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Standing Committee on Industry, Science and Technology

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EVIDENCE

Wednesday, December 2, 2009

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Chair

The Honourable Michael Chong

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• (1535)

[English]

The Vice-Chair (Mr. Anthony Rota (Nipissing—Timiskaming, Lib.)): Order, please.

Welcome to the Standing Committee on Industry, Science and Technology.

This is our 48th meeting, and pursuant to Standing Order 108(2), we are studying the recent economic performance of small and medium-sized enterprises in Canada.

If you look at your orders of the day, you'll find that from 3:30 to 4:30 we'll have the Honourable Minister, Diane Ablonczy, Minister of State, Small Business and Tourism, and witnesses

[Translation]

Marie-Josée Thivierge, Assistant Deputy Minister, Small Business and Marketplace Services;

[English]

Coleen Volk, associate assistant deputy minister, industry sector; John Connell, director general, small business and tourism branch; and Patrick Hurens, director of service industries directorate. Then from 4:30 to 5:30 we'll continue with the National Research Council.

For now, what we'll do is open it up to our witnesses. It'll be a 10-minute presentation, if you like, and we'll continue with questions afterwards.

We'll begin with Minister Ablonczy. Thank you for being here today.

Hon. Diane Ablonczy (Minister of State (Small Business and Tourism)): Thank you, Mr. Chairman.

Congratulations on taking charge of this important study. I congratulate the committee on doing this study of small business services. It's an area near and dear to my heart, so of course I was very pleased that you're taking the time to do this study.

I have a few remarks, and I may be telling you things you already know, but they're worth going over again in order to emphasize how important this sector is.

In addition to the services sector, which is about 75% of small businesses, I want to give you an overview of the 30,000 street views, so to speak.

The current state of small business in Canada is a good place to start. I don't think it's any secret to you that small business is the

backbone of our economy. In fact, they account for 98% of businesses in our country, which is enormous. They employ one in every six Canadians. Here's a very interesting statistic: on average, over 350 new small businesses are started each day in Canada.

Of course, we're all aware that the last year has been a turbulent one for the global economy, but small businesses, although they've encountered some significant challenges, have really been successful in turning these challenges into opportunities. In fact, colleagues, our economic slump would have been far worse without the performance they have turned in.

Consider this. Over the 12 months ending in October of this year, small business employment fell by less than 2%. That's compared with employment in large firms, which fell by more than 10%. It's fair to say, therefore, that the small business sector has outperformed the rest of the business economy.

I was pleased to learn that you had representatives from the Canadian Federation of Independent Business before you last week. I quote Ted Mallett, who said to you:

What we've found over the years is that the small-business sector has been one of the most important stabilizers in the Canadian economy over time from a macro basis.

The CFIB member survey shows that SME business confidence remains strong, and a small business report by CIBC Economics in October, only a couple of months ago, tells a similar story. I quote from that report:

Against all odds Canadian small- and medium-sized enterprises (SMEs) were not only able to endure the recent recession with less damage than in any other postwar recession, but also to outperform their larger, more established, peers.

Canada has a lot going for it, colleagues, when it comes to starting and growing a business. Compared with other countries—and that includes European countries and the U.S.—our birth rate of new firms is higher than the business death rate. That's always a good thing. That really means that our pool of entrepreneurial potential is constantly being replenished. The survival rate of new firms is very strong, and what's especially interesting is that the proportion of firms that experience high growth is also reasonably strong.

I'm sure you're wondering where government fits into all this, because you are part of law making and policy making. What government really is here to do is to ensure that the conditions are right for businesses to start, to prosper, and to grow. The role of government is to understand small business needs and to create a positive business environment. Businesses, in other words, are the lead economic actors. We merely play a supporting role.

How has government delivered recently in this way?

As you know, support for SMEs was a large part of the government's economic action plan that was designed to stimulate our economy. This was important and proper because SMEs are a big part of our economy. There were several measures to help small businesses as they lead Canada into recovery. The plan lowers taxes, cuts red tape, and increases access to financing, which is a huge issue for small businesses. All of that provides small businesses with the tools necessary to fuel economic growth and job creation all across the country.

● (1540)

I want to expand on this a bit. The reduction of taxes was a top priority. The small business tax rate was lowered to 11%. It had been 12%. The business income threshold at which a business would pay the small business rate is now 11%. It used to be \$300,000, and it has now gone up to \$500,000. This allows small business to keep more of their hard-earned money, which they can use to reinvest and to grow their business.

We also increased the life-time capital gains exemption for small business owners from half a million dollars to three-quarters of a million dollars. That was the first time this had been raised since 1988, so it was long overdue, especially in the view of small business.

We've also been working hard to cut red tape, and we're proud that in March we were able to announce that the goal of reducing the paper burden by 20% had been reached. This was achieved, colleagues, by listening attentively to small business. In fact, the CFIB, which represents small business, was a co-chair of the paper burden reduction committee. It was an advisory committee made up of both the private and public sectors. It's an important achievement, but I view it as just a start. We can't rest on our laurels. We will continue to look for ways to reduce the paper burden on the small business sector.

There are also some exciting new services such as BizPal and the new Canada Business network. These tools help entrepreneurs to start their business, to grow their business. We also are ensuring that remittance of corporate taxes is now done annually or quarterly, instead of monthly, which saves a lot of time and effort for small business. We raised the maximum amount of loans under the Canada small business financing program from \$250,000 to \$350,000, and to half a million for real property.

Also, we know that we need to start young businesspeople, young entrepreneurs, off on the right foot if they're going to become the entrepreneurial leaders of tomorrow, so under the economic action plan we invested \$10 million in the Canadian Youth Business Foundation. That's a tremendous agency. If you haven't talked to them, it would be worthwhile having the CYBF come in to tell you about their mentoring and support programs for the next generation of entrepreneurs. It's an inspiring success story.

I also know that you heard from the president of the Business Development Bank of Canada, who works closely with small business clients, provides them with a wide range of financing tools, and offers advice on productivity enhancements and other business strategies. As part of the economic action plan, a lot more funding was allocated to the BDC and the EDC, Export Development Canada, to support small business activity and growth.

I also want to point out that we are also assisting SMEs with their labour needs. The Minister of Human Resources and Skills Development recently introduced legislation to provide employment insurance benefits to the self-employed, who were previously unable to participate in the EI program.

Just this week, there was a new agreement announced on foreign credential recognition. This is to ensure that foreign qualifications are assessed and recognized in a timely manner and to enable newcomers to maximize their talents and their participation in our small business sector and in other sectors of the economy. It also allows business to find the skilled labour they need to grow their business. We want these initiatives to go ahead.

Mr. Chairman, I could go on at length about the support for small business, but I prefer to focus on the questions that are of most interest to my colleagues.

I want to talk a bit, though, about the code of conduct for the Canadian credit and debit card industry, because I know all of us have been hearing quite a bit about that from small business. The concerns that were raised were folded into this code consultation, which is taking place right now. We want to make sure the code does help small businesses and merchants to ensure fairer practices and accountability and to encourage choice and competition.

● (1545)

So, monsieur le président, our SMEs are leading Canada into growth and clearing the way for positive economic times. Our government is fully committed to helping them grow and prosper.

To speak specifically for just a moment about the services sector, because that's the focus of your study, all of my remarks about SMEs apply fully to the services sector. Our economy is increasingly a services sector. As I mentioned, about 70% of Canada's GDP is accounted for by the provision of services. That's pretty much a majority. One example of that, which is near and dear to what I do, is the service activities in the tourism industry. Tourism, of course, is a key economic driver of our economy and accounts for two-thirds of a million jobs, about 2% of GDP. Tourism brings more to Canada's wealth than forestry plus fisheries plus agriculture, those three combined. The visitor economy is a big part of Canada's future economic success.

The vast majority of tourism businesses, in fact 95% of them, are SMEs. They are crucial to the industry and help to define the experiences of domestic and international visitors, and also place Canada on the world tourism map. There were a number of measures in the economic action plan to support Canada's visitor economy: \$40 million for the Canadian Tourism Commission to promote domestic tourism and new activities in emerging markets such as India and Brazil; \$100 million to marquee festivals and tourist events that draw a lot of tourists into Canada; and \$150 million to enable Parks Canada to improve and enhance national parks and historic sites, which are another big draw to our country.

Now we have the 2010 Olympic Games in Vancouver-Whistler, and right now the Olympic torch is crossing our great country. So we have a once-in-a-generation opportunity to show the world what this country has to offer. Of course, we as Canadians are very proud of the great work our thousands of small businesses are doing welcoming the world to Canada during the Olympics and beyond.

Mr. Chairman, let me conclude my remarks by saying there is so much potential for this dynamic, resilient, and capable small business sector. The government will continue to work hard to support the SME sector across Canada as they innovate, create jobs, and generate wealth in our communities.

I'll now turn the floor back to you.

Thank you very much. *Merci*.

The Vice-Chair (Mr. Anthony Rota): Thank you, Madam Minister. We'll continue with questions. The first round will be seven minutes each.

Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I want to thank you, Minister, and I appreciate your remarks very much, especially on tourism, because the tourism sector, with such a high percentage of SMEs in it, is very much connected to, I believe, a study the committee has undertaken.

