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Chair

Mr. Dave Van Kesteren

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● (0905)

[*English*]

The Chair (Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC)): Order. Good morning. Welcome to our subcommittee meeting. We've been commissioned to study the crisis faced by certain industrial sectors in Canada, such as aerospace, energy, forestry, high tech, and manufacturing.

Today we are very privileged to have with us the high-tech sector. From BIOTECanada, we have Peter Brenders and Rainer Engelhardt. From the Information Technology Association of Canada, we have Bernard Courtois, Terry Ansari, and Hicham Adra. It's very good to have you with us. We thank you.

You will be starting with some opening statements, I presume. One of you will make those. After that we will begin our rounds. We've become quite lax in our times. I try to stay very fair, but the opening round is ten minutes. If it gets a little bit longer than that, you might see me waving at you or something just to ask you to wrap it up. If you do have something that you feel that is very necessary for us to hear, by all means indicate that, and we'll certainly accommodate you.

Again, welcome.

Mr. Brenders, are you going to speak first?

Mr. Peter Brenders (President and Chief Executive Officer, BIOTECanada): We're both going to speak, but Dr. Engelhardt will kick us off.

The Chair: Okay. Wonderful.

Please proceed, sir.

Dr. Rainer Engelhardt (Chief Executive Officer, Eulytica Biologics, BIOTECanada): Thank you, first of all, for this opportunity to present the biotechnology sector as a Canadian sector to the committee.

I'd like to just briefly introduce myself. I've spent most of my working life in biotechnology, in one fashion or another, from an academic perspective and then as a government regulator, and then over the past 19 years now in the private sector altogether.

I run a small new start-up company here in Ottawa called Eulytica Biologics. It's just getting on its feet. I sold a previous company. I've been a director of BIOTECanada for a number of years, and up until just recently was its chairman for three years.

BIOTECanada is the national organization representing the biotechnology sector here in Canada. In that sense, it represents the interests of over 250 members that really span biotechnology as an industry from research all the way into sales. Its membership is from industry as well as public organizations.

When I talk about biotechnology, really I'm representing the Canadian industry sector that is broadly bio-based; that is to say, it carries out R and D and develops products with biology as a technology platform. That's the glue that binds the industry together. In fact, in that sense, the industry is similar in magnitude to other major industry sectors, compared to automotive, compared to aerospace, compared to information technologies.

We know you're hearing serious stories of several industries in dire circumstances in many sectors of our economy, and certainly the biotechnology industry sector is also seriously affected in the current economic times. What I would like to do is briefly give you an overview of that sector scenario and put it in the context of Canada's current and future national economy in the sense of what the contributions of the biotechnology industry do for that. And Peter will follow up, after my brief comments, with some specific details and with what BIOTECanada sees as proposals for action.

We know firsthand from our members that this financial crisis has had a profound impact on our biotechnology companies and therefore impacts on the continued innovation of biotechnology and, most importantly, on the value generation from that industry to the overall Canadian economy.

As a sector, the biotechnology industry in Canada is definitely entrepreneurial. Companies start out small on the basis of landmark innovations. This might be in health, it might be biofuels, new materials—a number of different areas—and the companies typically have gradual growth over several years, from two or three years to a decade or more, depending on what sector they're in. In particular, the health sector takes much longer to bring a product to market.

Over those years they grow, they hire, they spend their R and D money, and that R and D money will have come from capital investment or from grants. In fact, they tend to spend their R and D money back into Canada.

They might fund research and development, as I said, for more than a decade before they actually show any sales revenue. For Canada that's important, because the biotechnology industry is a new and emerging industry in Canada. So they're at that interim point.

For the most part, they use equity-based investor capital to do that. They're highly dependent on well-functioning capital markets, and, as we know, they are especially vulnerable to a market crisis. In fact, the same is true for companies in biotechnology outside of Canada, that are also actively striving towards a profitable and sustainable knowledge-based economy. That competition outside of Canada is real and in fact validates the basic value of biotechnology as a knowledge-based economy for any given country.

So what's the problem? First of all, as I said, few biotechnology companies in Canada are well-established mainstream producing companies. They're really in the middle of a development phase of products, as a generality, and they are transitioning to commercialization and product sales. That's true whether or not the biotechnology company is developing a cure for multiple sclerosis or breast cancer, or has approaches and products related to new carbon capture methods, or food safety, or biofuels. It's a broad sector in that sense.

● (0910)

When the credit markets seized up as they did last fall, there certainly was less capital that the equity investors wanted to put at risk.

We find that the capital that is put at risk—by VCs, for example, venture capital companies—is dedicated typically to shorter-term, lower-risk options providing earlier returns. In fact, VCs that had been investing in biotechnology are now investing in real estate. It's a very different scenario from an investment perspective.

The perspective for biotechnology is that biotech is a higher-risk investment by nature. It's high-risk, but there are also very high rewards, which comes fewer, at times. That has coloured the overall investment scenario in Canada. The current reality is that there are more emerging technology firms in Canada than ever, frankly, that are operating with less than six months of cash. That's a sobering fact that we have solidly researched through BIOTECanada. The majority of the small and emerging companies have less than one year of cash to survive.

The effect is that companies are closing product development programs at the moment and are starting to cease operations. If you look at the data over the last two months, you'll see employment in the biotechnology sector has decreased by about 8%. We think if this continues, many thousands of direct and indirect jobs are also going to be lost from the sector. What that does is threaten the promising earlier scenario of a healthy future growth of the biotechnology sector, its employment, and its value generation.

This short-term financing issue has also put the historical R and D investment in Canada at risk. Canada is a country that federally and provincially has invested well in R and D. Many innovations are generated, and they have brought breakthroughs in products that are entering our drug registries, put on our plates, put in our cars. The impact on the sector is that we have a risk scenario, and in order to keep that innovation, commercialization, and value generation going in Canada, actions need to be taken.

I'd like to leave it to Peter to provide a few points on this.

● (0915)

Mr. Peter Brenders: Thanks, Rainer.

As Rainer said, I'm with BIOTECanada. I'm Peter Brenders, the president and CEO.

On behalf of our members, we wrote to ministers Clement and Flaherty in December when the crisis was starting and suggested a three-point plan that we could put in place to sustain research and development in Canada, to stimulate new investments and new financing, and to support domestic jobs—three points that broadly will serve the biotechnology interests but will also serve the broader S and T interests of this country.

The first recommendation is help companies monetize tax losses. As Dr. Engelhardt mentioned, companies spend heavily on R and D, much more than revenue. A lot of times in their early development stage, they accumulate substantial tax losses. They look forward to the day they get to claim these tax losses. But we have a challenge of getting there.

Our recommendation is to grant a loan against these tax losses; use the tax losses as collateral, in a sense. We could use BDC as an entity to be able to flow capital to companies for a short term for them to spend on R and D. You can create limits on that. We're recommending that it be limited to the early-stage R and D companies that are spending more on R and D than they get in revenues, or revenues less than $10 million. You keep it focused on those emerging companies and you can create limits in terms of the amount of a loan they can apply for. You make it a no-payment, no-interest loan for two years and then amortize it over five years. It's a way to put capital into companies and keep those jobs going; stop the layoffs in that area.

We've talked about the second area in terms of new financing and we're suggesting we implement a capital gains exemption on new direct investments into companies that are doing R and D. There's no immediate cost for the government up front, potential opportunity cost down the road when the success is there, but again it puts money into the companies and creates a competitive advantage for a science-based industry.

The third recommendation is to sustain that R and D in Canada. Keep that business case that we have for Canadian R and D. We currently have an R and D tax credit program, the SR and ED program. I'm sure you're all aware of it. There is a limitation in the refundable credits. The refundable credits are a great program, but they're limited to Canadian-controlled private corporations. They're a very small subset of our R and D jobs. It made sense when it was put in place in 1985, back before free trade and all the policy atmosphere then. It makes no sense today. It's not about the ownership status of a company, it's about the Canadian jobs. Our recommendation is simply to eliminate that restriction, that CCPC, the canadian-controlled private corporation restriction. Allow all companies investing in R and D in Canadian jobs to benefit equally under the terms of the program.

We're putting forward those recommendations with two things in mind. One is that we have an urgent problem. We can't afford to have the industry decimated by the credit crisis. Too much has been built into these operations to get them into a commercialization cycle. The second one, and I'll close with it, is that we're dealing with a global landscape. These jobs are very portable.

We put in here the *Globe and Mail* cartoon from last week that talks about Canadians classically as hewers of wood and drawers of water. In the world of R and D, we run the risk of just simply exporting our IP as we've exported raw natural resources in the past. Our goal is to make sure that we create an environment, that we capture that value in Canada.

We see countries like China announcing $9 billion for emerging tech this week; the U.K. creating a $1.3 billion pool for investment in emerging tech; the U.S. dedicating 3% of GDP for growth and innovation; EU committing more than $47 billion for SMEs; Taiwan creating $2.18 billion in venture capital for their biotech. It goes on and on as countries around the world are investing and it makes it incredibly attractive for our emerging technologies to simply pick up and leave. That's not the goal we want in Canada.

We'll just close with that. We think Canada has a competitive advantage. We can compete globally in this space. We just need the tools to make sure we are globally competitive.

Thank you.

● (0920)

The Chair: Thank you, Mr. Brenders and Dr. Engelhardt.

Monsieur Courtois, I think you're next.

[*Translation*]

Mr. Bernard Courtois (President and Chief Executive Officer, Information Technology Association of Canada): Thank you, Mr. Chairman.

My name is Bernard Courtois and I am President of the Information Technology Association of Canada. I would be pleased to answer your questions and exchange with you in either French or English. I will make a few opening remarks and introduce to you the two colleagues who have accompanied me.

[*English*]

First of all, I'll say a few words about ITAC. We're the national association of Canada's information and communications technology industry, which covers information technology and telecommunications hardware, software, services, everything that makes the Internet work, Web businesses, and so on.

Our industry is a significant one. It employs about 600,000 Canadians, which in proportion is significantly larger than agriculture or forestry. We have 20% more people employed directly than the auto sector when it was at its peak. Our sector performs 38% of R and D carried out in the business sector in Canada, which is probably more than double any other sector.

In addition to our role in our own right, we have also been growing, by the way, at a higher rate than the economy for the last 10 to 15 years. Even though we went through a bubble and a crash around the turn of the millennium, the growth is steady through that. The bubble was an exaggeration upward and the crash an exaggeration downward, but generally speaking we have been a growth engine for the economy.

But we have a very unique role in that in addition to the 600,000 people employed in our industry, there are 500,000 information technology professionals working in the rest of the economy. That is just an illustration of the degree to which our industry has a unique role as an enabler in making the rest of the economy function and driving productivity. Indeed, the studies have been accumulating that productivity in a modern economy is dependent on, and really well correlated with, the degree of ICT adoption.

Our industry is very global, and it is also enabling. Because our technology is enabling work to be shifted around the globe so easily and because our companies operate that way, our industry is really in the front lines of what's happening to an economy, not just in our sector but in all sectors around the globe.

We have been affected by the recession, and different sectors are affected differently. Obviously, our customers are suffering at the present time and they're obviously not spending as much as they would in a booming economy. That's causing a recession in our industry itself. There are some layoffs, but I have to say that much of what's happening in our industry is some significant belt tightening but also some people just taking a hard look at their operations to make sure that when we dig ourselves out of the recession they're going to be stronger and more competitive.

So our situation is that we will continue to be a growth engine for the economy. Most importantly, we will be continuing to provide what is needed for the rest of the Canadian economy to be competitive in a modern environment.

Like the biotech sector, however, there is one dark side at the moment and that is the dearth of venture capital. Obviously we're going through a financial crisis, a crisis that emanates from the financial sector, so more than ever there's a shortage of venture capital. That is not a unique Canadian problem. That is a global problem. As governments around the world try to solve the problem of the banking sector and the financial sector, it is important to realize that there's a whole growth side of our economy that is dependent more on venture capital than on bank financing. This is something that really everyone is trying to address at the present time.

In Canada the problem hits on a base of venture capital that is thin and not very large to start with. So we had a challenge of venture capital already. The economic crisis of course makes it a lot worse.

Our view, therefore, about how we're going to move forward is we need to find a way of flowing money quickly in terms of venture capital to those firms. There are things that we should do in the longer term. We can try to improve this with R and D tax credits. We know that we have a very good program but we know that there are shortcomings.

● (0925)

When it works for a particular company, it works very well, but for a lot of companies it doesn't provide the cash flow needed. They reach up very quickly to the limitations about what size they can reach and so on, but the problem is very short term and therefore in our view we cannot address this very short-term problem with redesigned programs. To redesign a program takes a year or two. It takes a long time before money starts flowing. We have to find ways of getting money to flow quickly.

I'll move on, though, to say we're looking ahead to digging ourselves out of the recession as a country and to what we need to do to, in a way, make the best of a bad situation and capitalize on our advantages as a country and dig ourselves out in a way that will competitively differentiate us, restrengthen our competitive position and our growth position.

A couple of reports came out last week—from the Science, Technology and Innovation Council and the Council of Canadian Academies—both addressing the areas of innovation and R and D. Those reports point out the view we've held and we see around the world. That is, in Canada we're a relatively prosperous, developed economy, and therefore higher-cost. We're a small economy compared to many other countries around the world. We're not growing as fast inherently as the developing economies. But we do have the advantages of a well-educated population, high quality of life, proximity to the richest market in the world, advanced technology capability, and strong fiscal position in our country.

All that points to the fact that we are compelled to succeed in the future based on innovation. We believe that not just for our own sector, because obviously we're sort of a poster child for innovation, but we believe the entire Canadian economy should be looking at itself from that standpoint.

So when you talk to other sectors, and the people talk about how they're going to dig themselves out of this, we believe—we're having discourse inside our own industry, but we believe it should be true for those other sectors as well—that in Canada we need to start focusing, and we're a small enough country to be able to be focusing, on leadership in the use and development of technology in whatever sector we're in.

You're talking to other sectors. I can understand that oil sands is an industry that is very technologically dependent. And you can go across all kinds of sectors in our economy where we don't think of technology being a driver of their future, but it is of their competitiveness and their growth.

We believe it's important, when this committee writes its report, to pick up on the words of the Science, Technology and Innovation Council and the Council of Canadian Academies and the views of sectors like ours that see the economy worldwide, to emphasize innovation and the drive for leadership and innovation and technology in the future.

We see that as a best practice among our clients who are, even at the present time, investing to make themselves stronger as they come out of the recession. We see it in governments. Governments have an extraordinary opportunity at the present time to make themselves more efficient to do what they are saying to businesses that they should do, to invest in technology to improve their operations. In the short term, it's a win-win, because these people who we are laying off temporarily will have long-term jobs, will get soaked up by that, but the result will be, when we try to dig ourselves out of deficit, a much stronger position.

I'm just going to pass it on at this time briefly to Terry and to Hicham so they can introduce themselves and just lay a bit of a basis for which we can have our discussions with you.

Thank you.

Mr. Terry Ansari (Vice-President, Business Solutions Group, Cisco Systems Canada Co., Information Technology Association of Canada): Good morning, Mr. Chair and members of the committee.

Thank you very much. I really appreciate the opportunity. As Bernard said, Hicham and I are just going to make a few comments and then look forward to your questions.

I work for Cisco. We are the global leader in networking. Our vision is changing the way the world works, lives, learns, and plays. I would suggest to you that, at this juncture in time, that has become more profound than ever. As we look at what's happening around the world, the global stimulus package is, by our own estimation.... I'm part of Cisco's global advisory group, by the way. We've analyzed so far in the order of $2 trillion being set aside, so to speak, for the idea of economic stimulus.

When we look at that $2 trillion and dig into it, what we're seeing is a larger discussion that is not, if you will, about that traditional infrastructure dialogue. It is about a different message entirely, which is the notion of recovery through innovation. I think, very consistent with what you've already heard this morning as we look to recovering, it's really about how we position ourselves for the upturn, which is inevitable. As we do so, we have to appreciate that we're competing around the world with a completely different set of very well-financed constituencies and a tremendous number of focused leaders around the world who are saying that this is their opportunity to change the dynamic.

