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Chair

Mr. James Rajotte

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting number 45 of the Standing Committee on Finance. For our orders of the day pursuant to Standing Order 83.1, we're continuing with pre-budget consultations 2014.

Colleagues, we again have two panels here with us today.

We have five individuals presenting in the first panel. First of all, we have Clean Energy Canada, with Ms. Merran Smith. From the Canadian Water Network, we have Mr. Gord Lambert. From the Forest Products Association of Canada, we have Ms. Catherine Cobden. From the National Angel Capital Organization, we have Mr. Robert Douglas. From the Prospectors and Developers Association of Canada, we have Mr. Charles Beaudry.

Welcome to all of you. Thank you so much for being with us this afternoon.

You have five minutes maximum for your opening statement.

We'll begin with Ms. Smith, please.

Ms. Merran Smith (Director, Clean Energy Canada): Thank you for the invitation to present here today.

I'm the director of Clean Energy Canada. I'm here with my colleague, Clare Demerse, our senior policy adviser based here in Ottawa.

Clean Energy Canada is working to accelerate Canada's transition to a clean energy economy. When I say "clean energy", I'm talking about renewable energy sources like wind, solar, and hydro power, as well as innovation in the way we consume energy. I'd like to make three points in my comments to you today.

First, the clean energy sector is now very big business around the world. With almost a quarter of a trillion dollars invested globally last year, this is no longer a boutique or niche sector, and Canada needs to take note of this rapidly changing industry.

Second, Canada's clean energy sector has huge potential. We're producing both clean electrons and the clean energy technologies and services that are increasingly in demand around the world.

Third, the federal government could be doing much more to support the clean energy sector in Canada.

I'm going to start with the big story.

The world is making a transition to clean energy at a pace that would have been tough to imagine just a few years ago. A few facts help to illustrate that shift.

First, investors directed $207 billion to clean energy projects in 2013, which is coming close to the amount invested in fossil fuel power generation.

Second, in the past five years, the price of a solar module has dropped—I should say "plunged"—by 83%. This is a game changer for global solar uptake.

Third, there are now 144 countries that have some form of renewable energy targets, and mainstream brands like Walmart, IKEA, Starbucks, Google, and Facebook have committed to be powered 100% by renewable energy by 2020.

Finally, the big headline from China used to be that they were building a new coal-fired electric plant every week. Now they're building a new windmill every hour, and 2013 saw the first time that China invested more money in new renewable energy capacity than it did in new coal and gas-fired power plants.

This growing global commitment to clean energy has significant implications for the competitiveness of Canadian businesses. Fortunately, Canada is already well positioned for success in the clean energy economy. Analysis from McKinsey done for Natural Resources Canada found that our country has significant clean power potential.

We're already the home of the world's third largest hydro power generation capacity, but McKinsey also found that Canada could take a lead in sectors like solar power equipment, marine power, and energy-efficient buildings, among others; so it's not like we're starting from nothing. Canada saw well over $6 billion invested in clean energy last year, moving us from twelfth to seventh place among the G-20 nations.

It's essential to emphasize that in recent years this investment has been driven by provincial, not federal, leadership. While provinces have jurisdiction over electricity generation, the federal government could make a huge contribution by actively and strongly supporting the growth of the clean energy sector. In addition, clean energy is a core climate change solution. Thus, progress in the clean energy sector could help the federal government meet the national climate target it adopted for 2020, a target that we're not on track to meet.

For budget 2015, we recommend two areas of investment to support clean energy.

First, building on progress in previous budgets, add three more types of clean power technologies to capital cost allowance classes 43.1 and 43.2, which are designed to support clean energy directly. The three types would be: first, building integrated photovoltaics, which replace traditional building materials like shingles and windows with solar materials; second, investments to make buildings solar-panel ready; and third, power storage technologies that help close the gaps when the wind isn't blowing or the sun isn't shining.

Our second recommendation is to create more demand for clean power indirectly by providing a rebate to Canadians who buy an electric car. This would also have direct benefits for the growing number of Canadian companies involved in the production and servicing of electric vehicles.

Electric cars are significantly cheaper to operate than conventional cars over their lifetime, but they cost more up front. Rebates help to reduce that sticker shock so that Canadians can afford to drive cleaner cars. Because the Government of Canada likes to be harmonized with the U.S. on vehicle and climate policies, as was reiterated by Minister Aglukkaq last week, we recommend matching the current U.S. federal rebate, which offers up to $7,500 for the purchase of an electric vehicle. It's clear that the American rebate is working. The U.S. has over 220,000 electric vehicles on the road today, while we have under 9,000, far fewer even on a per capita basis.

● (1535)

Thank you. I look forward to your questions.

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

We'll go to Mr. Lambert, please.

Mr. Gord Lambert (Partner and Past Board Member, Executive Advisor, Sustainability and Innovation, Suncor Energy, Canadian Water Network): Thank you. It's a great pleasure to be here today.

My name is Gordon Lambert. I'm the executive adviser for sustainability and innovation for Suncor. I'm grateful for the opportunity to appear before you today on behalf of the Canadian Water Network, with which I've had experience both as a board member and as a partner on research.

We are here to present how a federal investment of $60 million over 10 years would enable application of a successful model to achieve benefits across Canada in areas where buy-in across sectors and decisions based on sound science are critically important.

The CWN's experience has shown significant uptake of its approach of bringing together cross-sector stakeholders around an apolitical table to address key water management issues. Based on that experience, the federal investment is forecast to attract another $120 million in investments from private and public partners, which will generate many times that in socio-economic benefit and lead to self-sustainability of the network within 10 years.

In my role as a senior sustainability professional, I've seen clear evidence that water is critical to Canada's socio-economic fabric, and managing it well provides Canada with a unique competitive advantage. Canada's agriculture and resource industries are valued in the hundreds of billions of dollars, and the global water goods and services sector is valued at over $300 billion. Innovation to optimize these sectors not only sustains quality jobs, but has a multiplier effect in other sectors like energy, infrastructure, and engineering.

Capitalizing on Canada's water opportunities could result in: improving both water use and quality in the Canadian agrifoods sector to more effectively and sustainably supply a growing domestic and global market; finding solutions that fit, both technically and culturally, in ensuring safe drinking water in small communities and for aboriginal Canadians; enabling communities to adopt financing, technical, and social innovations that allow them to deal with infrastructure deficits and increasing costs and uncertainties resulting from events like floods and droughts; and moving decisions forward on water management needs in government and the private sector to unlock the socio-economic benefits of oil and gas development, including hydraulic fracturing and oil sands, in socially acceptable ways.

The CWN is uniquely positioned to empower Canada to take advantage of these water-related opportunities. It cuts across all sectors and stakeholders and is focused on generating practical solutions based on credible science. As a national and apolitical not-for-profit, its fundamental strength lies in its objective science-based approach, not owned by any single government, industry sector, or interest group, but resulting in benefits to all.

The CWN is already a success story for the federal government. It has developed its end-user driven consortium model over 14 years as a federally funded network of centres of excellence, demonstrating the ability to attract partners to collaborate and co-invest, attracting over $45 million during that period. The opportunity for the federal government now is using this model to move key priorities forward, building on our success and the relationships we've achieved to date.

The CWN is already applying this new model successfully. In our municipal water consortium, municipalities, industry, and other levels of government are investing millions in research to advance priority issues. On top of that, municipalities representing over 14 million Canadians see the role of the CWN as being so critical that they've committed over $700,000 in 2014 alone to support its operations.

The CWN is also developing a hydraulic fracturing and water consortium, an area extremely important to Canada's energy development, where advancements in knowledge would significantly move forward both the industry and its provincial oversight. Federal investment through this proposal would support critical research to address questions of groundwater protection, governance, waste water handling, and landscape impacts.

The proposed investment would enable the federal government to apply this model going forward to ensure that innovation leads to success in areas in which it needs most to catalyze progress. Government and industry invest significant funds in important complementary programs to support research and commercialization opportunities, but none fill this critical, cross-cutting, apolitical, national niche to support broad social policy and dialogue linked to economic success through innovation in water management.

● (1540)

I thank you again for your consideration today and look forward to your questions.

The Chair: Thank you very much, Mr. Lambert.

We'll go to Ms. Cobden, please.

Ms. Catherine Cobden (Executive Vice-President, Forest Products Association of Canada): Thank you, Mr. Chair.

FPAC has made an official submission, so I will keep my comments brief, but will flag that we do have a more detailed submission at your disposal.

It is my distinct pleasure to be here today on behalf of the Canadian forest industry, an extremely important contributor to Canada's economy and in particular the rural economy. Our industry, I will remind you, is a global export powerhouse. We send product to over 187 nations worldwide. We are also the economic engine of hundreds of communities across the country that are almost entirely dependent on our existence. We employ 200,000 Canadians, and significantly more Canadians benefit indirectly as well.

You all know that the forest industry has faced significant challenges. In response, we have retooled and we have charted an interesting, exciting future direction. Our sense of confidence is supported and underpinned by an amazing and impressive innovation system with a remarkable array of new innovations in new products, new markets, and new processes. We have had the opportunity to describe our vision and our innovation agenda with this committee in the past, but I will remind you that the potential in front of us is great. By the year 2020, our aspirational goal is to employ an additional 60,000 Canadians, add an additional $20 billion to the Canadian economy, and further reduce our environmental footprint by 35%.

The government and all of our partners have been instrumental in supporting our pathway of change. This includes an array of support, from the trade posts to the investment in forest industry transformation program to the federal-provincial-industrial collaboration in a research powerhouse called FPInnovations. I will note that Pierre Lapointe, the CEO of FPInnovations, is here with me today.

Our official submission highlights three important suggestions for your consideration. Today I'll use your time to dive deeper into one of them and just mention the other two very briefly.

Our forest sector has a strong desire to fill our innovation pipeline with more ideas from colleges and universities to really leverage the brain power for this transformational journey that vision 2020 is articulating. To date we have been the direct beneficiary of research capacity in 26 Canadian universities supporting this transformation. It has been the direct result of an interesting sectoral initiative collaboration out of NSERC that was launched in 2008 and is coming to an end in March 2015.

The research outcomes of this initiative have been impressive, and I urge you to look at them in detail. I will just say that at the highest levels, through the efforts of over 120 professors, 515 students and postgrads, and close collaboration with the industry and our innovation partner of FPInnovations, Canada is now the global leader and is extremely competitive in an array of new products such as nanocrystals, bioactive papers, new lightweight biomaterials that feed their way into the supply chain of an incredible array of other sectors, bio-textiles, where we are now in the supply chain of the textile industry of India, for example, and new wood construction applications.

I'm naming just a few here. I will proudly point out that we have a new brochure in innovation with a lot more success stories called “Forest Innovation: Expect Us in the Unexpected”. We'd be happy to distribute that.

● (1545)

To maintain our edge, though, we need to build further research from these research outcomes and get further momentum. Our partners, our colleges, our universities, and we are recommending the establishment of a dedicated fund of $60 million over five years for university and college R and D to fill that innovation pipeline.

I'll close by saying that we have two additional recommendations in our brief. One is to improve our federal-provincial-industrial coordination in promoting our forest practices globally. We do continue to face environmental campaigns despite the fact that we have world-class environmental credentials. I think we could all work together on protecting and supporting Canada's brand.

The final recommendation is to urge the government to convert the SDTC next-generation biofuel fund to a biorefinery fund. This fund has been around for six years. This is not the first time I've requested this of this committee, but I do ask you to look at it again, because another year has passed, another year where it remains unspent. If you convert it, it will be applicable to the forestry sector, the agriculture sector, the biochemical sector, the textile sector, the biofuel sector, etc., to deliver our bioeconomy potential.

Thank you very much.

The Chair: Thank you very much for your presentation.

We'll go to Mr. Douglas now, please.

Mr. Robert Douglas (Director, National Angel Capital Organization): Thank you, Mr. Chairman and committee members.