I want to focus on a couple of areas in my line of questioning. The first has to do with lessons learned. One example comes to mind, and I think it's very timely because of the Prime Minister's trip to China. In 2005 the Liberal government had an agreement in principle for the ADS, the approved destination status, and since then we've fallen behind over 130 countries. I hope and I'm optimistic that the Prime Minister will have some positive announcement to that effect for the ADS in China. I don't know that, but I'm being optimistic.

I want to know from you, Minister, why it has taken so long, and what are some of the lessons learned from that experience?

• (1550)

Hon. Diane Ablonczy: Thank you, colleague.

Mr. Chairman, we are very happy with the direction of our relationship with China. It has really begun to flourish. We've had a number of high-level meetings between our two countries over the last several months and years. We are working on a number of issues. As you know, just recently we were able to announce that China has agreed to reopen the Chinese market to Canadian pork, which is good news for a sector of our economy. We're making progress on a number of other issues.

As my colleague mentioned, we have of course been working for a number of years on getting an ADS agreement. But even without ADS, just last year visits to Canada by Chinese citizens were up over 5%. In fact there are visits to our country from China equal to a full jumbo jet every day. So there's a lot of travel between our countries, and we look forward to that increasing. Our government has just opened two new trade offices in China, and by the end of the year there will be four more

Hon. Navdeep Bains: I appreciate that. Those are all positive developments, but there is widespread concern about ADS every time I meet with stakeholders, small businesses, or the tourism sector. They are really hopeful that there will be some positive development on it, so I hope it works out. Whatever mistakes were made in not implementing, I hope we learned some lessons from them.

The second question for you, Minister, concerns the decision to impose the Mexican visa requirements. Was there any consultation with small and medium-sized businesses and with the tourism sector? This decision was made all of a sudden, it was done abruptly, and many of the people I've talked to in these sectors and the stakeholders indicated that there was no heads-up, no consultation. They had made a lot of investments. For example, CTC made a substantial investment, as a targeted market, and all of a sudden they have to change strategy. This has had a major impact on the business.

So first of all, were you consulted on the process? Was there any economic or impact analysis done to indicate what these visa requirements would do to SMEs in the tourism sector?

Hon. Diane Ablonczy: Mr. Chairman, my colleague is absolutely right. We have a very valuable relationship with Mexico that includes visits between our two countries. Especially at this time of year, many Canadians are looking for warm beaches in Mexico.

As members will appreciate, a decision on a change of visa has to be done, shall we say, pretty quickly; there can't be a lot of publicity around it. We did, however, have numerous and close discussions with CIC about tourism issues around the imposition of a visa requirement. We found them very responsive and very helpful, and we'll continue to work with them and with our provincial counterparts, who also raised issues that we're dealing with.

Hon. Navdeep Bains: Thank you very much, Minister.

The next question I have concerns the tourism sector specifically. You mention it in your remarks. There's been an announcement of a new federal tourism strategy. Can you indicate how long it will take to materialize and when that strategy will be articulated to the public and to the industry?

Hon. Diane Ablonczy: Thank you for that. That's the biggest file on my desk, the federal tourism strategy. We have been making progress on it and reporting the progress. I was just in Nova Scotia on Monday at the touring conference and gave them an update on the strategy. I'm pleased to say that at the council of tourism ministers in September in Toronto, the federal, provincial, and territorial ministers were in agreement about moving in this direction. We have an interdepartmental working group or a council of ADMs working on this. They have four working groups working on aspects of the strategy. We're also holding various consultations.

So we're very heavily and busily engaged in this. We will continue to report to the industry on progress.

• (1555)

Hon. Navdeep Bains: Thank you.

You mentioned in your remarks a whole list of initiatives that you're responsible for. Are there any particular programs that you're directly responsible for? Those are tools and initiatives, but is there any particular area or program that you're directly responsible for under Industry Canada in your capacity as minister?

Hon. Diane Ablonczy: The way it works is that the Minister of Industry is the responsible minister. He has, as you know, two ministers of state who assist him on various files at his request. We're happy to do that. My focus, of course, is especially on small business and tourism matters.

Hon. Navdeep Bains: Here is my last question. The Toronto Pride brought in about \$136 million last year. Recently Toronto was successful in winning the bid for the World Pride in 2014, which is estimated to have an even larger economic impact on that city and the surrounding region. The event will require an additional \$6 million above its regular pride budget. The Ontario government has committed to support this event. Do you have any indication of where the federal government stands, in terms of supporting this event, and on whether they will continue to support this event and the Toronto Pride?

Hon. Diane Ablonczy: You're probably aware, Mr. Chair and colleagues, that the next request for applications under the marquee tourism events program just went out from the Minister of Industry this week. We don't know what the applications will be at this point, but time will tell.

The Vice-Chair (Mr. Anthony Rota): Very good. Thank you very much.

[Translation]

Mr. Vincent has the floor.

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chair.

We were talking earlier about Canada trying to increase its exports to China. I would like to reverse the proposition and talk about how SMEs are affected by dumping from China.

There is in my riding a company making bicycles. Its problem is that China exports its bicycles at prices much lower than those in Canada because of lower manufacturing costs. The European Union and the United States have already passed legislation to levy a surtax to protect their SMEs. This allows them to survive despite Chinese exports.

What do you think the government should do to fight the effects of dumping in Canada?

[English]

Hon. Diane Ablonczy: Mr. Chairman, colleagues, as you know, this is a long-standing issue for ridings such as yours. I remember dealing with it extensively when I was parliamentary secretary to the Minister of Finance—it's actually a Finance issue.

This issue continues to bubble up, but essentially the Department of Finance has not taken the direction you have mentioned but has actually kept a level playing field for all of those who wish to offer consumers a product, as you mention. I'm sure you'll keep talking about it to the Minister of Finance.

[Translation]

Mr. Robert Vincent: In theory, consumers should pay the lowest price possible, and I understand that, but the fact that manufacturers are in trouble and that people are losing their jobs because of this dumping creates another synergy. This is why it might be preferable to harmonize our legislation with that of other parts of the world. That will allow Canada to protect its SMEs and their jobs.

Is the government looking at this matter closely or has it moved on to something else?

[English]

Hon. Diane Ablonczy: This, of course, is not within the purview of the work I've been doing, but I think our government has been very clear that we do not believe protectionism would be at all helpful in the global economic downturn. In fact, we've been in the forefront of urging all countries not to put protectionist measures in place. History has shown that protectionism has been negative to economic recovery. That's the principle we've been operating under, but we're always very open to hearing concerns such as yours and your riding's and will continue to engage with you on issues such as this.

[Translation]

Mr. Robert Vincent: You know that there is a difference between protectionism and fairness. We might all speak against protectionism but, to my mind, fairness is more important. If a country controls the value of its yuan and provides subsidies to its companies or subcontractors while claiming it does not, that raises a fairness issue. That being so, I believe our government should act to ensure the survival of our SMEs. As far as I am concerned, this is not a matter of protectionism but of fair trade. That country does not value as much as others the principle of fairness.

Does the government believe that something should be done about this?

•(1600)

[English]

Hon. Diane Ablonczy: As I say, I urge and encourage you to continue your dialogue with the Minister of Finance on that issue. I certainly hear your concerns.

[Translation]

Mr. Robert Vincent: On another issue, I would like to know if the CANtex program is going to be renewed. It is supposed to expire in March 2010. It is widely used by our textile companies, as indicated by the fact that they have used all the funds available.

[English]

Hon. Diane Ablonczy: Again, colleagues, I am a little unsure of the details of these programs, because they are programs that are administered and decided on by the Minister of Finance. So you'll need to invite him or a representative here if you want to pursue some of those particular issues.

Coleen can give you some perspective on it. She is here and able to do that.

Mrs. Coleen Volk (Associate Assistant Deputy Minister, Industry Sector, Department of Industry): Thank you, Minister.

The textiles program that you mentioned is under the authority of the Minister of Industry, Minister Clement. I am not aware of a government decision to extend it at this time. It is scheduled to terminate at the end of March.

[Translation]

Mr. Robert Vincent: The minister represents small companies and I suppose that, as the representative of small companies, she would talk to her colleagues to know if this program will be renewed. I suppose that some companies have talked to her about it and, since she is the minister for small business, I suppose she talks to her colleagues to know if the program will continue or not.

I understand that the minister may not be aware of the CANTex program, even though she has jurisdiction for small companies. I would have liked to have an answer to my question. We are receiving many letters and e-mails from people who believe that CANTex should be renewed. I must conclude that the minister is not aware of the representations from small companies.

I will address another witness. This is still related to SMEs, to companies having 100 employees or less.

The Vice-Chair (Mr. Anthony Rota): Briefly, Mr. Vincent, since you only have 15 seconds left.

Mr. Robert Vincent: Can you tell me if loans or loan guarantees will be provided to the forestry industry? There are many small companies in this industry. I would like to know what the government intends to do for small companies in the forestry industry.

[English]

Hon. Diane Ablonczy: Briefly, in the time we have, the committee will be aware that the government has brought in numerous programs to assist the forestry industry, including the CAF, the community adjustment fund, to assist communities whose forestry industry is receding or shrinking at this time. We found those programs to be helpful.