For us, as we look forward, we believe that technology is the enabling infrastructure of our time. In fact, it is so important to our future, it really is something that will have a profound impact on economic resilience and agility and also a deep and lasting impact on our society. From our perspective as a company, I believe that, writ large in the technology industry, we see a huge opportunity to be a value-added player in this discussion and to be much more collaborative.

To that point, as you've already heard from our colleagues, the idea of inter-organizational collaboration to drive innovation is something that we must embrace. What I mean by that is that the private sector, the public sector, and the not-for-profit sector must come together and look at collaboration for the purposes of innovation in a very different way. We believe that leadership has to come from you as our government.

Those are my brief comments. I will definitely look forward to questions as we go forward.

Now, over to my colleague Hicham.

● (0930)

Mr. Hicham Adra (Member of the Executive Committee , Public Sector Business Committee, Information Technology Association of Canada): Thank you, Terry.

I want to thank you for the opportunity to say a few words to you today.

[*Translation*]

It is an honour for me to be here, and I thank you.

[*English*]

I'm with CGI. I've been with CGI for 22 years. I've been able to participate in and witness CGI's growth into a company that today is over 25,000 people in strength. It's a company that was founded by two entrepreneurs here in Canada, in Quebec. It has grown today to have over 16,000 employees in Canada and over 25,000 worldwide.

One of the things we do observe is how other jurisdictions are applying technology as a best practice, as lead users and lead clients. I want to take two minutes to focus on that. Bernard introduced that. Governments obviously have a major role as policy-makers to ensure that we're creating the best policies to create the best environment for innovation and technology. I also believe a second important role for governments is to be a role model as a user of technology.

Governments are significant in size and in a country like Canada even more so, proportionately. The absolute numbers spent by governments on technology are in the billions of dollars. Over $7 billion is spent by governments on technology. It's important in scale. It's also important for small and larger companies in the sense that governments serve as model clients and references that companies can take, export, reapply, and use to win more business and create more economic value back into Canada. I think the role of government as a role user is a significant one.

The questions for me are these: Do we want to lead? Are we leading today? What areas are we leading in? How do we sustain that leadership position? How do we create other leadership positions? We are world leaders in the adoption and use of technology. This has been offset not only to help companies but also to help ourselves as government to become more efficient and to emerge out of this crisis in an even stronger leadership position.

I'm happy to take any questions. Thank you for the opportunity.

The Chair: Thank you, guests, for your opening remarks. I won't dwell on any of it. I just thought we had a good tag there: Recovery through innovation. That's a good tag line. We may use that. We'll ask your permission.

Thank you for your opening remarks. I think we're ready to start.

Mr. Garneau.

● (0935)

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

Both the biotech and the ICT witnesses brought up venture capital, so I want to ask first about venture capital. I've also personally heard from the venture capital industry in the country.

We recently had a VP from BDC here, and although there was additional funding provided by the government specifically for venture capital, she basically said that it was not sufficient to address all the needs. Venture capital seems to be almost on life-support in this country, from the indications I'm getting.

One of the recommendations that's been made with respect to it is that the tax laws should be changed to increase foreign venture capital. I would be interested in hearing your views on that. Is there a significant potential pool of venture capital that could come from outside the country if Canadian tax laws were changed?

Mr. Peter Brenders: Maybe I'll start with that.

The short answer is yes. There is a significant pool of foreign investment that can come to Canada.

I don't know if it is tax laws so much as it might be application. We have one administrative issue that is preventing a lot of money from coming into Canada easily. We saw great movement in terms of changing the Canada-U.S. Tax Treaty in terms of recognition of limited liability companies. The problem is that we're still sitting on an administrative detail called the section 116 certificate, which requires a host of signatures that just can't be done. There was some movement to try to deal with that in the 2008 budget, but administratively, within the public service, that has been prevented from changing. That needs to be fixed. We need to get rid of the 116 certificate. It is an administrative detail that just prevents easy money from coming into Canada.

So the short answer is yes. We believe foreign direct investment is available for us, but our own rules are preventing that money from coming here.

Dr. Rainer Engelhardt: If I could answer that from the concept of Canadian VCs, venture capital investment is ultimately the lifeblood of technology companies as emerging technology companies.

Canadian venture capital never has been and probably never will be the only source that carries Canadian technology companies forward. Their history and their future expectations are such that there will not be enough capital. On the positive side, though, my observation of the VCs in Canada is that they're very willing to work with other VCs or other investment houses. They have a record of doing that.

As Peter says, by changing the investing climate...and ultimately the LLC issue is that an American VC coming into Canada gets taxed twice. That's obviously something you wouldn't want if you're going to be investing along with a Canadian VC.

So it has all the trappings or the elements of being a positive solution, but some things do have to be done.

Mr. Bernard Courtois: Ideally, you would like a mixture of domestic and foreign venture capital. There is an advantage.

The first choice of our companies is to go to domestic venture capital, because the investors like to be close to their investments, and the investees like to be reasonably close to the people who invest.

The fact is, the Canadian venture capital pool is always going to be too thin and not as experienced and mature as what can come from the U.S. Those investors bring more than money. They bring management experience. They bring experience in how to scale the company. I know, for example, that Israel has a policy of actually encouraging their companies to get their capital from outside the country, because they know that they have the science, but they don't have the global marketing and business development that comes with it.

In our case, we're so close to the U.S. that there's an attraction, but at the same time, there might be a little bit of a pull down there. Ideally, what you do is look at the impediments to investment from outside Canada and you aggressively and swiftly remove them. That has been lacking. There are still some barriers there that have been puzzling the industry. In theory, we've all agreed that they should be removed. That should be done.

Longer term, again, interaction between Canadian venture capital and American venture capital will help our venture capital industry mature and actually play a stronger role.

● (0940)

Mr. Marc Garneau: Thank you.

I'm sorry; go ahead.

Mr. Terry Ansari: Sir, I support the view of my colleagues, and by no means am I going to make a statement that it's conditional. However, I would just add that one of the things that is related in utilizing VC is also to have some perspective on how we enrich the talent pool in this country and, furthermore, how we also help those wonderfully innovative organizations commercialize their practices. I think we have a collective obligation to make those things happen coincident with and in addition to the actual acquisition of and access to capital.

Mr. Marc Garneau: Thank you.

I'd like to address a question to the BIOTECanada representatives. You've drawn a picture of what it is to be a small start-up biotech company: the fact that it takes a certain number of years to develop your promising idea into a product, the fact that currently many of the companies have only six months' or a year's worth of cash on hand. I think that very graphically describes the situation.

When that cash doesn't come and things have to stop, what most often happens to those companies? Do they just disappear? Do they get merged? Do they get acquired by bigger companies? What happens?

Mr. Peter Brenders: What we're seeing today is a reality check. When a board knows that they have six months of cash—and they're always raising new capital—the first thing they do is scale back their programs. The company's non-core programs get terminated, and along with that the scientists and the highly skilled jobs as well. The challenge is that once these people are let go from a company, they typically will reapply their skills elsewhere, so we start to lose the people. They either go to other institutes that might be taking that skill base or they simply leave the country, and we're starting to see an exodus of skills in that one. You don't retrain scientists; they simply go and apply their skills elsewhere.

That's the first stage. Then, as companies scale back down in size and put more and more programs on hold, they do become attractive targets, because they have intellectual property that's reached a certain stage, they're cash-poor, and their valuations are grossly undervalued. We are seeing companies being bought by multi-nationals, which can be a good thing if they keep their research going, but a lot of times you'll see companies being bought by a large, profitable company simply for the tax losses in that company.

We had an example of one in December. In this case the company went under and was finally sold for $1 million. A Canadian subsidiary bought it, and they got $28 million in tax losses, so the net was that the government paid them $5 million, in terms of avoiding taxes, to buy a company for a million bucks. If we lose the IP, we lose the jobs.

That's what we'll see more of, as these companies go into stasis. It becomes a fire sale.

Dr. Rainer Engelhardt: Well, I could add a very specific example, a personal one. When I said that the previous company that I was with and led was sold, it was not intentional at that point, earlier on. It was sold, and the deal closed with a multinational in Europe. The deal closed at the end of February, and that was a deal that we finally had to accept because we could not find, or close on, investment in the latter part of last year in Canada. It was simply impossible.

I guess the company was successful, in the sense that there were products in regulatory and there was lots of IP, but definitely Canada is not going to be benefiting from what would have been future growth of that entity within this country. It's regrettable in that sense.

Mr. Marc Garneau: Thank you.

The Chair: Thank you, Mr. Engelhardt.

Monsieur Bouchard.

[*Translation*]

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

Thank you for your presentations.

My first question is for BIOTECanada. I would like to know if you produce vaccines and if you work in the pharmaceutical field. You could perhaps tell us a little bit about your products.

[*English*]

Mr. Peter Brenders: The breadth of biotechnology in Canada covers a lot of areas. Most of our companies are health-based. They'll range from producing vaccines—we have some leading vaccine companies within our country—to therapeutic products to deal with diseases, unmet needs, oncology, neurology. And there are stem cells—we have some world-leading companies. But it goes beyond that. It goes into diagnostics, which is convergence with our ICT colleagues. You can look at it in terms of our ability to characterize things, such as being the first in the world to characterize H1N1, the flu pandemic virus.

But what's broader in the bio-based economy is that we also have companies in Canada that are able to take historical, traditional biomass and convert it into.... We all know about biofuels and bioethanol, but it's starting to lead into butanol, other products, fine chemicals. We see Sarnia in Ontario converting classical petrochemical into bio-based feedstock to make compostable plastics, bio-based materials; we see agricultural innovation across the west, which is introducing new, high-value crops for farmers.

Canada has a wealth of expertise in biotechnology. Everyone thinks about it as drugs, and that is the traditional field, but when you take biology as a platform and apply it with ICT and other areas, we become globally competitive.

It feeds into our traditional industries. We have a couple of companies in Ontario that are producing products for automobiles of bio-based materials. Woodbridge Foam makes the foam car seats for the Ford Mustang. We have polyols that are made for new plastics in automobiles. We have technologies that feed into the forestry industry to bleach the pulp, using enzymes instead of chemicals.

It is such a ubiquitous platform. It's Canadian technology that feeds into that one, which can be globally relevant, but we need to be able to help grow the companies a little bit further to commercialize it.

● (0945)

Dr. Rainer Engelhardt: Let me add one thing to this: calling biology an enabling platform for these diverse product lines is not just an association of convenience. The same technology as underlies developing a plant that is not a food plant into biofuels is very similar to, let's say, the DNA technology that develops a drug. The knowledge base of all of that is truly a biological, biochemical, molecular base, whether you're targeting biofuels or a new molecular drug. That's what unites this broad sector.

[*Translation*]

Mr. Robert Bouchard: Thank you very much. The businesses you represent are very varied and complex. I jotted down a few things with regard to BIOTECanada.

You mentioned that there is a limitation in the refundable credits and that the situation is urgent as far as the credit crunch is concerned. Many jobs are exportable. We risk seeing our technologies being exported. Several other countries invest heavily in this area. You are also saying that the companies you represent need tools.

Are credit availability and tax credits for research and development the two things that you are asking for on behalf of the companies you represent? If I understood correctly, these are non-refundable credits that could be converted into refundable credits. This would mean that the corporation would not be required to make a profit; it would be entitled to these funds even if it were not profitable. I would like to hear your comments in this regard. Are these the only two development tools that you are asking for?

[*English*]

Mr. Peter Brenders: That's exactly right. On the credit side, Canada's scientific research and experimental development or SR and ED tax credit program is by and large a good program. It's a very good program for emerging companies that are Canadian-controlled private companies, CCPCs. The reason it's very good for them is that they get a refundable credit of 35% of their expenditures: they get cash back, and that helps feed into maintaining it.

The problem with that program is that it's only CCPC companies that get it. Many companies have gone for foreign direct investment, so they lose the CCPC status. They may have gone public and have done an initial public offering, a small IPO for a couple of million dollars; they lose that credit. In exchange, when they lose it, they only get a 20% future tax credit. Well, these companies aren't paying taxes; they want to get to that stage.

So our recommendation is to change this to make that money refundable to all companies in that same stage, no matter who owns them. You only get that credit if you do the work in Canada, so it's Canadian jobs that it's focused on. It gives the incentive to do work in Canada.

That's a nice change. It will take a little longer to see that money track back into companies, but they can apply for loans against it, because they know it's going to come, and they can get an advance. That helps.

The second recommendation we had is about how to give companies.... Traditionally, as Bernard mentioned, companies don't go to banks for loans; they rely on venture capital markets. Our point is that they're sitting on a lot of tax losses, so instead of having some multinational buy them for those tax losses and the government paying for nothing, really, why don't we give them an advance, a loan against those tax losses, and hold them as collateral? That way, we'll put the money quickly into companies, today. They can keep spending it—we give them a requirement that they spend it on R and D—and it keeps them going as we get through this credit crisis and allows them to capture other R and D credits later.

This could be very quick, because the companies all have their audited statements. The CRA, the revenue agency, knows what everyone's accumulated tax losses are. You basically can figure out exactly how much of a loan a company would qualify for. There's a way you can administratively make it very quick to put some cash in. You can't get any more “shovel ready”, because those jobs are still here; we just want to keep them.

● (0950)

[*Translation*]

Mr. Robert Bouchard: Mr. Courtois, you talked about emerging countries. You said that there are countries that are investing heavily. Is Canada losing ground in the field of technology you represent?

Mr. Bernard Courtois: Yes and no. With regard to innovation and productivity, we are losing ground vis-à-vis the United States, and this has been the case for twenty years. People are confused but this is widening the prosperity gap between Canada and the United States. Given what is happening throughout the world and the fact that the crisis we are experiencing is transforming the global economy, there will be a difference between those countries that will come out stronger and those that will not. The weakness with regard to innovation is very worrisome.

With regard to technology in our industry, our Canadian businesses have remained excellent and strong as far as the quality of the technology is concerned. However, in the case of the smaller companies that should be moving into their phase of stronger growth, there are weaknesses in the areas of management, marketing and business development. We are very solid on the technology side, but less so on the marketing side.

Mr. Robert Bouchard: Thank you very much.

[*English*]

Mr. Hicham Adra: If I may add to that, I do agree that we have a lot of advantages in this country, and we do have leadership, in many cases. I think we tend probably to underpromise and overdeliver, as an industry and as Canadian corporations across the world. But this is a race without a finish, so if you are not advancing every day, you will end up losing; we will end up lagging.

So we see some differences in how other jurisdictions or countries are adopting technology, how they are taking risks, and how technology is driving productivity. When you look at other sectors in the U.S., for example—manufacturing, financial services, and all sectors of the economy—there is greater use of technology. So it is not a coincidence that they do have higher productivity, which drives a better and stronger economy higher.

We really do have huge potential. It is an industry that's basically brains-based. It is not a polluting industry, as such. It's our strength: it's education; it's people; it's talent. We have a huge opportunity, but we are missing, I believe, this opportunity to really be a leader.

The opportunity for us, I think, as a country is to say that we will have a policy stating that we will lead in this area. We will have a ICT strategy that is national one and that says, this sector is an important sector for us, and this is our strategy for attaining and sustaining leadership in this area. We will have a policy that says, we, as government, will be leaders in the adoption of technology to drive our own transformation, to drive our own efficiencies, to ensure that we do become effective, and that in our services to our citizens and our businesses—government to citizen, and government to business—we are leaders in innovation.

Canada was recognized as a leader in government, but are we sustaining that advantage? Are we making further investments to stay a leader?

● (0955)

The Chair: Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

Thank you so much for being here today. It is really interesting to hear what you have to say.

This last little bit of discussion has been particularly interesting. As governments, we have choices that we have to make, just as your members do in terms of the investments they make, which I think one of you touched on in your opening statement.

