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Tuesday, October 18, 2011

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Chair

Mr. Pat Martin

Standing Committee on Government Operations and Estimates

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• (1535)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): I'm going to call to order the 10th meeting of the Standing Committee on Government Operations and Estimates in the 41st Parliament.

Today we are gathering to study the effectiveness of the Office of Small and Medium Enterprises and of the Canadian innovation commercialization program.

We have witnesses before us. From the AMITA Corporation we have Monica Preston, president. Good afternoon.

From Bubble Technology Industries, Inc. we have Lianne Ing, vice-president, who perhaps is not quite with us yet. But we do have Mr. Karna Gupta, the president and CEO of the Information Technology Association of Canada. Welcome, Mr. Gupta.

Before we start, Mr. McCallum, you have a question.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Before you invite the witnesses to speak, I wanted to read out a notice of a motion:

That the Standing Committee on Government Operations and Estimates conduct a study into the provision of sensitive economic data by Statistics Canada to public servants, ministers, and ministerial staff before it's released to the public; that the committee consider the impact this has on market confidence, given the potential for this sensitive data to be utilized for personal gain before its general publication; and that the committee report its findings to the House.

Thank you, Mr. Chair.

The Chair: Thank you.

I think you know, Mr. McCallum, that a notice of motion is not debatable in any way, so we'll simply file that for future reference.

Hello, Ms. Lianne Ing. It's a pleasure to have you with us here as well. We were just about to begin the opening comments from the witnesses, and then we'll have rounds of questions.

Is there an order in which you'd like to go? Perhaps we have first in line AMITA Corporation's president, Monica Preston. That would be a place to start.

Ms. Monica Preston (President, AMITA Corporation): Sure, that's no problem.

Hello, everyone, and good afternoon. My name is Monica Preston. I am the president of AMITA Corporation and one of three owners of AMITA and WorldReach Software, which is a subsidiary of AMITA Corporation.

I would first like to thank the committee for inviting me here today. It is an honour to appear in front of all of you and to provide my assistance in any way possible.

AMITA Corporation is a public safety and emergency management solutions company, offering innovative commercialized software solutions, information technology services, and expertise in research and development programs.

AMITA is a Canadian company, started in 1991 with three staff. It has grown over the years. I'm proud to say that we have more than 85 staff at AMITA. AMITA has been able to achieve its international success with a strong vision and hard-working Canadians.

Assistance from the Government of Canada is essential, not only to our business but to all small and medium-sized businesses. My company's experience with the Office of Small and Medium Enterprises and the Canadian innovation commercialization program has been positive. At this time we are completing contracting related to our CICP "call one" selection, and our experience with the application and procurement processes has also been a positive experience.

The CICP process is straightforward. It provides a clear statement of what is expected from companies. It has provided us also with a direct incentive to bring a new product to the market.

Something that I would like the committee to consider in this effectiveness study is how big an impact the endorsement from the Government of Canada can have on a small to medium enterprise. AMITA is proof of this.

In 1998 our company began to commercialize a product for consular management. It was built for the Department of Foreign Affairs and International Trade, and this solution was deployed in Canada and today is used in all of the Canadian embassies and missions around the world.

We were very fortunate at that time that our sponsor and champion at DFAIT gave us support and endorsement when other countries inquired about our company and about our products. Seven countries now use our WorldReach products.

A company like AMITA has numerous innovations that are in the pre-commercialization phase. To move to commercialization, a key element to future sales is a strong reference from the Government of Canada. In the situation with the Department of Foreign Affairs and International Trade, they gave us that support and in doing so helped us further and expand our business and create more jobs for Canadians, which in turn strengthens the Canadian economy.

In my opinion, small and medium-sized enterprises are a large part of a healthy economy. Direct government support of small to medium business through government programs and offices like CICP and the Office of Small and Medium Enterprises will ultimately contribute to a healthier and more sustainable Canadian economy.

Thanks very much.

The Chair: Thank you very much, Ms. Preston. That was very interesting.

Next in line on our agenda we have, from Bubble Technology Industries Inc., Lianne Ing. Are you ready to make your presentation, Ms. Ing?

Ms. Lianne Ing (Vice-President, Bubble Technology Industries Inc.): Yes, I am. Thank you.

Good afternoon, Mr. Chairman and members of the committee. Thank you for inviting me here today to speak about our company's experience with the Canadian innovation commercialization program.

I'll begin with a few words about our company. Bubble Technology Industries was founded in 1988 and is located in the rural area of Chalk River, Ontario, which is about two hours west of Ottawa.

We are a rather unique, 50-person company, fully Canadian-owned, and we provide products, services, and research primarily in the areas of radiation detection and explosives detection.

Although we are a small company, we have a big footprint. We have more than 400 customers in 25 different countries and have conducted more than 100 research programs for customers around the world and here at home. Our technology has been used to protect people and infrastructure at many major events, including the U.S. presidential inauguration, the Super Bowl, the World Series, and the Olympics. Our radiation detectors were used in Japan to protect workers in the recent Fukushima power plant recovery efforts. Our technology has flown on more than a dozen space missions to support research aimed at protecting astronauts from radiation hazards and is equally used to protect nuclear submariners when they are deployed undersea.

These achievements are made possible by an outstanding team of people with whom I have the privilege to work. Our staff is highly trained and highly skilled, with multi-disciplinary expertise in science, engineering, and manufacturing. Our ability to generate a spark of an idea and then carry that idea through all the stages of research, development, production, and deployment is the foundation of our success.

We became aware of the CICP pilot program in September 2010 when the Office of Small and Medium Enterprises launched the initiative. We assessed our technology portfolio at the time and submitted a proposal in November 2010 for an innovative radiation-detecting speed bump that had been developed through internal company investment but had not yet been brought to the commercial market. In particular, the technology addressed the CICP priority area of "safety and security" by providing authorities with a simple-to-use, effective method of screening vehicles for radioactive

materials. In February 2011 we were notified that our submission had been selected as a pre-qualified proposal.

As you have previously heard, an innovation selected by CICP must then be matched with a federal test department, which represents a potential end user of the innovation. We were fortunate, in that several federal departments expressed their interest in the technology. Ultimately, we were matched with the RCMP as the test department. At present, we have worked through the necessary contract discussions with PWGSC and are anticipating the contract award shortly.

The project itself will be 15 months in duration and includes testing of initial prototypes by the RCMP in order to solicit some early end-user feedback on the technology. We will use this feedback to identify and drive modifications to the design as necessary, and the RCMP will then have the opportunity to assess the prototypes through a second round of testing to ensure that the technology meets their operational needs.

