

Michael Guglielmin (Vaughan—Woodbridge, CPC): Thank you, Chair. I'll be splitting my time with MP Brad Vis.

Ms. Desjardins, Canada's labour productivity has fallen behind most G7 countries, with investment per worker now roughly half of what we see in the U.S. We've heard from previous witnesses at this committee, and, basically, they're consistent in saying that domestic issues are a large burden. For instance, our regulatory burdens and our tax framework are, in some cases, more impactful than tariffs themselves on the manufacturing sector. Meanwhile, we see the U.S. has aggressively improved its competitiveness through measures, like their One Big Beautiful Bill Act, that are looking at R and D incentives and streamlining permitting. From your perspective, how much of Canada's investment weakness is being driven by the growing competitiveness gap between us and the United States? Are we at risk of falling permanently behind if we don't respond?

Dawn Desjardins: Well, I think that's what we're seeing, in terms of the data, when we look at any measure of dollars being put behind Canadian workers. The C.D. Howe, for example, did a quite extensive study, and what they said was that, for each dollar a U.S. company puts behind a worker, a Canadian company puts about 52¢. When we're thinking about the tools that we're using to arm our workers, increase their productivity and allow for stronger growth, it's just not materializing. When we look at investment overall, it has lagged significantly.

Now, most recently, it's a very understandable development. We are under such intense pressure with respect to demand. Where is demand going to come from? It has been a lagging trend for a considerable amount of time. When we look back to when we were investing in this, at the level in 2015, we're not back there right now. We had anticipated that, but then we had this interruption.

I would say it is a risk that, if we don't clear the decks, so to speak, for Canadian businesses to feel that they can see a return on their investment in a reasonable time frame, then I think we do risk continuing to lag and fall further behind.

Michael Guglielmin: Deloitte has recent research that highlights that construction has fallen by 7% over the last decade, and capital stock per worker in Canada is also in decline. It also suggests, in this report, that productivity gains will require greater use of technology, regulatory streamlining and scaling up firms to drive investment and innovation like robotics and modular building. Given how well understood all these challenges are, and the fact that a 10% gain in productivity could reduce labour needs by 50,000 workers by 2030, what are the key factors that continue to hold back meaningful progress on this front? You'll have to be super succinct in 20 seconds.

Dawn Desjardins: This idea that we have all these impediments to businesses getting that return on investment quickly, so they're hesitant about putting money to work is, I think, really what we have to work on.

Michael Guglielmin: Thank you.

Brad Vis (Mission—Matsqui—Abbotsford, CPC): Alexa, it's nice to see the port here today. In the four recommendations you made, you spoke about regional productivity, how Canadian businesses count on the port to ship reliably and about the good projects the port is building, and you emphasized the need for trade-enabling infrastructure. As you're aware, I represent and represented the regions of Canada that were most impacted by natural disasters, which also had the greatest impact on the flow of goods in Canada. We saw major trade disruptions four years ago. What recommendation would you have for the Government of Canada, in terms of supporting trade-enabling infrastructure in Abbotsford, to give investors the confidence they need that another natural disaster, like the one we saw four years ago, won't happen again?

● (1125)

Alexa Young: It all comes down to the fact that we are seeing weather incidents like this, and so, building up the resilience of infrastructure, not just in your constituency but across the board, is critical. That means having evidence-based visibility as to what's happening on the ground, where the infrastructure gaps are—whether that's road, rail or otherwise—and what we can be doing together across the supply chain to increase resilience. As you know, MP Vis, it takes everyone across the supply chain doing that work. That's port and rail, and across the board, looking at ways to improve infrastructure.

I'm happy to continue that conversation.

Brad Vis: Would the port be willing to work with the City of Abbotsford when it puts forward recommendations to build and replace the pump stations, ensure that Highway 1 is built to withstand another flood and the southern railway, the CN Railway and the CP Railway, which the port is dependent upon, receive the infrastructure upgrades we require to ensure that investor confidence?

Alexa Young: We are always happy to share the information that we have, our data, and look at where solutions might be possible across the supply chain working with partners. I'd be happy to follow up and have those conversations with the city.

Brad Vis: But the port would agree that that infrastructure is needed in Abbotsford?

Alexa Young: By looking at where the data shows us the infrastructure is needed, we're happy to share that information and have those conversations on an ongoing basis.

Brad Vis: Thank you.

The Chair: Thank you.

[*Translation*]

Ms. O'Rourke, you have the floor for six minutes.

Dominique O'Rourke (Guelph, Lib.): Thank you, Mr. Chair.

[*English*]

Thank you very much for your presence here today.

Linamar is a Canadian success story and a global success story. You are in 19 countries. What are the policies that work in other parts of the world, and are there any that we could adopt? Why do you think we're so focused on comparing ourselves to American manufacturing when that sector has also had job losses in the last six months and has been a sector in decline? What are the real best practices?

Jim Jarrell (Chief Executive Officer and President, Linamar Corporation): Sure. One of the things that Alexa said, I think, was quite interesting about red tape [*Technical difficulty—Editor*] around the world. I can say a lot of countries do offer more of a red carpet versus red tape on regulatory issues. I think in terms of some of the things we've seen in different areas, partnering would be an area that I would say would be very important, with companies that would be $50 million or less in our area having a big brother-big sister type of relationship. Certainly clustering of manufacturing hubs has also been a really positive support.

When you think about the global perspective, again we're talking about manufacturing productivities and getting awareness around the world.

I think Linamar's expertise would be the manufacturing efficiencies.

Dominique O'Rourke: What are the best practices globally that we could adopt and why are we so fixated on comparing ourselves to the Americans when their manufacturing sector has also been in decline?

Linda Hasenfratz: I think that it's a little bit natural to compare ourselves to the U.S. because they're our closest neighbour and on our doorstep and we tend to think of our economies as quite integrated. It makes natural sense, but I do think we should be looking in comparison to other economies, as well. I did provide a chart that came from McKinsey that shows that Canadian productivity has tracked almost identically, in fact, to G7 and other advanced economies over the last literally 50 years. We all lag behind the U.S. a little bit and I think we need to understand why.

I think a big part of it is the technology sector. The huge revenues and very low employee base in the U.S., I think, is really skewing the numbers. That tells us something. Let's invest more in our technology sector, which is already globally leading. We have the second-highest density of technology start-ups in the world next to Silicon Valley. That's huge. We have a lot going on. We're at the epicentre of what's happening around AI. The godfathers of AI are Canadian. We have so many start-ups and companies that have sprung up from that amazing ecosystem that are helping us and many other companies invest in productivity-enhancing technologies.

Let's support that sector more so they can really grow those revenues. I think that would help on the productivity side, as well.

● (1130)

Dominique O'Rourke: That's very helpful. Thank you.

Mark Stoddart (Chief Technology Officer and Executive Vice-President, Linamar Corporation): Dominique, if I could just add one thing, in regard to the red tape, Canada does a great job in regard to the funding through AIF, SIF and SR and ED. They're great programs and large chunks of money.

The process is very onerous. It takes a lot longer than typically what we do, say, in France or Germany. Obviously the dollar values are significantly less, but the process is much easier. They've really been able to streamline that. I think looking at other countries in regard to that process of R and D awards and stuff is something that could be much improved.

Jim Jarrell: There are two other things. [*Technical difficulty—Editor*] local suppliers. I think that's another that thing other countries do. They make sure that local suppliers are getting a lot of the benefit, sourcing credits and things like that to help local companies.

On our way here today, we saw a scissor lift. The scissor lift that we produce in Canada is out of Skyjack. We saw an LGMG, which is a Chinese-built scissor lift, in this city. We wondered why the Linamar Skyjack was not there front and centre? There are other things that happen with incentives that are given to Chinese companies and things like that, and we have struggled to compete with that.

I think that local sourcing is pretty critical, and then there are regulatory approvals. We need to get regulatory approvals more quickly in regard to incentives, as Mark said, but building plants or capital to build infrastructure takes a little more time here. Getting that red tape reduced and being more efficient would be very helpful.

Dominique O'Rourke: Ms. Hasenfratz, you've been really clear about the quality of Canadian labour. Can we have a frank conversation about the value of that and the value of the proposals of training trades that will be in the upcoming budget? What is the best way to attract those construction workers that Ms. Desjardins alluded to, and what would be the best practice for labour for increased productivity?