Representations continue to be made about what more can be done. Again, those are matters that will be taken under advisement in preparing budgets and in decisions by the Minister of Finance.

The Vice-Chair (Mr. Anthony Rota): Thank you, Madam Minister.

Now we will go to Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair, and thank you to the minister.

I will start by commending you, which shouldn't be surprising given that I am a colleague of yours, but I do hear from a lot of small business owners across the country who are very happy with the reduction in the small business tax rate and the increase in the threshold, which are very important, particularly the announcement about cutting the red tape—not only the announcement but obviously the efforts in that area.

In your opening remarks you outlined a number of programs that are designed to assist small and medium-sized enterprises in a variety of ways. I'm thinking now particularly of the global circumstance that we find ourselves in. Can you identify programs that have been the most significant to small and medium-sized

companies in addressing this period of economic slowdown and maybe explain what it is particularly about those programs that are of particular benefit to businesses in Canada?

• (1605)

Hon. Diane Ablonczy: Mr. Chairman, colleagues, we have, as you know, programs in essentially three areas. One area is to assist small business in continuing to get the financing they need in order to continue and grow their business.

Secondly, we have programs to reduce the regulatory and paper burden on small business, to free up their time and efforts to be invested back in their business, and then we have programs that provide tools to small businesses to again save them time, but also to give them positive input and information.

On the small business financing side, we have put into place considerable additional money to the BDC, as I mentioned. This is under the credit availability program, and we put more money into both the BDC and the EDC to allow them to increase their... For the BDC, their loan rate was up 54% over the same period last year. So they're putting out significantly more money.

The small business financing program is also working somewhat better. We have increased the threshold that businesses can apply for and have also made the program easier. We continue to look for improvements to that program as well.

I mentioned some of the things we've done to reduce the paper burden. We've reduced the paper burden by 20%, and we're looking for changes and new improvements to that.

With respect to tools for small business, we have the BizPal program, which I hope you all know about. Essentially, it's a one-stop shop for businesses to run out a list of the licences and permits that they're going to need if they want to establish a new business or grow their business. That's a huge time-saver.

We also have just launched the new Canada Business network, which is an online portal, although it can also be accessed in person or by phone, that tells all about the government programs and services that assist small business. It also gives them positive tips about staff management and about a number of skills they are going to need in order to succeed.

If you haven't checked out the Canada Business network, I urge you to do that. I think the committee would be interested to test it out. If you have feedback for us, we are of course happy to hear that. We've put a lot of improvement into that.

So, colleagues, those are some of the measures we have in place.

Mr. Mike Lake: In terms of your opening statement, you talked about the small business sector being an important stabilizer in the Canadian economy. It accounts for 98%, I think, of business in our country.

Can you maybe outline your views on what's to come for the sector? What should we be looking for, as parliamentarians, to further advance the position of small and medium-sized enterprises in this country?

•(1610)

Hon. Diane Ablonczy: We really see not only that small businesses are already the backbone of our economy but also that they have a tremendous potential for growth, and for high growth.

I know that Coleen really wants to talk about this because it is her area. She lives and breathes these things, but essentially we see that Canada can really have a niche, I guess, a success story, especially in this services sector, but in the small business sector in total.

I'm going to let Coleen talk about that because she's here to do that and she wants to do that.

Mrs. Coleen Volk: Thank you, Minister.

Marie-Josée can speak more broadly about small businesses, but within the services sector, it's a very diverse sector with all kinds of services and a real variety of wages. The good news is that the services sector is moving more and more to higher value-added jobs, and the kinds of jobs that we are trying to attract generally through government policy would be higher-value jobs.

The service sector itself does account for over 70% of the GDP and over 78% of the workforce, so it's a very strong contributor to the economy in Canada.

In terms of what's to come, there are a lot of different components to the service sector, but in general I would say the move is toward higher value-added jobs.

The Vice-Chair (Mr. Anthony Rota): Very good.

We have five seconds left. I'll let you ask one quick question.

Mr. Mike Lake: Thank you for coming.

The Vice-Chair (Mr. Anthony Rota): Thank you very much.

Now, we'll continue with Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you, Madam Minister, for appearing before us.

I'm a little bit surprised that you wouldn't talk about the HST, one of the most significant economic policy shifts that's taking place for small business and tourism.

Before I get to that, though, I would like to ask you about the credit card issue and your opinion on it. The Canadian Restaurant and Foodservices Association estimates its members have a before-tax profit of 4%, but have a 2% charge from the credit card companies on average. Do you think that's a fair ratio that they have to pay for that service? Is it fair for those business people who actually run those operations and employees to have that type of relationship?

Hon. Diane Ablonczy: The whole matter of the credit card charges has been a real concern to the small business sector. They brought that forward to government. The consultation that's taking place right now on the code of conduct surrounding all of these issues, including the one you raised, has made the sector feel very comfortable, very happy, because instead of government putting out a decree from on high that this is the way it's going to be, it allows the parties themselves to have face-to-face discussions and make sure their issues come up.

Mr. Brian Masse: You are supposed to be their champion. Do you believe that ratio is a fair ratio?

Hon. Diane Ablonczy: We want to make sure that the cost of this kind of financing is as reasonable and competitive as possible. The principle we want to see is a competitive rate and choice for consumers and merchants.

Mr. Brian Masse: With all due respect, there needs to be some political leadership to tell them this rate is not acceptable. I hope the government comes to that conclusion at some point.

I do want to move on to the HST related to tourism, because as you know, we've actually had a record tourism deficit emerge in Canada, as reported by Statistics Canada, not only internationally but also with the Americans. What's interesting with the Americans is that we've actually seen an increase of Canadian visitation, but at the same time we're seeing a decline of money.

Do you believe the HST is going to be good for Canadian tourism industries?

Hon. Diane Ablonczy: By the way, we did have an increase of visits from the U.S. in the last month for which we have statistics, so we're seeing some good results from the Canadian Tourism Commission's promotional advertising efforts in the U.S. that were financed by the economic action plan. All tourism sectors around the world have had significant difficulties as people draw back on discretionary spending. It's not just Canada, but all tourism destinations are having some challenges, and you've probably heard that—

Mr. Brian Masse: Our deficit is widening. That's the problem. Everybody is suffering that, but when we have a widening...

About the HST, do you believe that's good for Canadian tourism? Maybe you could explain why.

•(1615)

Hon. Diane Ablonczy: The HST, as you know, is a tax choice made by provinces, and it will impact some sectors differently from other sectors. We have been hearing both concerns and some applause from different sectors of the Canadian tourism industry about that. As you know, the federal government had some transition support to mitigate the impacts of some of these measures.

Mr. Brian Masse: With all due respect, though, the tourism industry has been quite clear about their concerns on this. Have you or the finance department done any studies to show the impact of the HST on tourism?

Hon. Diane Ablonczy: The Department of Finance does do assessments on different impacts of these fiscal measures, but it really is an issue for the provinces to deal with as they make that decision.

Mr. Brian Masse: This doesn't happen without you and the province. So your department has not done an impact study of HST on tourism?

Hon. Diane Ablonczy: I'll ask the officials, but to my knowledge, we leave that to the provinces. However, we have had a number of discussions with the different sectors of the industry that have concerns.

Mr. Brian Masse: Maybe I'll ask the officials, then.

Have there been any studies done on Canadian tourism and the effects of the HST?

Mr. Mike Lake: A point of order.

The Vice-Chair (Mr. Anthony Rota): We have a point of order, if I can interrupt for a second.

Mr. Mike Lake: The question the honourable member is asking is a question for the provincial Government of Ontario. It's not a question for the minister here. With regard to tourism or what elements would be subject to the HST in Ontario or B.C., those decisions are made by the provincial governments. They're certainly not made by the Minister for Small Business and Tourism.

The Vice-Chair (Mr. Anthony Rota): I believe the minister did point that out. I believe the question was whether there have been any studies by the department on the impact. I think that falls under their purview.

Ms. Marie-Josée Thivierge (Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry): On that, the Department of Industry has not led any studies specifically on the impact of the HST as it relates to Ontario, or even B.C., but, in that, leadership has really come from Finance and Finance officials.

Mr. Brian Masse: So the finance department has conducted a study on tourism, then?

Ms. Marie-Josée Thivierge: We would have to go back and ask if they have specifically undertaken a study of the impact of HST on the tourism industry, but I'd be happy to take this back.

Mr. Brian Masse: Okay.

Madam Minister, do you not think it is part of your responsibility? Nothing happens without the federal government passing legislation. We all know what's happening here. Whether they have debates about who's requesting that it happen and who's not requesting that it happen, it's happening. There's a process that involves the federal government. The process and the end result will have considerable impact on tourism in Canada. Studies have been out in British Columbia, not only with regard to the industry itself, but also involving chambers of commerce. Do you not think it's important for the tourism sector in Canada to be studied prior to the implementation of the HST, so if there's going to be some mitigating to be done, we would know the strategy to do so?