I'm Rob Douglas. I'm a director of the National Angel Capital Organization, otherwise known as NACO, and also president and co-founder of an angel investor network in southwestern Ontario. I come to you this afternoon to deliver good news, both about NACO angel investors across Canada and about early-stage companies.

Since NACO's founding in 2002, a committed group of volunteers and a small staff have shaped this not-for-profit organization into the champion of Canada's angel investing. It is Canada's only national association representing angel investors.

NACO boasts over 2,000 members who receive intelligence, tools, and resources to facilitate investment into innovative early-stage companies. NACO's work supports the growth and development of a robust early-stage investor ecosystem in Canada, accelerating innovation, economic growth, competitiveness, and of course jobs.

Who are these angel investors? Typically, they are hard-working Canadians who have been successful in business and who have both the financial resources to invest in enterprises and an interest in seeing the next generation of entrepreneurs succeed. More often than not, angel investors are driven to give back to the ecosystem in which they thrive, placing greater value on coaching and mentoring a new generation of entrepreneurs than on the financial gain they may get from these investments.

Angel investors are becoming an ever-increasing force in the world of capital formation in Canada. Confronting what is referred to as the capital availability gap, angels provide private growth capital to early-stage companies before venture or institutional investors will get involved. Since 2010, available statistics indicate that over $180 million has been invested by angels in nearly 500 companies. Without this investment, many promising ventures would have failed or sought investment or relocated outside Canada.

What is NACO's challenge?

Traditionally, angel capital has come from individuals who invest solo, or as lone wolves, sourcing deals privately and making investment decisions on their own, but over the last five years, we've noticed a significant shift in this profile as more and more angels join groups to leverage the knowledge and experience of their peers. As a founder and president of the Golden Triangle Angel Network, known as GTAN, in southwestern Ontario, I have observed first-hand the tremendous power of angel investor groups. From a standing start in 2009, our organization has grown to over 100 active angel investors.

These members have invested over $20 million of their own personal capital without a single request for special treatment such as tax incentives. These members have invested in over 40 companies, coached and mentored countless entrepreneurs, and created or retained 750 identifiable jobs in our community, making GTAN one of the top five angel groups in Canada, according to a recent Industry Canada study.

There are currently more than 30 formal angel groups across Canada, most of them NACO members. Regrettably, these visible angel groups represent less than 10% of the total angel investors in Canada. NACO's challenge today is how to organize the community of angel groups and investors to maximize the economic impact of supporting innovative early-stage companies.

● (1550)

This involves professionalizing angel activity, education, best practices, and standards. NACO is seeking $5 million in financial support over the three-year period of 2015 to 2018 to undertake a campaign to mobilize those many private investors who have not yet embraced the power of angel investing, either as individuals or as part of angel groups, and who would benefit significantly from having access to other like-minded individuals through more formal investment structures.

In addition, NACO strongly supports the creation of investment vehicles that incent angels to invest and accelerate the growth of the investee companies. One such program, FedDev's investing in business innovation program, or IBI, has been very successful in southern Ontario. As I'm sure you're aware, IBI provides repayable loans to companies that have received angel investment. Of particular note is that the loans are to the investee companies, not to the angel investor.

This program serves as a model that could be replicated across the country, with positive outcomes both for productivity and for jobs. NACO likes this model and looks forward to continuing its dialogue with Citizenship and Immigration Canada, Industry Canada, and other government departments to help shape forward-looking programs that will drive economic growth and create jobs and prosperity in communities across Canada.

Thank you very much for hearing me today. I look forward to answering questions.

The Chair: Thank you very much.

I'll turn to Mr. Beaudry now, for your presentation.

Mr. Charles Beaudry (Member, Board of Directors, Prospectors and Developers Association of Canada): Good afternoon and thanks for the opportunity to present here today.

My name is Charles Beaudry, and I am here as a member of the board of directors of the Prospectors and Developers Association of Canada, PDAC, and as a member of the management team of a junior exploration company focused in the Abitibi region of Ontario and Quebec. I'm a geologist with about 35 years of experience in the mineral industry.

PDAC is the voice of Canada's mineral exploration and development industry, representing over 10,000 members. This industry is a major driver of Canada's economy, accounting for almost 4% of Canada's GDP and employing over 400,000 workers across the country, from remote communities to large cities. It is the largest private sector employer of aboriginal people.

The industry is also important to government revenues, contributing over $70 billion in the last decade to federal and provincial governments. According to the Mining Association of Canada, Canada's mining industry plans to invest approximately $160 billion in projects over the next decade.

Mineral exploration in this story is the first stage of the mineral development cycle. The purpose of this stage is to locate mineral deposits that could be economically developed. Mineral exploration is a costly and risky business, as you know. About one in 1,000 greenfield exploration programs results in economic discoveries, and even fewer become mines.

Recent data shows that making mineral discoveries has become riskier and costlier than ever before. Since 2006 the industry has been finding less even though it has been spending more, signalling that production could outstrip already shrinking base metal reserves. In Canada, per metre drilling costs, for example, which account for a considerable portion of discovery costs, have increased from $92 per metre in 2000 to $230 per metre today. This is because easy-to-find deposits have been discovered, and deposits are now deeper or in more remote parts of the country. These factors have contributed to Canada's declining attractiveness as an exploration destination. After having been the global leader in attracting exploration investments since 2002, in 2013 Canada fell to second place, behind Australia.

Rising cost challenges are compounded by the challenges companies face in their efforts to raise capital to finance exploration. In 2013 the value of financing has decreased by 23% over that in 2012, which was itself substantially below 2011 levels. Funding for grassroots exploration in particular has been hit hard, with expenditures dropping 50% in 2013. The continuation of both of these trends may compromise the ability of the mineral industry to make new discoveries in Canada, which means fewer new mines in the future.

This is why the Prospectors and Developers Association of Canada is making the following recommendations: one, to renew the mineral exploration tax credit for an additional three years; and two, to renew the targeted geoscience initiative.

One of the policy tools that has helped Canada become the number one destination for mineral exploration financing has been the mineral exploration tax credit. On behalf of the mineral exploration industry, I would like to thank the committee for recognizing the importance of the METC and recommending its permanency in your report “The Future We Want: Recommendations for the 2014 Budget”.

PDAC is recommending the renewal of the METC for an additional three years. This three-year renewal would provide longer-term stability to junior companies, enabling them to plan the financing of multi-year exploration programs and boost investor confidence.

Renewal of the METC is particularly important this year for two reasons. First of all, the industry finds itself in one of the worst financing downturns in the last 20 years. You can't explore if you can't raise money, and the METC can be a critical source of risk-tolerant capital when other sources dry up. Second, other jurisdictions are not sitting still. This once uniquely Canadian tax policy innovation is being borrowed by our closest competitor. In May 2014 the Government of Australia announced a $100-million exploration development incentive, enhancing the attractiveness of investing in that country.

As well as through its fiscal policy, the Government of Canada can also enhance Canada's competitiveness by investing in innovative public geoscience. The targeted geoscience initiative is about finding new ways to explore more efficiently and to establish camps where near-surface deposits have likely been found and developed. Technological process and methodological innovations arising out of this important initiative have already enhanced the capacity of the exploration industry to detect buried mineral deposits.

The program has already improved exploration models for a number of active mineral regions and mine sites, including the Canadian Malartic region near Val-d'Or, the MacDonald mines in the James Bay lowlands, and Cameco's millennium deposit in the Athabasca basin of Saskatchewan.

● (1555)

The PDAC recommends the renewal of the TGI for an additional five years and the maintenance of the program's funding at $25 million overall. We also recommend that the TGI include greater industry participation, particularly at the planning and design stages, and that enhancing discovery rates be made an explicit objective of the program.

By committing to research and development programs like the TGI and innovative tax policies like the METC, the Government of Canada can play a role in enhancing the competitiveness of Canada's mineral exploration industry and help our country regain its status as the number one destination in Canada.

Thank you. I will be available for questions.

The Chair: Thank you very much for your presentation.

Colleagues, I have a couple of things to mention to you and our guests as well.

There will be bells here fairly soon. I'd like to get your consent to carry on as far as we can close to the vote.

Also, I know that members like seven-minute rounds to get into more detailed discussions, but I'm recommending that we do five-minute rounds to allow as many members as possible to ask questions.

I will start with Mr. Cullen, please.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you to our witnesses.

It's too bad that we're going to be interrupted. This is an incredibly diverse and important panel and I'd like to spend an amount of time with each of you, but I'll go as quickly as I can.

I'll start with Ms. Smith.

There was a recent IEA report suggesting that solar power could become the world dominant or the largest source of producing energy, supplanting carbon sources by 2045 or 2050.

Ms. Merran Smith: That's right. The IEA is predicting that because of the plunge in the price of solar energy, which dropped 83% in less than five years, the global uptake is significant and will be more than 50% of electricity by 2050.

Mr. Nathan Cullen: Do we have a sense of what costs would be associated with the addition of those three energy sources? You want to add them to the list for accelerated capital reduction. Is that right?

Ms. Merran Smith: Yes. It would be about $10 million for each of those three under classes 43.1 and 43.2.

Mr. Nathan Cullen: Do you have an awareness of what the subsidy is right now to the oil sector and the oil sands from the federal government?

Ms. Merran Smith: I could get back to you on that, but I think we're all aware that it's significant—billions of dollars.

Mr. Nathan Cullen: It's north of a billion dollars for oil at $91 a barrel today. You're asking for $30 million per year to add these additional technology-ready sources of energy for Canadians.

● (1600)

Ms. Merran Smith: That's correct. I would also love to have a conversation about broader things that the government could do to support the clean energy sector, but this is what we're asking for today.

Mr. Nathan Cullen: You mentioned targets. Does Canada have a target right now for renewable low-impact energy?

Ms. Merran Smith: We have a target of 90% clean electricity.

Mr. Nathan Cullen: Canada does?

Ms. Merran Smith: Yes, we do.

Mr. Nathan Cullen: By when?

Ms. Merran Smith: By 2020.

Mr. Nathan Cullen: How are we doing?

Ms. Merran Smith: We're at 65% clean electricity. Quebec and Ontario do have provincial incentives. As you know, Ontario has already phased out coal. That has already taken place. There is a need for additional policies to help actually shift us to reach that goal.

Mr. Nathan Cullen: There's an argument often made by government—and I want to turn to Mr. Lambert next to talk about water—and it's the reason the Prime Minister didn't show up at the UN talks on climate, that we contribute only approximately 2% of global climate emissions right now, that other countries such as China and Russia and others are contributing more, and that Canada is doing enough.

I'm not sure what the rest of the argument goes like, but why does it matter if we're only putting 2% into the global supply of greenhouse gas emissions right now? Why would that matter? Why would our efforts matter globally?

Ms. Merran Smith: Well, for quite a number of reasons: one, to actually combat climate change globally, every nation is going to need to do their fair share; and two, Canadians contribute a significantly higher proportion of emissions per capita than others in the world.

Frankly, we have a huge opportunity here. That's what I see in front of us. There is a huge opportunity for us to diversify and actually get into the clean energy business. We have both clean electrons that we could be producing more of—

Mr. Nathan Cullen: Something that would help with growth, jobs, and long-term prosperity or something like that for the country?

Ms. Merran Smith: That's correct.

Also, there are jurisdictions such as Texas that have really gone all in and have put in place policies for supporting renewable energy. We think of Texas as an oil- and gas-producing jurisdiction. Frankly, Texas is the biggest wind supplier in the United States and is second in solar. That's just to say that these places are recognizing the value of investing in clean energy opportunities.

Mr. Nathan Cullen: Thank you.

Mr. Lambert, your group is asking for $10 million over a number of years. Some would say that the success that COSIA has had already over the last number of years is sufficient for bringing industry, municipalities, and environmental groups together.

You mentioned something about a socially acceptable way—I took that phrase—developing, fracking, and the oil sands in a socially acceptable way with respect to water.... You're from an oil company. Why would that matter to you at all? Why is water the trigger? Why is your network that you support, the Canadian Water Network, so good or able to be so good at promoting that conversation in Canada? Why does social acceptance matter to a project like this?