As a company that essentially makes its living through innovation and technology exploitation, we have recognized for many years that there is a funding gap in Canada between research and commercialization. Canada has a number of programs that encourage and incentivize research; however, the mandate of many of these programs ends before the technology has actually been commercially exploited, and more importantly, before the technology has actually been transferred to the users who need it.

In our particular industry, which is geared towards defence and security applications, the lack of funding programs to carry the technology that last leg of the journey means that there are first responders and military personnel who are not receiving the benefit of the latest technological advancements as quickly as they could.

In addition, this funding gap means that Canada is not reaping the full economic benefits of technology commercialization, including the creation of high-quality jobs and the benefits associated with strong commercial exports.

From our perspective, the creation of the Canadian innovation commercialization program is a step in the right direction. It recognizes the value of carrying innovations all the way to market and it connects companies with federal departments, who can provide useful feedback on an emerging product and can potentially serve as reference buyers to support international sales efforts.

We sincerely hope that CICP will have an opportunity to continue and to expand. At the moment, the demand for the program appears to far outstrip the available resources. Even a relatively small company like ours will typically have several technologies at any given time whose commercial exploitation could be accelerated if the resources were available.

As the program evolves, there are three key considerations to bear in mind: innovation does take time; commercialization also takes time; but the faster you can do both, the greater the competitive advantage.

Rapid time to market is critical if we want to compete effectively on the world stage, and time to market can be accelerated when companies can leverage efficient, stable, multi-year funding programs supporting technology exploitation.

● (1540)

Thank you for the opportunity to share our thoughts on the program. I'm happy to answer any questions the committee may have.

The Chair: Thank you, Ms. Ing. That was very interesting.

Next, from the Information Technology Association of Canada, we have Mr. Karna Gupta.

Mr. Karna Gupta (President and Chief Executive Officer, Information Technology Association of Canada): Thank you, Mr. Chair and honourable members, for extending to ITAC the opportunity to meet with you this afternoon and to participate in the study of the effectiveness of the Office of Small and Medium Enterprises and the Canadian innovation and commercialization program.

At the outset, I would like to communicate that ITAC is in support of both of these initiatives.

If you don't know ITAC, it is the national association of technology companies. Our members are 300-plus companies in Canada. They're as large as CGI, RIM, OpenText, and Rogers, but the vast majority of our members are small and medium-sized businesses. These companies, we believe, are vitally important to our industry in many respects. They represent the future of ICT.

ITAC's mandate has always been to promote the public policy environment, to conduct the effective growth of the industry, as well as to grow the knowledge-based sector in general. Our primary mandate has been to provide a strong, innovative, competitive ICT industry; more accelerated use of productivity-enhancing ICT tools; a fair, progressive public sector business regime in Canada; advancement of e-health; a smart regulatory regime in Canada; and a robust, competitive ICT talent pool for the country.

I hope today I will be able to demonstrate that both OSME and CICIP advance all of these causes and the promotion of a strong, innovative ICT industry in Canada while supporting the need for a fair, progressive public sector business regime.

With respect to OSME, in 2005 the office was a major contributor to the important dialogue between the ICT vendor community and the federal government through ITAC public sector business committees. They also participated in various other programs and panels we ran throughout the year.

It supports our core belief that Canada's public sector procurement regime must play a strategic role in the promotion of Canadian ingenuity among the small and emerging businesses. In our view, it plays an essential role in ensuring that the \$7-billion public sector ICT market is accessible to all. With respect to CICIP, it is the key

instrument of fulfillment of its role in the Canadian innovation and commercialization program in the budget of 2010.

ITAC has been in discussion with government, from as early as 2005, about the need for a program. When CICIP was announced, it was clearly framed as a policy instrument for the support of innovation rather than a procurement instrument.

To our knowledge, several companies have participated through this process and benefited from it. We fully endorsed the announcement in July, the second call for expression of interest, and actively encouraged our members to participate in this program.

I would be remiss if I didn't comment following yesterday's Jenkins report.

Ladies and gentlemen, it was outlined that the commercialization process leads to new innovation. First, of course, you start with the idea. Then you apply the knowledge of a robust talent pool to develop a prototype and have a trial customer. Then you take the learning from this trial and start the commercialization process. At this stage, you need the infusion of capital to keep the lights on and the process growing. And finally, you do need access to both the local and global markets.

The Canadian government's willingness to play a central role in this process through an organized program is critical to small business. It is also wise public policy.

I cannot overstate ITAC's support for CICIP. The only recommendation I can make for its improvement is to make it a permanent part of the Canadian innovation policy.

In this regard, we agree with the expert panel that reported yesterday. Their support for CICIP and their suggestions on how to strengthen this program are worth repeating here.

ITAC values its relationship with OSME. Last year we ran an ingenious program looking at various small businesses. To that extent, buyandsell.gc.ca, the government program, became one of the finalists in the event. It sets the best practice for small to mid-sized enterprises who are planning their own web-based program looking outside, "facing" portals.

● (1545)

In conclusion, I simply want to restate the strong support from the ITAC industry for the Office of Small and Medium Enterprises. We're committed to providing any support it may need with its program and, if required, active consultation to further improve its effectiveness.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Gupta.

We'll now proceed to questions from committee members. These will be five-minute rounds. Please take note that this includes questions and answers.

First, from the official opposition, the NDP, we have Alexandre Boulanger.

Alexandre, you have the floor.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you very much, Mr. Chairman. I also thank our witnesses for being here.

I must say right from the outset, Ms. Ing, that if you contribute in any way whatsoever to the success of the Super Bowl, you already have all of my esteem and admiration. I also want to say that I am very happy for the success of your small business. I think that that success has something to do with your presence here today.

I'd like to take a few minutes to provide a broader picture of innovation and research and development in Canada. According to OECD figures, in 2008-2009, Canada was the OECD class dunce with regard to direct investment in research and development. Our businesses come dead last in the rankings. This has consequences such as the fact that we are lagging behind when it comes to registering patents, as compared to our OECD competitors, as we are in the number of doctorates awarded.

I would also like to give you a broader overview, one which goes beyond what the Office of Small and Medium Enterprises can do, and we applaud what they do do, of course. Indeed, the investments made by businesses themselves in research and development has been stagnating since 2000. It was approximately 1% of GDP in 2000 before it went up a bit to 1.3% in 2001. Afterwards, it went back down to 1% in 2009.

What do you think the government could do? Could it not better support businesses, do more to help them to invest in research and development, and support them better through direct subsidies to research and development, since our country is the poorest performer in that respect among OECD countries?

● (1550)

[English]

The Chair: Do you want to direct that to one of the witnesses?

[Translation]

Mr. Alexandre Boulerice: My question is addressed to whoever feels comfortable saying how they would see the government help them better, either personally or in helping all of their competitors and colleagues who are working in an innovative field in the country.