There are several focuses of this government, not only on the industries and issues that you represent, but on the overall economy as well. We've made a fairly significant investment in science and technology. We have the science and technology strategy. We have the STIC council that, I think, is a big step forward. They came out with their report, which one of you referenced. There are significant dollars flowing within the infrastructure program to university infrastructure, and also to the Canada excellence research chairs, Vanier scholarships, and programs like those.

At the same time, we have a fiscal situation in this country that is really the envy of most industrialized countries in the world. We're the only G8 country that ran a surplus in each of the last three years; every one of the other G8 countries ran deficits in every one of those three years.

There's a lot of reference made to the American situation. I'm not sure if this is still a valid number, but I think the number that I've heard for the American deficit is $1.75 trillion. If you were to equate that in Canadian terms per capita, we'd be running a $175 billion deficit this year. Obviously we are substantially lower than that; I think $34 billion is the number that we're talking about in regard to our programs here.

Those types of things have led to some long-term stability, I think, for Canada moving forward, as we move through this situation that other countries don't have. We're able to move, for example, to get our corporate tax rate down to 15%. We've been talking about trying to get the overall tax rate down to 25% across the country, putting us in a much better position in terms of Canada's long-term benefit and ability to host successful, growing companies, and all of the high-paying jobs those companies offer, which we are in a much better position to do because of the many steps we're talking about.

Maybe you could again comment a little bit on the importance of that long-term stability. We've talked about the structural versus cyclical challenges, and both of the industries you represent are what I would characterize as structurally strong. Moving forward, there will be tremendous opportunities in both industries you're talking about.

How important is that stability here in Canada? How important is a favourable tax structure, keeping the taxes down generally and creating that competitive environment? And how important to your organizations are the changes we've made to the foreign investment and competition laws?

Mr. Bernard Courtois: Those are all elements that position Canada well to develop a strategy to improve its game, improve its position as the world digs itself out of this recession.

As you pointed out, the U.S. is going to face very serious fiscal challenges that will affect its ability to treat taxation on investment and on individuals, that affect its ability to spend in the right way to strengthen its economy.

We like the government's Advantage Canada strategy. We like the very notion of focusing on advantages. We have to look very hard at capitalizing on our advantages and aggressively pursuing them so that something fundamental is changing now in this year. It's a good time to ask, with these changed circumstances, how can we wrap together the various things we are doing?

We're investing in science and technology. We have a good capacity in technology. We're lowering our taxes on investment quite significantly, both at the federal level and the provincial level. We're now much more competitive on that. Our fiscal position is a fundamental advantage, as are the stability of our society, the attractiveness of our quality of life, the stability and quality of our legal and regulatory regime, even though we have to re-think it again. The world is changing so much. We have a lot of our regulatory regime that's based in the pre-Internet era, and that kind of thing.

What we have is a lot of very good things that we've been doing, and an extraordinary opportunity to look at that in a period of tremendous change. How do we wrap that together in a package now that reflects the future and innovation-based recovery that will really...? Let's capitalize, let's use this crisis to step ourselves up in the global situation.

We know, for example, that people say sometimes that Canada is not well known for innovation and technology. Well, we just need to dig out our BlackBerrys to know. And there are many other examples. Our reputation around the world in e-government is there. It's getting a little thin, because we have not been driving that as an explicit goal for our government. There are all kinds of things we can do now to wrap these things together in a strategy. That's why we've been raising the issue of an ICT strategy that is not so much about our industry but about capitalizing on technology and innovation to drive Canada's future success.

● (1000)

Mr. Peter Brenders: If I may, I'll just echo Bernard's comments.

On Monday this week, we launched a document, a Canadian blueprint we called *Beyond Moose and Mountains.* We made the name on that one because we're tired of people not seeing Canada's innovation. We're tired of not being seen in terms of the technology and the footprint that we contribute out there. We're bigger than that, and it goes beyond that. As part of the board and part of the consultation we did last year with the industry, not only do we think as Canada we can be sold as more than that, we think Canada can be a leader in the bio-based economy. Biotechnology represents probably around 6.4% of GDP in Canada today, if you think of the industries that rely on it, use it, develop it, and whatnot. It's a little over 8.5% in the U.S., but we're better than some countries, and not as good as others.

We believe if we set ourselves a goal—a big, hairy, audacious goal, if you will—Canada can be the world's leading bio-based economy. We have the science, we have the research, we have the companies, we have the biomass. What we're missing is sort of the focus to actually want it, to achieve that, that whether it's core science and tech, as a nation we're going to be out there. As an industry, we believe we can do that.

So what does it take? It is the tax rate, it's the environment. We think it's three things. It doesn't matter what sector you pick on that one, it has to be globally competitive. It is that capital market—whether it's taxation to operate, it is the environment to generate new capital, the new investments. Are we the most competitive in the world in these areas? There are things we can change. It will take us time, but if we have a goal to get there, we win.

The second area is people. Do we have the best talent? We have some good talent out there, but we see people leave. Do they come in? How do we have the most competitive environment in the world to attract and retain talent, let alone build it? Are we changing our school programs to be innovative? We talk a good game, but do we really mean it and want to change it?

The third area is the operating environment. We have good regulatory structures that we've put in place for different reasons, but are they incented to spur on innovation, or are they more road blocks? There are changes we can make if we really want an innovative society. It's not just tax; it is tax, but it's also the operating environment and the people behind that one.

We need to align it all and to always be focused on that, asking the question, does this help innovation? If the answer is no, then why are we doing it?

The Chair: Your question will have to be really short.

Mr. Mike Lake: I do have one question in particular for the biotech folks.

You talk about the six-month and one-year cash on hand that companies have now. I would guess that in your industry in particular, there's sort of a normal situation in that area: people who are starting, drawing in money from family members and things, and eventually that becomes pretty tight.

Mr. Peter Brenders: Yes.

Mr. Mike Lake: So how much of that would be normal?

Mr. Peter Brenders: Normally you'd find about a quarter of companies, 25%, would have a year of cash on hand. That's a pretty normal operating environment to go through in an emerging stage, and they're always looking for that next round of financing. The difference here is not only do we have way more that are in those dire straits but the hope of actually raising new capital is much diminished. There isn't a typical market to go for.

● (1005)

The Chair: Thank you, Mr. Brenders.

Mr. Thibeault.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

Gentlemen, thank you for coming today. Your presentations were fantastic, especially for those who want to learn a little more about high tech.

Mr. Engelhardt, one of the things I found interesting about your presentation was how you talked about the high tech and it went from health to biofuels to food safety. I'd like to hear a little more about that. But at the same time, going into the question we just heard Mr. Lake speak about, we've got six months for many of these great organizations, great companies in Canada that may not be around by the end of 2009. What does that do to Canada on the world stage when it comes to our high-tech industry, and will we be seeing the loss of innovation when it comes to the things we all know we need, like biofuels or better foods? How is that going to impact us on the world stage and just as Canadians?

Dr. Rainer Engelhardt: Thank you. On the first question, biology is a knowledge base, a broad knowledge base in a modern context—generally speaking, molecular biology—that underlies development of products in those seemingly almost unrelated sectors. When you talk biofuels, there's a bio component, right? When we talk about alternative materials for Mercedes fenders, that actually is a biological product. Everybody understands the health one, and that's really our history as a sector within the country, and it continues strongly.

So it is just that: the science part is biologically driven, molecularly driven, biochemically driven science that underlies, no matter where that diversity of application happens, and Canada is active in all those sectors I've mentioned. What's on your plate? What's in your car? What is the pill you take in order to stay healthy? We've made major, major contributions in the world to that. The newer biotechnology, from a time perspective, is really the non-health side of biotechnology. Canada is actively engaged, broadly speaking, in having products that are ready to go into the market, or that are early in the market, or that will come into the market in the future.

That's where the threat lies. In the whole world there is a greening going on, as we know and we all support for various reasons, and it is generally accepted in the world that a bio-based economy—that means a knowledge-based economy, not just growing more corn to sell off as a feedstock—is going to be the hallmark of an economically successful country in the future.

Mr. Peter Brenders: If I might add to that, to talk about "what happens if", what we're seeing globally is that many nations of the world, formerly developing nations, are working hard to have what we have. They're investing billions of dollars to become competitive, because they can. You don't have to dig it out of the ground. You just have to train your people. Any country in the world can compete, and they're all trying to compete in this space.

The risk for us is that as we lose these companies, if they scale back or they go under or they leave the country for other jurisdictions that have funding to deal with that one, in a way we're kind of pushing...where we expect ourselves to be, worst case, is back 15 years. It's almost like rebooting the whole sector; we're going to start over again.

The difference this time, if we're starting over, is that 15 years ago when BIOTEC was getting going, there were a few developing nations. We had great science; we were it out there—us, the U.S., and Europe on that one. It's a totally different competition world today, and we'd be starting over in a much more competitive environment. It's going to be harder for us to recapture.

In other words, does that mean we'll never see these technologies come to Canada? No, they'll be developed elsewhere in the world, but it will be like everything else: we'll buy someone else's finished goods instead of capturing the value at home.

Dr. Rainer Engelhardt: We all know the expression "throwing good money after bad". That is not what the situation is in biology. The good money that was spent and has been spent in support of research and development by the government through grant programs has led to good innovation. That needs to be captured. Our proposal is to spend more good money, ultimately.

Mr. Glenn Thibeault: That leads to the statement you brought forward: recovery through innovation.

Dr. Rainer Engelhardt: Correct.

Mr. Glenn Thibeault: We all know that we need to do something. You mentioned greening. We also know that we need to have a strong economy. As politicians, we sit around and we ask these questions, but ultimately, we're relying on the high-tech sector to make sure that 20 years from now, my daughter—who's five—won't have to walk around with an air mask to breathe. It starts to get worrisome. I think all Canadians should be worried if we're seeing that 50% of our high-tech companies will potentially be gone by the end of 2009.

I think you brought forward a three-point plan. But what else do you think we should be doing as parliamentarians and as a government to support the high-tech sector?

● (1010)

Mr. Bernard Courtois: I would say that we've touched on a number of aspects, but the big-picture one is perhaps the most important of all. Let's start with the most important.

The world will dig out of this recession, and the last thing you want is to look back a couple of years from now and say that Canada had all these assets, and we were complacent. Other countries really drove themselves to succeed, and others, who didn't, sort of fell below. We should be in a unique position to capitalize on our assets.

We know that we need to drive more innovation. We know that we're an underuser of innovation. Some of that is just focusing the national will on the issue. I would like to hear more industries talk like our biotech industry and say that we think we can lead on innovation; we think we can lead on technology. That's actually true of a whole lot of sectors in our country.

As far as the ICT sector is concerned, we'd be happy if the entire Canadian economy would focus on success based on technology, which we can do. It's a natural thing for us to do. Then we'd be happy to ride the coattails of that. We know we're a driver and an enabler of that, and we'd like to promote that.

Some of it is expressing leadership on your part. Some of it is business stepping up to the plate. Some of it is looking at all the good policy tools we have and wrapping them together more aggressively, in light of the current environment, to come out on top.

Mr. Glenn Thibeault: Have we done enough right now to create that environment?

Mr. Bernard Courtois: You've done a lot of the very good pieces. What's needed now is to say, okay, if the future is innovation and the knowledge economy, even in our traditional industries, how do we take a fresh look at that and wrap that together as a package?

Little things will come up. Our talent strategy, commercialization, government as lead user—we were a little complacent there.... We should be in a great position. The things that need to be done are not humongous and do not need anywhere near the kind of money needed to deal with some of the major issues we have here.

There are all kinds of things Canada actually can and should take advantage of in its position.

Mr. Terry Ansari: I would just add that one of the considerations, and an observation I've made that we see around the world, is that when we talk about this idea—and it really is an idea—of recovery through innovation, it's being tangibly addressed by certain countries in much more meaningful ways. One of the starting points to that is saying and really believing that technology is the enabling infrastructure for that recovery and therefore for innovation. Quite often we find ourselves looking at infrastructure in that traditional sense of the word. I'm sure you've heard it before. We're not at all suggesting that those infrastructures are not wanting. They are, and they're very worthwhile. They're hugely important to us as a society. To raise the discussion of technology as the enabling infrastructure of our time, and a huge opportunity for us going forward, has immeasurable impact across all of Canada. That was my point earlier about economic resilience and agility. It's so fundamental.

In Australia, as you may have heard, they're rolling out a very advanced technology network to their citizenry over the next number of years. This was a promise made by the Prime Minister when he was in opposition some ten or eleven years ago. It took him a long time, but when they got there, they went ahead, and they're working on making it happen. The view of the government there is to say that we are going to change the way Australia actually functions by virtue of doing this.

So they've tipped that discussion. When you tip the discussion, you obviously tip the public perception, and I think that's the opportunity we all have in terms of leadership.

Mr. Bernard Courtois: If you look at things like the environment, obviously because of our climate and our widely dispersed population, we have challenges in terms of energy consumption and so on. We know technology is the way to do that. It's not to cut back our standard of living. It's not to cut back the strength of our economy. It's to do it through technology. There are so many things in our society that if we set out to do it that way, we're going to have the win-win. We'll have the environmental advantages, but we will be building our knowledge economy, because we have the capacity to build a knowledge economy other countries would envy.

● (1015)

The Chair: Mr. Garneau.

[*Translation*]

Mr. Marc Garneau: Thank you.

My question is for Mr. Courtois.

One of your members is a big player. I am talking about Nortel which, as we know, is breaking up. In your opinion, will there be much of a fallout from this in your sector? As you mentioned, Nortel is a major investor in research and development. In your opinion , will what happens to this company have a negative impact on your industry?

Mr. Bernard Courtois: There will clearly be a fallout. However, do I know what might be done to resolve the problem? That is another matter, but the large companies in our sector create a whole ecosystem of smaller businesses around themselves. As Terry stated, they operate in a collaborative mode. We can talk about collaboration between governments, the education system and the business sector, but in the area of innovation, the big corporations now recognize that they are unable to do everything. They surround themselves with an ecosystem of small companies and these companies, in turn, grow in size. We have Nortel, we have RIM and a few other such corporations. The impact in a given region is extraordinary. When a company such as Nortel is in difficulty, this obviously worries us. These businesses also train people who have experience building and managing large companies operating in other countries. Therefore, through their management and their capabilities, they serve an entire region.

In the past, our industry was perfectly capable of withstanding repercussions, of enduring ups and downs and of redeploying its talent and its people in order for new companies to start up, etc. At present, there is a lack of venture capital. Usually, these people, when there are lay-offs or projects that are abandoned by a company, can leave, strike it out on their own and be very successful. However, that possibility does not exist when there is no venture capital. The negative impact can be very serious.

This is important for us, but our association would be ill-advised to say that help must be provided to one business rather than to another or that a specific solution should be adopted for a given member. The fact is that once a company reaches a certain size, its importance extends way beyond the direct jobs it creates.

[*English*]

Mr. Marc Garneau: *Merci.*

For Mr. Brenders, with your three-point plan, has there been a government response to what you presented?

Mr. Peter Brenders: We've had discussions with the government. Certainly on the R and D tax credit, we've been talking to the government for over a year now. We saw some improvements to the R and D program in the 2008 budget. We're continuing to work in trying to eliminate the CCP restriction on that.

On the monetization of the tax losses, we have had some very positive discussions with BDC, industry, and finance in terms of early signals, but nothing has been implemented yet. We're hoping those discussions will accelerate and we can get some cash to keep some companies going.

Mr. Marc Garneau: Nobody has mentioned intellectual property. Is everything okay with intellectual property in this country?

Mr. Bernard Courtois: In our industry, we're a bit of two minds about that. We have some issues with the patent regime in the U.S. Our whole ICT industry down there is suffering, so in that sense the Canadian regime is better.

On the copyright side, we have a copyright act that predates the Internet era. That's obviously a gap. In today's economy, non-tangible property is displacing bricks and mortar and physical things as the driver of economic growth and wealth, and we need to update our copyright laws to reflect that.