Linda Hasenfratz: Our workforce is a key element in driving our productivity. I mentioned in my comments that our workforce in Canada is our deepest bench with our strongest skill level, whether that be skilled trades, as you've talked about, or all the technology that comes in behind it, including technologists, scientists, R and D, and engineers. They're the lifeblood of any manufacturing organization because of the key role they play in helping to come up with new ideas and implementing them efficiently. I totally agree that attracting and retaining those folks is key.

My father came to Canada in 1957 as a Hungarian refugee. He came here with nothing except a skill. He was a tradesperson, a skilled machinist. He took that capability and turned it into a global powerhouse. I think that we should be looking at how we attract more skilled people like my father.

I like to tell the story that, when my dad arrived in Canada in 1957 with nothing in his pocket, he was given his permanent residency on the spot when he landed and five dollars, which was the custom at the time.

Last year, Linamar and its employees contributed $600 million in taxes to Canada and the provinces that we're in. That's a pretty good return on investment for five bucks.

● (1135)

The Chair: Thank you very much.

[*Translation*]

Mr. Ste-Marie, you have the floor for six minutes.

Gabriel Ste-Marie (Joliette—Manawan, BQ): Thank you, Mr. Chair.

First, I'd like to welcome all the witnesses and thank them for being here. I'd also like to thank them for their presentations and their answers to our questions.

I'll start with Ms. Hasenfratz, from Linamar Corporation.

Ms. Hasenfratz, thank you for your overview of productivity in Canada. It's incredibly different from what we usually hear. That's a lot more encouraging than any of the assumptions we might have had.

Thank you for sharing your father's life story. It's a beautiful story, very touching.

In your opinion, how does the uncertainty caused by the U.S. government's current protectionist and tariff policies limit productivity growth in Canada?

[*English*]

Linda Hasenfratz: I think that tariffs and protectionist policies like we've seen employed in the U.S. actually dampen productivity. You don't have to be productive, because you're being protected. I fully expect to see a further decline in productivity in the U.S.

On the contrary, I think it forces all of us to work even harder to try to offset any additional costs that may be in place. Obviously, it depends on the business, what you're producing and who's paying those tariffs, but I think that any time you have an extra cost, you're working even harder to try to offset that in order to improve your productivity. I think, in the end, it can help push companies to do more and invest more.

Jim Jarrell: On tariffs, I think the long-term implication is reduction in volumes. To me, that's the real key thing that we're worried about.

Every single day we're watching this short-term tariff relief and the mitigation strategies. We've learned more about HS codes in this company than I would ever care to want to learn about them.

We're probably looking at this differently. We've been saying since the start that this is a business person's nightmare but an entrepreneur's dream. We have been very successful in trying to incorporate ideas to do onshoring. This hurts not only our relationship with the U.S. but also the global relationship.

Our view is that the USMCA should be the lay of the land going forward. We're a great conduit to bring in manufacturing through Canada. In fact, we have a sales program called MCMAGA—that is, “make Canada, Mexico, America great again” sales program. It is about onshoring and bringing more manufacturing jobs back here.

Certainly day-to-day tariff mitigation is creating issues, but we have not seen any market share or any reduction in our selling from this at this point in time.

My fear though, again, is the volumes long term. I think that will eventually have to come back and hit the consumer.

Linda Hasenfratz: I was going to add that, in fact, I think we're quoting way more business for our North American operations, and Canada is definitely included in that. This isn't just about quoting work for our U.S. plants, which we have as well; we're actively quoting and winning business for our Canadian plants, because of the onshoring.

I think that's a really good point.

[*Translation*]

Gabriel Ste-Marie: Thank you for your answers.

Ms. Hasenfratz, I'd like you to tell me about the effect of the value of the Canadian dollar on the manufacturing sector and productivity.

Mr. Stoddart was talking about investments. Equipment is often procured from abroad. In that case, it's better to have a high-value Canadian dollar. However, there's a competitive advantage in having a lower value for your exports.

How would you define the value of the Canadian dollar that the economy would need for productivity in the manufacturing sector?

● (1140)

[*English*]

Linda Hasenfratz: It's definitely a good point. If we're investing in technology that is coming from outside the country and our dollar is weak, that makes it more expensive.

We've always tried to maintain a good balance, a natural hedge around our currency position. We have quite a lot of revenue in Canadian dollars. We have lots of expenses in U.S. dollars. Particularly in our mobility business, our automotive business, they're almost fully naturally hedged.

Again, it's a risk mitigation strategy that we have undertaken. We don't get a lift, but we don't get a hit. It's not exactly perfect. There's some fluctuation quarter to quarter or year to year, but largely, it takes effects out of the equation. That's how we've handled it.

[*Translation*]

Gabriel Ste-Marie: Thank you very much.

That's very enlightening.

Do I have time for one more question, Mr. Chair?

The Chair: Unfortunately, you have only eight seconds left, so we'll continue with another member.

Thank you, Mr. Ste-Marie.

[*English*]

Ms. Borrelli, the floor is yours for five minutes.

Kathy Borrelli (Windsor—Tecumseh—Lakeshore, CPC): Thank you, Mr. Chair.

I'm really surprised by a comment made by Ms. O'Rourke, who questioned why we are comparing ourselves to the United States. My goodness, every single day, we hear about investment going to the States. Just recently, we heard about Stellantis moving 3,000 jobs to the States. In Windsor—Tecumseh, we're worried about our battery plant, which Stellantis claims will provide work for 2,500 people. Of course we're going to compare ourselves to the States.

Dominique O'Rourke: Is that a question?

Kathy Borrelli: I don't have a question for you. It's just a comment. I disagree that we shouldn't compare ourselves to the United States when it comes to our automakers and our economy.

I have a question for Ms. Desjardins. Do you believe that the Prime Minister's failure to strike any meaningful deal with the United States on trade has caused Canada valuable time and opportunity for investment? How much do you think this uncertainty around the future of CUSMA is weighing on business decisions today?

Dawn Desjardins: What we're seeing is that it is such an uncertain environment. Having a deal one day and not the next is certainly within the realm of reality.

In general, when we think about uncertainty and the impact it is having.... We saw it today in the Bank of Canada's survey. It asked companies if they're going to be investing, and they're sitting back because they are unsure. When we think about how we may be investing in our own economy and in infrastructure, that could be the green light that ignites some investment within Canada by Canadian companies.

The uncertainty is very hard for people to navigate. Consumer sentiment is down too, so I believe this uncertainty is making us look inward to things that we can actually control, which, over the medium term, will be a positive in terms of igniting business investment.

Kathy Borrelli: You highlighted that sector-specific tariffs imposed by the U.S. continue to weigh on Canadian manufacturing, but the average tariff rate remains comparatively low. Doesn't this overlook the fact that it's not averages that matter to businesses, but the specific targeted tariffs that distort investment and drive capital south to the United States?

Dawn Desjardins: Sure. Certainly, when you look at the data on employment, for example, or output.... Yes, those industries do. You're right. Averages tell a totally different story. It's always been that way.

Having said that, you see that some of these industries are very specifically being heavily penalized. Overall, as long as you are compliant with the agreement—and we have seen Canadian companies step up to make sure their goods are compliant—you aren't facing tariffs. It is a very bifurcated market in a lot of these industries.

● (1145)

Kathy Borrelli: In Deloitte's update, you mentioned that businesses are focusing primarily on maintenance investment this year. Is that an indication that the current government's approach has created an environment where firms are choosing survival over growth?

Dawn Desjardins: I think it's the uncertainty element. Our biggest trading partner is the U.S., with three-quarters of our exports going south of the border. We are constantly fighting a level of uncertainty with respect to whether or not that market will be open to us and whether or not we will have to see our goods' prices go up because of the tariffs. That is what's actually weighing on businesses' decisions at this stage.

Kathy Borrelli: From an economic perspective, it doesn't concern you that businesses are delaying or scaling back investment in anticipation of a potential renegotiation of the trade terms.

Dawn Desjardins: Obviously, it's very concerning. You can appreciate that until we have a sense of what that playing field is going to look like, we can operate in an environment of uncertainty. For businesses right now, though, it really is trying to get a better read on how this is going to play out.

Yes, it is concerning, but—

Kathy Borrelli: We're over the time. I'm sorry.