Hon. Diane Ablonczy: Mr. Chairman, my colleague raises a very good point. As I said, we have been hearing and talking to the industries, especially sectors that have significant concerns. As you mentioned before, that is why the federal government has historically provided, and will continue to provide, transition funding to provinces who decide to move in this direction so they can mitigate some of the effects of it, as you've mentioned. We hope the provinces will be doing that, but these are decisions for the provinces. We have to respect their jurisdiction, and we have to respect their choice in that matter.

Mr. Brian Masse: So if tourism goes down in Canada, across the board, because of this measure, you're going to wash your hands of it?

Hon. Diane Ablonczy: I think you should be a little bit more cheerful than that.

Some hon. members: Oh, oh!

Mr. Brian Masse: I think it's important, though, because we have a Canadian.... I'm not trying to be too difficult.

The Vice-Chair (Mr. Anthony Rota): In all fairness, I don't think that is a fair question.

Mr. Brian Masse: Yes, but we have a Canadian tourism strategy that's being evolved right now, and tax policy is very important in determining how it works. I think there is a responsibility to study that component; otherwise we'll have the same mess elsewhere.

Hon. Diane Ablonczy: I would just point out to my colleague and to the committee that this government agrees with my colleague about the importance of taxation, and in fact we have taken vigorous measures, which I'm not sure if my colleague supported or not, to reduce taxes on small business, including small business operators and those in tourism, and that has had a very positive effect on their ability to conduct business.

• (1620)

Mr. Brian Masse: Just as your good friend Brian Mulroney brought in the GST—and the food service industry is still recovering.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Masse.

We'll go on to Ms. Coady.

Ms. Siobhan Coady (St. John's South—Mount Pearl, Lib.): Thank you very much, and thank you to the minister for being here this afternoon. This is an important topic, and it's very near and dear to the hearts of Canadians.

We're looking at the recent economic performance of small and medium-sized businesses, and one of the key issues, of course, is access to capital. We know over the last year, according to Industry Canada sources, that the financing approval rate has been declining. Specifically, in 2009, we did ask the banks about this. They talked about less of a demand at their level, as well as some of the challenges with some of the other withdrawals in the community, due to foreign banks and others putting in capital. They said there's kind of a perfect storm here.

One of the things I asked about was Canadian small business financing, and they gave you kudos, of course, for making some of the changes that you talked about with regard to increasing the levels. They did say, however, that there was still a significant administrative burden, and I'm wondering if you, Madam Minister, could just comment on some of those administrative burdens and how you're going to mitigate those concerns.

Hon. Diane Ablonczy: Mr. Chairman and colleague, I thank you for raising that. We are looking at this program to see what improvements can be made. As you've mentioned, we've already made significant improvements, but we want to do even more.

I'll ask the officials to talk about a couple of things that we may be looking at along that line.

Ms. Marie-Josée Thivierge: As the minister indicated earlier, a number of changes were introduced to the program in the last budget. One of those changes was the actual amount of funding that was provided to small businesses. In addition to that, there were a number of regulatory changes that were introduced.

Ms. Siobhan Coady: I'm not asking about what has been introduced. I've already recognized that the minister and the department have done work in that area. We had the Canadian Bankers Association before us last week, who said again kudos for making that increase and change, and making some changes to the administrative burdens. They are also saying that more work needs to be done—not what has been done, but more needs to be done. There's still a significant barrier there, so I'm wondering on the go-forward what your plans are.

Ms. Marie-Josée Thivierge: The one thing I would say is that some of the regulatory changes that were introduced were actually changes that we're looking to, to align the program to commercial lending practices of financial institutions. That's what we've been hearing about. So we certainly are seized with a lot of the requests that the banks have been making about introducing some of those changes.

There is a legislative review under way of the program, a five-year mandatory review. This gives us an opportunity to engage with financial institutions and better understand some of the areas that they more specifically want to bring to our attention. So this is very much an ongoing dialogue with financial institutions.

Ms. Siobhan Coady: I guess I'm expressing some urgency here. While we have done work—and again, I give you kudos for that—what we're hearing is we have a significant barrier to access to capital. One of the key ways is through the small business financing.

I want to turn, if I may, Madam Minister, to venture capital. We had the venture capitalists in recently and they talked about what they call a perfect storm right now. Especially in the high-tech sector, of course, venture capital is key. It's actually one of the drivers. Banks don't traditionally lend as much as is required in that sector, so they really do need to turn to venture capital.

A point they raised was that there's a real need to change the SR and ED rules, the scientific research and experimental development tax credits. I would like your comments on some of those SR and ED rules that need to be changed, specifically toward ensuring that small and medium-sized businesses, especially in the high-tech area, are encouraged. They also talked about procurement as a way of maybe encouraging investments in the capital funds, and the potential of a substantial fund similar to the ones in Ontario, Quebec, and Alberta, principally to recapitalize the industry. Those are some of the suggestions, and I'd like your comments on those.

• (1625)

Hon. Diane Ablonczy: Thank you, Mr. Chairman and colleague. I appreciate you raising this. Of course, we have had extensive discussions with the sector as well. The committee may know that the Business Development Bank now has over half a billion dollars in venture capital committed to a number of companies here in Canada. Only this spring, the government invested \$350 million in the BDC's venture capital operations. Then in September we announced a further \$50 million investment in the BDC to boost venture capital activity in southern Ontario.

Thus, we already have an enormous investment, a large investment, in venture capital. We also provide tax credits to labour-sponsored venture capital to the tune of about \$125 million a year. Export Development Canada is also a venture capital investor.

With respect to more specifics on what you asked, I think I'll ask John Connell to add to that. Bear in mind that this is not an area where the Government of Canada has been idle; we've been extremely active in this area.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): In relation to that, Madam Minister, a subcommittee of this committee heard from the vice-president of BDC earlier this spring, and she actually said that there was only so much that could be done. To use her words, there was risk of a whole generation of small businesses failing because of inadequate access to venture capital.

Has anything been done since the spring, when she made those remarks? They did come up in Question Period, so you probably remember that.

Hon. Diane Ablonczy: John, why don't you fill in on that?

Mr. John Connell (Director General, Small Business and Tourism Branch, Department of Industry): Personally, I'd say that we're well aware...and we stay in close contact with the Canadian Venture Capital Association on this file. It's a very complex file. Their single greatest barrier to increased venture capital investment right now is the fact that the industry has not generated sufficient returns to draw investors into that asset class. Depending on the time horizon over which the return is measured, we can even see negative returns from venture capital.

A group of institutional investors and others have essentially exited the asset class, so they're having trouble getting money in from private sector investors. In that respect, governments have taken over and done a lot of the heavy lifting, if you will, on the investment side. So we have seen investments, such as the \$190 million Ontario Venture Capital Fund, the \$750 million Teraly's Capital Fund in Quebec. The governments of British Columbia and Alberta have also been active in the field. Since the spring, investments have been announced for the Business Development Bank of Canada, and that included a \$350 million announcement over three years, \$90 million of which is for investment in specialized funds in syndication with other venture investors, and \$290 million in the direct venture capital operations of the Business Development Bank of Canada itself.

Again, we kind of share the concern, but it's a question of whether there is a structural market flaw here of some kind, that the market itself is not delivering the money that these innovative businesses require. In that case, government is stepping in and trying to do what it can do. A lot of our effort has been focused on the early stage of the investment, where we think market gaps are the most acute. Private sector investors don't tend to go in at that stage because it could take up to 10 years to commercialize a company. It's a question of maybe getting the right incentives back in place and in some way finding a way through which government can partner again.

In the meantime, the BDC remains the preferred investment vehicle for the federal government to intervene.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Connell.

I'm looking at the time and it's 4:30. We have a couple more questioners on the list. With the consensus of the witnesses and the committee, if we can take two more questions, I'll leave it open. Do we have consensus?

I guess I'll ask the witnesses first if they have time.

Hon. Diane Ablonczy: Yes. I'm happy to make myself available to the committee if the committee wishes.

The Vice-Chair (Mr. Anthony Rota): Okay. Would it be okay for two more questions?

Some hon. members: Agreed.

The Vice-Chair (Mr. Anthony Rota): Okay. Very good.

Mr. Mike Lake: Just out of curiosity, Mr. Chair, whose rounds are next then?

The Vice-Chair (Mr. Anthony Rota): We have Mr. Brown, and then Mr. Bouchard.

Mr. Brown.

Mr. Gordon Brown (Leeds—Grenville, CPC): Thank you very much, Mr. Chairman, and I'd like to thank the minister for coming.

I know, Minister, you won't be surprised that I focus on tourism. As you may know, I have a background both in the public sector and the private sector in tourism. The riding I represent, Leeds—Grenville, happens to be on the southern boundary along the U.S. border. We have the Thousand Islands and the Rideau Lakes. I'm happy to get my little plug in there.

As you know, over the last few years we've had a number of issues surrounding the border and the passport requirement to go to the United States. We've had high fuel prices. We've had a number of issues that have led to the downturn in visitation to Canada, especially from the United States. Maybe you could talk a little bit about what the government has been doing to help continue to attract visitors from the United States and what may have been going on in terms of the border.

• (1630)

Hon. Diane Ablonczy: I appreciate you raising that. Mr. Masse had mentioned some of those issues as well.