I'm acutely aware of the fact that the issue has been quite controversial and that at some point there seem to be views that are too extreme, but as Canadians, we're reasonable people. We actually believe that work can be done. We actually believe that we can put something through a committee and come out with something that will put us into the Internet age, address many of the issues, and resolve a lot of the differences, and frankly, you have to reach a point where the views of people who want to be unreasonable simply have to be put aside. That's one area.

We know there's a different situation in the biotech area. Regulatory regimes are quite different, and so is intellectual property. In our case, we live in a world in which things change very fast. We live in a world in which a particular apparatus, like the BlackBerry, probably has a hundred patents on it. In systems like the U.S. patent regime, if you have a challenge on one one-hundredth of the apparatus, you can capture all the revenue made from a whole system, so we have issues there.

That being said, BIOTEC may have some separate issues.

● (1020)

Dr. Rainer Engelhardt: From a patent perspective, the situation is that there is not a critical immediate issue. There are problems with inconsistency of approach and so forth, but I'm told, at least, that our legal system in Canada is aware of that and is working on it with government. A lot of it relates to congruity of filing, particularly in Canada, the U.S., Europe, and Japan.

It's not the critical issue of the moment. It is being worked on. That would be a general comment.

Mr. Peter Brenders: Maybe it's not the patent so much as it is the data protection that comes underneath it, because there are technologies that come out of biotech that aren't patentable or protected. It is the investment you make in terms of proving that the technology is of value and the data that's generated. How is that protected? Canada is a bit of a laggard in that space. There are always things we can do if we really want to lead and improve on that one.

The other piece I would raise on IP is the opportunity or challenge we have in dealing with IP tech transfer. We invest tremendously in universities in research and development. We have good IP that's being developed. How does that come out to be commercialized? Some universities do it better than others.

The Chair: Go ahead, Mr. Lake.

Mr. Mike Lake: I'd like to go back to my original line of questioning.

We've heard lots of good ideas. There have been lots of good ideas put on the table throughout our entire study here, and in other areas in the broader economy, in facing some of the challenges we have. Of course there are always things governments can do better, but governments can't do everything asked of them.

We've literally had probably hundreds of billions of ideas put on the table, and with every one of them came the promise that it would bring us out of the global situation we're facing. There are a lot of asks on the EI front, for example, or conversations happening around EI, that would lead to much higher payroll taxes that successful companies, of course, would bear the burden of. If we were to implement a lot of the things that have been talked about, the potential result would be higher taxes being paid by corporations, and successful, growing corporations would bear the brunt.

My understanding of the biotech field, and probably of both industries, is that in your industry, unlike other industries, the bigger, more successful companies tend to plow a lot of the profits they make back into R and D.

I would think that the investments those types of companies make are probably among the most secure investments, in a sense. They would be the most profitable investments from the standpoint of successes that would benefit Canadians as a whole in the long term, the very types of investments we're trying to see made under our science and technology strategy under Advantage Canada.

Perhaps you could comment on that a little bit. Could you comment on the types of investments being made by the bigger, more successful, growing companies, the companies that are actually paying taxes?

Mr. Peter Brenders: You're very right. The large companies are still investing heavily in research and development expenditures. It's a great investment, a great multiplier for Canada's economy. Finance Canada came out with a very conservative return: for every dollar the government spends or supports in R and D through its credits, it gets $1.10 back to the government, because that money is not just spent directly within the company. The companies themselves spend it on other companies, they outsource it, they spend it on universities and research institutes. It has a multiplier effect, creating a broader economy.

It's a multiplier that we've seen out there. There are other multipliers. Government's is 1.1, but we've seen that the University of Manitoba's is about 1.6 to 1.9. You're seeing, with a lot of other companies, that it's core to them. They're based on an R and D infrastructure; they innovate. They don't just achieve one product and say they're done. As Hicham was saying, it's a race without a finish. Companies are always innovating and investing.

That's the type of economy in companies that we're looking for, and that's the success we're seeing within our larger companies.

● (1025)

Mr. Bernard Courtois: In our case, our sector invests more than $6 billion every year in R and D. That's very significant. The sector is growing faster than the national economy. The pay rates in our industry are about 50% higher than in the rest of the economy. We're the demonstration that an R and D and innovation-based path is the path to success.

That being said, we have a very good program with the SR and ED program; it compares well, in international comparisons. Some of the international comparisons in the Science, Technology and Innovation Council report and others that are being collected by the OECD show that some other countries may not have as good a tax credit program, and others are improving their programs and making them more refundable. Many countries provide direct help to R and D.

In the U.S., for example, their national tax credit program is not that great, but as a country it provides more direct assistance to R and D than any other. As a result, when people make decisions, which they can nowadays, to put an important lab anywhere in the world, we face a couple of challenges that cause us to say, let's look at our SR and ED program, to either improve it or complete it with something else.

Some companies are not allowed to factor in the SR and ED tax credits in trying to get a decision to locate something in Canada, because the credits may reduce the tax you pay in Canada, and, because of tax treaties, increase the tax you pay at headquarters. Some companies are reaching mid-size of a fantastic growth phase and hit up against the ceiling at which they're no longer qualified for the refundable 35% tax credit and go down to 20% non-refundable. It's causing them to question whether they should pause their growth, or things like that.

So there are things that we can and should do to look at improving this program.

Mr. Hicham Adra: Let me add that there's an opportunity here. I don't think anybody is suggesting wasteful spending, or handouts, or any of those things; that's really not what this is about. The question at the end of the day is this: if you're going to spend a dollar anyway, how do you spend it in the most effective, wise fashion?

Mr. Bernard Courtois: I agree.

Mr. Hicham Adra: If we as governments are buying inputs, not outcomes—speaking to the earlier point about IP, which I think my colleague discussed—there's a softer side to IP. We can talk about IP as patents, but when you do projects or undertake initiatives, you build capabilities, you build a knowledge base, you build methodologies, you build practices. You build things that people can then export and can leverage to bring back more economic value.

The idea of investing to come out of a crisis stronger is really about how you leverage technology to deal with the increasing demands. Yes, there are increasing demands—the demographics, people who are going to retire, the health pressures on the country. The question is how we then leverage this technology and innovation to deal with these increasing demands, both nationally and in terms of the global responsibilities we have.

The Chair: Thank you, Mr. Adra.

Colleagues, we're at a point now where we have to make a decision, if we can have some consensus. We have approached the next set of witnesses. They have graciously allowed us to move the time just a little bit.

If you've exhausted your questions, fine, but I seem to sense that there are still some good questions being asked. If it's the will of the committee, we can maybe continue this for another 15 or 20 minutes.

The analyst needs instructions from us. We've allotted an hour's time for the next bit, but I think half an hour will be sufficient. We can move some of that time.

Is it the will of the committee to do so? Do you still have some questions?

You have one, and Mr. Bouchard has one.

We can finish this round, but we'll have to stick to the five minutes.

Is that okay?

Some hon. members: Agreed.

The Chair: Monsieur Bouchard, go ahead.

[*Translation*]

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

My question is for Mr. Brenders, here representing BIOTECanada. You said that the crisis was hitting biotechnology firms very hard and that foreign competition is a reality. You even said, in one of your comments—that were very good, by the way—, that the patent situation in Canada was lagging behind.

You seemed to be inferring that in the sector that you represent, your companies are losing ground or will lose ground if the government does not adopt measures or assistance programs.

Is that correct?

● (1030)

[*English*]

Mr. Peter Brenders: With respect to patents or intellectual property, your risk is that you're going to see the technology be delayed in being introduced into Canada. You run the risk of companies not spending a lot of investment in jobs on doing their research and development in Canada, if their IP can't be equally protected.

Does that run the risk of the company...? Probably not as much, because the company will relocate to a favourable environment. The company may survive; it may just not be the Canadian jobs. Or certainly, if the IP is not there—and it's not the patents as much as it is data protection that comes with the development side—what you are going to see is that the introduction of new products and technologies are probably not going to come to Canada as quickly, if at all, and we've seen that.

Canada has made improvements. We're just not world-leading and we're a little bit behind some of our developing nations. We've been talking with the government on this, within the public service, trying to improve it, but it's clearly a longer-term process.

[*Translation*]

Mr. Robert Bouchard: Very well.

Mr. Courtois, you stated that a means has to be found in order to get money flowing. Does this mean relying on refundable tax credits and loan guarantees? I would like to know if those two mechanisms are necessary?

Mr. Bernard Courtois: They could be some of the means used to deal with the situation. With tax credits, money flows, because people are able to immediately change their process. Access to venture capital is also a tool.

In its most recent budget, Quebec set aside $1.7 billion to deal with the lack of capital. There exist different types, and a large portion will go to the technology sector. Ontario has created a fund of several million dollars. In my view, there is pressure as well as a desire to try to do more in Ontario. British Columbia has a tax credit program for retail investors. Quebec has just revived a tax credit program for investors.

The federal government announced additional funds for BDC in November 2008, and in this year's February budget, it provided additional funding for EDC and BDC. However, it is not yet clear how much of this money will be devoted to venture capital and it would seem, from what we are seeing on the ground, that this is insufficient. This should be clarified and that element of the package should perhaps be strengthened.

The various governments are creating funds, but investment is generally not the affair of a single company. Venture capital investments are often done by a group. If the federal government has a role to play, it would be that of catalyst, working with other funds in order to resolve the problem.

What is happening right now, particularly with BDC, is for the time being rather vague. How much money will be used for venture capital and will this be sufficient?

[*English*]

The Chair: Mr. Lake.

Mr. Mike Lake: Thank you.

Recently we had job numbers come out—net new jobs—that were kind of surprising. I think there were 36,000 net new jobs, and many of them were self-employment. I found that kind of interesting. I found it interesting that on the political side we took a little bit of heat from the opposition, who were almost making light of the self-employed component of it. But I was kind of struck thinking about what happened there.

I was thinking back to the tech crash and sort of what happened in the circumstances there. It seems to me, based on what I've heard, and you can correct me if I'm wrong, that there was a lot of focus on the crash or the bursting of the bubble, so to speak, at that time. But one of the things there wasn't as much focus on was what happened to a lot of the people who lost their jobs during that time. They went out and started new small, self-employed situations at the beginning, which have now actually turned into pretty strong companies in the IT sector.

I see in those job numbers that were recently announced maybe something similar happening, maybe on a broader level than just IT. But certainly, in both your areas, there might be a kind of component of that. We also see it happen, in a sense, when companies in the biotech field, for example, are sold, and the original founder of the company that was sold goes out and starts a brand new venture that winds up being successful as well. In all the darkness of the global economic crisis, that is to me something to grab on to. There is some opportunity there. Maybe something positive that's coming out of this is that people are taking the initiative to go out and start on their own.

There are obviously some challenges. We talked about venture capital. That's going to be a challenge for some of the folks, but we do have government programs through BDC, and not only on the venture capital side. There are also consultants who will help guide someone through the process, someone who is maybe more IT-related or more science-related but not so business-oriented, to kind of navigate through the other granting councils. We have business incubators and things like that to help people through that process.

Maybe you could speak a little bit to the potential opportunity that arises out of this, and then talk about what you see as the government's role in fostering this in balance with industry's role in fostering this.

● (1035)

Mr. Bernard Courtois: I've been seeing this as a phenomenon for quite some time, and to some degree, our technology enables that. People can retire early or they can leave a job with a larger organization, and they can start a consulting practice or start another business. It's a lot easier today than it used to be. Those people actually have sustainable commercial activities, and they do contribute to the economy, and those are good jobs.

What has happened in the past, as you pointed out with respect to the crash of the tech sector, and it happens in other areas.... It's not only in the tech sector. There's a business in Ottawa, Lee Valley Tools, that is an extraordinary business started by a former civil servant in his home. It is an extraordinary success story.

In the tech area, it's part and parcel of the revitalization of that whole sector. It happens all the time. Therefore, it's doubly important at the present time to be conscious of the venture capital shortage and to address that, because that's going to be a barrier to realizing that potential.

Dr. Rainer Engelhardt: What you mentioned before about revitalization and the spinoff and existence of serial entrepreneurs, that's all real. But I think we are, at the moment, in a particular crunch for new venture formation, because capital isn't in place.

So if we do have the attrition we expect to happen—and you asked, Mr. Thibeault, what happens if half our new companies are going to be dying off—I cannot see that if it is 50% in the course of a year, and there is no new capitalization possible, that those 50% would readily take up a new enterprise. This is an unusual circumstance right now.

Mr. Mike Lake: The tightening of capital is understandable for anybody watching the situation. It makes sense that people who would be investing would be more cautious in the circumstance we're in globally, and that banks would be far more cautious in their lending than they have been in the past, given the global uncertainty out there.

Do you see, in a sense, a sharpening of the pencils on the business side by your members? Is there an increased focus on making stronger business cases and on really ensuring the case for financing when they're going out and trying to sell their expertise and skills and the future potential benefit of their products? Do you see an increased focus on making that business case? I would imagine that's going to be the defining characteristic of the companies that make it, versus the companies that don't.

● (1040)

Mr. Bernard Courtois: Well, I would say that's been one of the underlying problems of the thinner venture capital markets and lesser maturity in Canada. People do have to keep sharpening their pencils, and not just the lenders or the investors, but also the companies coming and preparing their business cases. That's an ongoing maturity problem we have, and it's just going to keep coming with time.

During the current crisis, however, things have fallen off a cliff, so you're not even there at some point. We have very successful companies that actually have sales, have extraordinary major clients, and all of a sudden they cannot get money. They have very successful business plans, but things have just been disrupted beyond normal at this point.

Mr. Mike Lake: Right. Thank you very much.

The Chair: We have to keep moving.

Mr. Thibeault, this is the last question.

Mr. Glenn Thibeault: There's no pressure. Keep moving. Fair enough.

I really like your blueprint, entitled “The Canadian Blueprint: The Time for Action Is Now”. One of the things I like is on page 11. I'm not going to ask you to quote it, but I'm going to read something: “The biggest challenges facing biotechnology in Canada today are attracting investment for commercialization, building the business case to do more here, attracting and retaining the high-quality people necessary to expand our research....”

From the start of this committee, I could have put each of those statements into any sector, from forestry to oil and gas to energy. One of the important things we need to do is stated in your line that the time for action is now. All these challenges can be overcome if governments, private enterprise, and the research community choose action over hesitation and decisiveness over delay.

We've heard a lot about knowledge infrastructure. Would it not be the time to be decisive and to do the action in the knowledge infrastructure? If one of these companies that is potentially closing in 2009 is one step away from finding the little epiphany when the light goes on, and we've found the biofuel that's actually going to help us with the green economy, is it now time to put more of our investment into the knowledge infrastructure to help us down the road?

I'll open that up.

Mr. Peter Brenders: I'll kick it off on that one.

The short answer is yes. It's not just the action on that one. It's also having the collective vision—from the industry, from the government, from the public, from everyone—that, you know what? Canada will be that knowledge economy. This is our vision. This is our man-on-the-moon shot. This is where we're going to take it. We're going to align our programs behind that one.

We can reinvigorate traditional industries. We can be that prosperity for our new industry. There are literally hundreds of thousands of jobs that are going to come from this one if we choose to accept it and get beyond, oh, we're Canada; we're a good place for a vacation; we'll do okay; we'll dig it, we'll sell it, we'll mine it.

No. We have to want it. We have to start to align and to ask that question in all that we do: does this help innovation?

We think the bio-based economy is a competitive advantage for Canada. ICT is competitive. There are others out there, but at the end of the line, is it still going to be the same fundamental underlying characteristics, as you've pointed out? Do we have the environment that says, yes, we're going to drive innovation, that says we're not going to be the same as the U.S., we're going to be better?

You know, is it so wrong for us to want to go for the gold medal?

Mr. Bernard Courtois: On the whole issue of knowledge infrastructure, I want to commend the government for recognizing in its February 2009 budget that infrastructure goes beyond bricks and mortar. Broadband, which we've talked about, looks like a civil engineering project, but it's obviously an economic enabler.

