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## Tuesday, November 6, 2012

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## Chair

**Mr. David Sweet**

# Standing Committee on Industry, Science and Technology

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● (1150)

[*English*]

**The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)):** I call the meeting to order.

Good morning, ladies and gentlemen. *Bonjour à tous*. Welcome to the 47th meeting of the Standing Committee on Industry, Science and Technology.

We are continuing our study on IP and innovation. Before us we have a cavalcade of witnesses.

From Polytechnics Canada we have Nobina Robinson, chief executive officer, and Ken Doyle, director of policy.

From Xerox Canada, I'm going to ask for the pronunciation of the name before I say it.

**Mr. Emechete Onuoha (Vice-President, Citizenship and Government Affairs, Xerox Canada):** It's Emechete Onuoha.

**The Chair:** He's the vice-president of citizenship and government affairs, and we have Patricia Hawkins, business manager.

As an individual, we have Tom Brzustowski.

Is that pronunciation correct?

**Dr. Tom Brzustowski (Retired Professor, Telfer School of Management, University of Ottawa, As an Individual):** That's as good as I get, Mr. Chairman.

**The Chair:** He is from the Telfer School of Management at the University of Ottawa.

We also have, by teleconference, Robert Currie, associate professor in the Schulich School of Law, and director of the Law and Technology Institute at Dalhousie University.

We'll go along with the order printed in our agenda and will start with Polytechnics Canada. Each witness has six to seven minutes. We're short of time, but we still have to stick to the time so that it's fair for everybody.

Madam Robinson, you have seven minutes.

**Ms. Nobina Robinson (Chief Executive Officer, Polytechnics Canada):** It's a pleasure to be here with my colleague, Ken Doyle, from Polytechnics Canada. There are so many things to say, so I will keep my opening statement brief and to three key points.

We hope to bring a wider perspective on the innovation conundrum in Canada to your deliberations on intellectual property, a perspective that I have gained from serving on the Jenkins panel study of business innovation and from observing the unsung work of Canada's leading colleges and polytechnics when it comes to commercialization of research and industry innovation.

First, I wish to draw a clear line in the sand. Ownership and management of IP is not a problem when it comes to college-industry partnerships in commercialization. The obstacles created by IP ownership are typically found within the domain of the universities in Canada, not colleges. Colleges don't want to hold or own IP. It is expensive to acquire and expensive to manage. We are motivated by getting our students involved in the R and D projects, helping them to acquire innovation skills, and assisting small and mid-sized firms get innovations to market where they can exploit them commercially.

Our IP policies are simple. If a company comes in with IP, it leaves with it. If new IP is developed over the course of the project, the company gets exclusive rights to it. In any case, our policy is clear and stated in the agreement both parties sign before the project even begins. This is markedly different from university dealings, where disagreements and negotiations over IP can last for years, even after the project is completed. I hope that in your final report on the IP regime in Canada, you take note of this important distinction.

As the Jenkins panel reviewed the causes of weak business innovation in Canada, IP ownership was not the principal culprit. Rather, it was the exploitation of IP, the transfer of ideas to market that stood out as a principal challenge, among others. Report after report has noted that Canada has a high science culture and that we punch well above our weight when it comes to discovery research. The recent CCA report on the state of science and technology is another such report.

I do not have to name the problem further, but let me pause to suggest that one impediment faced by business is the lack of a coherent, collaborative, and responsive innovation ecosystem.

This is why I want to point out the slide from the Jenkins report, which is on the innovation ecosystem, an ideal picture in Canada. In this ideal slide, each actor has its own strengths and value-add: universities generating discovery research; industry generating demand for innovation; and intermediaries such as colleges, polytechnics, CEGEPs, or public and private laboratories solving the problem for the others.

Equally, within industry, there are widely divergent motivations between size and sector of firms. Understanding this motivation to innovate is what is needed, and we've done a poor job of this in Canada for two decades now. Once and for all we should acknowledge that universities are motivated by publishing and patenting, but that colleges are motivated by teaching and allowing students to make and break prototypes, and that Canadian companies are motivated by commercializing innovations and making money.