We have been very active in all the areas you mentioned on border issues. As you know, in the U.S., security trumps all, so access to the border has been an issue for visitors both to and from our country.

We have made some progress with our counterparts in the U.S., and the Minister of International Trade and the Minister of Public Safety have taken the lead on that. They've built some good bridges and are working on a number of issues, including alternative documents to passports, and more infrastructure has been put on the border to provide more space to move visitors back and forth more quickly.

With respect to attracting visitors from the U.S., I think we have to be cognizant of the fact that the U.S. was hit by the global downturn to perhaps an even greater extent than other countries, so that has had an impact to some degree on their travel decisions. But the Canadian Tourism Commission was given \$40 million, over two years, in the economic action plan, and they have stepped up their

promotional activities in the U.S. We see that there have been some positive results from that.

By the way, the Canadian Tourism Commission's advertising campaigns have garnered significant kudos right across the world. In fact, their latest campaign, "Locals Know", has been rated by Forbes as one of the 10 best promotional campaigns. So they've been a real asset to us in the tourism industry.

At the same time, our tourism industry itself, as you know, colleague, has really stepped up to the plate and has been determined to compete at the top of its class. So it is refreshing its products, animating its products. A number of communities are using community adjustment funds to scrub up their tourism image and products and make themselves a real compelling destination for the world.

I think it's going to take action by a whole group of players in order to move this industry forward, but I do see that action happening, including, of course, our own federal government becoming more coordinated and focused with the federal PRISM strategy.

Mr. Gordon Brown: Thank you, Minister.

In my area, there has been significant investment from the federal government in tourism through the community development corporations and also through the Building Canada fund tourism component. Maybe you can tell a little more about what the government is doing to invest in tourism infrastructure.

Hon. Diane Ablonczy: The Building Canada fund, which was a \$33 billion fund over seven years, the community adjustment fund, and the community development agencies are all increasingly looking at their investments through the tourism lens, recognizing that building the visitor economy is not only good business, creating jobs in the communities, but is a real source of wealth and economic activity for the country. So we're pleased to see that. We want to encourage that to continue.

Community adjustment funds, in times past, had not been as focused on tourism—you probably saw that yourself—but we see increasingly that they are looking at tourism opportunities as economic investments for local development.

• (1635)

Mr. Gordon Brown: Thank you.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Brown.

Nous allons maintenant poursuivre. C'est le tour de M. Bouchard.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chair.

Thank you also to the minister and her officials for being here this afternoon.

When we looked at the forestry industry last spring, small companies told us that they were facing a very important problem of access to credit. In other words, small and medium-sized companies cannot get any credit at all or find it is very difficult to get.

Are you considering setting up a program of loan guarantees especially for small and medium-sized businesses in the forestry industry?

[English]

Hon. Diane Ablonczy: Thank you, Mr. Chairman and colleagues.

This has been an area of real concern for the Minister of Natural Resources and for some other ministries.

We in the small business and tourism sector have been liaising with them on those kinds of issues through the community adjustment fund, for example. We hope the forestry industry is just taking a bit of a break globally and that its products will be in much more demand a little bit down the road, but we've been working on that.

There have been a number of programs to help transition the forestry industry to the products of the future, because we see a change in demand for forestry products. As I mentioned to your colleague, we really have been working on these programs to help the sector, lift the sector, and move the sector through this difficult period of time, and we'll continue to do that.

If you have suggestions along that line, I know you'll be bringing them forward, because we need to work together to make sure this adjustment time is as well supported as possible.

[Translation]

Mr. Robert Bouchard: Madam Minister, allow me to make a suggestion. Set up a program of loan guarantees for small and medium-sized businesses in the forestry industry because we hear new announcements every day from companies closing down, laying off staff and cancelling jobs.

Since you have opened the door, I would like to make the following suggestion. Try to convince your government to set up a program of loan guarantees for the forestry industry because its access to credit is completely shut off. During our week off, I met with several representatives of that industry and that is what they want the government to do. Nothing you said about your programs has any impact on the ground. Access to credit is completely shut off at this time. Whenever a company goes to a bank, the answer is always no. Those companies have been red-lettered and cannot get any credit at all.

Let me change topics. Small companies that have appeared, still in the forestry industry, have also raised the issue of research and development tax credits. They have told us that they do not have enough staff and that they are too small to claim R and D tax credits because the forms are too complicated and the paperburden is too heavy. When they receive such forms, they just put them aside even if they regularly carry out R and D activities. Because of the overwhelming bureaucratic requirements, they just do not bother. It is too complicated and they do not have enough resources to fill those forms.

Since this is the responsibility of the Minister of National Revenue or of the Minister of Finance—I believe it comes under both of them—have you talked to them to make sure that something simpler is set up especially for small and medium-sized enterprises, so that they be able to claim those R and D tax credits?

[English]

Hon. Diane Ablonczy: Mr. Chair and colleagues, I appreciate your raising that. That's exactly what we want to do—reduce the paper burden for small business across all sectors—and I appreciate your making sure that I am aware of this particular issue. Perhaps we can talk further about some of the specifics.

● (1640)

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you. You have 30 seconds.

Mr. Robert Vincent: We were talking about the CANtex program a while ago. Would it be possible for you to speak to the Minister of Finance, who manages this program, or to the Minister of Industry, to know if the program will be renewed or not?

Could you talk to them and provide us with the answer?

[English]

Hon. Diane Ablonczy: Which program are you speaking about, colleague?

[Translation]

Mr. Robert Vincent: I am referring to the CANtex program set up for the textile industry. Could you get an answer for us?

[English]

Hon. Diane Ablonczy: I was still back at forestry, so that's why I wanted it clarified.

I can have those discussions, but to be honest with you, I wouldn't be able to disclose what might or might not be in the budget, so it might not be helpful to you in the short term.

The Vice-Chair (Mr. Anthony Rota): Thank you, Minister.

Before we shut down, Mr. Sweet assures me that he has a 15-second point.

Mr. Brian Masse: I have a point of clarification, Mr. Chair. Our standing order says from 3:30 to 5 p.m.

The Vice-Chair (Mr. Anthony Rota): There was a misunderstanding. It's from 3:30 to 4:30, and 4:30 to 5:30 with the National Research Council. There was a mix-up.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): We heard some information from April. There's more accurate information based on the testimony of the last meeting when the BDC and the Canadian Bankers Association were here. Small business loans are up 54%, and in the high-risk category they're up to 60%, year over year. That's already on the record in testimony, but it will be a little easier for the researchers when they're doing a report to understand that this is what's on the ground right now.

The Vice-Chair (Mr. Anthony Rota): Thank you for sharing that with us, Mr. Sweet.

Minister Ablonczy, thank you for coming out today. We appreciate your presence and your answers.

We'll now take a short break while we change over from the minister to the officials from the National Research Council.

Merci beaucoup.

- _____ (Pause) _____
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The Vice-Chair (Mr. Anthony Rota): Everyone take your seats, please.

We now have officials from the National Research Council.

- (1645)

[Translation]

We have with us Mr. Pierre Coulombe, President of the National Research Council of Canada.

[English]

We also have Pat Mortimer, vice-president of technology and industry support.

[Translation]

Mr. Coulombe, you have 10 minutes. Thank you.

[English]

Mr. Pierre Coulombe (President, National Research Council Canada): Mr. Chair, members of the committee, as a productive and internationally respected research and development organization, the National Research Council, or NRC, continues to bring advanced knowledge and new technologies to Canadian industries, helping them to compete more effectively on the world stage.

We have a long history of scientific breakthroughs such as the atomic clock, the Canadarm, and the synthetic meningitis C vaccine, to name just a few. While these achievements are important for NRC and the country, they represent only one aspect of NRC's impact. NRC's day-to-day interactions, support, and research collaborations with small and medium-sized enterprises result in the creation of new technologies, new jobs, new firms, and greater prosperity for Canadians.

[Translation]

NRC works closely with Canadian SMEs in a number of ways, from collaborative research projects between Canadian firms and any one of our 21 research institutes, technology licensing, the creation of new firms, and most significantly through the work of our Industrial Research Assistance Program, IRAP.

[English]

NRC also operates a national network 15 industrial partnership facilities, or IPFs, as we call them. These are specialized business incubators affiliated with our research institutes across the country. Companies, often start-ups or SMEs, link to our R and D capacity, our expertise, and our specialized equipment, and benefit from the synergy that comes from interaction with our advisors from the industrial research assistance program, IRAP.

In 2008-09, 13 firms graduated from our facilities, bringing their innovations to a higher level of technology readiness. We currently have 137 companies incubating in these facilities. It is worth noting that graduates from NRC's industrial partnership facilities tend to enter the commercial market on a stronger footing and have a higher survival rate than the regular startup.

As I mentioned earlier, our most significant interaction with SMEs is through NRC's IRAP program. IRAP is delivered by 240 field staff located in 100 communities across the country. On average, NRC-IRAP works with 8,000 small and medium-sized firms each year. NRC-IRAP provides non-repayable contributions on a cost-shared basis to Canadian technology-based SMEs focused on growth in Canadian and international markets. NRC-IRAP also provides mentoring support and business support to these firms. NRC-IRAP's partner organizations also receive contributions to provide technical and research assistance to Canadian SMEs.