[English]

Ms. Lianne Ing: A few of the key things are time to market and predictability in what funding is going to be available. One of the things that can continue to be improved—it's always a process of continuous improvement—is streamlining the selection and procurement processes for many of these contracts, while maintaining the required transparency and fairness in the procurement process.

When a company has a better ability to forecast when a contract may become available and when they have a better ability to forecast what the government's priorities are going to be in future years, they have the opportunity to decide strategically where they wish to invest their own company resources. That would be of great assistance to many small and medium companies.

Ms. Monica Preston: I agree with that. The whole process from the time you're awarded a piece of work to the time you're able to start work on it can be quite lengthy, and that has huge impacts.

Streamlining things like getting requisitions signed and getting contracts out the door is important.

It is also really important to bridge the gap so that the average person in government knows when they can and cannot support, and under what conditions they can support a Canadian company publicly. I think there's confusion there.

Mr. Karna Gupta: My comment on this draws from my personal experience of running businesses for over 30 years. For small businesses the biggest issue is the commercialization and productization. That is where CICIP could play a tremendous role in being the early customer of some of the new innovations in our own country. That would be hugely helpful. We don't lack ideas or money, but often the commercialization process is shaky. By the time we get to market it's way too late and other people have gone there. The CICIP and OSNI, through the acquisition process and having government become the smart early customer, will help small businesses grow.

[Translation]

Mr. Alexandre Boulerice: Fine.

I'd like to take the opportunity to put one last question to Ms. Ing.

You have already stated that the program does a good job but that there is a lack of resources. You reminded us that you would probably need more stable funding in the medium or long term. How many years are we talking about? What would allow you to invest in a project that would not be a short-term one?

[English]

Ms. Lianne Ing: When I referred to lack of resources, I meant that the demand for the program seems to be very high, and the current pilot program is funded at the level at which approximately two dozen projects were able to be funded in the first year. So as the pilot program enters its second year and as the government looks ahead to the future of the program, we would certainly hope that CICIP would have an opportunity to receive additional funding and to have the funding on a multi-year basis so that companies could plan on perhaps annual or bi-annual calls for proposals and could essentially integrate their research and development and commercialization cycles with the program structure.

● (1555)

The Chair: On the government side, the first questioner is Mr. Ron Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you to our witnesses.

First of all, congratulations on being accepted into the Canadian innovation commercialization program, otherwise known as CICIP. It's something that's long overdue for Canadian entrepreneurs. We have the year of entrepreneurs and we also celebrate small business week. We congratulate all small-business owners. As my colleague alluded, they are the economic engine that drives our economy.

I had the opportunity to be in business, and I know what it's like to realize that sometimes there's more month left than money and to try to figure out how to make the payroll. And you celebrate when things go well. It's kind of like taking that dream and making it a reality. I applaud you for your innovation and creativity.

One of the challenges that has been alluded to is that in Canada we haven't been as successful as we should be with taking the concept to commercialization or taking something from patent to product to profit. That's one of the reasons for our own study—to try to find ways we can help small and medium-sized businesses flourish.

So from your experience working with the OSME and the CICIP project, first of all, how did you find out about the project and the program? Was the application process cumbersome the first time?

Ms. Monica Preston: We at AMITA found out because we regularly scan for these types of programs that can assist us in doing what we do. When we read the requirements we had to respond to, we felt they were very straightforward. These were questions that we expected to see. We had to do some research, of course, to respond to them, but I think it's not overwhelming for a company to respond to that kind of request.

Ms. Lianne Ing: Similarly, for our company, we actually heard about the CICIP program through several avenues. We were sent e-mails by certain contacts within the government when the program was announced, and it was also announced on the federal opportunities website. So I think from a communications perspective, the announcement was well communicated.

From our perspective, because we do quite a lot of government contracting here in Canada, the application process was not overly onerous. We understood the sorts of questions they were asking and it was fairly consistent with other proposals that we've submitted. That process could potentially be somewhat intimidating for a company that's never done business with the Government of Canada, but I think OSME has been doing a good job at holding many information sessions and trying to be very available to answer questions.

Mr. Ron Cannan: Ms. Preston, you made an interesting comment—that innovation takes time and commercialization takes time. So where do you find that we could most efficiently bring those two dynamic areas so we can expedite the process to bring the product to market?

Ms. Monica Preston: If I look at our experience at AMITA and the consular product suite that we have today, it was really having a really good Government of Canada reference under our belt when we approached other countries, because we knew that this type of modernization was needed for the consular suite. It protects citizens travelling abroad. It does out-of-country passport production and all kinds of stuff like that. It was just really a matter of time before other countries would want it. It's a close-knit community. The fact that we would have the Canadian government supporting us as a company, making themselves available as necessary if other countries are approaching and asking if they can look at how we're using this product and whether we can give them our feedback is very important. That helps on the international side of things.

In country, the hardest thing we struggle with in terms of the small company is trying to anticipate the length of time it's going to take before we can get a contract and start work, because we have to plan ahead and manage our resources really well to be profitable and to have a good, growing company. If you could focus some energy on procurement and on looking at how long it is taking to get contracts out for small and medium-sized business—this is information that's readily available—that would be really appreciated.

Once the contract is in place, things go very well. But it's really the time between the contract being awarded and the contract actually being in place that is really difficult, and probably more difficult for smaller companies.

The Chair: You have about 15 seconds.

Mr. Ron Cannan: I have a quick comment strictly from the tech sector. It's a big and growing area. I represent the Okanagan Valley, the silicon vineyard, we like to call it. With respect to the high tech, do you see some of your biggest opportunities ahead? How can Canada help move those forward for your industry?

• (1600)

Mr. Karna Gupta: The biggest issue here would be helping these small businesses at the commercialization phase, which really means adoption of a lot of the ICT technologies at an early stage. Most of these young companies, when they come out they struggle to get their first customer. As the applications are done, they get the government and the government agencies as the first buyers and this creates a reference point that's quite critical.

Mr. Ron Cannan: The period from incubation to procurement is crucial.

Mr. Karna Gupta: That's right.

Mr. Ron Cannan: Thank you.

The Chair: Thank you, Ron.

Next, for the NDP, Mathieu Ravnignat.

[*Translation*]

Mr. Mathieu Ravnignat (Pontiac, NDP): Thank you, Mr. Chairman. I thank all the witnesses for being here.

I'd like to come back to the question my colleague Mr. Cannan raised, but from a different angle. Firstly, have you ever done business with the Canadian government? Moreover, if you have never done so, what improvements should be made to the application process so as to help companies who have never done business with the Government of Canada have access to the program?

Those are my first two questions, I will have others later. The questions are addressed more particularly to Ms. Preston and Ms. Ing.