E-health, the electronic health record, the electronic medical record, may look like an IT project, but it's not, really. It's a fundamental infrastructure to run a modern health care system; otherwise it's going to soak up all our society's revenues and it's not going to function. But with the proper, modern, 21st century infrastructure, doctors and nurses can treat more patients, we can avoid errors, and we can improve efficiency.

It's the same thing with trying to digitize a lot of our archival content in Canada; that's fundamental infrastructure. ICT and how we run government, that's fundamental infrastructure. And the knowledge infrastructure investments in the budget in science and technology, in university research capabilities, those are the kinds of thing we need to have. Knowledge infrastructure and 21st century infrastructure applies and it really is useful all across our economy.

● (1045)

Mr. Glenn Thibeault: I know we've been using the race analogy throughout this, that it's a race that's ongoing. I do want to thank you for the information today. It's been very helpful for me to learn a little more about the high-tech industry. Hopefully we can be the guys with the glasses on the side of the road, while you're running, to make sure you're successful.

With that, thanks.

The Chair: Thank you, Mr. Thibeault.

Thank you all for your excellent presentations. We picked up some new terms today, I think. We heard “recovery through innovation”. “Serial entrepreneurs”; I've never heard that before, Dr. Engelhardt. That's a good one as well.

Mr. Courtois, I want to thank you for your vision. I think you're absolutely correct in saying we have the capability; we've got all the things in place. We've got a highly innovative people who are educated, so we've got the infrastructure, and now is not the time to shrink back. And we thank you for that vision as well.

I also want to thank the new witnesses who are coming in for allowing us to take this bit of extra time.

● _____ (Pause) _____ ●

● (1050)

The Chair: Welcome. Again, thank you so much for your patience and allowing us to continue.

This is a very important study we're undertaking. Sometimes this happens, we just haven't exhausted all the questions, and so I hope we'll have the same wonderful response from the Mining Association and Canadian Association of Mining Equipment and Services for Export.

We have with us today, from the Canadian Association of Mining Equipment and Services for Export, Jon Baird; and from the Mining Association of Canada, Paul Stothart.

We certainly appreciate your coming, and we're looking forward to your testimony. We usually give you about 10 minutes if you have opening remarks. After that we will open up our line of questioning.

Go ahead, sir.

[*Translation*]

Mr. Paul Stothart (Vice-President, Economic Affairs, Mining Association of Canada): Thank you very much. It is a great pleasure to be here this morning. I have some slides as a basis for our presentation. I believe the Clerk has circulated bilingual copies of those.

[*English*]

Thank you very much. I'd like to quickly go through five or six slides.

● (1055)

The Chair: Are they in both official languages?

Mr. Paul Stothart: Yes.

The Mining Association of Canada is the national voice of the mining industry. We have three or four dozen full members, which are the larger mining companies that you're aware of, and around 30 or 40 associate members, which include some engineering firms, some financial firms, and some environmental firms, etc.

As you can see from the first table, it's a fairly large industry, contributing about $42 billion to Canada's GDP. These figures are for 2007, which is the most recent year available. We produce a document called *Facts & Figures*, which I believe you have. If you don't, we have some copies here in both French and English that contain a number of these pieces of information.

Let me touch very quickly on a couple of these points.

The industry pays around $10 billion per year in taxes and royalties to Canadian governments. It makes exploration expenditures, to which Mr. Baird, my colleague, will speak in more detail, of about $2.5 billion to $3 billion per year. The industry contributes about 19% of Canada's goods exports. It employs around 360,000 employees. There is also a significant supply network that feeds into this industry: around 3,000 companies supply goods and services to Canada's mining industry. For example, in the railroad sector, the industry accounts for about 55% of Canada's freight rail revenues. And there are a good number of mines, obviously.

Interestingly, in this sector there are strengths in every Canadian region, right from the east coast through Quebec, Ontario, Manitoba, Saskatchewan, Alberta, B.C., and northern Canada. Each region has different strengths in this industry. We can certainly talk to that in more detail.

The Toronto Stock Exchange has also carved out a very strong niche in the mining sector. Companies internationally tend to go through the Toronto Stock Exchange for their financing, both large companies and others: the TSX has also carved out a very strong position for helping smaller and medium-sized companies raise financing.

Touching quickly on some of the issues that are facing the industry, I'll talk to mineral prices and the global recession on the next slide.

It's a very important industry in terms of relationship with the aboriginal communities. It's the largest private sector employer of aboriginal Canadians. This tends to be a relationship that works very well. Our industry association, for example, about a month ago signed an MOU with the Assembly of First Nations, and we have a work plan associated with it. That's an important area. There is probably potential to do more with aboriginal Canadians in terms of future employment and future skills.

That leads to the next point. There is going to be a human resources crunch in this sector, as in many other sectors in Canada. Something like 65% of our geoscientists will be over the age of 65 over the next decade, so there is a need to fill that skill gap. Overall the sector's human resources council estimates that about 60,000 to 90,000 new workers will be needed in this sector by 2017. I think those figures are adjusted to reflect the happenings of the past half year.

Mineral reserves are an issue for this industry. Canada's proven and probable reserves of base metals and some others have gone down over the last quarter century. There's a need to reverse that and turn it back up. We can talk about that in more detail.

A number of obstacles face the global supply of minerals. There is the potential, actually, for significant price spikes over the coming years if some of these supply obstacles are not addressed. I can talk more about this in the questions and answers, but this relates to regulatory barriers, in Canada and internationally.

There is a need for infrastructure. Some of the projects being developed internationally require 600-kilometre railroads, etc., to bring them to market. To some extent, mining companies are in the infrastructure business as well, especially internationally. That introduces some challenges and some obstacles to bringing these projects on stream quickly.

● (1100)

I'll talk about the slide on the next page and walk you through what has happened on the mineral price scene. This table highlights six different minerals and metals, and it really tells three different stories.

It shows the strong growth in mineral prices that occurred between 2000 and 2007 right across the board. A lot of that is obviously driven by demand for infrastructure and manufacturing strength in China. That growth continued in general until halfway through 2008.

The second story this table tells is the significant price collapse that occurred from last fall to earlier in 2009. Copper prices fell by about two-thirds, zinc by two-thirds, nickel by over two-thirds, etc. Gold is in its own world to some extent and on its own trajectory. Gold prices remain very strong.

A third interesting story is that there has been a slight turn-up in the last couple of months in mineral prices, with some exceptions. In aluminum, the supply-demand balance is still not there to start turning prices up, but in other base metals prices have gone up. That leads us to have a fairly optimistic picture going forward.

In terms of the present situation, companies are adjusting to mineral prices. One of their fundamental roles is to adjust operations to reflect mineral prices. These prices are generally global prices; they're derived through international trading exchanges. Mining companies have been adjusting their supply. Some countries in particular have been managing their debt loads and trying to get them in line to ensure their future prosperity.

Natural Resources Canada has set up a desk to try somehow to tabulate the mining cutbacks that have taken place. They have found about 23 cutbacks announced in the past six months. These are companies we're familiar with. Vale Inco in Sudbury will be scaling back production this summer for a couple of months. ArcelorMittal on the north shore of Quebec will have the same kind of scale-back through the summer. A couple of the diamond mines as well will be scaling back production. It's really aimed at trying to get supply and demand back into balance.

The oil sands development has been moderating, and some could arguably view this as a positive thing. Certainly there was a very frenzied development over the past few years in that segment, and it is now coming back into more of a moderate development. I think there is a sense that costs are getting brought down, and there is a basis for future growth as well.

As I mentioned, exploration spending was about $3 billion last year. It's projected to be only about half of that this year, with pretty much a non-existent flow-through share market through the first quarter of 2009. The exploration sector has been hit quite significantly.

I'm going to leave the last slide for the question-and-answer session, so the final slide I'll talk about will be the global outlook.

As I mentioned, equipment backlogs and wait times are coming into balance. Ironically, these are some of the positives of a recession. We were in a situation a year ago in which companies were waiting up to a year or longer for items such as tires. Some of that is being brought back into balance.

Input costs are decreasing as well. There is a sense that the stimulus spending taking place in Canada, China, the United States, and elsewhere will help drive mineral and metal prices. As I mentioned, there has been a turn-up in some base metal prices in the last couple of months.

Long term we are very optimistic. The market potential in countries like China is just staggering. There are about 95 cars per 100 people in the U.S., but in China there are about two cars per 100 people. That gap will probably never be closed, but it will be narrowed. There are other, similar indicators; for example, there are 20 times more personal computers per capita in Canada than in China. These items contain many metals and minerals. Those kinds of indicators will narrow over the coming decades. It's our sense that we're in a bit of a pause now, not in a downturn. We're in a pause of a cycle that is going to continue and have very strong growth for decades to come.

The next bullet point is on China and India. It's not just going to be in base metals. These countries are moving towards more of a feed-intensive, protein-based diet, which means a need for potash. Canada is the number of one provider of that.

● (1105)

For nuclear power, there is a lot of investment in nuclear reactors in China and elsewhere, which means uranium. Canada is the top provider of uranium. Infrastructure and manufacturing growth will lead to more base metals demand, and as their middle class grows, it is going to lead to more demand for diamonds and gold and other items associated with middle-class growth.

As I mentioned, there is a stickiness on the supply side both in Canada and especially globally. That has the potential to contribute to significant mineral price increases in the coming years. Gold prices remain very strong. Gold companies have a lot of cash and are raising money and will probably be on a mergers and acquisitions kind of path over the coming years as well.

I'll leave the last slide. It talks about some of the remedies and asks—the ways through which government can help support the recovery. I'll leave that for the question and answer session.

Thank you very much.

The Chair: Thank you, Mr. Stothart.

Mr. Baird.

Mr. Jon Baird (Managing Director, Canadian Association of Mining Equipment and Services for Export): Good morning, Mr. Chairman and members.

I'm very happy to be invited here as part of the mining team.

Just by way of introduction, I am pleased to say that I was born in Chatham, Ontario.

[*Translation*]

I lived in Montreal long enough to learn French. I will be making my presentation in English but I would be happy to answer any questions in French.

[*English*]

Tomorrow I'll be in Sudbury, where there are 300 mining supply companies. It's a natural destination for me.

I'm sorry I can't lay claim to Edmonton, Mr. Lake, but I have been there. I note that it's pretty close to the large operations, which we call mining, in the oil sands.

Mr. Mike Lake: I'm sure you're a huge Oilers fan, though.

Mr. Jon Baird: I used to be, but then they sold *him*.

I'm pleased to be here representing two organizations. I manage the Canadian Association of Mining Equipment and Services for Export, which is known as CAMESE. It's an organization of 300 companies that all sell to the mining industry and are particularly looking to increase their revenues from exports. I've been doing that for about 15 years now.

At the same time, I am the president of the Prospectors and Developers Association of Canada, which is a large association of some 6,000 individuals and 1,000 corporations. In that role, of course, I'm on the board. It's a voluntary job, not my full-time job, but I'm here to represent them as well.

I would like to start by talking about exploration and then move into the mining supply part of my presentation.

The two parts of the mining industry I'm here to represent are really integral to the mining industry, extremely important to the productivity, health and safety, and environmental performance of the mining industry. And yet they're different, and they're different from each other. Hopefully in my talk I'll be able to bring that out. You have already heard about the main part of the mining industry, which is the extraction and processing part and which Paul is here to represent.

Just to give you a bit of background on the exploration, there are between 8,000 and 10,000 Canadian exploration and mining projects in the world, only about half of them in Canada. The other half are in 100 countries. Secondly, aboriginal peoples are extremely important to this industry, in Canada and also in other parts of the world, because we tend to work in remote places in exploration.

Exploration is a big giver of jobs to aboriginal people. These are jobs that occur near to their communities, and they're jobs for which, often, high levels of training and so on are not required.

Mining exploration is unique in that it needs very large tracts in order to be successful, simply because what we're doing is looking for needles in haystacks. No one can tell you where those needles are going to occur, so we need to keep large tracts of land open for mineral exploration.

Turning to the business side of it, there are 1,474 companies classified as mining and metals issuers and listed on the Toronto Stock Exchange or on the TSX Venture Exchange. Indeed, when you look at the whole Canadian mining industry as an investor, as an explorer, and as a supplier, there is no other Canadian sector that is as dominant in the world. We are out there as the face of Canada in 100 countries around the world.

The current situation in the exploration industry, of course, as Paul has explained, is that we're facing the downturn in the commodity prices, which is a cyclical feature for us. On top of that, we're facing a very heavy credit crunch, a loss of risk capital for mineral exploration. The year 2008 was a peak year, when we had something like $12 billion U.S. invested in mineral exploration in the world, and 20% of it was in Canada. That gives us about $2.5 billion, often of other people's money, which we use to look for resources in this country. Last year was a big year.

The previous peak—as I told you, it's cyclical—was in 1997, when the world spent $5 billion to explore. There's a huge rate of inflation in the industry over that ten-year period, but the amount has more than doubled. We are not finding resources fast enough for the world. The next time, when we get into the upturn, which will come.... This is the fourth downturn in my career in this industry, and one thing is sure: it's going to come back, and everybody in the industry is sure of that. We're not running scared at all. We're hurt, we're wounded, but we'll get out of this. When it comes back, as it has every time, it's going to be better, and we want to be there to take part in it.

Looking at financings, the announced flow-through financings—I'm assuming that people here are aware of the flow-through share system here in Canada—in 2007 were over $1 billion. In 2008 they dropped to three quarters of that amount, but based on the first quarter of this year, they're probably going to come in at about a quarter of a billion dollars.

● (1110)

These are the moneys the junior companies depend on. Junior companies, by definition, do not have revenues from production; they rely on capital markets to raise money, which they use for mineral exploration. This decline is extremely serious for juniors, who rely on the flow-through financing, when most other financial options are closed.

Here are a few challenges, as I see it, for the exploration part of the industry. There's financing, of course. They're having to pull back on projects and lay off employees, and companies are merging. There's a big problem around financing.

Secondly is, I guess I could call it, “survival”. Putting it a little more politely, you might call it “maintaining capacity”. In previous cycles like this, 50% of these companies have disappeared. That's not to say that they all went bankrupt, but many of them folded—politely bowed out, if you will—or many of them merged with other companies, and so on.

If this present situation lasts for two or three years, we'll probably have 50% fewer companies with which to do exploration in Canada, but also to maintain Canadian dominance in exploration around the world.

A third challenge is attracting new people. As Paul pointed out, this whole mining industry has a demographics problem. The demographics are probably caused by the cycles of the industry. The young people don't go into mining-oriented courses when things are down; they go in when things are up. When they come out, there are no jobs, which is precisely what's happening this summer, and I'm going to mention a couple of solutions to this.

Another challenge, of course, for Canada is that the world is globalizing. Just like any other sector, if we want to retain our dominance, we have to take certain steps.

An additional challenge is around the whole area of corporate social responsibility. Some of you may be well aware of the round tables and so on that occurred two or three years ago. I can give you more information on these, if you like. The industry is doing something about this. The Mining Association of Canada has a program called Towards Sustainable Mining, and the Prospectors and Developers Association of Canada has a newly expanded program called e3Plus. I can tell you more about what the guidelines and framework for excellence entail, if you would like.

Lastly, a challenge for the exploration industry, as I mentioned a little earlier, is to maximize the exploration land base and ensure mineral tenure and land access. What's happening in Ontario this year is really critical. The government has announced three very important changes. One is the opening up of the Mining Act for renovation, if you like, and two others have to do with aboriginals and a very big question on land use in the far north of Ontario. If these changes are not handled properly, any of the three will probably cause a continuing problem across Canada.

What can government do in the exploration sector? Geological mapping is in the government bailiwick for sure. It's geoscience, if you like, that is fundamental to the success of explorers in Canada. A couple of budgets ago, there was $100 million allowed over five years in what's called the GEM program, and this is something I would suggest to you could even be increased, or the expenditures brought forward over the five-year period.

Another thing government does is provide something called the Mineral Exploration Tax Credit, the METC. It was extended in the most recent budget for one year, but METC could be increased. METC should certainly be made permanent. It's an extremely important part of getting this kind of risk investment into Canada.