When we understand these divergent motivations, we will actually begin to recognize the differences, and more importantly, the differentiation within the academic system, or the industrial system, and even within governments.

A true ecosystem is made up of more than one kind of actor. In Canada, we have muddled all this up, ascribing similar motivations to widely different players. For some reason, for 20 years now, we've bet billions annually that game-changing innovations discovered in university labs can simply be pushed out on to industry for commercial exploitation. As other witnesses have told you, the returns on this investment simply aren't there and likely never will be.

In reality, industry and its customers identify problems, as you can see in the slide. They generate demand for R and D. We need more support for market pull. Government's role in business innovation is to facilitate partnership between industry and all R and D service providers, universities as well as colleges. Colleges and polytechnics engage students in industry innovation, enabling Canadian SMEs to speed their ideas to market.

Without consolidating industry-facing research support programs, continued calls to increase the size of the research pie are not likely to yield noticeable results.

Thus far, I have outlined the miscasting in the Canadian innovation ecosystem. My colleague, Ken Doyle, will now zoom in on two modest proposals we have for fixing the imbalance between discovery research and commercialization support. Through reallocating funds to industrial applied research that responds to market demand, the federal government can help more companies overcome the death valley of commercialization and become competitive. There are two fixes.

● (1155)

**Mr. Ken Doyle (Director, Policy, Polytechnics Canada):** Thank you, Nobina.

The first fix is to invest in the sole program in the granting council suite that solves industry-identified problems and addresses the market pull. This is the college and community innovation program administered by NSERC, and it is bursting at the seams. The very modestly funded program offering a number of funding initiatives cannot keep up with demand from industry for applied research solutions that colleges can provide.

Unfortunately, this backlog in demand is forcing SMEs to put innovation on hold. Before CCIP launched in 2008, there were only 13 NSERC-eligible colleges. There are now almost 100 eligible colleges competing for only $35 million in annual funding. A modest $15 million increase in CCIP's budget would enable the program to meet the backlog of demand from their local industry partners.

A second fix is a national SME voucher program for late-stage commercialization support at approved R and D service providers, such as universities, colleges, and public and private R and D labs. SMEs are cash strapped. The SR and ED tax credit doesn't cover late-stage applied research. Investors won't open their wallets unless there is a guaranteed return.

Commercialization vouchers require companies to put skin in the game, leverage that contribution to get the R and D project done on an accelerated timeline, and get the innovations to market where customers with cash in hand are waiting. It works in Alberta and other provinces; it is used by the Dutch and the Australians. A national version with national definitions, but delivered regionally, would help Canada bridge the commercialization gap.

In closing, in our view, Canadians might be very good at cooperating, but there is plenty of room for improving our outcomes when it comes to collaborating for commercialization.

Thank you.

**The Chair:** Thank you very much, Mr. Doyle.

We're now on to Mr. Onuoha, for seven minutes, please.

**Mr. Emechete Onuoha:** Thank you, Mr. Chair. I'm joined today by my colleague, Patricia Hawkins, our business manager with respect to innovation services at the Xerox Research Centre of Canada, XRCC. It's a great pleasure to be here today on this important study.

Maybe we could begin by saying that we're representing Xerox Corporation, Xerox Canada. Xerox is a multinational that operates in over 160 countries around the world and employs 140,000 individuals, including 4,000 here in Canada. We offer services and product in every region of Canada, and we have assigned a compelling research mandate to Canada.

Innovation is a critical success factor for Canada's economic resilience and long-term sustainable development. Strategic investments in applied research and commercialization are critical success factors for innovation. Innovation is the difference between good ideas and great market-facing outcomes.

Nearly four decades ago, Xerox Corporation promised to make strategic investments in Canada's knowledge infrastructure by establishing a leading research centre right here in Canada. Today Xerox Corporation is the only multinational business process and document management company in the world conducting value-added advanced materials research in Canada.