[*English*]

Ms. Monica Preston: Yes, we've dealt with the Canadian government from the inception of our company. We deal with other governments outside Canada as well. Every government has its way of working. I think that's pretty well known and you have to get to understand it and be able to wade your way through it to do business. It's probably like any other business sector in that regard.

With respect to the application process, I believe that a lot of what's behind the evaluation is the scoring system. I think if companies understand how the scoring and evaluation system is conducted when they put their submission in, that would definitely help them to make sure that they placed themselves in the best possible light in their application.

Ms. Lianne Ing: We also have done a considerable amount of work with the Government of Canada and other governments around the world, and the application process from our perspective was relatively straightforward in facilitating it.

For enterprises that haven't been involved with government work, I think the outreach that OSME has engaged in—holding training sessions and having resources available to answer questions—is most likely the best way to lower the barrier of entry for other companies.

[Translation]

Mr. Mathieu Ravignat: Fine.

I have a few additional questions. Concerning the assessment of your applications, have you found that the evaluation criteria that were used, as well as the information regarding the members of the committee, were well communicated to you? Was the process sufficiently transparent?

[English]

Ms. Lianne Ing: As for the evaluation criteria, I think this was well laid out in the call for proposals. It was documented. So if you read through the call for proposals carefully, you could understand how the proposal would be adjudicated.

With respect to the review members, we understood that many of the technical reviewers would be pulled as subject-matter experts from groups like NRC-IRAP. In our field of work it's common for these sorts of technical proposals to be evaluated by those who are deemed to be experts in the industry across the country. From our perspective, that was straightforward and transparent.

The Chair: Mathieu.

[Translation]

Mr. Mathieu Ravignat: Ms. Preston, you mentioned that you have 50 employees, and Ms. Ing, you stated that you have 85, or was it the reverse? Correct me if I'm mistaken.

How many people worked on the application and on its follow-up? Did this require a lot of energy and resources? How many employees took part in that process?

[English]

Ms. Monica Preston: For AMITA, we would have had a key business development person on this file to do the first draft, someone who knew our innovation quite well. I would definitely always have a lot of input into the assessment and review of what we're putting together. We would probably also have had somebody who could do good-quality editing, because we have word limits, so we want to make sure we're communicating what we need to within the context. We would have had probably one person full-time for a few weeks working on this and part of my time and an editor's time.

•(1605)

Ms. Lianne Ing: From our perspective, similarly for these sorts of proposals we have typically a technical lead who is responsible for making sure that the technical content is correct. We'll have someone for finance who helps to put together the cost estimates and cost proposals. Then we have someone from business development or the sales side who goes through and helps to create the text that goes

into the proposal. So in terms of total effort, it was similar to other efforts that we have for the Canadian government.

[Translation]

Mr. Mathieu Ravignat: Thank you.

[English]

The Chair: That concludes your time, Mathieu. Thank you.

For the Conservatives, Jacques Gourde.

[Translation]

Mr. Jacques Gourde (Lothinière—Chutes-de-la-Chaudière, CPC): Thank you very much, Mr. Chairman. I want to thank the witnesses for being here and congratulate them on their businesses.

Ms. Preston and Ms. Ing, you talked earlier about the development of your businesses. We are happy to welcome you as it is gratifying to see our small and medium Canadian businesses succeed to that extent. You are important economic motors in our country, and that is why we will be listening with particular interest to the comments you are going to be making.

I think that your businesses may have benefited from the Canadian Innovation Commercialization Program, the CICP. What were your reasons for taking part in that government initiative?

[English]

Ms. Lianne Ing: When we saw the opportunity we reviewed the requirements and we reviewed the mandate for the program and we recognized that as an opportunity to accelerate the commercialization of one of the technologies we had developed with in-house funding.

As I mentioned, as a small company you always have to prioritize the use of your resources, so when additional resources become available that you can leverage, it means you can bring new technologies to market more quickly. We looked at that call for proposal and saw that it was a good fit for the technology we had available.

Ms. Monica Preston: In the same vein, one of the key areas in public safety and security was in the health area, and we do have innovations there, so it was a good fit for us. We also had an innovation that was in the right place in terms of being pre-commercialization. We chose the one that we submitted for our first round for those reasons. We would probably wait if we had to do this on our own and we didn't have a kick-start. We would probably have to wait with this a bit longer before we could tackle it.

[Translation]

Mr. Jacques Gourde: Could that program be improved even more?

[English]

Ms. Lianne Ing: I believe in continuous improvement for all programs, so I think there's always an opportunity to continue to refine the program. I think the approach that was taken here was a good one. Rather than trying to plan every last detail, in theory, I think it's a good idea to get a pilot program launched and try it, and then refine and tweak that program as you see the results coming back from it.

In terms of specific improvement, as I mentioned, the proposal process for us was quite transparent and straightforward. As Ms. Preston has also mentioned, the focus area, not only for this program but also across the board, would always be to try to streamline and accelerate that contracting process once the program has been accepted.

From our perspective, it is an innovative technology. We'd like to get that technology to market before others have an opportunity to do so, so the more quickly we can get the work started, the better.

Ms. Monica Preston: Maybe I could add to my comments just from a bit of a different perspective. I don't know all of the details of the program. What I do know are things that would help us, and maybe I could articulate those and then you can determine whether the program can in fact address them or not.

One of the things in the last year that I've seen with program review and the strategic review is that it's more difficult to get departments to engage in innovations when they already have such a full plate of things to do. If there were some incentive for government DGs, directors, to get involved in supporting some of this innovation, it would be very helpful. That goes towards trying to find a testing department, of course, that will test the products and give you feedback because they also have priorities in terms of their work that they have to do day to day. If we can somehow provide some incentives there, that would be very useful.

I would like to see some clarification of intellectual property policies, Treasury Board policies, made to people at the working level in government, because there's a lot of confusion about intellectual property. In the context of CICP this becomes important. I'd like to see government staff more broadly at the director and DG level understand intellectual property, really what it means, and understand the Treasury Board policies around this.

We talked about the procurement processes and trying to streamline those as much as possible. I guess the other thing I could add is if government can understand what capabilities small and medium companies have to offer. You often see large programs involve large companies. The government feels they need to have large companies front and centre because there's a lot of money at stake. I think if government also knew what small and medium companies had in terms of capabilities, perhaps there would be a better way to integrate them in that work.

I can't answer about the program specifically because I don't know all the details about it, but I can offer some of the things we'd like to see fixed, and perhaps the program could address some of those.

• (1610)

The Chair: That concludes your time.

For the Liberal Party, John McCallum, please.

Hon. John McCallum: Thank you, Mr. Chair.

And thank you to all three of you for being with us today.