The Chair: Please make it a brief response.

Mr. Gord Lambert: Quite simply, water being a public shared resource, it's important that you be able to convene multiple interests to take a focus on these issues and the solutions to them. The Canadian Water Network has developed this tremendous ability to convene diverse interests, to take science and translate it to practice in an effective manner. We think that capacity within Canada is very important. It's also of a national scale. In other words, if you scan across Canada, issues related to water are of many different natures and types.

The Canadian Water Network has the capacity to be a convenor wherever that type of activity is required, including fracking and including oil sands related....

The Chair: Thank you, Mr. Cullen.

Mr. Saxton, please.

Mr. Andrew Saxton (North Vancouver, CPC): Thanks to our witnesses for being here today.

I was just reminded at the beginning of the meeting that I went to elementary school with Merran Smith, so I'd better start by asking Merran a question. I haven't seen her in over 30 years.

Voices: Oh, oh!

Mr. Andrew Saxton: It's probably close to 40 years, actually. I'm giving secrets away.

Merran, can you expand on your proposal to create a residential solar energy tax credit? I know you focused on solar energy, but are there other sources of clean energy that one could also focus on?

Ms. Merran Smith: Yes. Of the three tax credits, two of them focused on solar in part because there has been good work done by the budget and there have been credits put towards wind, biomass, and other forms of renewable energy. Today we are focusing on solar. The third one, around power storage technology, will actually benefit all renewable energy technologies. We think the package of three will be a piece that helps support getting those off the ground.

● (1605)

Mr. Andrew Saxton: Thank you very much.

My next question is for Catherine Cobden. Being a member of Parliament from British Columbia, I think I should ask the Forest Products Association a question as well.

Canada's forestry sector directly employs over 200,000 workers in all regions of the country, including in 200 communities that rely on this sector for at least 50% of their economic base. Our government has helped keep this vital industry strong with IFIT, the investments in forest industry transformation program, introduced in budget 2010, which has been successful in enabling Canadian forestry companies to lead the world in demonstrating the viability of innovative technologies that improve efficiency, reduce environmental impacts, and create high-value products from Canada's world-class forest resources. Economic action plan 2014 built on this success by providing $90.4 million over four years, starting in 2014-15, to renew the IFIT program.

How can the government help to build on the success of the IFIT program?

Ms. Catherine Cobden: Thank you very much for the question.

It's a very exciting time in the forest industry, which is what you are alluding to. We are seeing demonstrated successes out of that IFIT program. What we're asking for this time around is actually to fund the academic contribution to our innovation chain. The IFIT program does the commercialization and has helped us be the first in the world to take these new technologies to commercialization, but they never would have been able to get there without the academic engagement and the role of FPInnovations.

What we're really excited about is what additional ideas can come from colleges, from universities, from academics, and be done in ways that have practical, pragmatic application so that we can see more IFIT projects in the future. We're very excited by it.

Mr. Andrew Saxton: Thank you very much.

My next question is for the Prospectors and Developers Association of Canada. The mining industry is obviously a very important industry for my home province of British Columbia.

Could you elaborate on your proposal to enhance the targeted geoscience initiative? Will doing so help create jobs across the country?

Mr. Charles Beaudry: The idea behind the targeted geoscience initiative is really to improve our understanding of mineral deposits, how they form, and more importantly how to find them. As you know, in the interior of British Columbia there are really large areas where there is quite a bit of cover. It is quite difficult to actually explore in those areas. Also, in advanced or mature mining camps, in many cases all of the near-surface deposits have been discovered, or you have situations where you have a lot of cover, such as around Timmins, where I work. It's actually quite difficult to explore in those environments.

The TGI is meant to actually improve our capacity and our efficiency in order to help us discover deposits under cover or at depth, or in areas where it's more difficult to attain.

Mr. Andrew Saxton: Thank you.

My last question is for the National Angel Capital Organization.

Our government has provided record support to entrepreneurs with low taxes and investments such as the $400-million venture capital action plan, VCAP. How have your members benefited from the low taxes, and how have you been able to utilize the VCAP?

The Chair: Could we have a very brief response, Mr. Douglas, please.

Mr. Robert Douglas: I would say that our members have not necessarily benefited. It is the companies they invest in that benefit from our angel activities. We don't look at the personal gains of the individuals. That's not how we rank our activity.

Mr. Andrew Saxton: How do low taxes help your members?

Mr. Robert Douglas: How will low taxes help? They always help provide incentives for people to be more engaged in our companies and to work on this side of the border as opposed to taking their businesses to other jurisdictions.

The Chair: Thank you, Mr. Saxton.

We'll go to Mr. Brison, for five minutes.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

On September 23 Canada's environment minister told the UN that Canada is “a clean energy leader”. Do you agree?

● (1610)

Ms. Merran Smith: No, I don't. I think we have been very focused on our fossil-based energy systems and have not put that same kind of attention into clean energy.

We do have a relatively clean grid compared to the rest of the world because of our endowment of hydro resources, but we could be doing much better. That is my real message here today. We could be doing significantly better. We have the renewable energy resources and we have the innovation and the businesses that could become leaders in those technologies and services to export to this growing, booming clean energy industry.

Hon. Scott Brison: You spoke to energy efficiency as a priority as well. Did the eco-energy grants that the federal government used to have, which were subsequently cancelled, help create incentives for households to green their homes and cut their energy consumption? Were they effective?

Ms. Merran Smith: Yes, it was a very effective program. It had significant uptake, and it would be great to see it restored.

Hon. Scott Brison: Thank you.

The forestry industry is an example of a traditional industry that has greened its operations. Is there not potential to see a similar cleaner conventional energy industry? Would you be willing to partner with the fossil fuel industry to work together on seeing advancement in cleaner conventional industry, recognizing that conventional energy will continue to be a significant part of global supply?

Ms. Merran Smith: Sorry, I thought you were directing this to Catherine.

Hon. Scott Brison: I'm asking you whether you would see potential in cleaner conventional energy as part of the clean mix.

Ms. Merran Smith: Absolutely. We believe that fossil fuels are going to be part of the mix for a fair bit of time to come, and we need to clean them up as much as we can. We need to reduce the carbon footprint in particular, as well as the water and other environmental aspects not only of the oil sands, which get a lot of attention, but also of the growing natural gas industry, which is coming.

Hon. Scott Brison: Mr. Lambert, the FCM recently stated that the proposed new federal waste water regulations will require cities to rebuild one in four of the country's waste water systems. Are municipalities receiving enough support from the federal government to finance these upgrades?

Mr. Gord Lambert: Just to scale the challenge for you, in 2012 the installed municipal waste treatment facilities were about $370 billion, and about an $80-billion gap exists to expand those facilities to meet future needs, based on a 2012 estimate. In that regard, the application of science to make sure that whatever form these facilities take is well designed and that they're going to produce the water outcomes we require in the most economically efficient manner does require the application of best practices and science. We've already been able to save municipalities well over $100 million just through collaborating and convening with them to develop standards of treatment that are more effective.

Hon. Scott Brison: What kind of jobs potential would your proposal for infrastructure renewal and water treatment modernization have across the country? Is there potential in exportable technologies that can create different sorts of jobs and value-added jobs for young Canadians?

Mr. Gord Lambert: Our focus in the Canadian Water Network is building the capacity among our professional and scientific practitioners in water. We know that our expertise that has been developed, even so far with the water network in its current form, is very world class. We do see it as having tremendous value to take what we learn and to go internationally and out to other jurisdictions with it.

The Chair: Ms. Smith wants to comment.

Very briefly, please.

Ms. Merran Smith: I meant to mention this earlier. We've actually added up the jobs in the clean energy sector, and there are over 23,000 direct jobs in the clean energy sector. Just to compare that, there are 22,000 and change in oil sands direct employment. So there's significant employment in the energy sector now.

The Chair: Thank you.

Thank you very much, Mr. Brison.

We'll go to Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Welcome to our witnesses. This discussion is interesting so far.

Ms. Smith, you used the number of 65% renewable energy being used in Canada today. That's a lower number than the last number I heard, which was 77%. How do we base that?

● (1615)

Ms. Merran Smith: My number of 65% is renewable energy in the electricity system. We're just talking about the electricity system. I'll search through my notes and get for you where that stat comes from. I believe it comes from Natural Resources Canada.

Mr. Gerald Keddy: That's fine. You can give me that later, but all of the renewable energy together is greater than 65%, I'm expecting, in the grid, and that's not counting renewable energy that we're exporting, either as natural gas or as electricity through the U.S. It's still made in Canada.

Ms. Merran Smith: Just to clarify, natural gas is a fossil fuel, so it does not classify as renewable energy.

Mr. Gerald Keddy: Understood, but it's quite a bit cleaner than coal the last time I checked.

Ms. Merran Smith: It is cleaner than coal, but it is a fossil fuel.

Mr. Gerald Keddy: One of the comments you made was about a solar energy program for domestic builds and commercial builds. One of the frustrations I've seen is that we've never started at the bottom of that equation. We always start at the top. You go to China, where there's immense building going on and solar energy wherever you look, and they're retrofitting the roofs on all their buildings so they're on the right angle.

Have you folks done anything to talk to our builders so that you build the pitch of your house facing the right direction and you get southern exposure and also so it's the right pitch already when you perhaps put solar panels on that roof at some point? That's so, number one, it really isn't a major retrofit, and number two, it's pleasing to the eye, if you will.

Ms. Merran Smith: That's exactly it. That's the recommendation in our first recommendation for the capital class allowance 43.1 and 43.2. It's for investment to make buildings solar-panel ready. What that means is exactly what you're saying: the right pitch and the right angle. You might not be putting the solar panels on right now, but you actually invest when you're building the house so it's set up.

Mr. Gerald Keddy: You're not suggesting that we actually give some type of tax rebate to do that now, are you? For the person who's thinking they may want to use solar energy down the road, it doesn't cost them any more to change the pitch of the roof, or it costs them pennies when they're building, to make it more aesthetically appealing to them. I think you could do that in a recommendation without a budget ask, quite frankly.

On the Canadian Water Network, first of all I want to say that you guys are being smart. You have a diverse group representing all segments of the country and all segments of the economy. This is a public resource so we need to be fair and equitable in how we use it.

One of the issues that we talk about a lot here is how we deal with public water, waste water, and sewage. For the life of me, I can't understand.... I do have a bias, because living as I do in rural Canada, like Mr. Brison over there, you dig your own well, pay for your own septic tank, and if you do something wrong, you're shut down tomorrow, no ifs, ands, or buts. You will spend $20,000 or $30,000 to correct that mistake.

Have we looked at the end users in urban Canada to simply say to them that they have a responsibility here, not government?

The Chair: You have about a minute for a brief response, please, Mr. Lambert.

Mr. Gord Lambert: I would certainly agree that we need effective regulation that's properly enforced to protect the public interest, but that regulation also needs to be informed by sound science. The Canadian Water Network is helping to translate that science into new best practices that inform even better regulation going forward.

The Chair: Thank you, Mr. Keddy.

Mr. Caron, you have five minutes.

[*Translation*]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

Welcome to all of our witnesses.

Ms. Cobden, you are well aware that, in a past life, I worked for a union in the forestry sector.There's been a real change in attitude as far as the industry goes, since I was involved four, five or six years ago, when things were much worse.

I found your presentation very informative, but I'd like to spend a bit of time discussing your third recommendation, which was to ask the federal government to redirect all undeployed capital from Sustainable Development Technology Canada's NextGen Biofuels Fund to a biorefinery fund. I'm interested in that recommendation because, in my riding, the industry seems to be moving towards pellets, and biomass.

Could you please elaborate on where things stand in that regard right now? Why couldn't the fund be used for torrefied pellets or biomass in general, and how might that eventually work?

● (1620)

Ms. Catherine Cobden: Thank you for your question. I am going to answer in English.

[*English*]

In fact the biorefinery reference is a very interesting opportunity that's applicable not just to the forest industry but also to the agricultural sector and others that choose to use a bio-based feedstock.