[Translation]

The program supports the government's Youth Employment Strategy with its internship program which provides firms with support to hire post-secondary graduates. Both firms and graduates benefit from these programs: firms benefit from the graduates' expertise in a diverse variety of disciplines and graduates gain valuable work experience that will help open the doors for future employment.

In 2008-2009, NRC-IRAP signed financial contribution agreements worth more than \$70 million with more than 1,400 Canadian SMEs. IRAP worked with another 6,349 firms to provide technical, research and business assistance. These contributions translated into close to 5,740 new jobs and employment for 540 youth graduates.

- (1650)

[English]

An example of one of the countless successes emanating from NRC-IRAP's SME collaborations is Vancouver-based Angiotech Pharmaceuticals. As a small firm, Angiotech began a working relationship with NRC-IRAP in 1993. Within five years the company had developed technology to help control chronic inflammation and angiogenesis and had signed a \$30 million licensing agreement. Today Angiotech has more than 1,500 employees worldwide, with operations in Canada, the U.S., and Europe.

This year, as part of the Government of Canada's economic action plan, NRC-IRAP was allocated an additional \$200 million over two years to provide supplementary support to SMEs. This includes \$170 million to double its financial contribution to firms, with a goal of reaching an extra 1,360 SMEs over the next two years, and \$30 million to help companies hire over 1,000 new post-secondary graduates.

I'm pleased to report that as of October 31, this funding has already reached over 1,200 firms and created 4,536 new jobs, on top of the 455 new graduates that were hired in 376 firms.

To mention a few examples of SMEs that will receive funding as part of this initiative, AV-BASE Systems, a London, Ontario-based company, will receive over \$348,000 to develop state-of-the-art maintenance and inventory-control software for the aviation industry. Clear Flow Consulting will receive close to \$125,000 to develop environmentally friendly polymers to treat waste water from both aquaculture ponds and rural, small-scale waste water treatment plants.

[Translation]

In conclusion, I hope that I have made clear that the National Research Council is committed to working with small and medium-sized enterprises, boosting their growth and competitiveness while they realize their full potential.

[English]

After all, NRC's role is all about turning knowledge and innovation into strategic opportunities, jobs, and prosperity for all Canadians.

Thank you, Mr. Chairman.

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Coulombe.

[English]

We'll start our first round with Ms. Coady.

Ms. Siobhan Coady: Thank you very much.

Thank you, Mr. Coulombe, for your testimony and for being here today. I thank all the witnesses for coming this afternoon.

First of all, a paid announcement. I think NRC and IRAP do an incredible job in our communities across the country. I thank you for the efforts that you put in. I work very closely with Kirsten McBride in St. John's, Newfoundland and Labrador, and they do a truly outstanding job of integrating into the community and working very closely with their firms, encouraging them and being part of their teams. I was in biotechnology, and they certainly were a resource to me, not only a funding resource but a resource for market development and so on. I congratulate you and thank you for that.

I have a couple of questions.

You talked a little bit about what you've been able to do over the last year. You talked about the \$200 million that you've received over the two years and about how you were really working towards getting that money into the communities. Could you elaborate a little bit? We're not quite one year, but almost one year, into this. You gave some statistics as to your success.

My concern is for the year coming forward. We're not out of this economic crisis as of yet. We just spoke a little bit about venture capital funding being in a crisis state. I think some of these companies will be looking to NRC to continue their role over the next year or two. I'd like you to comment as to where you feel NRC will be situated this year coming forward—not the year we're just ending, but the year coming forward. Do you think you're going to need additional moneys? Do you think you're well situated?

Mr. Pierre Coulombe: Thank you, Mr. Chair.

As I mentioned earlier in my presentation, NRC received an additional \$200 million through the IRAP program to continue to support the SMEs of this country. At this point in time, most of this money is already committed. Again, we will receive another \$100 million in the next fiscal year. Therefore, we should be in a good position to continue to support the SMEs of this country.

Ms. Siobhan Coady: Good.

Last year I noted in the 2008-09 estimates a reduction of about \$5 million. I just want to make sure that we're not going to be in the same situation where money actually lapses. I know there's a very high demand. I know there's a pent-up demand really for assistance in this particular area. I'm hearing assurances from you that you have enough money for next year and you feel quite confident that you'll be able to get the money out the door.

• (1655)

Mr. Pierre Coulombe: Yes, I believe I can say that. Regarding lapsed money, as you know, when an IRAP contribution is accepted, we very much depend on the company to be able to deliver and to invoice NRC, because these are not payments that we make in advance. We pay when companies invoice us. We put a lot of effort in following all of those projects to make sure that a contribution will indeed be delivered to those companies.

Ms. Siobhan Coady: Thank you for that.

You talked about 1,000 new post-secondary graduates in your programs. Could you talk a little bit about post-doctoral positions? Are you specifically targeting to ensure that companies can have post-doctorates working in their companies, or is it just post-secondary?

I know there is a demand in the country to ensure that we have more post-doctorates. There have been some programs that have been developed to ensure that they are placed in small and medium-sized companies. I'd like your viewpoint on this.

Mr. Pierre Coulombe: I will ask Mrs. Pat Mortimer, who is managing this program, to provide you with an accurate answer to this particular point.

Mrs. Pat Mortimer (Vice-President, Technology and Industry Support, National Research Council Canada): Actually, you are right, it is just postgraduates, recent graduates, who we place within companies. They can also be from colleges. We find that many SMEs find technical staff from colleges as well. We are aware of other programs in the government for placing post-doctorates. Actually, NSERC has one, and we're linking up with them, since they have the graduates and we have the companies.

Ms. Siobhan Coady: So you're working cooperatively with them. We do need to have more of an attraction to small and medium-sized businesses.

We've talked a bit about commercialization and some of the challenges to commercialization in this country. Of course, NRC, with IRAP, is very much on the ground. Would you care to comment on some of the commercialization challenges and how you think we can ameliorate them?

Mr. Pierre Coulombe: Commercialization in Canada, as we all know, is a topic that is a bit difficult. Through IRAP we are providing not only a financial contribution, but we provide a lot of advice and expertise to SMEs. As a matter of fact, more than 10,000 companies receive IRAP support in one way or another. A small fraction of those companies are receiving a financial contribution. Through the advice that the ITAs are providing to SMEs, I believe that in the end they are in a better position to commercialize their technologies.

Ms. Siobhan Coady: One of the outcomes of our discussions in the last week with the venture capital association was that they were saying there's just not enough commercialized activity. There aren't enough wins there for them to continue to place money. That was one of the issues.

Would you care to comment on that?

Mrs. Pat Mortimer: I'll comment on that, because we had placed making the linkages between the SMEs and the venture capitalists as a priority for the IRAP program this year. There seemed to be a gap there. What we have to do through IRAP is mitigate the risk for the venture capitalists by further developing the technology, but we also have to make the SMEs VC-ready and help them see what the venture capitalists are looking for. We've put a number of programs in place. I don't know if *Dragons' Den* is copyrighted as a name, but we've done *Dragons' Den*-type activities in a couple of the provinces by bringing together the venture capitalists and the technology-based SMEs to pitch their technology.

I think you're right in saying that bridging that gap is a big thing for the SMEs, and we're looking at any way we can help them do that.

Ms. Siobhan Coady: There is a good program in Newfoundland and Labrador, the Newfoundland and Labrador Angel Network. I know that the Newfoundland and Labrador Angel Network has worked cooperatively with NRC as well. We should perhaps model that, because there is that gap, and one of the huge issues is how we fill that gap.

Mrs. Pat Mortimer: When we talk venture capital, we have to also include the angel networks. In Canada the angel networks are becoming increasingly organized and important, and linkages to them and factoring them into the SME world is important.

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you. We continue with Mr. Bouchard.

Mr. Robert Bouchard: Thank you, Mr. Chair.

I will share my time with Mr. Vincent.

Good afternoon, Mr. Coulombe and Ms. Mortimer. Thank you for being here this afternoon. I have two brief questions.

If I understand correctly, you said that you have 140 employees working for the National Research Council who are on the ground in about 100 locations in Canada.

How do you classify their work? Are they working in the aerospace industry, in the manufacturing industry? Also, how do you classify their work locations? Is it done by region only? I would like to have this information.

• (1700)

Mr. Pierre Coulombe: Indeed, IRAP has 240 technological advisors in about 100 communities in Canada. Most of them are either engineers who worked in the past in industry or entrepreneurs who have sold their business and have been hired by NRC to provide advice. Naturally, in regions such as Montreal, we do have some aerospace experts.

We try to hire our advisors according to the needs of Canadian industries. They all have entrepreneurial expertise, scientific expertise, technology expertise and business expertise.

Mr. Robert Bouchard: You said that 6,000 companies have benefited from your expertise. You also said some of your resources have worked and contributed in the Montreal region.

Let us look at rural areas instead of urban centres. Do you provide your advice and your expertise in large communities only or also in rural areas?

Mr. Pierre Coulombe: As I have indicated, we have IRAP advisors in about 100 Canadian communities. Of course, they are present not only in large urban centres but also in several regions of Quebec. I would not go as far as saying that those regions are all rural areas but I would say that we are present in all the major economic regions of Canada.