Congratulations to Ms. Preston and Ms. Ing on your entrepreneurship, and also the entrepreneurship of your many members, Mr. Gupta.

Nobody in this room, to my knowledge, thinks that either of these two programs is doing a bad job, but my impression is that they are both tiny in relation to the scale of the challenges that Canada faces.

I remember when one of the officials involved with the Office of Small and Medium Enterprises was here, he or she said that the U.S. equivalent has 40, 50, 100 times more employees, I don't remember the exact number. And Ms. Ing, I think you said there were way more people wanting the financing than could get it and there were a couple of dozen examples. Well, this is nice, but it's really small potatoes compared with the challenges we face, the very low R and D levels that my colleague referred to and the huge financing troubles.

This report from the task force yesterday said, and let me just quote a bit:

Innovative Canadian companies face real challenges in getting start-up funding and late-stage risk capital financing. In many cases, the gap is filled by foreign investors, which means that too many commercial benefits and intellectual property end up leaving the country. Directing the BDC to work with angel investor groups and develop late-stage risk capital/growth equity funds will pay dividends.

My impression from this task force is they were told not to spend any more money in total, but I think they're saying spend less money on SR&ED grants, tax credits, and more focused direct loans or investments through agencies like BDC. The SR&ED thing is too complicated, it's a shotgun approach. Other countries have been more successful with this more direct approach, through BDC in our case.

I'd like to ask each of you whether you agree with this proposal to redirect more of the available funding into direct action through BDC.

Perhaps Mr. Gupta...

Mr. Karna Gupta: There was an announcement made yesterday about some additional funding for BDC, but your point is correct. There needs to be more money going into early-stage funding of companies, through BDC or other agencies, in large part to support the whole privatization process. For most of the people we talk to, our membership and others in small business, that's the hurdle. It's not the idea stage. We have enough ideas in the country and our education system is providing them sufficiently. Where it falls down is in the commercialization. Funding is needed for making a product and taking it to market. That's where some of the dedicated funding would absolutely help.

Hon. John McCallum: Okay.

Ms. Preston or Ms. Ing.

Ms. Monica Preston: In AMITA, we all use BDC funding from time to time, and working capital becomes really important when you're trying to take a new initiative forward in the marketplace. Here we're talking about maybe a reallocation, allocating more directly. The SR&ED, I think, is indirect, in that the company first invests, and then gets a tax credit afterwards. Maybe the fine point here is that the company has to make the investment. With BDC, you're going out and looking for working capital for an idea. It's not as expensive as other types of capital, but it's still quite a bit of money for BDC.

Running a company, we are often self-financing quite a bit of the time. In AMITA, we do have to finance our growth most often. And when we get to the point where working capital for a new idea is required, then we're looking around to see where that can come from and what the options are. I think that may be part of what this report is saying: in those particular cases where you need that, then BDC is a good choice.

• (1615)

Hon. John McCallum: Ms. Ing.

Ms. Lianne Ing: In our case, our company has benefited immensely from the SR&ED program. When finances are tight, there's often a tendency to perhaps look at reducing investments in longer-term, longer-return programs in order to allocate funds to things that could demonstrate returns more quickly. But I think the important thing to note is that innovation is the activity, which then feeds into the commercialization process. So if you begin to reduce funding or support on the innovation side, you may see an explosion of commercialization in the short term, but eventually the process that feeds the commercialization activity will dry up. From our perspective, it's equally important to both continue funding the longer-term innovation or research activities and increase funding to commercialization activities.

Hon. John McCallum: Thank you very much.

The Chair: Thank you, Mr. McCallum. Your time is just up.

Next, for the Conservatives, is Bernard Trottier.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you for coming in today.

I have a few questions about the evolution of a product life cycle. There is some basic blue-sky research that companies do; then there's sometimes a patent; then there's a product development effort.

Could you describe the process of how you worked with CICP? It sounds as though you didn't have a final product, necessarily, or there was a high-level set of requirements given to you in each of your examples, with the Department of Foreign Affairs and then also when it came to radiation detection and so on, and that there was further work that CICP did with you to refine the product.

Could you describe how that works? It doesn't sound as though there was a final set of requirements given to you in each of these cases; it was basically a question of responding to a request for proposals.

Could you describe that working relationship? And where within your product and service evolution did CICP intervene, and how did that help you?

Ms. Lianne Ing: The CICP program is structured somewhat differently from a traditional call for proposals, because in a traditional case there will often be a government department that identifies a specific need and therefore a specific set of requirements for the technology.

In the case of CICP, they were not prescribing what sort of technology they were willing to fund. They basically went out to small and medium enterprises and asked, what technologies do you have that meet a minimum level of technology maturity but that you have not yet brought across the commercialization line?

From our perspective, when the call for proposals came out we basically looked at our technology portfolio and identified which technologies were sufficiently mature to go into testing with a government department but had not yet been sold commercially. That's how we narrowed down the list of technologies for submission, ultimately to one particular technology, which we submitted.

I think there's some merit in that approach, if the intent of the program is to try to jump-start the ability of small and medium enterprises to commercialize the activity, because it allows a very broad cross-section of enterprises to respond with whatever technology they feel is most promising and whatever technology they feel will have the greatest impact and return for their company.

Ms. Monica Preston: At AMITA we had an early-stage solution for early outbreak management. It is based on the SARS commission report and the ability to manage information during that time, when there was an outbreak and nobody really knew what it was. People were concerned, some people died, and of course it really affected the economy at the time. This was a capability gap that we had a solution for, and that's the one we went forward with.

It is complex, in that it has to be integrated in the health system. Being able to test it with a federal department and then have some way of getting some other involvement from provinces and municipalities potentially becomes really interesting for us—being able to get it tested and really assess the effectiveness of it.

For example, it could be that there is a vessel of interest coming with refugees or something; or we have C. difficile outbreaks that are moving, and this has been recently reported. There are all kinds of things like that.

So that's the one we decided to submit under the program. It is in the early stage because it's not contracted, so the test is still yet to be done. The effectiveness will come after we see how this goes.

If I think back to our consular solution, we had to repackage it to sell it. Countries weren't interested in buying this whole, huge solution. They wanted to buy pieces of it depending on what they needed. So we also, as we're selling, have to change our business models. We have to think about what makes it more attractive to the buyer and that kind of thing. There are a lot of things going out throughout this product management cycle that you're talking about: about the product itself and where to go; what the best way to sell it is; what the best business model is to sell it in.

As time passes in the technology area... You talked about the fact that this has a huge impact on us because we get new devices coming towards us. We get people using iPads in the hospital now. If we're not fast in getting this out the door, then we are always trying to retrofit the stuff into what we're doing.

I don't know whether that answers your question.

• (1620)

Mr. Bernard Trottier: That's fine.