The Chair: Ms. Acan, you have five minutes.

Sima Acan (Oakville West, Lib.): Thank you, Mr. Chair.

The comparison about productivity was very clear.

Ms. Hasenfratz, I had the chance to hear you on stage at Toronto Global Forum last week. I find your points on productivity very insightful. You note that Canada's productivity measurement framework may not fully capture quarterly performance of our advanced manufacturing sectors and that Canadian industries are indeed increasing in productivity compared to their global peers.

Given the number of significant roles in these sectors, could you elaborate on what specific industries are excelling and how current productivity metrics might be improved to better reflect their contributions?

Linda Hasenfratz: I think that the automotive sector is leading the charge in terms of productivity for a lot of the reasons I talked about earlier. The requirement for us to give price reductions to our customers every single year is something that.... We have five-, seven-, sometimes 10-year projects, and every year we have to give money back. That has trained the automotive industry to constantly be looking for ways to improve productivity, to reduce costs and create a lean culture, unlike any other industry. It's a big reason that I think it's so critical we maintain the automotive industry in Canada, both vehicle assembly and parts, because it brings this powerful, lean thinking and capability to the table. I definitely think that's a big part of it.

I really do recommend that we try to look more sectorally in terms of performance and understand what's happening underneath the data. There's no better way to make data meaningless than to aggregate it. When we put it all together into an average, you lose all the meaningful data around it. Let's understand what's underneath there. When we calculate productivity as a country, it's GDP minus inflation divided by total population. Let's understand the pieces of that a little bit instead of just concluding that productivity in Canadian business is bad.

I talked about the non-business sector. What about early retirees? A whole bunch of people retired early during COVID. They are all in the denominator too. If you are a working-age person and you are not working for a revenue-generating business, you're part of the problem, not part of the solution, to put it bluntly.

Let's understand that a little. Let's understand these other pieces that are driving the numbers. On inflation, the idea that every company could offset the dramatic inflation we've seen over the last few years in their pricing I think is also not realistic. It might make sense in certain businesses when inflation is 1% or 2% that we're taking that off the top, but when you have 7% inflation, as noted in the automotive industry, we are not putting that through.

We're making all these conclusions based on data over the last year or two that had some of these anomalies in it. Let's understand it better. Let's get underneath the data and dig into it to really understand what's happening. Try to get more information from businesses like Linamar and the port authority and other people who are doing dramatic things to improve productivity.

You brought up vehicle assembly. I know for a fact that some of the Canadian factories of the OEMs are their most productive in the world. The GM Oshawa plant is one of their most productive plants in the world, and Toyota is one of their most productive plants in the world. Nobody ever talks about that. We just talk about these aggregate numbers that look bad, when we should be focusing on the things that are going well.

● (1150)

Sima Acan: Thank you so much.

Mr. Jarrell and Mr. Stoddart, please feel free to add your comments to my questions.

The Chair: Ms. Acan, I'm sorry to cut you off, but we have seven seconds left and we've run over in a number of areas.

[*Translation*]

Mr. Ste-Marie, you have the floor for two and a half minutes.

Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Hasenfratz, a few weeks ago, as part of this study, the committee heard from William Robson, the CEO of the C.D. Howe Institute. He told us that we had to look at companies' investment in machinery and equipment because, in his opinion, that's a key indicator of their ability to attract investment and productivity prospects. He also lamented the fact that, for decades, American companies have been making more investments in that area than Canadian companies have.

What do you think of those statements?

[*English*]

Linda Hasenfratz: I can only draw on our own experience. I can tell you, as I mentioned in my comments, that our investment in Canada this year is dramatically higher than in any other country we're operating in. We have 75 plants and 29 of them are in Canada. Well over half of our capital expenditures this year are based in Canada. We are heavily investing. In fact, we're getting close to record levels of investment in our Canadian operations.

Jim, did you want to jump in?

Jim Jarrell: Yes. I would also add that I think the uncertainty that's been talked about is part of the issue too. I would say that when we look at Linamar, we are the most productive in Canada, by far, in our own metrics.

Perception is also reality. When we're out dealing with our customers in the U.S, there's no question about the uncertainty creating longer-term issues. From our side, our view is to keep focused on our productivity side.

Our overall recommendation, I think, would be that we should really look towards a national productivity or manufacturing strategy that we can get behind. Really, regardless of where we are as Linamar, we have a whole country here.

To me, as I said earlier, the key things of partnering and creating clusters are really important, as are innovation, and R and D. Government is another massive area to look at: tax structure, incentives, regulatory, workforce and, again, improvement of workforce and the technical ability to create that. Certainly, last but not least, is advanced manufacturing around AI, robotics and analytics. It's very critical that we all focus in on that.

[*Translation*]

Gabriel Ste-Marie: Thank you very much.

[*English*]

The Chair: Mr. Falk, you have five minutes, sir.

Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

Thank you to our witnesses. I appreciated your testimony.

I'd like to direct my questions to Linamar. Certainly, the testimony you provided for committee here today would make you an outlier in terms of the things we've heard previously at committee. Your numbers are actually quite outstanding.

I do have a few questions, though.

We know that our Prime Minister took the headquarters of Brookfield and moved them to New York, along with 1,000 jobs. Also, we know from reports that Linamar just recently invested $300 million in Aludyne in the United States, in a market with only 4.3% unemployment, whereas you could have left it in Canada, at 7% unemployment, which would have given you access to a greater labour pool.

Can you help me square the round peg?

● (1155)

Jim Jarrell: Yes. I think that the acquisition of Aludyne is going to be beneficial for us in Canada. This is technology.

As I said, this is an entrepreneurial dream time. There's so much distressed...sitting out there, and if you have a strong balance sheet and you are a productive company focused on that, there is no end of opportunity. This Aludyne acquisition is all around structural components, casting technology that we do not have in Linamar; this was an opportunity to bring it in. This could feed up into Canada for our machining work.

Ted Falk: You could have left those jobs here in Canada by building manufacturing—

Jim Jarrell: Actually, no. It's an acquisition.

Linda Hasenfratz: It was an acquisition. We acquired a business in the U.S. It wasn't a question about whether we are leaving something.... We didn't take anything from Canada.

As Jim says, we think we'll get machining work for our Canadian operations from these casting entities in the U.S. Aludyne is domiciled in the U.S. All that casting technology is there. It wasn't one or the other. It was opportunistic, as Jim says.

Jim Jarrell: Yes, and it's a technology we do not have in Canada. It's an opportunity to bring that technology to Canada, but there's also the offshoot of adding machining work back into Canada from that structural casting business. It's a great opportunity for us in Canada.

Ted Falk: Hopefully it has some positive spinoffs here in Canada.

The other thing, Ms. Hasenfratz, that you mentioned several times was our bloated bureaucracy. What's your solution?

Linda Hasenfratz: I think we should cut government workers by 35% and get them into revenue-generating businesses. That would make an enormous difference in terms of productivity and generation of GDP. We've done it before when things get.... It happens in businesses as well. Things get bigger and you need to take a step back and look at what your overhead is as a business and trim back to a reasonable level.

I did send in a few charts; I'm not sure if they came to you. There's a chart in there that illustrates this idea of business productivity growing and government productivity is remarkably dead flat. From 2000, the GDP per government worker is completely flat. There's no productivity growth whatsoever. I'm just asking for productivity growth to come there as well, just as the business sector is actively doing.

Ted Falk: Those are interesting comments, and we'll certainly take note of that. That's obviously a philosophy of efficiency and productivity you've employed at Linamar. Your investors would certainly agree with that. You've seen a 50% increase in your stock price in the last six months. They agree you're doing something right.

Like I said before, your productivity gains in the last 10 years are inconsistent with industry. You certainly are an outlier. I commend you for that. I wonder if you'd have any more advice for this committee that we can include in our report.

Jim Jarrell: Again, a national productivity manufacturing strategy, sitting down with businesses and manufacturing experts around this, would be really essential. I think that's a great place to start because we live it every single day. We're up against the U.S. companies every single day and other companies around the world. We have to be productive.

Again, as Linda said, we take 2% out of our cost every year to give back to customers. What other business does that? Everybody looks for price increases and inflationary issues. We pay labour increases every year. We pay extra to suppliers, but we have to give 2% back to our customers.

The price tag's going down with us, and other people want more. Again, relying on that or gaining some insight to that would be extremely effective.