● (1115)

Another thing that I know the government is working on is the question of the single securities regulator for Canada. We are the only major developed country—the only developed country, I believe—that has this disparate system of securities regulators across the country, and it causes a great deal of extra expense, duplication, overlap, and lack of enforcement.

“Infrastructure”, I know, is the buzzword these days. Why not build roads to resources? Why not improve the airports and seaports and so on in the north? This will lead us to great wealth for not only northerners but all Canadians.

Governments should quash Bill C-300. Bill C-300, a private member's bill that was introduced prior to the government's response on the CSR question and prior to industry taking action on it, is an anachronism now and should be wiped off the face of legislation in Parliament today. It would risk politicizing the CSR issues without offering any kind of clear process for resolution. It would just tie the hands of Canadians around the world, and I think it should be quashed.

Further, government can support innovation. It was interesting to hear these other two sectors talking about innovation; I can go into it in much greater detail, if you would like. In mining, we have been forming over the last couple of years something called the Canadian Mining Innovation Council—

The Chair: Mr. Baird, I'm going to interrupt this quickly. The only reason I'm doing this is that Mr. Garneau has the first round of questioning, and he's getting short of time.

Can we possibly just...?

Mr. Jon Baird: I'm done on exploration. Is it all right if I give you two minutes on mining supply?

The Chair: Yes, if you could perhaps do it in about 30 seconds.

Mr. Jon Baird: I'll try.

The Chair: Okay. I know that Mr. Garneau has some questions.

Mr. Jon Baird: Okay.

Mining supply is the upstream part of the mining industry. It's a very different case from that in most other industries. It's a great strength of the industy. It's something that creates more jobs than mining itself—in fact, far more jobs. I can give you some statistics on it. It's made up of SMEs. These companies have a very high propensity for exploration. We have no national strategy or program to help these companies to export.

None of them need bailouts; that's not the answer. The answer is better organization within the country on a sectoral basis.

I'll leave you with that.

● (1120)

The Chair: Thank you, sir.

Mr. Garneau.

Mr. Marc Garneau: Thank you, Mr. Chair.

Replacing me here very shortly is the sponsor of Bill C-300; that should be very interesting.

The mining sector is not generally known very much by the public, but it's clear that you're a big player on the world stage. It's probably also not known as a hotbed of R and D, but it probably is. I'd like to hear in your words how you view R and D in your sector —either of you.

Mr. Jon Baird: I'll lead off, and Paul no doubt has some comments.

In 2004 a report was published by the government indicating that 1.9% of GDP in Canada is spent on R and D; 50% of it comes from government. The numbers in the mining industry are that the industry does its part: $40 million or $50 million or whatever is invested by industry, and yet government is in there for about $5 million. So government is far under the $40 million or so that is needed to get mining up to 1.9%. This is not the case in other countries. In Australia and other places, governments are investing like mad.

Secondly, on the part of mining suppliers, I would like to say that they are very innovative. Surveys by our association indicate that 15% of the employees of the SMEs who work to supply the mining industry are innovators, and another 10% of them are, perhaps more importantly, commercializers—the people who actually sell these things around the world. It's a very strong, innovating force for Canada and for the industry.

Mr. Paul Stothart: I think Statistics Canada indicates that the industry, defined as they define it, spends about $550 million a year or so on R and D. It's not in the same category as your previous speakers, but it is on a par with sectors such as the auto sector, etc.

I think there is an effort on the industry's part. Mr. Baird mentioned the Canadian Mining Innovation Council, or CMIC, which is a new undertaking. The government is just now searching for an executive director for it, and I think the industry will be coming, in the lead-up to the next budget cycle, to seek money to support CMIC. There are a number of kinds of projects that could be supported through CMIC: carbon capture and storage; some geothermal—there is potential for geothermal energy in underground mines to be used more effectively—potentially the use of waste products in place of cement, etc.; non-cyanide processes for gold.

So there are areas for more research to take place. A lot of these tend to be of benefit to the broader industry and so tend to be joint research efforts, which is partly why we're coming in through the hat of CMIC. I think we will be seeking money and working with Finance over the coming budget cycle to try to get support for that effort.

Mr. Marc Garneau: CMIC stands for what, again?

Mr. Paul Stothart: It's the Canadian Mining Innovation Council.

Mr. Marc Garneau: Thank you very much.

We hear a lot about China being a country that is not only perhaps importing Canadian minerals, but also developing its own mining industry. How is it affecting you on world markets? Is it undercutting you because of cheaper labour? I'd be interested in knowing.

Mr. Paul Stothart: I guess it affects us in a couple of ways. The main effect of China is as a driver of mineral prices. Most of our mineral exports still go to the U.S., but the prices are driven globally by Chinese demand. That is to our benefit. Obviously with higher prices, everybody from companies to employees makes more money. That's the main driver from China.

They are certainly trying to produce more of their own minerals and metals. They still have enormous needs in most areas. Just looking at the growth going forward, the World Economic Forum has projected that even in the years 2020 to 2025, and thus 15 or 20 years from now, their annual growth is still going to be in the 7% to 9% range. That will be on the base of a very large economy at that time. And in India, obviously on the heels of China, there's going to be tremendous growth. I mentioned in my remarks the growth that will take place in consumer product areas—computers, iPods, etc—which all contain minerals and metals. Obviously the growth they aim to continue to have as the world's manufacturer will drive a big demand for minerals and metals.

A final area in which China is going to be more noticeable in the coming years is as an acquirer. That may raise some public policy issues, if it is state-controlled enterprises that are making large bids for companies. Those kinds of issues will have to be dealt with at the time, I suppose. I think we anticipate China's having the capital to make acquisitions in these areas, because it's critically important for them and their economy to have supply of these raw materials.

● (1125)

Mr. Jon Baird: Perhaps I can add just quickly to the exploration and trade issue.

In exploration, there's not a level playing field with China. Canadian junior companies, as they go around the world, are getting turned off on China, because the rules are not fair. It's the same, by the way, in India.

On trade, it is extremely difficult for Canadian companies to get into supplying the Chinese market, for all kinds of reasons. So yes, China is extremely important as a producer and as a consumer to our industry, but in terms of the fringes I represent, it's hardly a fair game.

Mr. Marc Garneau: Thank you.

I'm afraid I didn't quite understand it, since I'm not an economist, but you mention in your global outlook that a sticky supply could lead to spiking in global mineral prices. What does a "sticky supply" mean?

Mr. Paul Stothart: I think it means that prices are driven partly by the demand side, which we just talked about with respect to China, and partly by the availability. There are large projects projected internationally. It's going to be more difficult to bring these projects into production, in terms of companies needing to invest a lot in infrastructure to get the products to the marketplace.

There is a sense that a lot of the low-hanging fruit around the world has been found, so companies are looking in more remote regions—areas such as Africa, Mongolia, Tanzania—where the infrastructure is not what we're used to here. It's going to be more difficult to bring these projects on cost-effectively and in a timely manner.

Those are the kinds of issues we would classify under "sticky supply". That situation may be seen more in the coming years as demand turns up and people start to look at where all this stuff is going to come from.

The Chair: Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard: Thank you, Mr. Chairman. Thank you also to both of you for joining us this morning.

My first question is directed to the representative of the Mining Association of Canada. Do we know what mineral reserves exist in Canada? How large are they? Are they huge or do we know very little about where mineral reserves might be located in Canada?

[*English*]

Mr. Paul Stothart: There is good detailed information on Canada's supply of mineral reserves. We have it provided in a table in this document, which we can give you, called *Facts & Figures*, or *Faits et chiffres*. This information is produced by Natural Resources Canada and it shows proven and probable reserves of copper, nickel, zinc, uranium, etc.

The story of the past 25 years is that these reserves have been going down. Part of the solution to that, as we see it, and I think as the government sees it, is the point Mr. Baird mentioned, which is a need for the government to invest more in geoscience, geological mapping. One example we would use is that 73% of Nunavut remains unmapped, or poorly mapped, from a geological perspective. It's that kind of data that companies need and that explorers need to try to find the needle in the haystack. So that's a very important key to trying to turn up these reserve figures.

It is felt that there is a lot of potential, especially in northern Canada and northern parts of the provinces as well, to find more reserves. It's our sense that investing more in geoscience, in mapping, and in even more that can be done is a key part of the solution.

● (1130)

[*Translation*]

Mr. Robert Bouchard: Mr. Baird, do you have additional information?

Mr. Jon Baird: I might answer from the perspective of a geophysicist. I am an "explorer" by profession. Canada is a major prospecting country. We have a huge land mass and our geology is conducive to mineral deposits. We only have to find them. Canada is among the five or ten largest producers of many of the 60 minerals we mine. There is no doubt that this is one of our strengths. The fact that we attract every year 20% of the world's investment in exploration means that the world recognizes the future of mining in Canada and Quebec. In yearly surveys, Quebec is viewed as the best area in the world in terms of exploration.

Mr. Robert Bouchard: So if I understand correctly, we can be optimistic about the future of the mining sector.

Mr. Jon Baird: There is definitely a future. I have lived through the cycles since the 70s. In almost 40 years, there have been four cycles. This is standard in my industry. As mining suppliers and as mining companies, we know how to survive such downturns. The issue is what will be our capacity once the good times return. There is no doubt that they will return.

Mr. Robert Bouchard: Mr. Baird, from your presentation I identified a number of issues. There are tax credit and manpower issues. The young generation does not seem very interested or attracted to the mining industry. You mentioned a number of solutions, including asking the government to provide risk capital and loan guarantees. One tax credit has been extended for another year and you ask for it to be made permanent. Furthermore, you want Bill C-300 defeated.

Did I get the thrust of your presentation right?

Mr. Jon Baird: I am happy you understood so well what I said. Your list is exactly what I said in English.

Mr. Robert Bouchard: What issues does Bill C-300 raise for your companies to make you want it to be quashed?

Mr. Jon Baird: It deals with corporate social responsibility, CSR in English. In terms of oil and gas extraction and mining, Canada has a presence throughout the world, in over 100 countries. As a government and as an industry, we must ensure that Canadian companies respect the local people, their government and the environment.

According to all quantitative surveys, there is no problem. Canadian companies are working on over 10,000 projects, half of which are in Canada and the other half elsewhere in the world and they behave appropriately. However, I should note that we are working under some very difficult circumstances in countries where there are no laws, where the customs and the language are very different. Problems do arise but very few that are caused by our companies.

Bill C-300 was introduced in good faith two or three years ago. Things have changed quite a lot since then. There has been a series of roundtables throughout the country where industry, government and all stakeholders came together to discuss. A report was produced that expressed a wide consensus. It took the government two years to respond to this report. We just received its response, two months ago. The industry is satisfied, even though a number of recommendations were not accepted by the government.

Industry has developed programs to ensure that our practices conform to reasonable standards. None of this was anticipated by the member who introduced this bill. So I would be happy to discuss it with him. Mr. Garneau said he would come. At any rate, this bill will not be beneficial to Canada, to the mining industry nor to other industries that are active throughout the world.

● (1135)

[*English*]

The Chair: Mr. Lake.

Mr. Mike Lake: Thank you, Mr. Chair.

Thank you both for coming today. Again, as with all the presentations throughout this study, it's very interesting and enlightening to hear what's going on in the mining industry.

I'm struck a little bit by the uniqueness of the mining industry compared to others.

Mr. Baird, you used a phrase comparing mining to finding needles in a haystack, in a sense, and of course in Canada we're probably the largest haystack in the world. So there are real opportunities there, and in terms of competitiveness with other countries, one of the things you don't have to worry about when you're dealing with mining is having to compete on the basis of the number of minerals we have in the ground. We have them in the ground. They're going to be in the ground until we take them out. How we maximize that is the question.

It sounds as though there are some real issues moving forward with labour. I want to start by talking about labour, if I could, because we're in a unique circumstance where the global slowdown causes you or your organizations to reassess short-term plans. Some of those plans may involve layoffs of workers, workers who you're going to need again coming out of this.

The federal government has a program, a work-sharing program, that, to me, seems designed almost perfectly for your type of situation. Rather than lay off workers who are going to find jobs elsewhere—workers you'll need later—you can sort of share the burden amongst the workforce, have people working 80% of the time and EI topping up a portion of the difference, so that you can maintain people and keep the numbers of employees up. So when it comes time to ramp up the workforce again, you can do that.

Can you tell me if either of you know if the work-sharing program is being used, if your organization is doing anything to actively promote the work-sharing program for your organizations?

Mr. Jon Baird: My association, CAMESE, has certainly given out information about it to member companies through our bulletins and so on. I was talking to one company last week that's considering using it, but I don't have any statistics about that.

Mr. Paul Stothart: I think my answer would be along the same lines. We do have a communication product, called "Alert", that goes out to about 600 readers within our industry. We've put information in that communication to members so they're aware of the work-share program. I don't have a sense yet of whether it's going to fit into some of the companies.

But you're right, companies are in a temporary layoff and temporary reduction mode, probably over the course of the summer, just to try to get supply and demand back into balance. They are going to need these workers going forward.

Mr. Mike Lake: I would suggest there's only so much a government can do to communicate programs like these. I would suggest a real emphasis on this particular program in terms of an opportunity for some of your organizations to weather the storm, so to speak.

A lot of what we've talked about here in this committee has been cyclical versus structural challenges. I mentioned it to the last fellows who were here. It seems in your circumstance there's certainly a cyclical component beyond the cyclical component that is just the global storm. There's a cyclical component within that, that commodity prices or mineral prices are cyclical to begin with.

In terms of what could be kind of cyclical, but I want to make it sound more structural, I want to talk about minerals that are in declining versus increasing demand. I may differentiate a little bit between opportunities where moving forward there are going to be certain things that are in high demand worldwide...where there might be other minerals, other products that are coming out of the industry for which the future doesn't look so good. For example, we see that when we talk about the forestry sector. We've heard some people say in pulp and paper that there's maybe less demand for paper products as things go more online.

Are there maybe parallels in the mineral industry, areas that you see more challenged than others? Or is it that you see more opportunity in others there?

● (1140)

Mr. Paul Stothart: I'm not sure there are parallels. I spoke at the outset about the examples of China and India, which are changing their diet away from a rice-based diet to more of an animal protein kind of diet, which will mean demand for potash.

Many countries are building more nuclear reactors and moving to that source of energy as a form of energy that doesn't emit greenhouse gases.

On infrastructure and manufacturing, obviously there's a lot of activity taking place in those areas with stimulus programs, etc., not just in Canada, the U.S., and Europe, but in China and India, and that will mean a demand for base metals.

The growing middle class in a number of different countries around the world will mean more of a demand for gold and diamonds.

One point we do like to highlight in our industry is there is a lot of discussion about the clean energy revolution. I think we are on the cusp of a clean energy revolution. There are certainly many studies suggesting there are going to be tens and tens of billions of dollars spent over the coming years on clean energy. Whether it's hybrid engines, solar panels, wind turbines, or nuclear reactors, all of that means a significant demand for metals and minerals, whether it's nickel, copper, or rare earth elements like germanium. You can't have a clean energy revolution without the minerals and metals that support it. How we conclude that kind of discussion is to say if you are in favour of a clean energy revolution, you should also be in favour of mining and exploration to try to provide the minerals and metals that will provide the basis for that clean energy revolution.

That's an area where there's clearly going to be more growth in the coming years and decades, but again it falls back on the basic metals and minerals that we have in Canada and that we're looking for in other parts of the world.

Mr. Mike Lake: That provides a nice segue into—

The Chair: Time's up, Mr. Lake.

Mr. Thibeault, go ahead.

Mr. Mike Lake: Oh, I guess it provides a nice segue into Mr. Thibeault's question.

The Chair: Mr. Thibeault has been waiting with bated breath for your arrival. He is so happy to see you here.

Mr. Thibeault, go ahead, please.

Mr. Glenn Thibeault: Thank you very much, Mr. Chair.