In a way it sounds as though CICP and its government clients, through testing and feedback and collaborative product development ideas, is making an indirect investment in product development for your companies. Maybe this is one of these things that doesn't get viewed as.... It's not like writing a cheque, but it's a real investment of their time and effort to help you move along in that product evolution.

Would you say that was a fair way to describe it?

Ms. Monica Preston: Yes. And also you have the government getting a capability that it doesn't have; it's not just a one-way thing. [Translation]

The Vice-Chair (Mr. Mike Wallace): Thank you very much, Mr. Trottier.

Mr. Blanchette, you have the floor.

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you very much. I thank the witnesses for their presence.

I was struck by one thing in your presentations, and that was the importance you attribute to commercialization as well as to the first steps in that process.

Ms. Preston, you said that it was important to you to be able to use the government's name right from the beginning of the commercialization of an innovation in order to present it to various clients. You gave me the impression that the rapid commercialization of an innovation is what is important to you in the process of research, development, innovation or commercialization. Is my perception accurate?

[English]

Ms. Monica Preston: I think that when you have an innovation, a solution, you would like to see it in use as quickly as possible to derive and demonstrate the benefit.

With regard to the commercialization itself, if I think about my example with DFAIT, we have seven countries today, and we probably will have another dozen in the next five years. That's not quick; that's over a ten-year period. The innovation itself was developed over ten years ago, and of course it evolves as we get more customers; the product evolves, and it offers new features and functions.

That's where I was coming from on that.

[Translation]

Mr. Denis Blanchette: Very well.

Ms. Ing, you stated that the program was on the right track and you shared certain ideas with us to make it go forward. Since you represent a company which is based on innovation, I would like you to share with us certain ideas that might allow you not to go from innovation to commercialization, but rather to go from a good idea to innovation. What could be done to help businesses like yours to be more competitive?

[English]

Ms. Lianne Ing: That is a difficult question. In our company we are somewhat unique, as I mentioned, because we happen to have 50 people who are trained and skilled in various disciplines of science

and engineering. When you put all of those people in one place, you are often able to generate, through a lot of brainstorming, a number of good ideas. As a small company we then have to decide from that list of good ideas which ones we either invest in ourselves or seek additional support to nurture into an innovation that can be useful to people.

In terms of assisting other companies to do it, that's something you improve upon with experience. You have to find a way within your organization to efficiently translate good ideas into a tangible technology or prototype, which you can then show people has merit. Often when you reach that stage you can garner additional interest or funding or support that will help you build a business case to go that last leg of the journey into commercialization.

I think every company, depending on its particular industry sector, has to basically decide how to prioritize which ideas actually get funded, because it is typically not possible for a company to try to invest in all of its ideas and bring them to an innovation stage.

•(1625)

[Translation]

Mr. Denis Blanchette: Thank you very much.

Mr. Gupta, in the information technology field, good ideas can become obsolete very quickly. You put considerable emphasis on the commercialization of new ideas. I would like you to explain somewhat more in depth the particular support businesses in the information technology area would need, as compared to other high tech companies that can work with longer development horizons. Can you tell us what means should be taken to make the information technology sector in Canada more competitive?

[English]

Mr. Karna Gupta: It truly varies by sector, so I'll give you an example.

If you're in a mobilities phase—and I'll be talking to our membership—developing applications, the rapid prototyping is the quickest way to get to market. As you commercialize, you need to quickly do a prototype test with a customer. If it sticks, then you move forward. Otherwise, you get to the next one.

If we talk of some of our other client bases, which are developing more products and solutions that are more permanent in nature and elaborate, with bigger ERP solutions, then you need a longer cycle. Prototyping would take longer. The commercialization process would take longer.

So it very much varies by the type of products you are talking about, and also by the sectors. Then you have the software and hardware differences. In the software case, the prototyping could move a lot faster than hardware. Hardware requires the manufacturing process, including prototyping and testing.

All of these processes need some help for early adoption. The quickest way, at least in my personal experience in this field, has been that if you can't get to try it on a smart customer, the idea stays at the idea stage for a very long time. Funding aside, somebody needs to use the product. It truly needs to solve a business problem. Then you can move it forward.

So the early prototype leads to very quick commercialization. It truly varies by sector. It is not a universal answer for various sectors.

Mr. Denis Blanchette: Merci.

The Vice-Chair (Mr. Mike Wallace): Our next questioner is Mr. Trottier again.

Mr. Bernard Trottier: Thank you very much.

To Mr. Gupta, ITAC is a very diverse organization, as you've described. It includes some very large organizations—CGI, Rogers, RIM, and OpenText, for example—and also a number of smaller entities.

I am wondering, from a public policy perspective, whether 50 jobs get created in a large company in Canada or 50 jobs get created in a small company, is there a fundamental reason why CICP should steer business towards some of the smaller members of your organization versus steering it towards larger ones? What is the benefit to Canada to having those jobs within small and medium enterprises?

Mr. Karna Gupta: It's a very good question. I think small and medium businesses truly become the underlying economic engine. For most of the large companies, at the end of the day their new innovation is often through acquisition and building into the new talents as they go to the market, either as a joint bid or something else.

Unless we sow the garden with seeds, which are the small businesses, the economy overall will suffer. We truly believe it's extremely important, from a policy point of view, to have sufficient incentives in place, through CICP and others, where young businesses can grow in all sectors. Once you create a billion-dollar company, in its shadow the other companies will grow and an ecosystem will be formed. If you don't start at the early stage, it's going to be very difficult.

Mr. Bernard Trottier: Is there a lack of fairness and transparency, though, where sometimes small and medium businesses, and the smaller IT companies, just aren't able to commercialize their products in the same way? Is it less fair and transparent for them to get a leg-up vis-à-vis their perhaps larger competitors?

Mr. Karna Gupta: I wouldn't say it's less fair or transparent. I think it's more an issue of comfort zone. Nobody ever gets fired for buying IBM; that was the old saying, right? You always go to your comfort zone, and most buyers tend to go to the comfort zone.

But as you look at the ecosystem today, more and more larger companies for new products and innovative products and new solutions are reaching out to the community and to the ecosystem to bring in the innovations. It is their lifeblood. They need to stay alive in a competitive world. They reach out to the innovative companies.

So the more we see the younger companies and provide that support, I think the better off we will be, as a broader economic engine, as a country.

• (1630)

Mr. Bernard Trottier: Okay.

Maybe you could describe this from a prospective customer's point of view. Let's say they procure a product from a Canadian-

based small or medium-sized enterprise, and they see that the Government of Canada has endorsed that product and made that investment.

What are the things they are looking at, and how does that make them more eager to buy that product?

Mr. Karna Gupta: For the Government of Canada, you mean?