In the forest industry we have over 80 pulp mills across our country that generate pulp, which is a high value-added product. They are very chemical oriented and we have a tremendous opportunity, for example, to convert those to biorefineries.

I think across the space our point is that it's the bio-based feedstock for the bioproducts—all of them, not just bioenergy or biochemicals—upon which tomorrow's bioeconomy is going to be based. It is from that vantage point that we have chosen our wording.

Mr. Guy Caron: Mr. Douglas, if I understand well angel investors are basically a bunch of *Dragons' Den* panellists but anonymous, not in front of cameras, right?

Mr. Robert Douglas: They're not in front of cameras. I would say there is no theatre and there is no drama. These are serious people who have been successful in business, generally speaking, and who are much more interested in giving back to their economy and seeing the next generation of entrepreneurs succeed as they have previously.

[*Translation*]

Mr. Guy Caron: Thank you.

The government has made a lot of changes to venture capital. To begin with, it set up a Canadian venture capital fund and gradually eliminated tax credits for labour-sponsored venture capital funds. So the government has made some big changes.

Given that you represent a very specific group of investors who operate in a highly specialized arena of venture capital, why do you believe the government should give them a special advantage? Would it not be better to take a more general approach or to make a more general investment in venture capital, one that your investors could benefit from as well?

[*English*]

Mr. Robert Douglas: If I may answer in English, you're saying "a more general policy" for angel investors. I don't quite understand what you might mean by that.

Mr. Guy Caron: What I mean is that basically you are representing a very specific section of capital venture.

Mr. Robert Douglas: That's correct.

Mr. Guy Caron: The government actually has a policy for a general capital venture fund. A Canadian fund has been created. Why should we pay specific attention to this cross-section of capital venture industry rather than look at capital venture as a whole?

The Chair: A very brief response, please, Mr. Douglas.

Mr. Robert Douglas: Briefly, angel investors typically invest small amounts at the early stage, prior to more senior venture capital wanting to become involved in deals. Therefore, we are filling a capital availability gap at a different timeframe than senior venture capital does. We take people through what is often termed the “valley of death”. We play a different role than senior venture capital does.

The Chair: Colleagues, we have five minutes, so we're going to vote. When we come back, we'll start with Mr. Allen.

Thank you. We'll suspend.

● (1620)

(Pause)

● (1640)

The Chair: I call this meeting back to order.

Mr. Allen, I would like to move immediately to your five-minute round, please.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair, and I appreciate getting started. I'm going to start with Ms. Cobden of the FPAC.

I'm sure you're surprised given the large forestry area in my riding as well as one of the large mills that actually take advantage of the biotextile market as well.

In your submission, you talk about the $60 million over five years to expand and accelerate university research. As you know, in our last budget we created the $1.5 billion Canada first research excellence fund to help post-secondary research institutions leverage those key strengths. I'm wondering if there is potentially an overlap of these funds here or whether that is something that could be complementary to the ask that you have.

Ms. Catherine Cobden: Thank you, Mike, for the question.

First I do want to clarify that the ask is also to engage colleges. You all have colleges in your communities that are very important to us not just for the R and D that they do, but also to provide future employees in addition to the university graduates.

The terms of reference for the $1.5 billion are not out yet, but absolutely every discussion we've had with the granting councils confirms that this is not duplication. They're facilitating very different needs. In our case what we have before us is a great capacity of these—I've already talked about them—120 university professors who have been dedicating their life research to the forest industry and have been getting funding through programs like the one that's expiring. What we're talking about is how we can keep their interest and keep them generating these ideas that are filling up the pipeline of innovation for the forest industry. Maybe we'll be surprised with the terms of reference for the excellence fund. I would encourage—and Pierre Lapointe, who is with me here, of course is going to look for the big megaprojects that might fit that, but this is more about maintaining and growing the capacity of colleges and universities in support of this path we're on.

Mr. Mike Allen: I've read your “Vision2020” report and the report card you're putting out, which is very helpful. In there you're talking about 60,000 new recruits by 2020. You are at 8,000 on the way there, so if you take that over...that means you might get to 40,000, if everything goes well.

As you pointed out, new trade agreements are going to be helpful, as are the U.S. housing starts and that type of thing.

What types of things can the government do? I have concerns, as you do, about your being able to get these people into your industry by 2020. What types of things would you suggest we do to try to encourage our young graduates and our young people to get into the forest industry?

● (1645)

Ms. Catherine Cobden: Thank you for the opportunity to address that question. It's a critical question, and we're all seized with it.

I would actually underline, Mike, that we think part of our second ask to the government and our provincial counterparts to promote the industry is actually a key element of that. It's not just to combat those campaigns that are happening—the environmentalists are taking a direct run now at the biotextile industry—but it's also important for us along the lines of attracting youth by showing off our renewability, showing off our sustainability, and demonstrating that we have the best practices in the world. I'm the mother of a teenager and that seems to be what drives them like a magnet to things. That's what we need to do. That's a very specific answer. Ask number two is what we had in mind there.

There are lots of other great things going on actually at ESDC, Employment and Social Development Canada. We're heavily engaged in trying our best to leverage all of that, but in particular, promoting our sector broadly is a huge opportunity.

Mr. Mike Allen: I would like to switch to Mr. Beaudry for a minute.

I want to take you back to a conversation that was held on May 8, 2014, at our committee meeting when they were talking about the mineral exploration tax credit, METC. The chair had quite an interesting dialogue with Lindsay Tedds at that time, and she disputed the efficacy of the METC and in fact said that many studies had been done to say that it doesn't contribute anything and that when you look at the activity since the METC has come in, there does not appear to be any evidence that it causes any additional investing behaviour as opposed to simply subsidizing investing behaviour.

Can you counter that please, and if you don't have a lot of time, if your association could write us on that, it would be helpful.

Mr. Charles Beaudry: We can certainly provide a written response, but I would say that from my own experience, I can tell you that during boom years—we are a cyclical industry as you know—the METC maybe doesn't have as much of an impact in terms of the behaviour. I can tell you that right now we're in a big deep trough that's almost as bad as the one in 1999. I would say, without solid numbers behind me, that right now if we didn't have METC, we would be running at about one-third of what we're running at in terms of activity. Even in my own experience, I've been struggling financially because of that.

Mr. Mike Allen: That's helpful. Thank you.

The Chair: Mr. Beaudry, if you do have anything further, please submit it to the clerk, who will ensure that all members get it.

We'll go now to Mr. Rankin, please.

Mr. Murray Rankin (Victoria, NDP): Thank you to all of our patient witnesses. Sorry for the delays.

I want to start my questioning with my friend Merran Smith of Clean Energy Canada. Welcome.

Why should Ottawa play a role in supporting clean energy when the provinces are responsible for electricity?

Ms. Merran Smith: That's a really good question.

Canada could be a real winner in the clean energy sector, but there is very strong competition out there. As I said, there's $207 billion being invested, but those dollars go to where there's a policy that supports the industry. Where there's consistent, stable policy, the money goes and the companies get built. Those companies not only build out capacity but they create innovations, and now we have a new product to sell. Canada is really walking in this clean energy sector while other countries are sprinting. We think we need to catch up.

The other reason is we do have climate targets which the Prime Minister committed to for 2020, and this is going to be part of the path to get us there.

I did find the numbers, Mr. Keddy, the 77%.... Those come from Environment Canada. The difference, the 65% is renewable energy. If you add in nuclear, that's what gets it to the 77%, and that's called low-carbon energy. We still have a gap to get to 90%.

I would also say Ottawa has done this before with the wind power production incentive program and then the eco-energy program for renewable energy. Ottawa does know how to do this. Ottawa also did this for other energy sectors, like the oil sands. If you'll remember, in the 1990s it was not a viable industry and Ottawa provided tax breaks, infrastructure breaks, R and D. That has been very successful and it helped that industry get off the ground. We're just saying the clean energy sector needs that if we're really, truly going to be a clean energy superpower.

● (1650)

Mr. Murray Rankin: Leadership, then, in the face of provincial responsibility, but national leadership is urgently required.

Ms. Merran Smith: Absolutely.

Mr. Murray Rankin: Why, then, should Canada, the federal government, subsidize, as per your recommendations, the purchase of electric vehicles?

Ms. Merran Smith: What we are finding is that 97% of the electric vehicles purchased in Canada were purchased in provinces where there were rebates. The rebates work. Very few provinces have rebates. That's why we're suggesting a federal rebate like the United States has and that we should match that federal rebate. In a place like California, they have a state rebate as well as the national rebate, and now 1 in 40 cars purchased is an electric vehicle, so it's really significantly working.

There are other economic spinoffs for Canada. We have an automotive industry here. We're currently producing component parts for electric vehicles, which would be increased. We did produce electric vehicles. We have an automotive industry. We could again produce electric vehicles. It would help build out that industry here as well.

Mr. Murray Rankin: My next question is for Ms. Cobden of the Forest Products Association of Canada.

As a B.C. MP, I'm very interested in your industry.

Is climate change adaptation in the forest industry an issue? If so, is there a role for the federal government, perhaps in budget terms, to address that?

Ms. Catherine Cobden: Yes. Thank you for that question.

Indeed I would say that the forest industry in Canada is at the coal face of seeing climatic impacts in our famous unfortunate scenario of mountain pine beetle. There has been federal support for mountain pine beetle science. I don't remember which budget that came from. Obviously we need to mitigate, but I think we also need to continue to adapt, and that's where scientific support comes in.

Incidentally, part of our ask here would include work to work on further pest infestation response, etc.

Mr. Murray Rankin: All right.

I only have a minute, so Mr. Douglas of the National Angel Capital Organization, this question is for you. It's a very open-ended question, I'm afraid.

I live in Victoria. We have a thriving high-tech sector. Innovation is happening with universities and industry. It's booming. Some say it's the biggest industry, yet everybody talks about having to go to the United States to get any kind of angel support.

Can you talk about what we as a country should be doing to expand our angel investment portfolio?

The Chair: Again, a brief response.

Mr. Robert Douglas: Very simply, what we are doing is what the mining industry needs to do. We need to find the angels who are hidden away in the shadows, as it were. We have only seen a fraction of those who could be investing in our companies come to the table, form groups. We feel that we have an untapped resource here that we need to mobilize significantly, and I think we'll see a change in the direction of the flow of money.

The Chair: We'll go to Mr. Van Kesteren.

This will be the last round.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you to all the witnesses for coming.

Ms. Smith, I just feel that I have to go to you and talk a little bit about energy. What the NDP doesn't tell, the story that isn't told, is that.....

Well, Mr. Brison and I, we went to China I think four years ago. They told us at that point that every two weeks they were building a coal-powered electrical plant. It was stated earlier, either by the NDP or by you, that Canada emits 2% of the world's greenhouse gases.

You know, the economic impact, and I'm not here to suggest... because I think it's important to point out that indeed in Canada, in 2006, $345 million was allocated for green energy, as was $230 million and then $1.5 billion in 2007. I can tell you that in my province of Ontario, in southwestern Ontario, that money was allocated for wind energy. If you come down to my neck of the woods, they're all over....

You must admit that you have some challenges there as well. For instance, we saw that unfortunate circumstance with the tailing ponds and the ducks, but I'm looking at statistics that talk about anywhere from 140,000 to 328,000 birds being killed by wind turbines every year. That's not very often talked about. Again, in my neck of the woods, where there is a huge migration, these are not the sparrows and robins and such; these are many of the songbirds. So there's a real challenge there.

Another challenge that I have to tell you about is the fact that Canada is a humongous country. It's cold in the winter, hot in the summer; we have huge distances to travel, and we have to stay competitive.

The final point is that we are a developed country, and the whole key to development is energy. Although we all want a cleaner and brighter world, I think you really need to give Canada marks for the effort we've made, as small as we contribute to the greenhouse gases...and yet important as it is to our economy.