● (1200)

The Chair: Thanks very much.

You have five minutes, Mr. Bains.

Parm Bains (Richmond East—Steveston, Lib.): Thank you, Mr. Chair.

Thank you to our witnesses for joining us today.

Ms. Hasenfratz, you have something to add to that last exchange.

Linda Hasenfratz: We have a culture we've created at Linamar that is absolutely devoted to continuous improvement. We go out and look for waste in our business every single day, and every day we find something. That's not because we're fat and not lean. It's because there's always something there. Technology is always evolving. There's always something new—some new kind of tooling, some new type of processing, some new type of material—that we can incorporate. Trying to create that kind of culture is critical to creating the kinds of productivity improvements we've been able to make.

As Jim has said, trying to create a manufacturing strategy that is centred around that, and through which we can teach some of these techniques and tools to our business and our government, is a critical element.

Parm Bains: Thank you so much.

I'm going to shift over to Ms. Young.

The port released earlier this year that 13% more cargo moved through the Port of Vancouver during the first six months of the year than during the same period in 2024.

In 2018, our government signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, mostly known as CPTPP. Can you talk a little about how important this agreement was in relation to some of those improvements and maybe even some of the other 15 different agreements signed with the Indo-Pacific, the ASEAN nations?

Alexa Young: First and foremost, particularly in the current context, it's important to know that we are far less exposed to the U.S. than most ports across the country. Some 80% of the goods that we export are already destined for other markets like China, Japan, South Korea, Brazil and Latin America, and the rest are destined for Asia, so any efforts to enhance those trade and diplomatic relationships across the Asia-Pacific are very welcome by the port and our customers across Canada.

Regarding those statistics that you mentioned, we had an excellent first half of this year and last year. We continue to hit record volumes. Some of that is because of the TMX pipeline coming online, but we're also seeing a very strong performance in the agricultural sector. It's a good-news story all around with more to come.

Parm Bains: There was also an agreement with Ecuador recently. You mentioned Brazil and other Latin American nations, so could you shed some light on what more is being done there?

Alexa Young: That's very important. All of our customers are important. As we look to bring new projects on board like the Robert Banks Terminal 2 project that I spoke of earlier, we're really focusing on looking west. Some 50% of the global GDP is going to be in the Asia-Pacific by 2040. If you think about all of the customers in those markets who are looking to build their cities, heat their homes and feed their families, we're really the gateway of the Canadian farmers, miners and manufacturers who are trying to get their goods to those markets.

We're looking to expand and find markets around the world, and Asia Pacific certainly is at the top of our list.

Parm Bains: You talked a little bit about interprovincial trade barriers and regional productivity. We have a national supply chain office in Vancouver. Could you talk to us a little bit about its role, the relationship of your port with the office and whether there is strong industry engagement with the office? What can the office do better?

● (1205)

Alexa Young: Linda talked earlier about the importance of data, and certainly, when it comes to the supply chain, data is king in having real-time visibility into what's happening in the water and on the ground across the supply chain partners. The office has been a helpful resource in being a facilitator of the sharing of information and coming to grips with some of the best digital tech tools that can be put in place to increase that visibility and do that real-time sharing that allows us to plan better across the supply chain to sequence train and vessel traffic, all of which is already demonstrating some success.

The Chair: Thank you very much.

That was very insightful. I appreciate your making yourselves available to the committee and lending your expertise here today for our study on productivity.

Colleagues, we're going to briefly suspend to turn over to the second hour.

● (1205)

_____________________(Pause)_____________________

● (1210)

The Chair: Colleagues, we are going to resume the second half of our witness testimony today. We have a number of new witnesses, all of whom are here in the room with us.

We have Chad Bayne, partner, founder, and co-chair of Emerging and High Growth Companies, Osler. We have Mark McQueen, founder of Wellington Growth Partners Incorporated. From the Leaders Fund, we have David Stein, co-founder and managing partner, and Gideon Hayden, co-founder and managing partner.

There are upwards of five minutes—and I will stress upwards—for your introductory remarks. We are running behind, so I'm going to be a little bit more stringent with my cut-off time in this second hour here.

Please do your best to be succinct. You saw how things work here. If you haven't been a witness before, please ensure that if your earpiece is plugged in, but not on your ear, keep it on the sticker in front of you. If it's not plugged in, there's nothing to worry about, although I'm sure there will be questions posed in French throughout the course of the testimony today.

With that, Mr. Bayne, we'll go to you first. You have upwards of five minutes.

Chad Bayne (Partner, Founder & Co-Chair, Osler's Emerging and High Growth Companies Group, As an Individual): Thank you, Mr. Chair.

Good afternoon. I am honoured to have the opportunity to participate in this committee meeting. My name is Chad Bayne. I am a partner at Osler, Hoskin and Harcourt LLP, a national business law firm with its headquarters in Toronto. I also founded and co-chair the firm's emerging and high-growth companies practice, where we work with start-up and scale-up companies from the ideation stage to the late stage and everything in between.

Please note that I am appearing in front of this committee in my personal capacity, and the views I express here today are my own and do not necessarily reflect the views of my firm.

Before becoming a lawyer, I was a computer engineer. I graduated from the University of Waterloo and worked primarily for Newbridge Networks in Kanata doing a combination of software, hardware and chip design. Between that and my current career as a lawyer, I have been involved in Canada's tech sector for over 30 years.

Growing up in Kanata, just a stone's throw from here, in the 1980s and 1990s, I witnessed the true potential of the Canadian tech sector with global giants like my employer, Newbridge, as well as Nortel, Cognos, Corel and JDS, to name a few. In fact, growing up in Kanata was a key factor in my desire to be a part of the Canadian tech sector.

Ottawa's hi-tech cluster's birth, which arguably rivalled that of Silicon Valley during the 1980s and 1990s, when Ottawa was commonly referred to as Silicon Valley North, can be traced back to Northern Electric, the formation of Bell-Northern Research and the foundation of Microsystems International—BNR's chip factory—all occurring from the late 1950s to the late 1960s, a generation prior to the beginning of Ottawa's tech boom. The Government of Canada played a pivotal role in the genesis of the Ottawa tech sector by helping Northern Electric build research labs in Ottawa, heavily subsidizing Northern's digital telephony strategy and assisting with the foundation of Microsystems International. This helped catalyze the local industry by yielding such breakthroughs as the Meridian SL-1, the world's first all-digital private automatic branch exchange, and the MIL MF7114, one of the world's first microprocessors.

What Microsystems International could be most famous for is creating the environment for a young Sir Terence Matthews and a young Michael Cowpland to meet. It's worth noting that both of them are immigrants to this country. As many will know, they left Microsystems and founded Mitel together, and the first product that Mitel created was based on Michael Cowpland's Ph.D. thesis. After Mitel, Terry founded Newbridge and Michael founded Corel. The birth of the Kanata tech corridor can largely be attributed to the two of them.

Dick Foss and Bob Harland met at Microsystems International as well and went on to found MOSAID, another Ottawa-area tech leader and a key player in the computer memory market globally. In addition to Mitel, Newbridge, Corel and MOSAID, other companies, such as Chipworks, JDS, Tundra, Cadence Computer Corporation, Calian and CrossKeys—all headquartered in the Ottawa area—can trace their founding teams or first employees to Microsystems International. Many of the early venture capital investments in Canada were into companies started by former Microsystems International employees, and many of the first angel networks in Canada can be traced to former Microsystems International employees.

Microsystems International ultimately became part of Bell-Northern Research, which then became part of Nortel. At the time, if people remember, Nortel was the most valuable company in Canada and one of the 10 most valuable companies on Earth. Until Nortel's demise in 2009, the Microsystems International semiconductor lab in Ottawa was the largest of its kind in Canada. For that generation, Canada was considered a world leader in the areas of digital telephony, semiconductors and optics, all of which can be traced to BNR and MIL, which the Government of Canada helped to catalyze.

Looking at our neighbours to the south, the most significant expansion of technology in human history can be attributed to three key events—the Manhattan Project, the space race and the Cold War—all funded through U.S. government spending. Silicon Valley can trace its birth ultimately to U.S. defence spending, as can the Internet, which can trace its birth to the Pentagon through its predecessor, ARPANET.