Mr. Bernard Trottier: No, I'm talking about, for instance, an export market. In the example of Ms. Preston's company, let's say another country's embassy now wants to buy this product.

Maybe I will challenge both of you and ask you to describe for me what is going on in that other customer's mind when they are making their decision about why they should make this investment in this Canadian company now.

Mr. Karna Gupta: I'll give you a live example. We have a great Canadian company that is developing some 3-D technology on scanning. It's a young, small company out of the Montreal region. If they cannot sell to the Government of Canada, it will be very hard for other governments to buy that product for security purposes.

So if you have your own country supporting the product and supporting the company, it will be much easier for them to go global and go to the broader market.

In that sense, having the Canadian government supporting and buying Canadian product first creates that reference customer—when it's applicable.

Mr. Bernard Trottier: Is the agreement finalized now with the Government of Canada, with the Department of Foreign Affairs? And are they signed up as a customer?

Ms. Monica Preston: They were the initial department we worked on the solution with, and then we commercialized it from that solution. We own the intellectual property.

Talking to another country in that community, and it's small... When the U.K. were looking at purchasing it, it was very easy for them to find out by asking: "What do you think of this product? Canada, you're using it. It's in Canada House here in London. Can we go take a look at it? We'd like to know what your people think about it."

Of course it was a good product. We were pretty confident that they would be able to say good things about the use of it. They supported that, so that became important. If they would not have had any reference and were the first user of it, or, even worse, if we had to say that the Government of Canada isn't interested in using this, I think it does say something to that international community that probably isn't all that positive in terms of supporting Canadian business.

Is there a concern here that you're trying to get to, just in your question?

The Vice-Chair (Mr. Mike Wallace): I'm sorry. Thank you very much. We can put you down again, but that's your time. Thank you.

Monsieur Boulerice.

[Translation]

Mr. Alexandre Boulerice: Thank you Mr. Chairman.

I have two brief questions. I think I will be sharing my five minutes with my colleague Mathieu.

When we considered the presentation you would be making, we wondered what your opinion would be on the Canadian government's position with regard to procurement, especially procurement from Canadian suppliers. Should the government give priority to Canadian businesses, in your opinion, when making its purchases, so as to give them a hand up and support job creation here in our country?

[English]

Ms. Monica Preston: I would say yes.

[Translation]

Mr. Alexandre Boulerice: Thank you for that brief and precise answer.

I am going to ask a more open-ended question than the previous one.

What do you think would be the most appropriate methods and means to better stimulate innovation in our country? I'd like to hear your suggestions.

[English]

Mr. Karna Gupta: I'll answer that question.

I think there are several ways you can promote innovation. It starts at the university level, at the educational level. So the whole notion of bringing the universities and the private sector together, having some program that creates that entrepreneurship, culture within the community, is the ideal scenario.

Most of the time a lot of the ideas would stay at the university laboratory stage and never see the light of day. So there is something to be said where some incentive from a government program point of view reaches out to find a way to bridge that gap from university laboratories to the private sector to create the product and solution that's needed. So that will create a stronger bridge and quicker access to the market as well, and multiple new products and services will come out.

• (1635)

The Vice-Chair (Mr. Mike Wallace): Ms. Ing, do you want to respond to that question?

Ms. Lianne Ing: Yes.

I think there's wisdom in the saying that necessity is the mother of invention.

One of the things that can help a company focus their research and expertise is to have a better understanding of what capability gaps exist for customers such as the federal government. And that's a process whereby having an ability for companies to work very closely with the potential end-user departments to understand their current concept of operations and then to have an opportunity at that early stage to identify technology development paths that could help fill a capability gap perhaps five years down the road, that degree of transparency and that access to many of these federal end-user departments will help to steer small and medium enterprises in terms of where they want to direct their efforts.

[Translation]

Mr. Mathieu Ravignat: When there was talk of increasing investment in this program, you were all in agreement. However, the fact of investing massively in projects that won't necessarily have the expected innovative impact presents a certain risk for the government. It's probably possible to see what the situation is two years after the start of a pilot program.

Stranger yet was what Ms. Shereen Benzvy Miller, the Director General of the Office of Small and Medium Enterprises at Public Works and Government Services, said:

The success of the program should be measured by the interest shown by the businesses as well as the activities and investments made, and not by the innovation created.

Since the purpose of the office is to help businesses fill the gaps, should the success of the program not be measured by the results obtained rather than by activities and investments?

[English]

Ms. Lianne Ing: For your question, it's important when we talk about how to measure success to separate the processes of innovation and commercialization.

In the process of innovation, in which you're conducting research, there has to be a willingness on the part of the government to fund research without necessarily having a guarantee that the research will produce the desired outcome. That is the nature of research; there is technical risk, and understanding what doesn't work has merit in terms of research value.

As for the commercialization aspect of it, at that stage of maturity the technology has an intended end use and intended application. In the CICIP, in matching the technology with a test department, one of the measures of success can be whether that test department actually adopts that technology and moves forward with it over the subsequent years after the initial testing activity.

From my perspective, the value of having the CICIP funding is in the opportunity to introduce a new technology to an end user. But I don't wish that the end user stop at that point; the intent here, of course, is to use this as a launching point for further product sales. I think the uptake of the technology is a good measure of success.

The Vice-Chair (Mr. Mike Wallace): Mr. Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair, and congratulations on ascending to this role, albeit temporarily.

I will be sharing my time with Ms. Block.

Mr. Gupta, the Jenkins report has been referred to a couple of times during this session this afternoon. Tom Jenkins, the head of OpenText, and his panel tabled their report yesterday; I realize it's only been 24 hours or so. This is a general, broad question. What have you seen in the report that you like?

Mr. Karna Gupta: I think most of the recommendations are sound. The only one we're still talking to our members about concerns the SR&ED impact. When you go to a mostly labour-based model, there is a risk in the case of many of the companies that are highly capital-intensive involving how their SR&ED is impacted.

We haven't really got the full analysis done yet, but that is one of the areas we need to look through further.

Overall, all of the other recommendations seem to be in line with what we've been talking about.

• (1640)

Mr. Peter Braid: Great. Thank you.

I think you mentioned in your remarks a little earlier that you've done outreach to your members with respect to the CICIP. Is that correct, and if so, how did you do that outreach?

Mr. Karna Gupta: We reach out to our members on a regular basis through various forums as they participate in these programs. We have several staff members who look after each of these smaller accounts. As I mentioned, we have more than 300 accounts. Close to 200 involve small to medium-sized companies in the ICT field. When we come up with a comment, it's based on inputs we get from them.

Mr. Peter Braid: Thank you.