I'll say one last thing. You're familiar with the acronym PIIGS, which was given to those five countries that were pretty much bankrupt in Europe. PIIGS stands for Portugal, Italy, Ireland, Greece, and Spain.

For Portugal, it was interesting. Much of their demise came from building roads. But did you know that Spain's basic demise was solar energy? They will tell you this, that they switched over to solar and it pretty much finished their economy.

I want you to explain to us...but first I have to ask you this question: what do you drive?

● (1655)

Ms. Merran Smith: I have a Toyota, a RAV.

Sorry, I'm not really a car person.

Mr. Dave Van Kesteren: So you don't drive an electric car either.

Ms. Merran Smith: I don't yet. I'm waiting for that rebate to come online.

Voices: Oh, oh!

Mr. Dave Van Kesteren: I suppose most Canadians are.

Quickly, to put the square peg into the round hole, how do you suggest that we as a world economy continue to be productive and be competitive if we make that switch too rapidly without taking these things into consideration? Take into consideration the fact that you don't drive an electric car yet.

The Chair: One minute, please.

Ms. Merran Smith: That's a lot of questions.

I'll just say that I actually live in a walkable community. I walk to my office. I walk to my kids' school. I walk to my grocery store.

Mr. Dave Van Kesteren: You have no relatives in other cities?

Ms. Merran Smith: Oh, no, I'm not saying I don't. I'd be the first to buy an electric vehicle when that rebate came online. I'd be the first in line.

There's a lot of questions there, and I'll try to answer them as quickly as I can.

The Chair: You have about 40 seconds now, so try to wrap up in that time.

Ms. Merran Smith: You went to China four years ago. Things have changed significantly in China. If I have only 40 seconds, I think that's what I will focus on.

China is now the biggest investor in solar and the biggest investor in wind. They have built the most in wind and are almost at the most in solar. They have declared a war on pollution because of air pollution issues. They are now putting up a windmill every hour. They are not building coal at the same rate they used to. They have put more investment into clean energy and renewable energy electricity than fossil fuel electricity.

That's what Canada needs to take heed of. It's not that people aren't using fossil fuels. I hope you haven't heard me say today that I think people will stop using fossil fuels in the near future. They won't. What they're doing is they're transitioning, far more rapidly than we're taking note of, to clean and renewable energy.

I'm also saying that there's a huge opportunity for the Canadian business sector in that. We need to actively take action to get a piece of that pie, or others in the world.... Our competitors are going there. The United States, China, and the EU are going there. They're going to be developing the technologies and we'll be buying them from them.

The Chair: Thank you.

I'm sorry to have to cut this discussion off, but perhaps the two of you could continue this off-line.

I want to thank all of our panellists for being here, for presenting on our pre-budget consultations.

Colleagues, we will suspend for a few minutes and bring the second panel forward.

● (1655)

(Pause)

● (1705)

The Chair: I call this meeting back to order.

I want to welcome our second panel of guests to the pre-budget consultations 2014.

Colleagues, we should have four presenters. I see three now. I think the fourth is on the way.

First of all we have, from the Canadian Vehicle Manufacturers' Association, the president, Mark Nantais. Welcome back to the committee.

[*Translation*]

We also have with us Pierre Patry, the treasurer for Confédération des syndicats nationaux.

Welcome once again, Mr. Patry.

[*English*]

From Downsview Aerospace Innovation and Research, we have the executive director, Mr. Andrew Petrou.

We are expecting the U15 Group of Canadian Research Universities. I believe their chair is on the way.

You will each have five minutes for an opening statement, and then we'll have questions from members.

We'll begin with Mr. Nantais, please.

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): Thank you very much, Mr. Chairman, and thank you as well, honourable members, for inviting me here today for this important discussion.

I represent Chrysler, Ford, and General Motors Canada. Collectively our members account for approximately 60% of all vehicles produced annually in Canada. We operate five assembly plants and multiple engine and components plants, and have roughly 1,300 dealerships across the country.

Why does auto manufacturing matter to Canada? I'm not going to go through my entire list. Let me highlight a couple of things, if you wouldn't mind.

First off, motor vehicles are the number one manufactured good. We directly employ about 115,000 employees and each of those assembly jobs creates nine other jobs in the economy. It has a job multiplier second to no other manufacturing sector.

We directly contributed over $16 billion to GDP in 2013. We uniquely have the ability to generate very high value-added jobs. The auto trade itself accounts for nearly $100 billion in two-way trade between Canada and our primary trading partner, the United States.

The Canadian auto manufacturing industry plays a critical role in Canada's economy through its ability to provide jobs for families, contributions to the fiscal sustainability of communities, and literally millions and millions of dollars of tax revenues to all levels of government. The industry contributes to a vibrant research, development, innovation, and commercialization presence in Canada. CVMA member companies' auto research facilities undertake leading developments in powertrain, lighting research, fuel economy and light weighting, cold weather testing, and stationary emissions reductions, as well as advanced vehicle engineering, design, testing, and analytic activities.

Canada's competitiveness in research and development, innovation, and commercialization, with emphasis on commercialization, is directly related to its competitiveness as an auto manufacturing jurisdiction of choice. Given the increasingly aggressive competition for automotive investment globally, it is critical that the government have informed discussions with industry, such as we are having today, related to our competitiveness. What is important is that we look at competitiveness challenges as connected dots and not view issues in isolation.

Auto manufacturing and research are a continuum and Canada needs to be competitive on both of these fronts. As such, the automotive investment fund, the scientific research and experimental development credits, and the accelerated capital cost allowance need to be compared and be responsive to aggressive incentives offered by other jurisdictions as part of connecting the dots.

Before we focus on the challenges, I want to highlight a couple of the advantages that Canada offers for investment. First off, Canada has a strong foundation of automotive assemblers and suppliers with proximity to North American markets. It has leading-edge automotive research and development facilities in these selected fields. The government has kept corporate tax rates low, which has been especially important. The government's support of Canada's apprenticeship system leads to a well-trained automotive workforce, including the skills trades. All of these factors lead to Canada's well-deserved reputation for quality.

The government's continued support of the Canadian Automotive Partnership Council, CAPC, also provides benefit in that all five manufacturers here in Canada come together with labour, researchers, and levels of government to collaborate in the best interests of the industry as a whole. CAPC released an important report a year ago that examined the current global competitive environment and provided recommendations to both the public and the private sector that would better equip Canada to compete in this time of heightened global competition for auto investment. I sent the “Call to Action II” report to all of you last November. I would encourage you to refer to that report as part of your deliberations.

The office of automotive and vehicle research at the University of Windsor reported that automakers spent $17.6 billion around the world in 2013 to increase vehicle-making capacity, but virtually none of this was placed in Canada. Save and except for today's Ford announcement, which has been in the works for some time, this marks the third year in a row that Canada has missed investment decisions, underlining the need to put invigorated focus on ensuring the right incentives and policies are in place to support Canada's competitiveness for auto investment going forward.

Given the intense global competition to attract these economically beneficial automotive investments, it is critical for Canada to have a competitive investment support strategy in place to secure reinvestment in its existing automotive production footprint.

The automotive investment fund has an important role to play in commercialization. It needs to evolve into a predictable investment support program that is competitive with other jurisdictions to ensure that Canada has the most competitive tools, including the magnitude and form of the AIF, which is a fully repayable loan, its tax treatment, required conditions, and speed of approval.

● (1710)

Additionally, the current AIF tax treatment, which stipulates that the repayable loan must be taxed in the year the loan is received, results in a federal incentive that is uncompetitive when compared with cash incentives offered by other jurisdictions in North America and globally. By changing the tax treatment, there would be virtually no cost to the government, as the loan is currently taxed in the year received and deducted from expenses in the year it is repaid.

As such, the net revenue impact to government is zero, but the tax treatment does significantly reduce the benefit to industry. I would encourage the government to consider this closely as part of your deliberations.

The fact that several large investments were made outside of Canada should be a signal to Canada's automotive innovation fund that it needs to evolve in order to become competitive. Making an enhanced and globally competitive AIF permanent would also improve Canada's ability to compete for future investment decisions by providing certainty and predictability in a business climate where these decisions are made.

Mr. Chairman, I'll stop there. We do have other recommendations in terms of accepting the CARI proposal, which is in our submission, and a few other comments with respect to SR and ED credits and how they should also evolve in response to other programs in other jurisdictions that are getting new investment.

Thank you.

The Chair: Thank you very much for your presentation.

[*Translation*]

Mr. Patry, you have five minutes. Please go ahead.

Mr. Pierre Patry (Treasurer, Confédération des syndicats nationaux): Thank you kindly, Mr. Chair.

The Confédération des syndicats nationaux , or CSN for short, would like to thank the Standing Committee on Finance for the opportunity to share its position as part of the pre-budget consultations for the 2015 budget.

The CSN is a trade union federation made up of nearly 2,000 unions representing some 325,000 workers. In my short presentation, I will speak to five themes that, in our view, should receive special attention in the next budget.

In its last budget, the federal government announced recurring and sizable surpluses beginning in 2015-16, as well as the gradual diminishing of the debt. This situation is the result of major cuts to government spending in the name of fiscal restraint. In addition to the impact those cuts had on jobs and working conditions in the federal public service, the government spending reduction strategy hurt public services and programs that are essential to the well-being of Canadians. The strategy's effects on Radio-Canada and federal detention centres are just two examples.

From the CSN's perspective, the government's obsession with balancing the budget and eliminating the debt clearly illustrate the government's desire to diminish the role of government. Government spending as a share of GDP has continued to drop and has hit an all-time low. That said, the federal government's budgetary outlook also denotes a fiscal imbalance with the provinces. As the provinces are called upon to respond to growing demands, the federal government has freed up significant room to manoeuvre by withdrawing their support from a number of programs, at the provinces' expense.

The federal government's unilateral decision-making when it comes to equalization payments and the Canada health transfer have had serious consequences on all the provinces. In Quebec, the fact that two caps have been imposed on the equalization program has deprived the public purse of $8.6 billion since 2009-10. Estimated losses resulting from the changes to the Canada health transfer will hit nearly $10 billion over the next 10 years.

Furthermore, the federal government announced that it would hold the indexing rate for the Canada health transfer and Canada social transfer at 3%. The social transfer helps to fund post-secondary education and social assistance. Even after allowing for inflation, these amounts are lower than they were in the mid-1990s. For Quebec, that means an annual shortfall of some $800 million.

It is clear: the federal government's decisions to pull back from financial commitments represent substantial amounts. The CSN considers this unacceptable. We are calling on the government to enter into talks with the provinces swiftly to rectify the fiscal imbalance. The equalization formula needs to be revised. The federal government also needs to improve health and social transfers.

I will now turn to the second component: jobs. With growth prospects being modest and weak, the state of the labour market is less than stellar. Job growth has been sluggish, and for over a year, any new jobs that have been created have primarily been part-time jobs. It is obvious that the many tax breaks granted over the years have not produced the expected results as far as private investment, enhanced productivity and high-quality job growth are concerned.

Corporate cash flow is not the thing that is lacking; demand is what remains weak. The government needs to change course and develop a true industrial strategy. Such a strategy must promote a strong manufacturing sector and support its development, including in Quebec. And larger investments in infrastructure would, without question, be a way of achieving that.

It is also crucial that the government make it an immediate priority to transition to a sustainable economy that produces fewer greenhouse gases and that it adopt serious measures to that end. The government must also ensure that such a transition generates green jobs.

For a number of years now, the CSN has, together with other groups, been calling for improvements to the EI system. The current state of the job market requires a total overhaul of the EI program, which is clearly not meeting its objective of providing income protection to the unemployed. It is unconscionable for the program to run a surplus when fewer than four out of ten unemployed workers receive benefits. The surplus must be used to enhance the program, not to lower EI premiums.

Today, Canada is among the lowest ranking OECD nations when it comes to the growth of income inequality, a situation that should concern the government. As institutions such as the IMF and the OECD now acknowledge, significant inequality hurts growth.