The World Wide Web came out of the CERN in Switzerland, another government-funded entity. The entire Israeli tech sector, arguably the second-most successful tech ecosystem in the world, is a direct by-product of Israeli defence spending and government-funded research. Without government funding of significant primary technology research, many of the most important technology hubs on Earth and their output may never have existed. This cause-and-effect relationship is quite self-evident based on recent history.

Innovation ultimately drives the domestic economy through the commercialization of primary research by entrepreneurs, which leads to the creation of jobs, which then leads to the creation of wealth and ultimately creates a virtuous cycle. It is worth noting that, of the top 10 public companies by market capitalization in the U.S., the first eight are either technology companies or technology-adjacent: Nvidia, Microsoft, Apple, Google, Amazon, Meta, Broadcom and Tesla. By contrast, five of the top 10 Canadian public companies are banks—RBC, TD, BMO, Scotiabank and CIBC—and two are related asset managers, Brookfield and Brookfield Asset Management.

● (1215)

Only one company in the top 10 in Canada is a true technology company: Shopify. As a side note, it's interesting to point out that Shopify was founded in Ottawa—the home of the last great Canadian tech ecosystem. It is arguable that Ottawa was the only place in Canada that at the time had the muscle memory necessary to build a tech company like Shopify.

● (1220)

The Chair: Mr. Bayne, I'm afraid I'm going to have to cut you off there, but there will be opportunities in your line of questioning to come back to some of your introductory statements.

Thanks very much.

We're going to Mr. McQueen.

Mark McQueen (Founder, Wellington Growth Partners Inc., As an Individual): Good afternoon, everybody, and thank you.

I am Mark McQueen, the founder of Wellington Growth Partners. Prior to this I spent five years at the CIBC after it acquired my venture debt fund. I raised five funds over 18 years and ran their innovation banking practice for half a decade. Well before that I spent five years on Parliament Hill—your future's up here some day as a witness.

Canada kept pace with the U.S. economy from 1961 to 2000, and then the wheels came off. As a tech company financier when the 2000-era, dot-com bubble famously burst, I recall how quickly Canadian investors pulled back from financing our innovation economy and life science start-ups.

American investors took the Nasdaq market swoon in stride, and 2004 saw the IPOs of Google, Salesforce and DreamWorks Animation, among others. More than 50 biotechs hit the U.S. public markets that year, while most Canadian investors hid when our economy came knocking, favouring real estate, mining, and oil and gas.

This has been our reality for the last 20 years, with serious repercussions for our standard of living. I'm glad to hear you're considering those topics today.

According to StatsCan, the U.S. saw labour productivity grow at twice the Canadian rate between 2000 and 2021. Analysts found that a major component of the disconnect between U.S. and Canada stems from the fact that while productivity growth at Canadian information and cultural services firms was two-thirds higher than other Canadian businesses, similar American-based firms outgrew the rest of the U.S. economy by a factor of four. Growth capital was the key.

Over the 10-year period ending in 2023, U.S.-based entrepreneurs raised an average of $156 billion U.S. a year from VC funds and institutional investors. A great year in Canada would see $7 billion Canadian of similar investments. America has about eight times our population but invests 22 times the capital in its start-ups, ignoring exchange rates, and that's every year.

Whether or not you see the CANDU reactor or the Avro Arrow as a success or a failure, both initiatives speak to a time when Canadians were proudly prepared to take new technologies to the world, rather than tinker on the IP of another nation. Giving Ericsson's $470 million of taxpayers' money to advance foreign-owned R and D on 6G networks is not a national innovation strategy.

Over the course of my time leading Wellington Financial, we identified thousands of jobs that were supported by what amounted to about $1 billion of capital in our private funds.

One B.C.-based software company, for example, grew employment from 30 staff to 450 following our three different capital rounds. Government can play a role via SR and ED, for example. Those are small dollars compared to what foreign automakers seem to negotiate out of the federal government.

For our innovation entrepreneurs, they'll be the first to tell you that a lack of sufficient growth capital is the only thing that undermines their ability to create new high-paying jobs and commercialize the IP that's created on our campuses.

I have four recommendations to help address the shortfall, and two relate to tax policy.

Canada has been a centre for mining and oil and gas financing for decades, and our flow-through share policy obviously has been a great support of that. The innovation economy cannot access that same program. Do you wonder why we're not a leader in attracting that same capital?

Consider this. If I have a full-time job and I want to start a retail honey business in my backyard, I can spend tens of thousands of dollars over the next three years on start-up expenses and write that money off against my income. If I invest $3,000 in Chad's AI company, I need a capital gain down the road to write off, if I were to have a loss on those dollars.

We are consciously prioritizing side gigs over commercializing IP. An angel tax credit is long overdue.

Third, let's privatize the Business Development Bank of Canada and take it public on the TSX. Simply put, if you want more agile players, more growth capital in our economy, the BDC just so happens to be the only obvious vehicle available to spur the right kind of private sector-owned competition with our personal and commercial banking sector.

The taxpayers of Canada have $15 billion tied up in shared equity in the BDC today generating a core net income last year of $492 million, which means we borrow $15 billion every year to keep it in business, paying about$477 million in interest on that for $50 million of dividends last year.

No investor will pay 3% in margin interest to earn a gross return of 3.2%.

If BDC was focused merely on filling the gaps, as required by the 1995 act, outstanding loan balances wouldn't have grown five-fold to $42 billion over the past 15 years. To put that size of this bloated balance sheet in context, National Bank's average business and government loan book is just $70 billion, and the Canadian Western Bank's was $29 billion prior to that acquisition.

● (1225)

Of BDC's $50 billion of assets, just $3 billion are in the venture capital space. That's 6%. If we're trying to support our economy in the innovation sector, this is not how you would do it.

The Chair: Mr. McQueen, I'm afraid I'm going to have to cut you off. We're 20 seconds over at this point.

Thank you very much.

Mr. Hayden, the floor is yours for up to five minutes.

Gideon Hayden (Managing Partner, Leaders Fund): Thank you, Mr. Chair and members of the committee, for the opportunity to speak with you today.

David Stein and I have been building and investing in technology companies for over two decades. I started my first tech company out of university and sold it to Torstar. David's first company grew to $100 million in revenues before being acquired. He then co-founded a second company, which was acquired by Salesforce.

Our businesses were founded in and run from Canada. With Leaders Fund, we've invested in over 25 technology companies since founding. Five of them have reached over $1 billion in valuation. Through these experiences, we have seen how to build outlier companies that generate jobs, economic growth and large tax bases.

Last month, we released a study analyzing 3,000 venture-backed companies founded by Canadians between 2015 and 2024. This study is in front of you now.

Two major findings emerged. First, company formation is slowing in Canada. In each year from 2015 to 2020, the U.S. produced roughly 13 times more high-potential start-ups than Canada. By 2024, that gap had widened, with the U.S. creating 45 times more.

Second, our best founders are increasingly leaving Canada. From 2015 to 2020, roughly 70% of Canadian-founded start-ups were started in Canada. By 2024, only 30% were started here while the number of Canadian-founded start-ups based in the U.S. more than doubled.

Just imagine if the vast majority of Harvard and MIT computer science graduates were moving to Canada to start their companies. The U.S. government would be doing everything in its power to reverse that trend.

Canadian founders will build more companies as big as Shopify. Those companies create IP, high-paying jobs and significant tax revenues, and ultimately increase prosperity. We should ensure that they're building those companies here.

David Stein (Co-Founder & Managing Partner, Leaders Fund): I'm going to continue.

After that study, we also spent a lot of time talking to founders to try to understand why the data is the way it is. Our conversations with founders highlighted that they're leaving Canada because of lifestyle, taxation and talent. It's those three things.

Building in Canada was a lifestyle decision. They could get the best of both worlds. In exchange for higher taxes and regulations, they could build and live in Canada and benefit from our health care, education, housing affordability and low crime while serving the large U.S. market next door.

These founders now believe that our lifestyle advantage has eroded. In the last decade, housing costs have risen over 70% in most major cities, while crime has increased dramatically. Car thefts are up 250% and, this year alone, violent crime is up 50%. There's a shortage of family doctors, while wait times for common surgeries have doubled.