[English]

Mrs. Pat Mortimer: And they travel.

[Translation]

Mr. Pierre Coulombe: Yes, of course, as my colleague was telling me, IRAP advisors also travel a lot within their territory to visit all manner of companies, wherever they are, in order to provide advice, as well as financial contributions if necessary.

Mr. Robert Vincent: Let us now look at the tourism industry since we have not really dealt with it yet.

The tourism industry and the service industry have both been referred to by the minister earlier. The service industry is the one employing the largest number of Canadians. However, it is faced with various problems and a study has been carried out.

I would like to know what the position of the government is on credit and debit cards. I am quite sure that representatives of both industries—tourism and service—have made representations to you about the interchange fee. I would like to know your position on this.

[English]

Mrs. Coleen Volk: I think it would be fair to say that the Department of Industry will respect the position of the Department of Finance on this. There is a consultation paper out, which is being led by the Minister of Finance. He's collecting views from anyone who would want to share views.

I don't think it would be appropriate for us to express an opinion in advance of that consultation, and as a department, we have certainly not officially put forward a position on that at this time. We're anxious to see the results of the consultations.

[Translation]

Mr. Robert Vincent: What representations have been made by those companies, whether in the service industry or in the tourism industry? What have they specifically requested from your department? The matter has been studied by the Standing Committee on Finance. You have most certainly already provided advice to the government about this after having heard from experts in both those industries.

I would like to know what your position is and also what those industries have requested from the government.

•(1705)

Mr. Patrick Hurens (Director, Service Industries Directorate, Department of Industry): Mr. Chair, I can answer the question, at least partly.

First, notwithstanding SMEs, no company has made any representations to us about this issue. However, various organizations, such as the Retail Council of Canada, which is it to appear before you next week, have indicated that they have a problem with what some credit and debit card companies want to do.

I also know that retailers have expressed some reservations about the way the code is being presented. Over the 60-day period, they have the opportunity to make representations to the Department of Finance. I do hope they will seize this opportunity to explain their problems and issues since this will probably have an influence on the code.

Mr. Robert Vincent: Mrs. Volk, a while ago you seemed to know a bit more about the CANtex program. I would like to hear you about this.

Mrs. Coleen Volk: I am not an expert.

[English]

Just to make sure we're talking about the same program, we refer to it as CATIP, which is I think what threw us initially when you mentioned the program. It's the Canadian apparel and textiles industries program.

Is that the same name—a different acronym, but the same program?

Mr. Patrick Hurens: It was a sub-program.

Mrs. Coleen Volk: It was a sub-program, okay.

I'm not sure I can really elaborate. There is a program. It was established in 2002, I believe. It is scheduled to terminate on March 31, 2010. It was designed as a transformational program, so it is a contribution program that was established to help companies in that industry transform to meet the new reality.

So it was envisaged to be a program that would sunset. In the absence of any other decision, it would terminate in March. The department has not taken a—

The Vice-Chair (Mr. Anthony Rota): Thank you, Ms. Volk.

We'll continue with Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair. I thought you were leaving, but I guess you're still here, so we're glad to have you still here.

I hope you didn't take offence when I said, "Sorry, to see you go".

The Vice-Chair (Mr. Anthony Rota): If you don't mind, I'll just cut in.

I just want to remind the members that we have the members of the National Research Council here. If we could keep it to that.... I realize we're all over, but I'm just letting you know they're here. It's just a little reminder.

Thank you.

Mr. Dave Van Kesteren: Thank you for pointing that out.

Last year we conducted a tour of science and technology. We didn't finish it, but we had a fabulous tour. Robert, you were with me. Brian, were you there? I think it was just the two of us, the last two that were here. We didn't finish it, but we did get a chance to visit the University of Saskatchewan.

I guess that is called a centre of excellence. Is that correct? It's kind of the same thing you're talking about, Mr. Coulombe, a facility that would bridge the gap between the research and productivity. They had these small businesses they started.

How are you tied, or are you at all tied into those? Do you have any connection with centres of excellence?

I had some of my answers given to me. It is a little complicated when we look at who administers these. It's a granting council, apparently, or something, but when I look at that, it's getting me....

Mr. Pierre Coulombe: I know that we have been involved with many universities across the country, supporting them in their requests to get commercialization centres. At the University of Saskatchewan we have an institute called the Plant Biotechnology Institute, which you may have visited.

Yes, indeed, we do collaborate with some of them. I cannot guarantee that we collaborate with all of them, but I am aware that we've been involved with some of them. Some were not funded altogether because many proposals were made under this program, but we have tie-ins with some of those commercialization centres, indeed.

•(1710)

Mr. Dave Van Kesteren: How many other centres of excellence are there? I'm not talking about the one in Saskatchewan. Do you know how many there are across the country?

Mr. Pierre Coulombe: I believe there are 15 of those, but this program is not under NRC leadership. This is an Industry Canada program. I believe there are 15 commercialization centres. Is that right, Pat?

Mrs. Pat Mortimer: There were 10 in the first round.

Mr. Pierre Coulombe: Yes, there were 10 in the first round and maybe 5 in the second round. I cannot tell you if we are collaborating officially with all of them because some may be located where NRC has no capacity, but for those that are located where NRC has capacity, we most likely are collaborating with those centres.

Mr. Dave Van Kesteren: I had a visit from the folks from MITACS. Are you familiar with the program MITACS?

Mr. Pierre Coulombe: No, I'm not.

Mr. Dave Van Kesteren: That is a centre of excellence. They take mathematicians or students who are involved in math and they place them with different industries. Are you familiar with that? Are you working in collaboration with those as well?

Mrs. Pat Mortimer: Yes, MITACS, and especially their youth program, is something that is working very closely with IRAP. We've had them actually visit each of our regions to describe their program and what they're looking for so that we can work closely together.

Mr. Dave Van Kesteren: Their request was to expand that. Do you see something of merit there? Do you feel that program is underfunded, or is it something that can be used?

Mrs. Pat Mortimer: I'm aware of it, and I think it's a good program. I'm not aware of their funding level, what their aspirations are, and what sort of ask they have. But it is certainly a program that we work with. There is still capacity for placing young people in businesses, and that is certainly something worthy of support and it is something that IRAP supports as well.

Mr. Dave Van Kesteren: And IRAP does use that program to...

Mrs. Pat Mortimer: Our youth program is fully subscribed very early because what we do is help companies access whatever resources there are, wherever they are. We then put them in contact with other programs, such as MITACS and NSERC, where they can get those resources.

Mr. Dave Van Kesteren: I was checking with the clerk. I think our tour was back in the spring before last, so we're talking a year and a half ago. At that particular point in time, we found that there was still a gap between research and bringing it to the marketplace. Have you closed that gap? Are you working on those things, or is that not in your area?

Mr. Pierre Coulombe: The work we do at the NRC, as I mentioned before, is primarily designed to make sure the technology we are developing is indeed transferred to industry as quickly as we can. We do that in various ways.

Regarding the broad problem of commercialization, obviously it involves many more players than the NRC—the universities, the colleges, industry itself. From what we can control, which is our own environment at the NRC, we work very hard to make sure that our research programs deliver results industry can use.

Mr. Dave Van Kesteren: Thank you, Mr. Chair. I'd like to pass my time on to my colleague.

The Vice-Chair (Mr. Anthony Rota): You have a minute and a half left.

Mr. David Sweet: I think it's just enough for this question.

We had some good witnesses last week, and I'd asked some questions because I was involved in a meeting at McMaster University where we were talking about building centres of commercialization. The Fraunhofer Institute in the United States was mentioned. The one particular concern they had was that for the emerging research and innovative technology that was coming from the university, the biggest gap is from that classroom to the shop floor and bridging it to commercialization. In fact, one of the witnesses said that one of the things we need to do is have an incubator to produce serial entrepreneurs, these people who are gifted at being able to understand how researchers think and yet at the same time being able to take the technology and put it on the street.

It's particularly even more of a concern with the fact that the number that was mentioned earlier...I believe it was that about 70% of our business, at least SMEs, is in the services area. For us to take this technology and capitalize on the whole value chain all the way through I think is important.

I'm just wondering if any of the witnesses have any thoughts on that. How can we encourage and maybe increase the talent pool of serial entrepreneurs so that we can capitalize more on our own homegrown research from some very world-class universities, like McMaster, which is in the riding I represent, so that we can keep all the business here, and the jobs, and of course the notoriety that goes along with both?

• (1715)

Mr. Pierre Coulombe: One thing I also mentioned in my brief remarks is that all across the country, NRC operates 15 what we call industrial partnership facilities. They are indeed incubators. We now have about 136 companies, which are all start-ups that may result from work performed at the NRC, a spinoff from NRC, or it could also be a spinoff from a university where we are located.

What we are offering is access to space and interaction and access to the human capital we have, fancy equipment that a small start-up cannot afford, and also advisers through the IRAP ITA. We are doing just that across the country. The success rate is measured by how quickly companies are leaving those incubators, because they are growing. Last year we had about 13 or 14 of those companies that decided to leave our facility, and they rented larger spaces in their community. This is one example of how we are making sure that we offer companies, and specifically start-ups, access to space where they can commercialize their technologies with our support.