Before I wrap up, I would be remiss not to mention the government's decision to gradually eliminate the tax credit for the purchase of labour-sponsored fund shares. It is hard not to see the government's decision as an ideological one. Quebec is home to the two largest funds. They were set up by unions and do not focus exclusively on for-profit businesses; they also support social economy enterprises, cooperatives and specialty funds, particularly in the clean technology sector.

● (1715)

That is especially true in the case of Fondaction CSN. As the CSN sees it, the elimination of the tax credit reflects the government's contempt for the Quebec model. It is imperative that the government reverse its decision.

In conclusion, I want to express our concern over the fact that, in recent years, the government has made a habit of introducing mammoth budget implementation bills that very often contain measures unrelated to the budget. We question the use of such a practice in a democratic system.

Thank you, Mr. Chair.

The Chair: Thank you very much for your presentation.

[*English*]

We'll now hear from Mr. Petrou, please.

Mr. Andrew Petrou (Executive Director, Downsview Aerospace Innovation and Research): Mr. Chair, I would first like to thank you for this opportunity. I am here today representing DAIR, the Downsview Aerospace Innovation and Research consortium. The consortium represents four leading academic institutions along with nine industry leaders which have come together with the mandate of establishing an aerospace hub at Downsview Park.

DAIR's mandate is a direct reflection of the Emerson aerospace review as cited in recommendation 17 which states that such a hub “would leverage Ontario's very best educational institutions in a unique partnership designed to develop innovative new technologies, aid in workforce training and skills development, and participate in supply chain development activities.” It goes on to say that this hub would provide an anchor point to a proposed aerospace technology corridor between Toronto and Montreal and across Canada to enhance the capabilities of all.

DAIR's mandate and the Emerson report indicate that Canada's aerospace sector is at a turning point and there is action to be taken in order to ensure that Canada can continue to meet industry needs and maintain a competitive advantage in the global aerospace sector.

Currently, Canada is among the leading aerospace nations in the world. Its aerospace industry is the fifth largest, and the second largest relative to the size of the economy.

The industry generates $22 billion in annual revenues, employs a workforce of 66,000, exports 80% of its output, and is the second most research-intensive industry in Canada. It includes the world's third largest commercial aircraft manufacturer, Bombardier, and a wide range of global leaders. It is a strategic sector in every sense of the term.

Yesterday's achievements, however, are no guarantee of tomorrow's success. The conditions that have prevailed over the last several decades are being replaced by new and fundamentally different global trends that are dramatically changing the competitive landscape. Examples include an industry that is set to double by 2020, but has the challenges of an aging workforce. For example, the Bombardier facility in Toronto which currently employs 4,000 people will have one-quarter of its workforce who will be eligible for retirement within the next five years.

Other challenges that we are facing include competing global markets, and a need to move small and medium enterprises up the supply chain, as future major platforms prefer to deal with large companies.

DAIR has proposed the development of an aerospace hub at Downsview Park as the solution to the challenges previously mentioned. The proposed hub is a place where aerospace industry and academic stakeholders can co-locate for the purpose of increased collaboration and enhanced opportunities for advanced R and D and commercialization. There are three primary building blocks of the Downsview aerospace hub: academic institutions, industry, and the DAIR innovation centre.

Downsview Park, under Canada Lands Company, is considered a strategic location as it is endowed with ample area for development within city limits, an existing runway, close proximity to expanding TTC and GO transit, and a current Bombardier aerospace presence which is expanding to include two new assembly lines.

The Department of National Defence and Defence Research and Development Canada are also on site. Downsview Park has a long history tied to the Canadian aerospace industry as it houses the historic de Havilland building. To date, the province has awarded Centennial College $26 million towards the repurposing of this historic building to develop a training facility for our future workforce.

The DAIR working group meetings have already been productive with space and aerospace companies collaborating, and universities and colleges looking at the creation of hybrid programs and research projects that will benefit multiple stakeholders. DAIR has also assisted the province in promoting aerospace to potential international companies as they look for expansion into Canada. At a local level, the Downsview hub would have a positive impact on the surrounding neighbourhoods, with several having been identified as high priority.

In order for the hub to become a success and strengthen Canada's position as an aerospace leader, DAIR is requesting a financial commitment from the federal government of $60 million over five years towards the repurposing of existing facilities at the Downsview site in order to create this hub.

According to the business case written by KPMG in January 2014, the creation of the aerospace hub at Downsview Park is projected to facilitate the development of up to 14,400 sustainable jobs and provide direct, indirect, and induced benefits of up to $2.3 billion over the next 20 years. Therefore, it is evident that the creation of the aerospace hub can provide a viable and sustainable solution to the skilled labour needs and will increase the competitive advantage in the aerospace industry for both Ontario and Canada.

Thank you.

● (1720)

The Chair: Thank you very much for your presentation.

We'll now hear from our last presenter, Mr. Feridun Hamdullahpur.

On behalf of the committee, welcome. You may start your five-minute presentation.

Dr. Feridun Hamdullahpur (Chair, U15 Group of Canadian Research Universities): Ladies and gentlemen, thank you for the opportunity to appear before the committee.

I'm here as chair of Canada's U15 group of research-intensive universities, a role I fulfill in addition to my role as president of the University of Waterloo.

As you may know, this is the second time our organization has appeared before the committee. The first instance was an appearance last year by my colleague Elizabeth Cannon, U15 vice-chair and president of the University of Calgary, to advance our proposed advantage Canada research excellence fund. I would again like to thank the Government of Canada for delivering on this recommendation by way of the Canada first research excellence fund in budget 2014.

Canada's U15 universities serve as a collective voice of Canada's research-intensive universities, representing $5.3 billion in university research undertaken annually in Canada. Our role is to advocate for the provision and sustainability of a robust environment for Canada's research-intensive institutions, as these universities deliver immense value for Canada through knowledge creation and innovation, and through partnering with government and industry to give Canada's economy a competitive edge in the global marketplace.

U15's intent in appearing before the committee today is not to deliver a specific ask to the panel's members. Rather, our goal is to emphasize the achievements resulting from Canada's support for our overall research and innovation ecosystem. This is the ideal venue to do so, as it is fundamental to the committee's mandate of considering how Canada can increase competitiveness through knowledge mobilization, increase the global reach of Canadian businesses, and build new national digital competitive advantages.

I would like to emphasize that over the last several years, Canada's research-intensive universities have undertaken critical steps to better align our research environment with other national priorities, including government and private sector needs. We have delivered on this while steadfastly preserving our perspective that universities are knowledge creators and educational facilities first and foremost.

Canada's research-intensive universities' biggest contribution to the country's innovation ecosystem and to knowledge mobilization is the development of a talented and innovative workforce. U15 institutions alone graduate more than 110,000 people annually, including more than half of Canada's master's degree holders and more than 75% of its Ph.D.s. These graduates find employment with many Fortune 500 companies, in upcoming SMEs across all sectors that are on the cutting edge of developing new technologies, in all levels of government, and in the not-for-profit sector.

Businesses turn to research-intensive universities to help them develop new products and services through faculty consulting, the use of the state-of-the-art facilities available on our campuses, and contract research. U15 institutions conduct more than 80% of private sector contracted university research in Canada.

World-class research excellence is what also allows U15 institutions to create critical international networks and opportunities, and to serve as national strategic assets in helping Canadian businesses to compete. Research-intensive universities develop rich international networks of students, alumni, faculty, researchers, and institutions through research collaborations and partnerships, and through student, faculty, and researcher mobility.

These global networks and the export of research services strengthen and spread Canada's brand as a leading knowledge economy and can create channels for Canadian businesses to take their products and services into new markets.

The Chair: You have one minute.

Dr. Feridun Hamdullahpur : In conclusion, I would like to emphasize for this panel the critical role the federal government plays in supporting the full spectrum of discovery and applied research and in enabling the development of highly qualified and competitive graduates. This robust partnership between the federal government and Canada's universities is essential to Canada's economic strategy and central to any discussion of research, development, innovation, and commercialization in Canada.

● (1725)

In the excitement generated by CFREF, we must remember that Canada’s granting councils and CFI require sustained, predictable investments to maintain this indispensable foundation for research excellence.

I will conclude my comments by reiterating U15's commitment to supporting Canada's economic competitiveness through strong and extensive research partnership activity with both the private and public sectors, and through fostering a policy and funding environment conducive to innovation and knowledge mobilization.

Thank you very much.

● (1730)

The Chair: Thank you very much for your presentation.

We'll begin our five-minute round of members' questions with Mr. Cullen, please.

Mr. Nathan Cullen: Thank you to all our guests today.

This will be a bit rapid-fire, so let's go through it. There are a lot of topics on the table today.

Mr. Nantais, with the possible exception of, although not to exclude it, the announcement from Ford today, the thing that stood out most for me in your presentation was your quoting from the Windsor study at the office of automotive and vehicle research that nearly $18 billion was invested worldwide just last year in the building and enhancing of automotive plants around the world, but none of it here in Canada.

Is it your contention that it's the way our tax code works right now and that if it were shifted, Canada would gain greater access to this investment?

Mr. Mark Nantais: In very simple terms I think the answer to that would be yes.

One thing that I didn't get a chance to mention was the SR and ED credit system. Changes were made to that program which made it less effective than it had been previously.

Mr. Nathan Cullen: Specifically what changes? The committee is looking for—this is to all of our witnesses—very specific recommendations that we will forward to the government.

Mr. Mark Nantais: The changes to the program, to reduce the credit and eliminate capital and other required expenditures from the total, make it less of an incentive to draw and secure new research and development in Canada. For instance, the ability for large companies to exchange unused SR and ED tax credits for direct funding when used for new R and D projects would be an improvement. Ideally, this would include capital assets for research and development facilities, building of new R and D facilities, and/or investment in machinery and equipment for R and D purposes.

Mr. Nathan Cullen: This question is for you, and then Mr. Hamdullahpur. What are the challenges with regard to research and development, particularly in the private sector? Why does Canada seem to lag so consistently behind our competitors with respect to private sector research and development? Maybe Mr. Hamdullahpur will suggest public contributions in research and development also is to the mid or lower range of the OECD.

I have one final question for you, Mr. Nantais, around the single window option. For somebody who is a bit of a neophyte with respect to your industry, why would that be so imperative, and why would that put us on par with places like Mexico and others?

Mr. Mark Nantais: The single window approach, with ProMéxico as an example, is exactly that: it's a government agency that basically works with all levels of government. It removes any sort of regulatory impediments. It coordinates the incentives that would be given as part of a package, a single package. That would include virtually everything from cash on the table to tax incentives to infrastructure incentives.

We have in Canada—

Mr. Nathan Cullen: Excuse me for interrupting, but is it between the different levels of government as well?

Mr. Mark Nantais: Correct. Municipal, state, federal: all of these levels of government come together under ProMéxico, as an example. Similarly, Tennessee has done that, and they've been very successful in bringing new investment. Why? They can process applications more quickly. They respond to the companies' needs. Quite frankly, they are very hungry for new investment because of the economic spinoffs that come from automotive investment.

Mr. Nathan Cullen: In terms of that $18 billion that went globally last year, Canada, as it presents right now, is a harder place to land that money simply because the investors, the companies themselves, have to wade through the different levels of government in terms of offers and supports and tax initiatives and translate all of that. Hence, Korean automakers, for example, are building in the U. S. They're building in Mexico. They are not building in Canada as of today.

Mr. Mark Nantais: Correct.

Mr. Nathan Cullen: Okay.

Mr. Hamdullahpur, I wanted to come to you with that question. I pose it as a sincere question. Why does Canada so consistently lag behind, or find itself in the middle of the pack with respect to private sector R and D? Particularly, would you make any connection...?

There have been billions of dollars in tax cuts made to corporate Canada over the last number of years. The previous finance minister noted that this wasn't being recycled back into research and development from those same companies that received the money in tax breaks. Is there any way we can incentivize that as well as support programs like yours?

Dr. Feridun Hamdullahpur: This question is the right question. We see this as one of the missing pieces in this entire research ecosystem. It does exist, but it doesn't exist at the level that we believe will really provide a very energetic research environment in Canada.