Regarding taxation, Canadians pay 53.5% income tax over $235,000 in earnings and 26.5% in capital gains after the recent government rollback, whereas in the U.S., the top tax rate kicks in at $852,000 Canadian in earnings, with no capital gains on the first $21 million in profits. That's what we're competing with. If you move to the U.S. and put your start-up there, you start under something called the QSBS, which is part of the big, beautiful bill. You start that company and the first $21 million in gains has no capital gains.

On talent, we used to issue visas for skilled foreign workers in a few months; it can now take upwards of four years, which is slowing down access to talent. We need bold action to encourage more high-performing businesses and graduates to start and stay in Canada. Patriotism alone will not get them there and keep them here.

We have a few recommendations to follow on the others.

The first is to incentivize start-up formation. Let's look at the U.S. and consider following its lead by coming up with a Canadian version of the QSBS, where we eliminate capital gains for tech start-ups. Let's allow immediate deductibility for Canadians if they invest in Canadian start-ups. Let's accelerate visa issuance and speed for skilled foreign workers.

The second is to incentivize buying Canadian products. Ways to do this are through immediate deductibility for businesses to buy Canadian technology and government procurement of winning Canadian solutions.

The third is to get more leverage out of existing programs. Ways to look at this are through providing a tax credit for businesses based on their increased investment in R and D; using successful founders and investors to improve SR and ED programs; and providing incentives for top graduates to stay in Canada.

We need a shock to the system. If nothing changes, we risk losing not just a generation of founders, but the capital, IP and prosperity they would have created here.

Thank you.

• (1230)

The Chair: Thanks very much.

Colleagues, we're going to head into our line of questioning. We are tracking for us to probably not have the final half of the second round. This would mean that the Bloc, the Conservatives and the Liberals would not have that third question toward the end. We'll see where we get.

Mr. Falk, six minutes is yours.

Ted Falk: Thank you very much, Mr. Chair. I'm going to be splitting my time with Mr. Guglielmin.

Thank you to all of our witnesses. I wish we had more time, but I'll jump right into it.

Mr. Hayden, in a Globe and Mail article, you indicated that a program like SR and ED costs billions, yet it's not as effective as it could be.

Could you provide this committee with some ideas as to how that program could be improved?

Gideon Hayden: Start-ups move on an incredibly fast timeline. We talked about uncertainty in the previous panel. What we're hearing from a lot of founders is while the intent of the program is very good, the actual ability to access and get through the red tape that's part of the program just takes too long. There's a lot of regulatory capture and consultants, which cost a lot of money. It's really just about how you accelerate the time to receive these applications, approve these applications and make sure that this capital is going towards true technology companies. I think there's also some abuse of the system as well.

Ted Falk: Right.

I have sometimes heard complaints about the program that it has to be designed to include the possibility that whatever you are doing can fail. Is that a positive or a negative of the program? Should we be rewarding failure?

Gideon Hayden: Building start-ups, investing in research and doing R and D, that's risky. It doesn't always work out. Should that be a criteria? I don't know; I'll leave that up to you. I think that's just part of building a company. That's part of doing research. Sometimes it doesn't work out.

Ted Falk: Thank you.

Mr. Bayne, you talked about all the human capital that's leaving our country. What policy changes could we make to retain it?

Chad Bayne: The first thing we need to think about is just the nature of how we essentially have changed our environment over the last number of years. The change to the potential capital gains rate created a shock wave in the tech community.

Ted Falk: You can thank the Conservatives.

Chad Bayne: I think that ultimately created an environment, as well with COVID, where there's a disintermediation in terms of the community, where people are now working more remotely. This made it easier for people to ultimately decide to pick up and leave because they could work remotely.

I think having that potential change—again, it didn't go through—created essentially a slap in the face to the entrepreneurial community in this country. Based on my experience dealing with a number of entrepreneurs, there is a real backlash in a segment of the population that I would say is generally apolitical. Generally, the tech community became very political in a very short period of time.

Ted Falk: Thank you. I'm out of time.

Michael Guglielmin: Mr. Hayden, you have proposed eliminating the capital gains tax on start-ups.

One of the things I was very proud of during the last campaign was our commitment to remove the capital gains tax as long as it was reinvested in the Canadian market. Could you elaborate on how you would see this policy working in practice? What kind of effect would it have on retaining both capital and talent within our country?

Gideon Hayden: It's a great question.

My colleague, David, mentioned in his remarks the QSBS in the U.S. where for the first $21 million in gains, there are no capital gains on an exit of any start-up. It doesn't have to be technology; it can be in any industry. We personally know many founders who are making that calculation. They are saying, “It's costing us hard-earned dollars to build our company here. We want to be in a place that rewards entrepreneurial spirit and celebrates those wins.”

At a bare minimum we have to match what's happening in our neighbour to the south, but I think we could go a step further. We could eliminate capital gains for start-ups, period. The point is that we can't just be in parity with the regulatory regime in the U.S. We have to be better. I think that would be a great start to catalyze and change the tone, frankly, to reverse what Chad was talking about.

• (1235)

Michael Guglielmin: Thank you.

Mr. McQueen, in your critique of budget 2024, you suggested that the $2.4 billion investment in AI was insufficient and performative. I know that there's one thing that we export out of this country really quickly, and that's our large talent pool. We develop the AI talent pool, and they go work for American companies. A lot of the people I've spoken with in the AI industry find attracting investment very difficult within Canada, especially when it comes to commercialization.

Could you elaborate on what specific aspects—scale, timing, design or delivery—fail to meet the needs of the high-growth tech in AI firms in Canada?

Mark McQueen: It's about the environment, which I think David and Gideon touched on a bit. What we need is growth capital. Universities can spin out graduates, and they can create IP at a campus research lab, but if there's no capital to fund that seed or that angel round, let alone the venture or growth stages that would follow, all of that was for naught. The government announcing an AI strategy is all well and good, but what we need is risk capital for the front end. That is not buying servers from foreign multinationals so that Canadian software companies that already exist can use those servers; it is to ensure—like the VCCI has done, which our industry lobbied for 15 years ago now—that we accentuate those kinds of programs. That's the best way to grow companies, not to reward multinationals.

The Chair: Thanks very much.

Mr. Bardeesy, go ahead for six minutes.

Karim Bardeesy (Taiaiako'n—Parkdale—High Park, Lib.): Thank you.

I have a couple of questions on growth capital.

Mr. McQueen, you mentioned the relative size of the BDC and the overall financing space. As you may know, the Competition Bureau is doing a study of the financial sector, in particular big bank lending to small and medium-sized enterprises. Do you have any perspectives on policies or approaches that could increase financing from the big financial pools of capital that are available?

Mark McQueen: I lived that tale. The CIBC bought my firm because it wanted to put more money into the innovation economy and did not have a solution to do so. It acquired a team, and we committed $10 billion—over five years to firms and funds across this continent—of bank capital, shareholder capital, from zero. It can be done. You just have to have the will. You have to have the stomach, and you have to have talent. It's a choice.

The deputy governor of the Bank of Canada was talking about how we need more competition in this sector and how we need new banks. Well, the OSFI team is not in favour of that. I can tell you that as someone who once met with them to try to launch a bank in this country to serve this industry. You don't get a second meeting, whereas in the United States, they have started 29 or 30 new banks in the last 12 months. It's much more entrepreneurial there, I think, in that sector, and of course, you get more competition.

The BDC has sat there now for 75 years. If our industry and our country need more competition, that is a very obvious way to get it. We privatize. We privatized CN, and we privatized Air Canada. We privatized De Havilland and so many other firms. It just was never privatized in 1990-91—and I was working on the Hill at the time—because of the recession. We're overdue for that.

Karim Bardeesy: Governments, Liberal and Conservative, have created, and then continued to fund, taxpayer-supported venture capital strategies, which are maybe less visible to the actual entrepreneurs, but they're on the receiving end of funds from those strategies. This is a question for anyone on the panel, really. What are your views on continuing those kinds of investments through federally and sometimes provincially funded venture capital funds?

● (1240)

Mark McQueen: The $3 billion of BDC's $50 billion that it has in our sector is from government investors. Those are government employees making risk decisions, and that money could be put better to doubling the size of VCCI, I think. There's no question that in 2009, $1.6 billion went into our innovation economy from venture capitalists. It was $7 billion last year. That's a huge change. VCAP and then VCCI followed in that period, so it's working. Let's just do more of that. The fact that the government is the largest VC in the country is good or bad, depending upon your point of view, but it isn't working, and we should try something different.