The Vice-Chair (Mr. Anthony Rota): Thank you very much.

Now we'll continue with Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

Automotive Partnership Canada was created in April, and around \$150 million was supposed to go for automotive innovation. I'm just wondering how many projects have been approved in this file.

Mr. Pierre Coulombe: The NRC is not managing this program. I can tell you what we do in the auto sector, but it's not a matter of project approvals. Industry Canada is managing these partnerships.

Mrs. Coleen Volk: It is managed by our department. I'm sorry, I don't have those facts with me, but we could get back to you with that information.

Mr. Brian Masse: Yes. Could you get back to me on that? I'm just curious about that one. It seemed to be a rather good program, but I just haven't seen any results come out of it yet. I'd appreciate that.

Mrs. Coleen Volk: I'd be happy to get you some.

Mr. Brian Masse: Okay.

Sorry I got that one mixed up, but maybe you can talk us through your success rates here a little bit too. There are very bold assertions here—you say within this year—with regard to the economic action plan and the additional \$200 million. So within less than a year, according to your documents here, we've had 455 new graduates, and they go into 376 firms—I'm assuming, employed—within less than a year. Maybe you can explain how that works, because that's a rather rapid turnaround in results.

Mrs. Pat Mortimer: When we provide this cost-shared funding for the companies and the funding for the youth, we fund salaries only. We fund the cost to them of the highly skilled people they need, the engineers and the researchers to work in their programs. That means that when we approve money, we know exactly how many positions. We may even know the names of the people they are hiring. So it's very easy for us to count and keep track of how many jobs we are creating with this money.

Mr. Brian Masse: With the 1,200, you just count them up, but 4,536 jobs?

Mrs. Pat Mortimer: In approving the contribution agreement, and when we approve the amount of funding, the company pays the salary for a certain number of people. When they invoice us, it's for the salary costs of those people. We are counting the number of people they are hiring to do this research.

Mr. Brian Masse: So there are 4,500 people that we're paying salaries for. How long does that go on, and what's the retention rate? I used to work as a job developer on behalf of persons with disabilities and youth at risk. What is the duration of the subsidy, and what's the success rate beyond closure?

Mrs. Pat Mortimer: For the youth program, it can be six months, it can be a year. We find that over 90% of the youth we help stay with the company. It's very high. In many cases, it's one of their earliest employees, so they end up staying with them and growing with the company. We have followed up, and it's over 90% retention.

• (1720)

Mr. Brian Masse: That's a good number. That's what we had in my program, actually.

How long is the subsidy for and how much does it amount to?

Mrs. Pat Mortimer: It can be a year. With the new funding, it's \$30,000 to the company.

Mr. Brian Masse: Are there cases in which the company will increase the salary? Will they make any additional contributions?

Mrs. Pat Mortimer: Yes, that's just our share. They can top it up if there are market forces or particular areas of expertise. If you're hiring a new graduate, a PhD versus someone recently out of a community college, there may be a difference. We expect them to contribute somewhat to the salary. That's the top-up factor.

Mr. Brian Masse: Lastly, I want to go to the previous statistics for similar programs. I'm referring to the 1,360 over the next two years, the 1,000 new post-secondary graduates. Are we paying for those salaries too?

Mrs. Pat Mortimer: Yes, it's the same program.

Mr. Brian Masse: Mr. Connell, with regard to the HST, there is going to be an increase in a number of different elements. There was a study done by the Tourism Industry Association of Ontario. Are you familiar with that study? They have said that the weekend getaway is going to have a tax increase of 43%; the one-week camping holiday, 32%; a shopping weekend in Toronto, 14%; and a family ski holiday, 25%. A lot of these are American tourists coming in.

Mr. Brown mentioned the issue of passports. In the United States, only 35% of the population have passports. Could your department take steps to monitor how we could encourage more Americans to

get passports? If we don't turn this around, they can't come to Canada. Is there any new work being done in this area? Coming from a border town, I know that if they don't get their passport, they can't come at all. I'm hoping that we set benchmarks to try to get Americans to acquire passports. Some businesses are doing that, like the Windsor casino and others. Has your department ever considered this? Would you consider it?

Mr. John Connell: The answer is no. Our department has not done that kind of work. The tourism directorate of my branch consists of about 10 individuals, four economists. Our priority is to support the minister of state in the development of the federal tourism strategy. That's where an awful lot of our effort lies. Other key tourism priorities include liaison with the Canadian Tourism Commission and assisting with their dealings in Ottawa—processing of corporate plans and helping them to take advantage of the Olympics. It's a question of scarce resources to support the key priorities identified by the minister. That's where we are.

As for passports, we stay in touch with CBSA. If there was a study carried out, it would be with that department. They may well have done one. I'd be happy to check on that for you.

Mr. Brian Masse: I would appreciate that.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Connell.

We'll move on to Mr. Bains in the second round, the five-minute round.

Hon. Navdeep Bains: Thank you very much, Chair.

I'll follow up on some of the questions that have been asked, but first I'd like some further clarity on one. You indicated in your remarks that collaboration with small and medium-sized enterprises result in the creation of new technologies, new jobs, new firms, and ultimately greater prosperity for all Canadians. One question I had specifically around that statement is about value for investment, or return on investment, and what performance measures you have to track success. What are the measures you use to see how you are tracking the investments you are making? Do you have those kinds of metrics?

Mr. Pierre Coulombe: Each year we report on plans and priorities and a series of metrics that we use. We use what we call scorecard methods to measure all kinds of parameters coming out of the NRC. It is part of our report on plans and priorities, so we have many metrics that we use.

• (1725)

Hon. Navdeep Bains: Are jobs one of them? Are you able to track that directly and indirectly?

Mr. Pierre Coulombe: Obviously, jobs would be pretty much under the IRAP programs, or under the spinoffs we create, resulting from our own research programs. A few weeks ago, we were invited to speak about IP management. Every year we license about 100 of our technologies to various licensing processes, or we create spinoff activities. All together, if we take the last five or six years, with the spinoffs that were created by NRC, we were able to gather about half a billion dollars of capital, half a billion dollars of sales from those companies, and I would say 700 or 800 jobs directly related to our spinoffs. If we add that to those coming out of the new funding debt we received from the IRAP programs, you can add about the number of jobs created. That would obviously be direct jobs. In our spinoffs, these are direct jobs that we can count. There should be some kind of multiplier or factor for indirect jobs.

Hon. Navdeep Bains: So what's the baseline number? Do you have that number accumulated?

Mr. Pierre Coulombe: Regarding?

Hon. Navdeep Bains: The jobs you just talked about. I understand the multiplier effect.

Mr. Pierre Coulombe: Yes. If I take, for example, the companies that NRC created over the last recent years, these companies have been able to raise about half a billion dollars in venture capital.

Hon. Navdeep Bains: I know the amount, but I'm talking about the number of jobs.

Mr. Pierre Coulombe: The number would be about 600 jobs that were created out of those spinoffs.

Hon. Navdeep Bains: Okay.

Sorry, go ahead.

Mr. Pierre Coulombe: But the indirect jobs, I cannot count.

Hon. Navdeep Bains: I understand. I only wanted to get a sense of how you were tracking your performance and how you were comparing year over year.

Going back to the department officials on a couple of questions outstanding from the last round with the minister, if you can bear with me, very quickly, with respect to the paper burden, I know there was a target set of 20%, and it was achieved. How does that compare with other jurisdictions? I was told, for example, that British

Columbia has a target roughly around 50% that they achieved when they took on a similar initiative. Is that accurate, first of all? Obviously, I've read that, but I wanted to make sure that is accurate. Secondly, now that you've hit that 20% target, is a new target being established?

Ms. Marie-Josée Thivierge: On the first part of your question, the initial target that B.C. had set—and we can confirm this—was 30%, not 50%. Certainly, in moving forward with the federal initiative, we very much looked to other jurisdictions and best practices. Certainly, through the joint committee between the industry and Industry Canada, we had on this committee representation from a number of jurisdictions who assisted in developing the way forward.

Yes, we've reached the 20%. A couple of things came out of that. In addition to very concrete measures that reduced the burden on small business, one of the things we witnessed as part of that exercise is a real understanding on the part of federal departments and agencies that were part of that—there were 13 altogether—about the need to not have this be simply one time, but instill a culture of understanding of what it means to place a burden on business. So as new regulatory initiatives were being introduced, we needed to ask the question, as they were being developed, what will be the impact on small business? So we certainly have seen that.

The minister has certainly been a champion of that initiative and continues to have ongoing discussions with her colleagues in the different departments about what more can be done. So certainly there is an interdepartmental community that continues to look at this.

At Industry Canada, we also have the responsibility of working with Statistics Canada on studies to monitor the cost burden on small business, and we propose to continue to do so.

The Vice-Chair (Mr. Anthony Rota): Thank you very much.

We're out of time. It looks as if it's about 5:30, and we're about to go to vote. So I want to thank all the witnesses for coming out this afternoon. It's been very helpful.

This meeting is now adjourned. Thank you.

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