I do have to mention, and my colleagues can vouch for me, that in every sector I've always mentioned mining. I've been able to bring it in somehow. I do that because I don't think many Canadians recognize the importance of mining. One of the things I've done since I've been elected has been to try to bring forward the importance of mining to our country.

If you look back at the very first slide you brought forward earlier, you'll see the mining industry payments to government are $10 billion. So mining has been supporting government and jobs, and the list can be endless, for decades if not centuries.

One thing I was very happy to hear was that, in the mining sector, we don't see this necessarily as a downturn but as a pause. I'm excited to hear it because in my community of Sudbury, we've been calling it death by a thousand cuts. While we've seen large job losses at places like Xstrata, with 686 permanent job losses; the mothballing of some mines that have lower-grade nickel and other minerals in there; the shutdown, as you mentioned, at Vale Inco for a couple of months; and FNX Mining, First Nickel Inc., and all of these places hit hard by this downturn, we're waiting for that pendulum to come back.

While we're doing that, there are some important things we wanted to maybe get the government to get involved with. I know there was positive support from the METC, the medical expenses tax credit, that was in the budget. I heard that loud and clear from many of the organizations in my community. But while we're on pause and waiting to hit the play button, what other things can we do to support the mining sector? I'll open that up.

● (1145)

Mr. Jon Baird: I could start on that.

I'll pitch this to you, because you come from Sudbury, which is a totally integrated.... It is one of the four city-states of metal mining in the world. I'll tell you what the others are, if you like.

There's big-time mining and there's big-time mining supply. The Ontario Mining Association did a study, which came out within the last year, where they modelled a mine in Sudbury producing nickel and copper. The revenue of the mine was $270 million per year and it created 480 jobs working for the mine. It also created 1,103 jobs amongst mining suppliers in the upstream supply chain, and another 697 positions in the community around where the people who worked for the mine effectively went out and spent their money after taxes and savings and whatever.

So this mine in your community—it's not a huge mine, and all the assumptions were very conservative—actually employs 2,280 people. This is what happens when we find a new mine. We get that.

You ask what government can do. First of all, we've got to ensure that Canada remains a place where people want to invest in exploration and production in mining. That's a big question. The federal government has its hand in that and the provincial governments have their hands in that.

Second, innovation is extremely important to maintaining the productivity and the health and safety and environmental performance of the industry. As I pointed out in my introduction, the mining suppliers play a big role in that, the mining suppliers in your community.

Now, on top of that we can have the icing on top of the cake, because those suppliers in your community can also export their services and goods, which have been developed because you have this wonderful cluster in Sudbury. They can export to the rest of Canada and they can export to the rest of the world. But most of them are small and medium-sized enterprises. It's very difficult for them to tackle the Chinese market and other markets as traders. They need help, which comes from collective approaches, which this country is lacking. It's not money.

Mr. Glenn Thibeault: Yes.

Mr. Paul Stothart: I'll just add a couple of points to that. We've already talked briefly about the geoscience and the need to invest in that area, and we've talked briefly about innovation and the fact that we will be seeking money for the Canadian Mining Innovation Council.

I think in the general tax area the industry is fairly well positioned internationally. We've talked a bit about the flow-through share provisions, the ability to write off development expenses as a project is being brought along. There are some areas that can still be improved upon. We have an ongoing dialogue under way right now with Natural Resources Canada, and hopefully in the near future with Finance officials, to see if we can make some improvements.

These become very technical areas to do with things like the five-year rule and possible accelerated write-off of modernization of facilities, for example. It wouldn't be easy, but if the government could somehow develop a tax incentive for companies, not just in our sector, to invest in modernizing their facilities and somehow tie this to improved performance in greenhouse gas intensity or whatever, that kind of thing would obviously be well received and would help encourage more investment in modernizing facilities. There are many sectors beyond ours that would welcome that kind of movement.

In general, though, the tax situation is reasonably competitive. We have made some comments in the past about the need to improve the regulatory processes. It still takes too long in this country to wind a project through the regulatory approval process. It doesn't mean we want regulators to say, yes, go ahead, necessarily, but it means that we do want some answers and some direction more quickly than four or five years.

So there is a major project management office. It's a bit early to say whether it will be effective or not. It has some good people, but it's too early to tell whether it's going to be able to ride herd and bring some discipline to this whole process. But certainly that's one area to keep in mind.

Finally, on the infrastructure front, we have suggested three particular projects to the government, one of them in northern Quebec. We appreciate the fact that is going to be moving forward. The Quebec government has also stepped in to support that in their most recent budget. There are still projects in Nunavut and Northwest Territories that we think are worth supporting. We're still working on that. All three of these projects would help companies access areas that are felt to be quite promising, both for exploration and eventually to get products out to the marketplace. So I think there are some suggestions that we have in play on the infrastructure front.

There are a couple of other areas, but I'll stop there.

● (1150)

Mr. Glenn Thibeault: Both of you have been talking about something that I think is very important. How we encapsulate the points that you have both brought forward stem to something I believe that you said, Mr. Baird: there is a need for a national mining strategy.

There has been much discussion in my community about it, especially now, when we've seen what has happened with the unfortunate takeover of Canadian jewels by foreign companies. If we have a national mining strategy, will that make a difference to support the mining communities?

Mr. Jon Baird: The mining industry is quite fragmented in many respects. We don't have a sense of national purpose. I heard this from the other groups talking—I think it was the biotechnology people—and I said to myself, “Gee whiz, it's the same thing”.

We in mining compare ourselves with Australia a lot. There is a country that has probably twice the dependence on the mining industry that we do, but still is able to...and they have the same governance. The control over resources is a state matter, as it is in this country. That's where I think our balkanization starts. We have associations all across the country. Each of these associations is a unifying force in itself, but we don't have a very strong, total networking of all of those associations. Certainly among governments and the various programs that affect our industry, there are lots of differences between the federal government and the provincial governments and so on.

I was saying to Mr. Lake earlier that Australia has a population half our size. They are rugged individualists, these people—and I've lived there—more than Canadians are. Yet when it comes to a national purpose, they seem to be able to get their act together. In everything that affects mining, whether it's education, whether it's innovation or exporting, they're ahead.

In Australia, for the mining suppliers of Australia, they undertook a program starting 10 years ago. They made this a priority to export more of what they call mining technology services, which is what I represent. They had a national goal to bring it from $1 billion to $6 billion. And do you know who was going around talking about that? The industry minister of the country was going around talking about that. So it became a program that was far more successful.

What we have here is a really fragmented approach to this. We have a lot of excellent silos in the thing, but we don't have a sense of national purpose in an industry that is the most dominant sector that Canada has in the world. It could be more dominant.

The Chair: Thank you, Mr. Baird.

Mr. Paul Stothart: Just to add quickly onto that point, I think a national mining strategy, to the extent that it incorporated R and D components, infrastructure components, and incentives for more value added and for more modern processing facilities, might be worth considering.

Just on the point of the takeovers of Canadian jewels, that was an issue that raises interesting questions for our industry and for our sector association with the Brazilian company Vale buying Inco and Xstrata buying Falconbridge and Noranda in 2006.

I think our position is that we encourage both the inward and outward flow of foreign direct investment. We have very strong stocks of investment ourselves around the world. Both inward and outward flows bring new ideas, new contacts, and new markets and open up those kinds of channels.

It is interesting; even in the case of Inco, with the downturn in the past six months, they are employing about 9% more people today than at the time of the acquisition. In Sudbury, the employment is 4,700 versus 4,400 at the time of the acquisition. I think we were a bit spoiled during the boom of 2000 to 2007 in terms of employment growth. But even in those cases, the employment has increased even since then. They've also had very positive performance in terms of investment in training and social responsibility areas, and they can certainly document all of that.

It raises an issue for sure, but I think it's an investment flow that we view very positively as an industry.

● (1155)

Mr. Jon Baird: In terms of the taking over of Inco, and Falconbridge, and Noranda, and Alcan, there's something you should know. In 2002...and these are balance sheet numbers now, off Canadian-domiciled mining companies and exploration companies —that is, companies with head offices in Canada. In 2002, the balance sheet value of assets of Canadian companies was $65 billion. Forty percent of that was in Canada.

Now we go to 2007, which is after these big takeovers. The takeovers are worth $65 billion. The value on Canadian company balance sheets of assets around the world was $110 billion. This industry came back and just about got twice the value out of the world, and 25% of those in 2007 were in Canada.

So we went from more Canadian-based to a more global industry. That is what this mining industry is all about. That's the way it performs in the world. It's a real gem for Canada.

The Chair: Okay. Wonderful. I think those were points we needed to hear, too, so I allowed those.

Welcome, Mr. McKay. You have the floor, sir.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Van Kesteren.

Thank you, gentlemen.

As you see, I'm not Mr. Garneau. He's actually left me with the three questions that I should be asking, two of which I don't even understand. But the third question I do understand.

I'll direct my questioning to Mr. Baird, who has said that apparently Bill C-300 should be squashed. Since I'm the sponsor of Bill C-300, that's of some interest to me. I know that some in your group think that if Bill C-300 passes, it will be the end of western civilization as we know it.

I'm interested in your reasons for your view. If you could share those reasons, I'd be interested in hearing them.

Mr. Jon Baird: Well, I think when you first raised the bill....

Am I correct that it was over two years ago when you first proposed this bill?

Hon. John McKay: No. This bill has only been in the pipeline for three months.

Mr. Jon Baird: Well, it's in some newer format then.

Hon. John McKay: I think the NDP in particular have put forward a parallel bill for years. The basic concept of all those bills was to incorporate an ombudsman, the concept set out in the 2007 round tables, in which I believe your organization participated.

Mr. Jon Baird: Yes.

Hon. John McKay: But this government has shown no interest in having an ombudsman.

Mr. Jon Baird: That's right.

Hon. John McKay: So if there is to be any forward movement on this particular file, it has to be either Bill C-300 or the government's press release.

Mr. Jon Baird: Well, then, I will accept what you say. I'm speaking now for the Prospectors and Developers Association of Canada, which did participate, actively, in those round tables, and has done a lot of work on its own in talking to industry to ensure it has proper guidelines with respect to the environment, health and safety, and social responsibilities. We will agree with you that there should be a full-fledged ombudsman, not the watered-down system that has been now proposed by government. So we'll agree with you.

But this person should be Canadian-based and should be basing performance under CSR, under guidelines that exist in the world, not guidelines that are newly legislated in any way, which could become pretty cumbersome, which could involve a great political risk, and could leave us with no real system to solve the problem.

● (1200)

Hon. John McKay: Okay. Here I thought we were going to be arguing. In fact, we might be agreeing.

Essentially, at this point, there are three things on the table. The ombudsman, which you and I would agree is the ideal choice, would be a legislated position, independent of government. There would be guidelines on conducting an investigation, standards of proof, and so on. That's not going to happen. The government has shown no interest in doing that.

Now we're down to the press release or Bill C-300. Under the press release, it's an order in council, and what a Prime Minister can order, a Prime Minister can un-order. We've seen that happen. In fact, as we speak, Mr. Page, the Parliamentary Budget Officer, is having his chain yanked by the government, because his information has been a little bit too cogent for the government.

My point is that it's a vulnerable appointment, whereas under Bill C-300 it's a legislated appointment. To take a person out of that position, you would have to repeal the legislation as opposed to having a pen and a piece of paper and repealing it.

The other big flaw in the government's press release is that a company can only be investigated if the company consents.

Mr. Jon Baird: But that's part of it; we need an ombudsman with proper....

Hon. John McKay: Yes, we agree. But if in fact one of your companies doesn't consent, then that's it, end of story.

It actually gets worse than that. If a complaint is received about a company, and they don't consent, at the end of the year the counsellor publishes a report saying, “Company X was complained about. It did not consent, and we have no report.”

That is the worst of all possible worlds for a company that may, for reasons best known to itself, not wish to consent.

Mr. Jon Baird: It won't only be companies that don't consent. I'll bet you that in many cases companies will consent. It will be the NGOs who turn tail. So many of these actions or claims or whatever are frivolous.

Let's have a proper ombudsman. I agree with you on that.

Hon. John McKay: We agree on that. In fact, we built into Bill C-300 a section for frivolous and vexatious complaints. I agree with you. I don't want Canadian companies spending of dollars trying to defend themselves against complaints that are frivolous and vexatious.

Mr. Jon Baird: It's a shame that, as you put it, the only solution is Bill C-300. I mean, what we really need....

We had a proper consultation, a proper negotiation, proper systems, and reports being tabled. It took two years for the government to respond to that report, and they came back with something that's watered down.

The Chair: Sorry; this could go on for a long time, but your time is up.

Hon. John McKay: Oh, really?

Actually, they have yet to respond. If you see the press release—

Mr. Jon Baird: I've seen it.

The Chair: Maybe you could bring this up with Mr. Baird afterwards.

Mr. Lake.

Hon. John McKay: I like this Mr. Baird. This is a better Baird than the usual Baird we get.

Some hon. members: Oh, oh!

Mr. Jon Baird: I did an interview for the CBC in French. The reporter went into the studio and said, "I have an interview with John Baird." There was silence. My wife was listening to the radio, and the reporter said,

[*Translation*]

"Yes, it is Jon Baird, but this one is very nice."

[*English*]

Hon. John McKay: Oh, oh! That's good.

Mr. Jon Baird: That happened on CBC—live.

The Chair: Mr. McKay, you may be interested to know that the best thing about Mr. Baird is that he was born in Chatham, Ontario.

Hon. John McKay: Oh, well, yes; all good things come out of Chatham, Ontario.

Mr. Jon Baird: It was at Chatham General Hospital. Do you want the date?

The Chair: Maybe we'll talk about that.

Mr. Mike Lake: I almost forgot what I was going to ask.

I want to talk a little bit about some of the things we've been working on as a government. The Prime Minister has been working on substantial free trade agreements, for example, with many countries around the world. Obviously there are talks going on with the EU right now, which is pretty important. That, in conjunction with....

We talk about stimulus programs and the impact that stimulus programs are going to have, but of course, a Canadian stimulus program on its own isn't going to drive a lot of business for the mining industry. It would have an impact. But obviously, there's an important factor to consider, which is the amount of stimulus happening around the world. That's the more important factor to consider for a free-trading nation, or a trading nation, like Canada. It's important that other countries are undertaking similar, coordinated stimulus actions.

This has been a big focus for the Prime Minister over the last few months. There's a focus on ensuring coordination, but he's also defending against protectionism and talking about the fact that protectionism is probably the worst thing that can happen in terms of the global economy.

Maybe you could talk about the importance of this combination of free trade, the fight against protectionism, and this coordinated stimulus around the world with respect to the demand for Canadian resources and the impact that will have on your members.

● (1205)

Mr. Jon Baird: Maybe Paul can reply on resources and I'll reply on trade and services.

Mr. Paul Stothart: Sure.

This is an important area, especially for an industry like ours where there is a lot of international trading and a lot of international investment.

One area we pay attention to, although not as high-profile an area as free trade agreements, involves FIPAs, foreign investment protection agreements. These are useful even if they're not used that much. They provide some guidance to foreign countries and they provide some comfort to companies that are investing in these countries. If there is a dispute, they will have some independent arbitrator and some independent rules through which they can regulate that dispute.

We welcome more FIPAs. Canada should have more of them. I think other countries have more of them. Other countries call them bilateral investment treaties. I know there's one in play with China that's been dragging on for a while. There was one signed with Peru, which was rolled into a free trade agreement eventually. We certainly welcome any government action on these kinds of FIPAs. If the one with China can be moved along, then that would be good as well.

There is also Export Development Canada, or EDC. I used to work there for several years; I'm quite familiar with the organization. It's an important organization. It's getting a bit more attention now and it has a bit more of a domestic mandate added to it. Its main mandate is still international in supporting foreign trade and foreign investment.

It's our sense, in talking to some of our members, that they can take on more risk. They have a very large balance sheet. They have their own treasury. They're a very healthy organization. They have the ability to take on more risk when working with companies; they're a bit too cozy.