David Stein: Well, maybe to add to that, I would say that in other innovation economies that are doing really well, when the operators have skin in the game, it makes a big difference. For example, if you're running a venture capital firm—to Mark's point—and you raised $100 million of private capital and the government said, “If other investors have trusted you with $100 million of capital—and your own money, too, by the way—we should double that, right?”.... Those types of programs mean you get professional investors making venture decisions.

The second proposal we have that we think would unleash a huge amount of investment opportunity.... Bear in mind that the challenge with early-stage venture is that many things don't work out. What you're trying to do is create the conditions to develop outliers. You know, we talk about Shopify here in Ottawa as an example. That one outlier generates probably hundreds of millions of dollars of income tax revenue each year for Canada because it's an outlier, but many small businesses don't succeed. If we said, for example, that you have up to *x* dollars per year that any Canadian could invest either directly or through a fund and, as Mark said, in a flow-through manner where you could write it off immediately and then pay a capital gain if it works in the future, you could unleash a huge amount of private capital into the earliest, highest-risk phase of the cycle.

There is a reason we haven't done what the U.S. does; it is because you need a virtuous cycle of wins to get people to take more risk. If you have a huge win and make a lot of money, you're more willing to take part of those gains and invest that at the earliest risk stage of the business.

Those are the things that we would talk about: unleashing the Canadians and levering up more venture capitalists. I would bet that if you look at the return rates of a firm like ours versus those of BDC, you will see that they're considerably higher.

Karim Bardeesy: In your study "The Future at Risk", you refer to the lower amounts of raises that are done by Canadian entrepreneurs. Is that related to this phenomenon? I've heard from Canadian venturers that the terms they're offered in Canada are also inferior. Is this part of that: that the pool is too small and that the number of successful bets is not high enough?

David Stein: I would put it to two things.

First of all, in the study that we did, number one, you're seeing a lot of high-potential people leave. The question is not what the other 90% of people are doing; it's what the top 10% of people who are likely to create outsized returns are doing. Part of the issue is that a lot of those folks have left the country. They're still starting their businesses, but instead of starting them here, they're starting them elsewhere. Therefore, you have fewer high-quality opportunities to invest in.

I think part of it is just that the talent migration is creating fewer opportunities. I'm of the view that, outside of very early-stage investing, good Canadian companies can find capital not only from Canadian investors but from U.S. and international investors. I think it's less an issue of "if you're doing well, can you get money?" and more of whether you have enough businesses forming of which some percentage of them go on to be big.

[*Translation*]

The Chair: Mr. Ste-Marie, you have the floor for six minutes.

Gabriel Ste-Marie: Thank you, Mr. Chair.

Good afternoon to our four witnesses. I'd like to thank them for being here and for their very interesting presentations.

Mr. Chair, I'll begin with a short procedural intervention. We received a document provided by a former colleague, whom I salute. The research presented there seems extremely interesting. I'd like to remind all committee members that the usual way to distribute documents is to send them to the clerk, who makes sure that they're translated. It's customary for all committee members to receive documents in both official languages at the same time.

For example, during the first hour of this meeting, a witness referred to tables that we hadn't been able to consult yet, because they're currently with the interpreters. That's why I'd like to remind you that common practice, to avoid language-based discrimination, is to send the documents to the clerk, who then arranges for them to be distributed. That was just an aside.

I have two questions, and they're for all four of you.

First, when it comes to high-growth and early-stage technology companies, there's a lot of talk about funding. Why is it important for those companies to be able to access venture capital or growth debt financing as opposed to traditional financing?

Who wants to start?

● (1245)

[*English*]

Mark McQueen: I heard the French version, but I did not get the translation, so I'll yield my time to Mr. Stein.

I apologize.

David Stein: We are talking about debt financing versus equity financing. Mark ran a debt-financing business for start-ups.

What I would say—and then Mark can comment—is for very early-stage companies that are just trying to come up with a first product and get the first customers, debt is not usually available to them. It usually comes along in conjunction with equity financing.

Mark, you may want to add to that, given your expertise in this area.

Mark McQueen: Thank you.

Debt is great when there's a business. Debt does not work on an idea.

Equity is appropriate for pre-revenue companies, commercialization-stage revenue in the few hundred thousands. Once you have a business with revenue and critical mass—let's say, $5 million—debt is a perfect way to grow your business, whether it's equity or debt at that stage, and it protects the entrepreneur's stake in the business because there's obviously less dilution. If a business is going to go bankrupt someday, whether it's equity or debt doesn't make a difference.

[*Translation*]

Gabriel Ste-Marie: Thank you very much.

I have a second question that anyone can answer. It's about start-ups. My impression is that when a start-up manages to do well in Canada, as a general rule, it's sold to bigger actors in the United States.

Have you found the same thing? What can we do to retain the economic benefits and take the start-up model to another level in the economy here?

[*English*]

Mark McQueen: It's a cultural thing, I will say, after some decades of observing the very phenomenon you're talking about.

The American entrepreneur is celebrated and there is incentive for that celebration to remain in that role longer. A first-time entrepreneur...the second and the third, obviously, is much better and more successful and creates more wealth for investors, more jobs and so forth.

Canada still, for some reason, is in its infancy in that mentality. A lack of capital is certainly part of it and that's why, as Dave said, you have people going to Austin, Texas—all things being equal—rather than going to Surrey, British Columbia, for a bunch of reasons. That's environmental.

We can do our best here—and I'm hoping that your committee is seized with that—in solving what we can solve and letting the entrepreneurs do what they do best, which is commercialize technologies.

David Stein: The other point I would add to that is—being guilty of starting and selling two companies, both to American outfits—we created a lot of jobs. We created capital gains taxes that were paid to the government. We created a set of individuals who had the skill sets to go start new companies, which occurred. Selling isn't actually a bad thing. In other ecosystems, it happens quite frequently, but when the entire ecosystem grows.... Imagine you have 10 or 15 successful businesses. If 11 of them sell and four of them keep going and going, you're going to end up with the Shopifys and things of that nature, but those other 11 still contribute to skills, IP knowledge and wealth to invest in other start-ups.

We're a perfect example. After building two businesses, we're now investing in the next round of Canadian businesses. It's, in itself, not a bad thing. It's a function of the size and scale of the U.S. markets, but with more activity it will yield some public companies but also a lot of successful businesses that don't reach that stage as well.

● (1250)

Chad Bayne: Just to jump in, that was clear from the 1980s and 1990s in Ottawa. You had a virtuous cycle that was created over a span of two decades, essentially a generation. With only one standard-bearer, Shopify, right now, it's difficult to create that virtuous cycle in the same way.

You have to take as many shots on net as you can in order to create the next generation of companies in this country, and that's going to require a significant amount of investment at the primary level and then ultimately funding the commercialization after the fact.

[*Translation*]

Gabriel Ste-Marie: Thank you.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Mr. Vis, the floor is yours for five minutes.

Brad Vis: Thank you.

The Government of Canada has a strategic innovation fund of about $10.2 billion.

Where has this program made a measurable impact in innovation in Canada?

Chad Bayne: One of the biggest allocations was to the EV project that didn't actually move forward, if I remember correctly. There are companies I work with that have received funding or, at least, were earmarked to receive funding. It is a laborious process to ultimately get access to that capital. It takes years and, to a certain degree, seems somewhat politically driven in terms of who actually gets the capital, so it's hard to say whether there have been any tangible results from that program.

Brad Vis: Mr. Bayne, can you quickly elaborate on how the government politicizes the strategic innovation fund?

Chad Bayne: Some of the investments that were announced were to foreign companies coming in—for example, the EV factory that was going to be built was, I think, with Toyota or whatever—

A voice: It was Volkswagen.

Chad Bayne: —that is not going to happen right now. However, there are a number of companies in this country, domestic companies, that are pushing the innovation economy but are not receiving funding in the same regard. That is a foreign national company that, yes, is ultimately going to potentially build something here, but they're receiving the money, not Canadian domestic companies.

Brad Vis: Mr. Bayne, would you agree that Canada requires a broad-based program review of its major expenditures, similar to what Jean Chrétien and Paul Martin commenced in 1993? Previous witnesses, in the hour before, outlined that we need to reduce the number of government employees by 35%, and that government, as is written in this report, seems to have lost touch with its overall objectives. Can the status quo of the Government of Canada continue today the way it is?