One of the main reasons, we believe, is that this is a cultural issue before anything else. The private sector will have to understand that innovation will have to be the core of their businesses. If you do not innovate, regardless of how successful the business currently is today it will not continue to be successful in the future.

For many companies around the world, the private sector institutions that collaborate with universities, this is the primary purpose of the collaboration. They're in a constant search for innovation and are trying to find new ways, new methodologies, and new products through university-based research. There are—

● (1735)

The Chair: Very briefly, please.

Dr. Feridun Hamdullahpur: There need to be policy changes. Nevertheless, I believe it requires a major cultural shift in the private sector in Canada.

Mr. Nathan Cullen: Thank you, Mr. Chair.

Dr. Feridun Hamdullahpur: I didn't know that I was limited by time in answering the question, so thank you.

The Chair: Yes, we're all limited in our time. It's the one constant.

An hon. member: We're paid by the word.

Voices: Oh, oh!

The Chair: We'll go to Mr. Adler, please, for a five-minute round.

Mr. Mark Adler (York Centre, CPC): Thanks to all the witnesses for being here this afternoon.

We have a unique responsibility here at the finance committee during these pre-budget consultations, insofar as we have to submit a number of recommendations on how to use what we anticipate will be an upcoming fiscal dividend. It's very important that we are able to separate the wheat from the chaff when we submit our recommendations at that point.

I want to begin with you, Mr. Petrou, if I may. We are at a very critical crossroads in the aerospace sector here in Canada. We saw that with the Emerson report, which highlighted all of the difficulties and the challenges we have going forward.

I have a number of avenues I want to go down with you, but initially, could you talk about how competitive the international marketplace is in the aerospace sector right now? If we don't get on that train which is leaving the station now, we're going to be in a lot of trouble.

Mr. Andrew Petrou: The numbers speak for themselves. We're seeing many countries come to life. We know it's projected there will be a need for 35,000 new planes, which is a value of $4.8 trillion, between 2014 and 2032.

We're in the perfect storm. You have the Asian market, I'll call it, emerging with a middle class that's demanding to travel. We're seeing countries like China and India building massive runways to facilitate that. In the same breath, you have the U.S., whose whole fleet is getting to the end of life, so they need to replenish that fleet as well.

It has become a rush. You're seeing countries emerge that have never been in aerospace starting to build hubs, Mexico being one of them and Brazil being another. Singapore has thrown a lot behind this. The U.K. has thrown two billion pounds behind a hub. We're seeing many of these countries starting to emerge because of this demand.

Mr. Mark Adler: We're also seeing India and China getting on board, too, which is remarkable.

A number of my colleagues came back recently from the Farnborough air show. They went there not really knowing what to anticipate when they got to the show, but their minds were just blown away by the level of interest on the global scene in the aerospace sector. This is really important for us as a country.

Could you talk about the skilled workforce? You broached this a bit. Bombardier is in the riding of York Centre, which I'm so privileged to represent. Right now they have 4,000 direct jobs and people employed at Bombardier. The problem is an aging workforce. The average age is something like 54 or 55. Those people are going to retire. Where are the people going to come from to replace those people who are on the cycle of retirement?

Mr. Andrew Petrou: The critical point is that we need to skill our youth to replenish this demand. One of the members of DAIR, Centennial College, simply listed an opportunity for potential positions of 60 seats for training just on assembly, and over 350 people showed up. It is this opportunity that is there for us, but we need the key factors, the equipment and tools to do that training and have it at a high level.

We must remember that Canada leads in understanding aerospace and the training of the industry because of the cost and also our knowledge, but what's happening is that if we don't keep moving and keep our students and graduates current, we will lose out to these emerging countries.

● (1740)

Mr. Mark Adler: Putting all of these different facilities on one site, into one hub, would go a long way to do that. It would be critical to its success.

Mr. Andrew Petrou: It would accelerate something we have never seen before. For example, if you have a university and a college talking about hybrid programming with an industry partner on site, imagine walking students on their first day of class into Bombardier's 4,000 employee facility to watch planes being assembled, to the point where if Bombardier had a plane out of service, instead of landing it in Arizona to be chopped up, they donated it to an institution so the students would have the latest in technologies.

It would create such a micro ecosystem that would accelerate productivity on every level, which we have never seen before.

Mr. Mark Adler: How critical is this to the success of Canada's future aerospace sector, and what does it mean for our national economy?

You mentioned that 80% of the product that is produced right now is exported.

Mr. Andrew Petrou: I think it's make or break. If we do not expedite the opportunity for this hub to come together—

Mr. Mark Adler: —now—

Mr. Andrew Petrou: —now, then we're going to be looking in the mirror saying that we've missed out on this incredible opportunity. The opportunity is now.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Petrou.

Thank you, Mr. Adler.

Mr. Brison, for up to five minutes, please.

Hon. Scott Brison: I would like to begin with Mr. Hamdullahpur.

In your presentation you discuss some of the challenges from a funding perspective in terms of research and granting councils. Federal funding for the tri-councils has not been keeping up with inflation in recent years. Accounting for inflation, SSHRC funding has dropped by more than 10% since 2007. NSERC is down 6.4%, again, accounting for inflation. CIHR is down 7.5%.

What is the impact of these cuts on the ground for the research community? What kind of trade-offs are your members making when it comes to research and innovation to account for that?

Dr. Feridun Hamdullahpur: While we are accounting for innovation, we also recognize that our economy has gone through a major crisis. Overall, at universities, we were, I wouldn't say extremely pleased, but comfortable with the fact that our research grants, or grants from the tri-councils, did not experience major cuts.

We are looking at the entire continuous system, and in this system there are emerging elements that are making our researchers excited, like Banting's and the Canada first research excellence fund, and other initiatives.

When we look at the trajectory, I think our researchers at universities are still quite optimistic that the research environment is on an upward trajectory.

Hon. Scott Brison: What do you see as the biggest gaps to be addressed in Canada's digital infrastructure?

Dr. Feridun Hamdullahpur: Our biggest gap right now is our focus for lack of investment in that area, not just monetary investment, but our universities, and also investment in terms of our resources, and talent investment.

We need to bring our collective heads together to ensure that we are allocating enough resources and providing the kind of environment so that this gap will close very fast.

Hon. Scott Brison: Thank you very much.

Mr. Nantais, it's nice to see you back at committee. We recognize the incredible importance of the automotive sector to our economy.

What are the best programs that you've seen, in terms of examples of federal government leadership, in terms of helping the auto sector create jobs in Canada? Perhaps you could give us a couple of examples of what you have seen of federal government-led best practices from the past that have worked in creating jobs here in Canada.

Mr. Mark Nantais: I'll give you three, and then one proposed.

First off is the automotive investment fund. Certainly the top-up of that fund was extremely important. Certainly, we wouldn't be where we are right now if it wasn't for that fund, as well as SR and ED, as well as the accelerated capital cost allowance. These are all things which are very positive in terms of moving new investment along.

There is now the Canadian Automotive Research Institute, CARI, proposal. The reason we are so supportive of this proposal is that while other parts of the system deal with basic research, or peer research, the key thing—and this is why other jurisdictions are getting so much of the new investment—is that they're responding to industry's needs on the innovation, product development, and commercialization side.

This is something where we lack. It is what we call the valley of death. I heard that earlier today. It's that valley of death that is being filled by other jurisdictions in the programs they are putting in place. That's what is really critical here. They do that because they're going to keep the jobs there.

It's important, particularly at our critical juncture where we have new GHG regulations for vehicles. These are technology forcing. There is going to be no single technology pathway. There are going to be multiple pathways. Innovation is going to take us there, and this is a program that is going to be very helpful.

● (1745)

Hon. Scott Brison: The SR and ED program was very important to your sector, and it would be a good idea to bring it back and address some of the issues with it, but to bring it back.

Mr. Mark Nantais: These are programs in response to what other jurisdictions are doing and they need to evolve. Some changes were made to the SR and ED program that actually diminished the value of the program to our companies. That needs to be addressed. The AIF money is very helpful but it needs to evolve in response to what other jurisdictions are doing as well.

Those are the key things here, evolving and being responsive to what other jurisdictions are doing to attract new investment.

The Chair: Thank you, Mr. Brison.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: Thank you all for coming.

Mark, I want to keep on going with you. I want to talk about some other good things, the good news coming out of Ford today, actually great news. Ford is an interesting company. As you know, I'm from the automotive industry in a past life, and I remember the old Fords. What they did is nothing short of spectacular, in a short period of time, by creating a whole new line and being competitive at the world stage.

If I understand this correctly, the plant in Brampton—I believe it's in Brampton, the one with 1,000 workers—will be able to export cars from Canada into jurisdictions other than North America. Am I right?

Mr. Mark Nantais: It's the Oakville Ford plant. The key thing with new investment and product mandate is to have a global platform so that we can actually export from Canada.

Yes, our companies generally build where we sell, but the idea now is to maximize capacity utilization, find global mandates, and export product from Canada.

The Chair: Sorry, Mr. Van Kesteren.

Colleagues, we do have bells for 30 minutes. Can I assume there's consent of the committee to go for another 15 or 20 minutes?

He has five minutes.

Mr. Nathan Cullen: Okay, yes.

The Chair: He actually has four minutes left.

Mr. Dave Van Kesteren: The European trade agreement is a darned good thing. It's going to open up some.... Would you agree?

Mr. Mark Nantais: We're in support of the CETA because one of the key aspects is that it puts a placeholder in there that recognizes the integration of the industry. As and when the EU-U.S. agreement comes forward, we will be able to accumulate content that is important for the rules of origin. If we can't meet the rules of origin requirements, we're dead in the water. We can't benefit.

Mr. Dave Van Kesteren: On that note, I remember having come here in 2006. The auto industry was interested in making some changes. There were some things that just weren't right. Harmonization was one of them. We managed to accomplish that, and that must be a great help for the auto industry.

Mr. Mark Nantais: Canada-U.S. harmonization is the primary... and we have global forums in which we're going to look at global harmonization.

Mr. Dave Van Kesteren: That's next.

On the bridge to the United States, we heard from all the cross-border work that was being done between plants that was just critical, another great advancement for the auto industry.

Mr. Mark Nantais: It is indeed, and we just have to get the other side of that.

Mr. Dave Van Kesteren: Yes, and we're well on the way there.

You mentioned the investment fund. I can just rattle some of those numbers off. I pulled them up. There was $80 million to Ford for their engine plant. That was part of that. Linamar Corporation received $55 million in AIF funding. Toyota received $70 million, and then Magma, $22 million, and Toyota $17 million again. That money was being used by these industries to help make better cars, and the result was a stronger automotive industry here in Canada.

Mr. Mark Nantais: Mr. Van Kesteren, if I could say though, we are now at the next cycle, so decisions have to be made now for the next round of investment. We've seen 17 new investments go into Mexico, as an example.

Mr. Dave Van Kesteren: I heard that, but are you suggesting that we have to start to bribe these companies to stay? Do we have to offer them money?

We are doing these things because I remember sitting here and your group coming and other groups coming. You needed the harmonization. You needed the bridge. You needed the investment fund. You're saying the next.... Can you maybe explain that to me?

● (1750)

Mr. Mark Nantais: There are a couple of key things here. Those loans took us to where we are now. We are in a sort of three- to five-year cycle on new investments. We are there now. We should have had, quite frankly, some of the investments that have gone to the southern United States and Mexico.

Mr. Dave Van Kesteren: What's happening in the States? Why are they winning—

Mr. Mark Nantais: They are putting bigger packages together. They're putting packages together that get rid of all the administrative burden. They're making it very easy and they're very timely. The key thing here is the speed at which the decisions are being made and therefore the speed at which the applications for these incentives are being granted—key elements.

Mr. Dave Van Kesteren: But $4.1 billion went into the Detroit two; I guess Ford was.... You know, give these guys credit. But Chrysler and General Motors got $4.1 billion.

What's happening with that? Why wouldn't that be the staying power to keep those companies here?