Ms. Ing, you mentioned that your product was matched with the RCMP. Could you describe how that matching process took place? Was it an effective process? Did it work with respect to your particular product?

Ms. Lianne Ing: As I mentioned, we were quite fortunate. A number of federal test departments expressed an interest in potentially testing the innovation. In our proposal, there was an opportunity to suggest potential end user organizations for which the technology might have a benefit, which we did. Following the pre-qualified selection for the proposal, we were able to engage directly with the CICIP office and discuss with them which departments they might wish to contact, the intention of the technology, who it should be used by.

That was a fairly transparent process of making a few phone calls. They found someone in the RCMP who had an interest in the technology, and it went quite quickly from there.

Once we had identified the RCMP as the test department, we had some discussions with them to work out the details of how they would like to test the technology, in order to include that activity in the statement of work. It went quite smoothly.

The Vice-Chair (Mr. Mike Wallace): Ms. Block.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Thank you for being here today.

Any one of you can probably answer this question for me. I think it will be a very straightforward answer.

You've indicated that commercialization takes time, that innovation takes time. We heard from witnesses in previous meetings that products have reached completion, and they may take five to ten years to do so. Are there provisions built into a contract you may have that allow for new research, new technology that might come along in that timeframe, permitting you maybe to change tracks with the product you are working on?

Ms. Lianne Ing: With regard to our CICIP contract, the CICIP program is intended, obviously, to take technologies that are quite close to commercialization and just push them over the line so the test departments can see them and use them.

In our particular activity there is an opportunity for the RCMP to conduct some testing on the initial prototypes that are available now. There's a small amount of activity for them to provide feedback and then have us do modest design changes, not drastic design changes, but things that will help customize that technology for their particular application, and then we will upgrade those prototypes and redeploy them with the RCMP for additional testing. So there is an ability to do some minor modification.

By looking further down the road at all these technologies, there's often an opportunity to have a technology insertion, which is much more drastic than just a modification. That again is an area that should be looked at for follow-on funding in these programs.

Ms. Monica Preston: I think that's an interesting concept. We have a similar situation where we can do some small changes and include them in the timeframe we're talking about. I would be interested in looking at that a bit more as well.

The Vice-Chair (Mr. Mike Wallace): Thank you.

Mr. McCallum, you have five minutes.

Hon. John McCallum: Thank you.

I'd like to return to what I was talking about earlier but with perhaps a bit more clarity in the question. I think this report that came out yesterday did a number of things, but I'll just focus on three, and I'd ask each of you if you agree with it or not.

The government currently spends about \$7 billion a year in these areas and they had to keep that level constant, so it was a question of reallocation. Given our challenges, you could argue that we should spend more, but in today's fiscal climate one might be lucky just to keep what we have.

Point number one is the SR&EDs now account for about a half, \$3.5 billion out of \$7 billion, and this makes Canada an outlier in terms of a very heavy dependence on indirect tax incentives versus direct spending. They propose to reduce over time the refundability of SR&ED, which would produce savings that they would then shift over to BDC for direct grants or expenditures or investments on late-stage risk capital financing and start-up funding. I think if you're a pure market person, you might not like that, because in a way it might involve some public agency choosing winners and losers, as opposed to the tax system, which is neutral. But the tax system, on the other hand, could be arguably not terribly effective and a shotgun approach.

Finally, I think everyone here would agree that they propose that CICIP be made permanent and larger. Given what we've been saying, I think you would all agree with that.

My question, then, is do you agree, philosophically or in terms of your experience, with the proposal to reduce somewhat the money spent on SR&ED and to use those savings to do more through BDC on late-stage and start-up funding?

Mr. Gupta.

• (1645)

Mr. Karna Gupta: I would suggest it probably would make sense, because the money goes out first through BDC, and the SR&ED, by nature, comes to you after you have spent money. So you have to have some amount of cash in your pocket to spend it and then wait for the tax return. So inherently there is a delay and you're spending money early.

The second issue on the SR&ED side could be potentially the amount the consultant gets involved. So there is almost something taken off the top before the start-ups even see the money.

So there are some issues that still are desirable and need to be improved, but on balance my whole thinking here is if the total money going out the door is still the same and some is relocated from back end to front end through BDC, it is probably a good thing, because a lot of these start-ups need the money first.

Hon. John McCallum: Thank you.

Ms. Preston.

Ms. Monica Preston: This is a tough one for me, because I really don't have enough insight. I think for our company the SR&ED program is an important part of what we do, and we are investing somewhere between 15% and 20% in R and D every year in our company. I really haven't looked at that to say what impact it would have on our company.

Hon. John McCallum: Ms. Ing, I particularly want to hear you, because last time you said how much you like SR&ED, but you can't have everything, you have to choose.

Ms. Lianne Ing: Right. If you add the additional constraint that the total funding must stay even, I have to preface my answer, because I think it's difficult for me to really give a fair, unbiased answer.

As I mentioned before, our company is very heavily involved in very innovative front-end contract research and the SR&ED program has been very beneficial to us. Depending on how the reallocation occurred, I could potentially be persuaded.

Hon. John McCallum: May I ask one quick question?

I mentioned this concern. I don't particularly have this concern, but some free-market types would be concerned if you give BDC a lot of control over what sectors they choose and what businesses they choose in terms of which ones are more promising. Do any of you have concerns about that, and if so, how would you satisfy those concerns?

Ms. Lianne Ing: If I may, that's one of the aspects of the SR&ED program, which for us has been very successful. The type of work we do, which is primarily focused on radiation and explosives detection, is a fairly small niche of expertise, not just in Canada but around the world. It's an area of expertise that doesn't often show up when people are looking at a strategic overview of where investment should go. We are often in an area that would fall between the cracks. The SR&ED program has been very effective because it allows us to choose where the most promising research can be conducted, and it allows us to benefit from those tax credits without having any additional filters put on as to where the research should be directed.

Ms. Monica Preston: I think it could change if you were to switch that just to BDC. I think it could change the landscape quite a bit in terms of the companies that would be willing to take out that capital and pay for the type of interest that goes along with that type of capital from BDC.

The Vice-Chair (Mr. Mike Wallace): Thank you very much.

Do you have one quick comment, Mr. Gupta?

Mr. Karna Gupta: To your comment, the money must be used. It cannot sit in BDC. So the accountability of getting the money out the door is of primary importance.

The Vice-Chair (Mr. Mike Wallace): Thank you very much.

I want to thank our witnesses today. We have no more people on the questioning list, so thank you for your input to this study, the information you've provided, and your opinions. We'll be looking at this over the next number of weeks and we'll be writing a review of where we're going and what we're doing. We appreciate your efforts in coming here today and answering all these questions.

With that, I'll adjourn, unless there's another issue. I don't see one.

The meeting is adjourned.

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