Chad Bayne: I would say no. There needs to be a review of how we want to prioritize for the next 20 or 40 years, in terms of how we look at our economy generally and where we want to ultimately spend the time, money and effort. If you look at the last 20-odd years, we haven't focused, in my mind, on areas that could have helped advance the economy in a material way.

Brad Vis: The minister of small business—and I'm mentioning this because it's small business week—raved about the women's entrepreneurship fund, a $7-billion fund under the Government of Canada. In the private sector, have any of you seen any impact from the $7 billion that the Government of Canada committed to helping women's businesses scale up?

David Stein: I think that, to answer that question, you have to define what “impact” means. As far as I know, we don't have any public companies yet. I don't know whether any of these businesses have raised significant outsized capital or passed $100 million in annual recurring revenue, which is one of the benchmarks we look at.

My personal belief is that I want to see a sustainable Canada, and when I talk about “a sustainable Canada”, it's not just about riding your bike or taking public transit; it's creating the wealth to sustain all the programs Canadians cherish. I think that, if the objective is to grow the pie so that we have the funds to continue to have the standard of living for all Canadians that we've appreciated, we should be looking at this. Do all the programs in which government investments occur...? If the objectives are to increase productivity, grow the pie and create wealth—and that is the primary objective—then you have to look, with an apolitical lens, and ask, “Is that happening, yes or no?” If it's not happening, revisit it and try a different formula in which the best and brightest get the capital to grow.

● (1255)

Brad Vis: Well, it's safe to say, right now, that the Government of Canada has not undertaken that exercise, which is so problematic as we face the upcoming federal budget.

In point three of the recommendations you made, Mr. Stein, you talked about, “Provide incentives for top ranked graduates to stay in Canada.” Now, we've elaborated on some of those incentives, possibly for businesses and start-ups, but what do you mean by graduates, and what can we do better to support them?

David Stein: That's a challenging problem to solve. Recently, we had an intern working with us. Her brother graduated from mechatronics at Waterloo as one of the top 10 graduates in the class. Eight of the 10 are going to the U.S. That's just one anecdote.

A couple of things come to mind, and they tie together. We talked about the U.S. and their QSBS. Imagine that you're a new grad and you want to work at a tech company. The U.S. can pay much higher salaries, in many cases, than Canadian firms, and now they have this huge equity advantage in that they can give these employees stock, which won't be taxable. Imagine that you were a new grad, and you could join a Canadian start-up that also had the same tax treatment. The Canadian company could afford to pay you a lower wage today, with a promise of a capital gain in the future if the business works out. That is one example of something we could do.

I think a bigger question for government to consider is this: What could be a set of policies that would incent those top grads to stay here? Part of it is a more vibrant ecosystem, which, in turn, creates a bigger opportunity set.

Brad Vis: Yes. One thing I keep—

The Chair: I'm sorry, Mr. Vis. That's 60 seconds over. I let it go just to allow Mr. Stein a chance to conclude his remarks.

Mr. Bains, you have five minutes.

Parm Bains: Thank you, Mr. Chair.

Thank you to our witnesses for joining us today.

I'll be sharing some of my time with my colleague Ms. O'Rourke.

In terms of some of the talent pool you talked about, we do see some volatility down south, as well, with respect to the Trump administration making some changes to the H-1B visa, for example, and putting a charge of $100,000.

Do you think that could help draw some talent back, or wherever they're coming from, to look at Canada as a potential place to come?

Gideon Hayden: It's an opportunity, but if you were to actually look at most of the founders who have relocated to the U.S. or are in the U.S., my guess is that they would not be on the H-1B. They would be on the TN or something similar.

On the one hand, it's an opportunity for Canada to attract foreign companies to bring foreign workers into Canada. On the other hand, it's a threat. For the U.S. companies that are now trying to recruit international talent, the TN is free. The TN is a very quick pathway for Canadians to migrate and immigrate to the United States. Therefore, on the one hand, it's an opportunity, and on the other hand, it's a threat, which is why these recommendations, we think, are important.

David Stein: I would quickly add another thing. There's one thing we have to be careful about, if we've been watching the Trump administration. It often put things out there that are very broad-based in nature. It really acts like a start-up. It takes a quick policy decision, and then it sees what the impact is. It then typically creates carve-outs.

The other thing we should be watching, as Canadians, is the original thing that was put out. After a number of companies speak with the Trump administration, do they actually start watering down that H-1B? They'll say, for example, that it only applies to workers earning less than $100,000 a year, because the companies will suggest that if they're hiring very high-end individuals who help grow the American economy, they shouldn't pay this fee. However, they want to stop potentially younger workers coming in or skilled workers from other parts of the world who are being underpaid for the opportunity to get into America.

It's something we have to watch carefully. In the short term, there might be some advantage, as Gideon said, of attracting great talent. However, in order to do that, if they hear that it's going to take more than four years to bring them in on a skilled worker visa, where are we four years from now? We have to move really quickly. If we want to take advantage of this and attract great foreign skilled workers, how can we get them into the country and vetted properly in 90 days or six months and not four years?

Parm Bains: You'll hear some of those changes coming in the next few weeks on the immigration side.

It's over to Ms. O'Rourke.

Dominique O'Rourke: Thank you, MP Bains.

Just to clarify, the strategic innovation fund contributed $9.2 billion in funding, but did attract $72 billion in capital investments.

In speaking with a whole range of companies in my riding of Guelph and nationally, there seems to be a sense that there is some funding for early-stage start-ups. There is funding for what's happening in universities, and there's a feeling that there's funding for already successful commercial companies.

It's been identified to me that there seems to be a gap in the middle. Would you agree with that? If so, what would help to support innovation and productivity, and the creation of more jobs, growth and retention in Canada for that middle part?

We talk about investment. Where does that investment come from? Is that federal investment? Is it venture capital?

● (1300)

David Stein: Do you mind clarifying? I don't know if people in your riding are saying that it's a gap where they can get seed funding, but they can't get series A funding, or they can get series A but not B, or they can't get growth capital. I'm just curious to know how they explain it to you. Is it that they're pre-revenue, but they have a bit of money? Where do they perceive the gap?

Dominique O'Rourke: The perception seems to be that they can get some funding initially. They might get some venture capital. If it takes more time, the venture capitalists can't pull their funding out to seed somewhere else, so it's that leap into the middle portion of their development. The perception is that there's support for businesses that are either at an early-stage start-up or that are already doing well. They're asking, “What exists to support businesses through those first stages of commercialization and growth?” What seeds that?

Gideon Hayden: My perspective is that, if a company is doing incredibly well and they're seeing traction, customers and growth, there will be capital to fund those businesses, whether it's from here or international investors.

I think maybe what you're referring to is that, for the companies, maybe it's not as clear. They raised a little bit of money, but they didn't get as far as they thought they would, so where's that next round of funding?

Yes, absolutely, I think that, if there's more capital, people will be willing to take more risk on companies like that. I think that, as the capital ecosystem grows, it needs to grow to be able to support some of these companies.

David Stein: I would also like to counter to that as well. It's hard for our entrepreneurs to realize, too, that venture capital is not a hobby business. It's a business that requires the potential of large returns. That's because, by its very nature, some things are going to end up with zeros. You can imagine that, if I look at 10 investment opportunities, I have to assume I'm going to lose my money on a few, so I have to have a high bar in order to want to write the cheque.

I think that sometimes what people don't like is that their business—whatever business they've chosen—doesn't necessarily fit the traditional definition of venture capital. I would say that, if private investors don't want to put money into the company, the government shouldn't either.

I think sometimes there's an opportunity to say that, if you tried something, and you didn't get as far as you should, and no one wants to fund you, maybe you should try something else. We have too many zombie companies. A lot of programs support way too many people on life support who, quite frankly, should be shut down and working elsewhere.

I think the adult conversation is that maybe you should try something else. Not every business should be funded indefinitely. If no one wants to fund it, maybe there's a reason for that. I would say that lack of capital isn't the biggest reason.

The Chair: Thank you very much.

Witnesses, thank you for making yourselves available to us. We appreciate the insight very much.

Colleagues, I'll just remind you about the informal visit we have tomorrow with our delegation from Europe. If you have any questions about that, feel free to speak with me or the clerk.

The meeting is adjourned.