The Chair: Please give a very brief response to that.

Mr. Mark Nantais: It's the investment cycle, and new product cycle. Because the competition is so great in other jurisdictions, the next round of investments has to be that much more competitive. We have to be not just competitive but we have to create an edge to attract that investment away from those jurisdictions.

Mr. Dave Van Kesteren: [*Inaudible—Editor*]

Mr. Mark Nantais: We'll talk some more.

The Chair: Thank you, Mr. Van Kesteren.

[*Translation*]

Mr. Caron, you have the floor.

Mr. Guy Caron: Thank you very much, Mr. Chair.

Mr. Patry, I am going to start with you. You haven't been in high demand today.

I want to start with the issue of employment insurance. You know as well as I do that, in 2012, the government introduced EI reforms. I am from eastern Quebec, where the economy is largely dependent on seasonal jobs, and those reforms have hit us quite hard.

How do you measure the consequences of the EI reforms? When the government is asked that question in the House, its answer is that, at the end of the day, access to EI has not been reduced and that people still have access to EI, as was the case before.

Mr. Pierre Patry: Quebec has regions where the reforms were felt very deeply, including all of eastern Quebec, not to mention the Maritimes. I am not as familiar with the situation in the Maritimes, but I do know that, because of the reforms, many seasonal workers were forced to accept lower paying jobs as far away as 100 km from home.

The impact on the adjudication process has also been quite significant, the process having been somewhat gutted. Those who are unhappy with their decisions and want to appeal them now have to endure a much longer process, to say nothing of the fact that they have no income in the interim. With the process of challenging a decision taking so much longer, the people we represent are being hit quite hard.

Mr. Guy Caron: You are referring to the elimination of the boards of referees and their being replaced by the Social Security Tribunal, which also hears numerous appeals of decisions under other federal programs, not just EI.

Mr. Pierre Patry: Precisely.

Mr. Guy Caron: In your estimation, the EI reforms and related measures, such as the elimination of the boards of referees, have had a negative impact on program access.

Mr. Pierre Patry: They have had a negative impact not just on workers' ability to access benefits, but also on Quebec's regions. When people aren't able to access EI benefits, that is money that is lost by the regions. The Gaspé region comes to mind; it is hurting owing to extremely high unemployment, especially in off-peak seasons, in the fall, winter and spring.

Mr. Guy Caron: That brings me to my next question.

We know that $57 billion was diverted from the EI fund to the general revenue fund. The government has just announced a measure whereby companies paying less than $15,000 in EI premiums will benefit from lower premiums. The Liberal party would like to take that even further and lower EI premiums for all companies, from multinationals to small businesses that create jobs. We are still talking about EI premiums.

What is your view on this use of EI premiums?

Mr. Pierre Patry: As we see it, any surplus in the EI fund should be used to enhance the program. I am not aware of any employment insurance system in the world where only 40% of contributors are able to access benefits when they need them. That is the first thing. The other thing is that the level of income replacement, which used to be at 60% of maximum insurable earnings, has also dropped. We believe the rate should be restored to at least 60% and that the maximum insurable earnings threshold should be reviewed.

A truly separate fund would need to be created. The money in the EI fund comes from workers as well as businesses. Business should manage the fund. It should not be a component of the government's reporting entity, as is currently the case, in light of the ruling that was issued a year or two ago.

Mr. Guy Caron: Basically, what you are saying is that, if the current EI fund has a surplus—which the government is projecting between now and next year—that money should not be used to encourage businesses, small or large, to create jobs, but should instead be used to restore the program access that was scaled back in the wake of the reforms.

● (1755)

Mr. Pierre Patry: Exactly, because that is the purpose of the EI fund.

The other point we are making is that the government has other tools to support economic development. In that respect, labour-sponsored funds come to mind. The last or second-last budget called for the corresponding tax credit to gradually disappear over three years. And in Quebec, Fondaction has $1.25 billion in assets, and Fonds de Solidarité holds $10 billion in assets.

Studies show that, for a given year, the tax credits available to those who purchase shares in labour-sponsored funds generate greater tax revenue for both levels of government, federal and provincial.

In other words, the government did not make a wise choice, in terms of either economic development or government revenues.

[*English*]

The Chair: I'm going to take the next round as the chair.

First of all, I want to commend and compliment the U15 for its proposal last year, which was presented to this committee and put forward in the budget. I was very pleased to see that strong support for research and development in last year's budget. At the outset I do want to commend your organization for all the good work it does on a public policy basis.

In terms of my questions, I want to follow up with Mr. Nantais on some of the questions that Mr. Van Kesteren was asking. He and I were involved in the industry committee back in 2007. Mark, you will remember this well. The committee unanimously recommended changing the accelerated capital cost allowance for the manufacturing sector. We recommended that in February 2007. Jim Flaherty put that in the budget just a month later, in March 2007. It's been in sort of a two-year.... It keeps being renewed on a two-year basis. I know the industry generally would like to see it done on a more permanent basis.

What I want you to comment on, Mr. Nantais, is.... A lot of it is Canada puts accelerated capital cost allowance, in some ways, to compete particularly with our American counterparts, who actually have better depreciation rates on an ongoing basis. Can you comment generally? Would it be a better approach for the government to actually look at a comparison between depreciation rates in all sorts of sectors and look to harmonize, for lack of a better word, between ourselves and the American counterparts on depreciating capital?

Mr. Mark Nantais: Certainly in respect to the ACCA and the counterpart program in the United States, there are differences. The U.S. program generally gives more latitude, I think, some different methods of calculations, and so forth, but they include things that we don't include in Canada.

I think it would make sense at least to benchmark our program with their program. Things like regulatory harmonization are very good initiatives in terms of our competitiveness, but it could extend to programs like that, where we benchmark not only the ACCA but also the AIF in response to what other jurisdictions are doing, as well as SR and ED. These are all things that would benefit if we were to do some benchmarking.

The Chair: I should know this, but I don't. Has your industry done a comparison between the two countries on capital depreciation and other measures in terms of showing the competitiveness between the two jurisdictions?

Mr. Mark Nantais: Actually, the auto industry hasn't, but Canadian Manufacturers & Exporters did. I believe it was last November. I'm sure we can make that report available to you. It is a very good report, and it does give a direct comparison of those programs.

The Chair: I'd appreciate that.

I want to follow up on the Canadian Automotive Research Institute. This is something which I believe Peter Frise from Windsor has worked on and is advocating as well.

I cut you off before you could finish your opening statement. I wonder if you want to expand on that and explain to the committee why you believe it's necessary.

● (1800)

Mr. Mark Nantais: Yes, I would very much appreciate that opportunity.

We are faced with, as I said, landmark regulations for greenhouse gas emissions reductions. It's going to take a multiple technology pathway. The technology, of course.... Certainly in the United States, for instance, there are programs in place that focus specifically on not just the basic or pure research side of universities, but also, as I said, the innovation and new product development in commercialization. That's where things tend to fall apart. That's the valley of death which we referred to.

This is why it's so important to help manufacturers do that in Canada. Our supply chain and so forth.... Most of that innovation comes out of our supply chain. We can do that, acquire that in Canada, and we will have it stay in Canada. That's where the real value-added is going to happen here.

The CARI proposal is not duplicated in any way with any other programs in that technology readiness chain or continuum, but it does address a very critical part of what is necessary to attract that investment in Canada.

The Chair: I appreciate that.

I'm bumping up against my own time, so I'm going to move on to Mr. Rankin, please.

Mr. Murray Rankin: I'm going to ask Mr. Caron to speak.

[*Translation*]

Mr. Guy Caron: I am going to share my time with Mr. Cullen. It's all about teamwork.

[*English*]

Mr. Nathan Cullen: We're very cooperative.

The Chair: We're all very friendly over here.

[*Translation*]

Mr. Guy Caron: I would like to speak with Mr. Patry again.

Today, we put a question on the issue in the House. What's more, the Parliamentary Budget Officer's report yesterday indicated that the federal government's finances were fairly satisfactory. The government is currently well-positioned to deal with the aging population, but that is not the case in the provinces.

Obviously, the federal government's decision to reduce health transfer growth and change the indexing formula for the transfers will have a huge impact on the provinces. They do not have the federal government's capacity to adapt to the aging population.

Do you share the opinion of the Parliamentary Budget Officer, as set out in his report?

Mr. Pierre Patry: I only had a quick look at the main points in today's papers. But from what I was able to gather, we agree with what the Parliamentary Budget Officer stated.

We object to cuts to both equalization and health transfers, especially given that, in 2007 or 2008, the federal Conservative government had endeavoured to correct the fiscal imbalance between the federal government and the provinces. From our standpoint, the effort wasn't entirely satisfactory, but it did represent a genuine effort on the federal government's part.

Since then, however, we have noticed that the health, social and equalization programs have been so heavily reviewed that the partial correction of the fiscal imbalance initiated in 2007 or 2008 has regressed completely. The aging population will clearly place tremendous demands on the provinces, while the federal government sits pretty.

Some ten years ago, the federal debt as a share of GDP was at 68%. Within four to five years, it is expected to drop to 25%. In short, the federal government is in great financial shape, and we believe it should sit down with the provinces to correct the fiscal imbalance.

Mr. Guy Caron: Mr. Cullen, the floor is yours.

[*English*]

Mr. Nathan Cullen: Thank you, Mr. Caron.

I want to get back to R and D and the cultural shift that you spoke about, Mr. Hamdullahpur. I've been reading quite a bit about this, and looking at a great read, *Start-up Nation*, which talks about the Israeli progress in innovation and technology, and very specifically, not just the entrepreneurial spirit, but also the role of government.

You've talked about the cultural shift required within the private sector. We've actually stagnated or gone down with respect to our competitors, broadly speaking, as nation-states, in terms of private sector R and D. We are 15 out of 16, The Conference Board of Canada said last year. We've also slipped in public sector, and the role of government has also shifted.

This question is perhaps for Mr. Nantais, as well, because your industry is heavily involved, and Mr. Petrou, you may want to come in as well.

Whether it's aerospace, or the broad R and D sector, or auto specifically, the cultural shift that has gone on over the last 15 years has generally been to significantly lower the tax rate for most companies operating in Canada, and then there'd be a rollback into R and D. The Conference Board is saying that we're 15 out of 16 in private sector investment, and all R and D competitiveness comparisons for Canada in aerospace, in auto, and generally in R and D say that we're lagging behind.

If it's not working right now, aside from just a cultural shift, do you have specific recommendations for the committee to consider making to government to shift this culture? Does government's role have to make a difference, have to change the way we approach R and D in the country?

● (1805)

Dr. Feridun Hamdullahpur: As you can appreciate, this is a very broad subject. If I could just confine it within our research in terms of the university's mandate, more and more investment and fundamental basic research is absolutely the way to get this started.

Mr. Nathan Cullen: How about basic research? There has been a general bias in the last couple of years towards commercialized research, that if research can't be commercialized, we don't invest. When you talk basic, that's a different thing, is it not?

Dr. Feridun Hamdullahpur: I make this word bold and underline it several times because without investment in basic research, there could be no commercialization. I do not differentiate the research as basic, applied, or able to be commercialized, but we have to work at that level.

A good example is, we're talking about the automotive industry and fossil fuel dependency. The only way we can get ahead of this is to invest in energy storage systems, which require materials. The only way Canada can be a leader in this subject is to invest in, basically, nano-materials. From that basic research, there will be hundreds of leadership types of commercialization opportunities for us, but that is the level we need to start at.

I had lunch with Israel's minister of science and technology yesterday in Toronto and this was exactly the subject. How do we support institutions at the level that their research will be transformative, instead of trying to do the same thing with hundreds of others? This is the differentiation that U15 research-intensive universities are trying to bring forward.

The Chair: Thank you, Mr. Cullen.

I want to thank our guests for being here this afternoon.

[*Translation*]

Thank you very much everyone.

[*English*]

Thank you so much for your input into our pre-budget consultations 2014.

The meeting is adjourned.