As a leading information technology company, and one of the top 100 R and D spenders in Canada, Xerox continues to attract talent to Canada from around the world. Given Canada's inviting socio-economic framework, highly reputable post-secondary institutions with internationally recognized competencies in materials science, physics, chemistry, engineering, and related research, Xerox sees Canada as a natural platform for innovation.

Although there are many aspects of our established industry-leading technologies that many of you may be familiar with, there are a whole host of Xerox innovations you are most likely not familiar with.

A little-known example of this is our work in spectrum photonics, which ultimately led to the development of an argon-based laser imaging technique that transformed human identification technology and enabled advanced fingerprinting now used by law enforcement agencies worldwide. The Xerox Research Centre of Canada is also responsible for inventing emulsion aggregation marking technology, which is the world's first nanotechnology-enabled product for the printing industry.

Another promising technology invented at the XRCC, in conjunction with our research center in Palo Alto, California, is printed electronics. Printed electronics allows microelectronic circuitry to be printed on a whole range of materials using, among other things, nanosilver jetting technology. The applications have relevance for logistics, inventory management, interactive packaging, smart packaging, and developments that have high economic and environmental impact. Among other things, this enables us to convert ordinary pieces of fabric or paper into documents capable of computing intelligence. This is yet another breakthrough attributable to the R and D conducted at the Xerox Research Centre of Canada. This technology is the basis of an innovative, and potentially transformational, collaborative research interaction between Xerox and Canada's National Research Council.

In order to enhance Canada's continued economic resilience in the 21st century and beyond, results-based private sector investment in value-added R and D and commercialization of research is mission critical. As an enabler, information communications technologies have productivity-enhancing impact across all industries. Most important, although the ICT industry represents less than 5% of Canada's GDP, ICT companies like Xerox drive nearly 35% of all private sector R and D spending on an annual basis. The ICT research community is therefore uniquely positioned to leverage and extend the impact of established, value-added R and D investment, infrastructure, and talent in the interest of developing a robust innovation ecosystem in Canada.

A challenge to the innovation ecosystem is the relationship between business and post-secondary institutions. Where an institution has been engaged in a research project generating intellectual property that may, in future, be useful in a product, there is an expectation that the institution should share in the reward when the ultimate product goes to market. While educational institutions do generate significant and valuable ideas, in most cases commercialization of ideas involves several billion dollars of infrastructure, substantial additional R and D, product integration, market development, and even market creation. Nearly all of these risks represent exposure undertaken almost exclusively by private sector enterprise.

● (1200)

Universities may therefore need to adjust expectations to reflect the real value of the role in the value chain; otherwise, businesses that can undertake their own R and D will continue to limit their post-secondary research collaborations to basic research unless win-win intellectual property policies are in place. Effective risk sharing is the key. In any case, tax policy instruments such as the scientific research and experimental development credit have buttressed the business case for R and D related foreign direct investment in Canada, thereby stimulating original and incremental R&D.

Equally important is the significance of the deduction and credit to reduce the general cost of business. That includes mobilizing the results of the research and business activities that benefit from them. The recently announced reduction of the SR and ED tax credit significantly weakens the business case for foreign direct R and D investment in Canada. Having said that, Xerox continues to leverage the Canadian advantage through the global materials Rand D mandate assigned to the Xerox Research Centre of Canada, which generates well over 160 patentable ideas every year—that's three inventions per week—and funds collaborative research at 14 research intensive universities across Canada. We also hire 40 university co-op students from across Canada to work and learn alongside some of the world's most talented researchers at the Xerox Research Centre of Canada.

At the end of the day, what matters most are the measurable, differentiating outcomes associated with these efforts. It's worth noting that every digital output product we offer worldwide through sprawling market channels contains technology that was invented and/or developed right here in Canada at the Xerox Research Centre of Canada. We are the only multinational company in the world in our competitive community of practice that features a Canadian innovation platform of this nature so prominently within our global value chain. This has helped establish Xerox Canada as the single highest performing operating company in the world for Xerox Corporation, which, as I mentioned earlier, operates in 160 countries around the world.