One of our companies has criticized a bit the fact that they tend to reorganize too much, or their people tend to move around. So if you meet some people one day, a year from then it may be different people. I don't know if there's a way to bring a bit more transparency to their organization chart.

You can't access them, for example, through the gc.ca website, in terms of seeing their organization structure and which people are in which areas. You can't see which people are in which sector teams. It's a fairly simple suggestion, but it might be interesting to try to bring a bit more of that openness to EDC so people can get a sense of how they're organized and who's serving which sector.

Those would be a couple of comments. It's an important area, and the more effort that can be made towards FIPAs and the more impetus that can be given to EDC to take on more risk, those two things would be well received by our industry.

Mr. Jon Baird: I agree fully on the importance of FIPAs and on EDC, which has been given an importantly improved mandate in this recent budget. I think that's all very good.

You mentioned free trade agreements. These things take an awful lot of time, but they're worthwhile when we get them. In terms of mining supply and the need for free trade agreements, it's not a very important matter. Canada has very few tariff barriers to the importation of goods and there's a high degree of import penetration into this country of mining equipment and so on.

When we go around the world trying to sell, yes, there are tariff barriers and non-tariff barriers that we would like to see reduced. Generally speaking, Canadians are pretty competitive in most of these things, and I can't claim that it's a great barrier.

There is a more important thing, and I think the government is overlooking it in terms of cutting its budgets at the Department of Foreign Affairs and International Trade, where it seems budgetary compressions are going on continually. The Canadian Trade Commissioner Service around the world is understaffed. They're underfunded. We don't have a sectoral approach to try to get companies out and about around the world in a sector where we are very well known.

The Americans are the world's policemen. Canadians are the world's miners. We should have a better national approach to export marketing in this sector.

● (1210)

The Chair: Mr. Bouchard.

[*Translation*]

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

Mr. Baird, the Exploration Tax Credit, that you would like to see become permanent, has been extended for one year. If this credit does not become permanent, what will the consequences be for the companies you represent?

Mr. Jon Baird: Firstly, there will be a reduction in mineral exploration investment in Canada and in Quebec. This investment amounted to $2.5 billion last year and it will drop off over the coming years if this credit is no longer.

I mentioned the need for junior companies to survive. If this source of funding is eliminated, we will witness the disappearance of half of the companies, as I have predicted, if the situation were to last two or three years, but there will be many more. This would lead to less investment in exploration and the loss of our ability to raise funds and to carry out those exploration projects that are necessary in order to find the resources of tomorrow. This assistance is really important for our industry and it must be permanent.

[*English*]

Mr. Paul Stothart: Sir, just to add a bit onto that, some of the larger companies have significant exploration programs as well. This is certainly an incentive that we fully support. In a sense, exploration can be viewed a bit like the R and D for our industry. It's helping to find the products that will bring future prosperity. There is a synergy between the larger companies and the exploration companies in terms of buying their properties or buying the companies, and this has been going on for the better part of a century in Canada. We fully support any kind of extension, or making permanent, this kind of incentive that Mr. Baird is proposing.

[*Translation*]

Mr. Robert Bouchard: Mr. Baird, with regard to the Exploration Tax Credit, I presume that you have made representations to the government.

Mr. Jon Baird: Yes.

Mr. Robert Bouchard: Were you told that there was any hope, or that you should simply forget about it? What arguments were you given, whether the response was favourable or not?

Mr. Jon Baird: We began by having discussions with officials from Natural Resources Canada and then with officials from the Department of Finance. Given that I did not attend those meetings, I am unable to give you a precise answer. Nevertheless, overall, the government considers that this tax credit must be reviewed from time to time. It therefore regularly grants extensions to us. That is all very well, but when an extension only lasts one year, that does not provide you with much time. The funds must be drawn and expended in Canada within a limited time frame. If this program were to be permanently established... These things never last forever, but this nevertheless is one of the bases that are very important for our industry, and I cannot accept the need for it to be reviewed at the present level. The present percentage, 15%, could be increased. That is another issue and I could provide arguments in favour of such a move. Were it permanent, the present 15% tax credit would serve Canada well.

● (1215)

Mr. Robert Bouchard: Yes, all the more so that a mineral exploration company must establish multi-year plans. If the program is renewed year by year, this is very unreassuring, to my mind, for a company. It is unable to do long-term planning.

This leads me to the following question. Talking about the future, you stated that young people are not very interested in the mining sector. Have you undertaken any initiatives? What do you suggest to remedy the problem?

Mr. Jon Baird: The Department of Human Resources has a program aimed at assisting all sectors in the area of labour. It helped us create the Mining Industry Human Resources Council or MIHR. This council has been in place for a long time, but it was restructured some two or three years ago. According to a study carried out by the Council, we will be lacking between 60,000 and 90,000 employees in the coming years, perhaps within five years, as Mr. Stothart stated.

What do we do now? The Council launched several marketing programs in order to alert Canadians to career possibilities in our industry. Given that the system varies from province to province, the Council has begun to standardize job descriptions in the industry.

MIHR is working in collaboration with the government. The various associations are moving in the same direction. For example, the Prospectors and Developers Association of Canada has a program entitled Mining Matters aimed at elementary school children. The Quebec Mining Association and the Association de l'exploration minière du Québec both have programs aimed at raising awareness among young people regarding careers in the mining sector. Both the government and industry are taking steps. Unfortunately, lay-offs are part of the current picture and the problem is not going to disappear.

[*English*]

The Chair: Thank you, Mr. Baird.

Mr. Paul Stothart: Can I add quickly to that point?

The Chair: Very quickly, please.

Mr. Paul Stothart: The other dimension of this issue that is important is the aboriginal area. Certainly that's a component of the population that is younger than average. Over 50 impact benefit agreements, IBAs, are signed between mining companies and aboriginal groups in Canada. Those agreements typically include investments by companies in areas such as aboriginal training, jobs, contracts, etc.

Those are a very important part of the future. There are a number of companies, such as Cameco in Saskatchewan, where a majority of their workforce in the coming years will be aboriginal, so that's an important part of this solution as well. And activities such as these IBA agreements between companies and aboriginal groups, I think, are also an important part of the solution.

The Chair: Thank you, Mr. Stothart. I'm glad you brought that up. That's very important.

Mr. Lake.

Mr. Mike Lake: Thanks, Mr. Chair.

There was some discussion a little bit earlier about this corporate social responsibility strategy the government launched in March. Just for clarification, there are many facets of it, but one was the creation of a new Office of the Extractive Sector Corporate Social Responsibility Counsellor. That's a long title. It may not have been the title Mr. McKay wanted to put forward in his bill, but the role will be to assist in resolving social and environmental issues related to Canadian companies operating abroad. And, of course, there was also the establishment of a new centre of excellence as a one-stop shop for NGOs, companies, and others.

In that vein, I'm thinking about responsible mining practices. I think the world is demanding evidence and action on responsibility when it comes to the environment, and not just greenhouse gases, but other things. I'm interested in knowing what your organization is doing—probably this question is directed more toward Mr. Stothart—in the area of protecting Canada's reputation as it relates to that, both in terms of actions, obviously the most important piece, but also communicating those actions.

Recently we saw in a *National Geographic* article on the oil sands, a before-and-after portrayal of the land use, having to do with the oil sands. But what they didn't show in that article was the after, the reclamation of the land. As you're driving through into the area where the oil sands are developed, you drive through a place that looks totally undeveloped, a place where you would anticipate development. What you don't know is that it was already developed, reclaimed, and it looks as it looked before all the work was done. That wasn't portrayed, and I think that's important.

In addition to the action that's needed, which I want to hear about, I also want to hear about the communication plan for those actions so that we can make sure incorrect information isn't being sent around.

● (1220)

Mr. Paul Stothart: Our industry and our association confronted these issues fairly head-on about five, six, seven years ago. There were a number of accidents and so on internationally that didn't reflect positively on the industry.

We introduced at that time something called Towards Sustainable Mining, and we certainly have a lot of information, which we include in our annual report, that we could provide to you on that.

The TSM initiative is a mandatory requirement for our members. They have to adhere to the principles laid out in it and they have to provide information every year against the criteria in TSM. As of last year, they also have to have independent verification of that information. That independent verification is typically done by accounting firms, engineering firms, and so on. The criteria in those areas include energy, greenhouse gas management, tailings management, and emergency preparedness. It's a living initiative. We are now developing new protocols in areas to do with mine closures and community consultation. So these are important areas, and companies have to report against those areas each year.

As I mentioned, we try to make this initiative known internationally in the dialogue we have, for example, with the ICMM, which is the global equivalent of our association. So we're trying to encourage these organizations to look at TSM and consider to what extent it could be applied globally. Over the next few months we will have to think about and have discussion with our board on the extent to which TSM should be applied to the international operations of companies.

I should say that we also have a community of interest advisory panel that provides advice on the TSM initiative. It includes representatives from aboriginal groups, environmental groups, the Sierra Club, and so on, and some mining people as well. That provides an outside check on community interests.

That's our central initiative towards sustainable mining, and we have a significant communications plan associated with it. It's never easy to get these messages out. I think there's always a preference for the more negative stories, but there's certainly a very aggressive effort on our part and on the part of our companies to make progress in these areas.

It's called Towards Sustainable Mining because we're not there. There's always room for improvement. There's always room to move towards more sustainable practices. And certainly those are the principles that are laid out in TSM.

● (1225)

Mr. Jon Baird: From the prospectors' point of view, there's a similar program. I won't go into it because of the lack of time.

On the communications side, it's hard for industry to communicate these things. You can spend a massive amount of money and not get very much in return. However, at the last mines ministers conference, which was held in Saskatoon in September of last year, the ministers determined that the theme of this year's conference, which will take place in St. John's on the last day of August, will be the industry's image.

I participated here about two or three weeks ago in a working group of civil servants from federal and provincial governments who are looking deeply into this issue. They are preparing all kinds of materials and so on. It's a very interesting study. I'm hopeful that there is something in terms of coordinated communication. Again, it's this balkanization I'm always fighting against, this fragmentation. Hopefully, after the ministers consider this, there will be some form of government and industry coordinated communications plan.

The brand is strong. We are strong. There are some warts on the hog, but generally speaking, Canadian mining....

Did I say a bad word?

Hon. John McKay: No, no, it's a great phrase.

Mr. Jon Baird: All right.

The brand is strong, but our branding, our communicating about it in the world and in Canada, is not sufficient.

The Chair: Thank you.

Mr. Thibeault.

Mr. Glenn Thibeault: Mr. Lake, when you talk about regreening, you're welcome to come to Sudbury and see innovation at its finest. We went from a city that once had NASA come to our community to check out how you can drive around on the moon to having regreening.

You know, from playing in pits, one of the first things I recognized, the first time I went out west, was that not all rock was black. Growing up in a mining community, that's what we saw. That's all changing.

With that, I'm going to focus a little bit on innovation. We have mining and supply services. SAMSSA is the Sudbury Area Mining Supply and Service Association. As we like to call it, it's the Silicon Valley of the mining world. Hundreds and hundreds of great companies in Sudbury have the expertise: great companies like, off the top of my head, Herold Supply, Fuller Industrial, and Cast Resource.

And one of the concerns we have with Vale Inco and Xstrata being foreign-owned is that we've just heard recently, yes, they've hired more people, but right now we're losing some of their jobs, especially the buying power, if that's going to Brazil. How is that going to affect the mining and supply sectors in Sudbury and right across the country?

But going to that, I've mentioned before Dr. Greg Baiden from Penguin Automated Systems. He's creating technology that will not only help the oil and gas sector; he's creating technology so we can mine on the moon. There was just an article in the *Ottawa Citizen*—I would encourage everyone to read that—about his creating technology for remote controls using digital light. It's way beyond my comprehension, but it's great to watch.

So that's what I think is important for us to understand about mining. Innovation will only enhance it. It'll make it greener.

You talk about climate change and innovation in your report here. Companies like Vale Inco and Xstrata and the SAMSSA organizations recognize the importance of innovation, and Xstrata and Vale Inco so much so that they invested, I believe, $5 million apiece into CEMI, the Centre for Excellence in Mining Innovation, in Sudbury. The Ontario government has invested in this initiative as well, to the same tune. Unfortunately, we haven't been able to convince the federal government yet to invest in CEMI or organizations like CEMI—or I believe you have SMIC, if I have your anagram correct.

Mr. Paul Stothart: CMIC.

Mr. Glenn Thibeault: CMIC. So innovation is important for both supply and service and for mining companies, is it not?

Mr. Jon Baird: I gave you some numbers on what the federal government is not doing in supporting research. CEMI should be supported by the federal government, but it should be one of four centres of excellence in the country. We need one in British Columbia, we need one in Saskatchewan, and we need one in Quebec, on top of CEMI.

The money for CEMI really came from the provincial government, and it was matched by those companies. So the provincial government took the lead, but we need a system. This is the vision of CMIC, the Canadian Mining Innovation Council, that we have a coordinated thing with these centres of excellence, without destroying the silos we also have in universities and other things.

Mr. Glenn Thibeault: But it's harnessing those silos, bringing them under one place, and then, as we talked about initially, creating that national strategy.

● (1230)

Mr. Jon Baird: If we compare with the forestry industry, for example, in the last budget, just to give you one little tidbit, the forestry industry got $160 million over two years. For what? For innovation and marketing.

We have the Canadian Mining Innovation Council sitting there—it's an embryonic thing—needing help, needing finance, and of course, there's nothing in that budget. We're still working on that, but we've got to get some federal government money, big time. We need the government to recognize that governments in Canada are underfunding mining innovation by about $30 million a year.

I could go on about forestry. It goes on and on and on. I mean, I guess you have to be a loser, if I can say that here, because the forestry industry doesn't seem to be prospering at this time, as many aren't. But one wonders about the future. We're not wondering about the future of the mining industry.

It's a bit like the biotech people who were here today. They see a great future, but we can't come out of this with our capacity to innovate and to commercialize destroyed.

Mr. Paul Stothart: Just very quickly on that, I think a challenge for CMIC, the Canadian Mining Innovation Council, still rests with the industry. We haven't had our own act together adequately to make the proper representations to Finance officials, etc., in the lead-up to the last budget. We're aiming to do that in the lead-up to this budget.

Beyond that, I think Mr. Baird's remarks are appropriate: other sectors have had significant support in the innovation area. Once we get our act together and get our representations in to the right people, we will be seeking a similar kind of support.

[*Translation*]

Mr. Glenn Thibeault: Is my time up?

[*English*]

The Chair: If you have just a little question....

Mr. Glenn Thibeault: Well, that's okay. I was going to open up a whole other subject.

The Chair: No, we can't do that.

Gentlemen, we could go on for a long time. I think this has been fascinating, as every study has been.

Mr. Baird, you were talking about mining supply. It just galls me every time I see an area that we're productive in and yet we import the technology. Is that what you're saying, that we import much of our mining technology when we should be developing it and exporting it?

Is that what you meant by that?

Mr. Jon Baird: Not quite.

Yes, we do import. Effectively, since the World War II, Canada has not had tariff barriers to let in the world's mining equipment, and services, and technologies, and so on. But that's a strength for us, because it means that the mining suppliers who exist have to be world competitive—and they are. As I said, there are 300 companies in Sudbury that get a large part of their sales from the mining industry. And so we've developed a very strong mining supply industry here. I wasn't able to give you a lot of the statistics, and so on, that I had prepared.

The situation is okay. Yes, we have foreign competition. Yes, foreigners sometimes buy mining supply companies, just like they buy mining companies. Yes, those earlier entrepreneurs go and found another company, and away they go. We're just not taking enough advantage of the world markets, and we are not getting the kind of government support in innovation that is needed.

The Chair: If there's something that you felt you weren't able to express, please send it to our committee. We are going to be preparing a report, so we will need that in the very near future. You can send it to the clerk.

We're going to suspend for just a few minutes to give our guests a chance to leave, and then we'll be going in camera to do the last piece of our work.

Again, thank you very much for attending.

[*Proceedings continue in camera*]

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