Clearly, Canada creates value through innovation, but together we can do much more.

Thank you, Mr. Chair, and members of the committee.

**The Chair:** Thank you very much, Mr. Onuoha.

We'll now go to Mr. Brzustowski for seven minutes.

**Dr. Tom Brzustowski:** Mr. Chairman, let me begin by thanking the committee for giving serious attention to Canada's IP regime, which is an important and challenging subject. Thank you also for inviting me to appear.

I don't present myself to the committee as an expert on intellectual property, but I do have a bit of history in the subject. Just a month ago I retired from the University of Ottawa, the business school, where for seven years I was the Royal Bank of Canada professor in the commercialization of innovation. For 10 years before that I was president of NSERC, so on that basis I'll introduce three different IP issues that all seem to me to be important and challenging.

I wonder how many people realize that innovations have a short shelf life. Competition in the market eventually turns every innovation into a commodity product, and the producer, at that point, must begin to accept the market price. Intellectual property rights enable the innovator to recover the costs of creating new products and then to make a profit so that they may invest in the next generation of innovations. They must do that because the only remedy for commoditization is repeated innovation. You have to have innovations out in the market all the time because the competition is commoditizing the previous ones you have out there.

It's useful to think of innovation as invention followed by commercialization, and invention is not an innovation. An invention that succeeds in the market and is being used, that is an innovation, so think of innovation as invention followed by commercialization.

The invention may be a new use of new knowledge, which we might call research based, or it may be a new use of prior or existing knowledge, which we would call design based. Then each kind of invention might be commercialized, might be brought to market either by an established firm or by a new venture. That gives you four possibilities to sort out some of these issues. The reason they are important is that the business issues in each of these, the established firm design-based innovation, the established firm research-based innovation, the new venture research-based and the new venture design-based, are each described by a different set of business issues, and there are different IP issues.

Let me give three examples. For the first example, a great deal of industrial innovation, some would say the majority of industrial innovation, is design based, not research based but design based, and takes place in established firms. These firms use design and redesign to improve their products and processes in response to economic pressures, to feedback from customers, to developments in technology, to advances in materials and tools, to ideas from employees and suppliers, and to what their customers tell them they need. It's not just feedback on previous products, but on what they need.

Patented improvements are not uncommon, but patent disputes seem to hit the business pages only when a new design concept creates a revolutionary innovation, a market changer. Such a new device may incorporate proven components from many suppliers around the world. Certainly every bit of consumer electronics does that, and the technologies embodied in them all may be covered by dozens, if not hundreds, of patents.

In such cases, patent infringement is possible, inadvertent or otherwise, and many disputes end in long and expensive court cases. We read about these in the business pages with amazing regularity. This is not productive and ultimately means an additional cost to the consumer. It is often argued by the defence in such legal cases that the patents in question were invalid and should never have been granted in the first place. Therefore, the first issue I wish to raise is that great care is required in granting patents in fast-moving technologies, greater than before fast-moving technologies.

My second example is a very different situation, the new venture set up to commercial an invention that arises out of the results of first rate, really good university research supported with public funds. This is what we'd like to see more of.

In this case, the intellectual property the new firm owns is its major and perhaps only asset. Everything else has to be acquired with funds that have yet to be raised.

● (1205)

The new venture is a very small business, short of both time and money. A strong patent is essential to convince investors that the invention has a real prospect of creating new value and to attracting investment for the cost of commercialization. This is urgent. For a research-based new venture, a strong first patent obtained early on may open the door to growth and success.

The second issue is helping research-based new ventures get strong first patents. This needs doing, but I have to admit, Mr. Chairman, that it isn't clear to me who should be doing it. It's not a silver bullet. It's not a single agency, I don't think. I don't know who should be doing it exactly and how they should be doing it, but the need is there.

For my final example, consider an established firm in one particular sector of research-based innovative activity: the pharmaceutical industry. It engages in research-based innovation that's narrowly focused, since the invention may be only a single drug molecule. In this case, the length of the term of IP protection is crucial, because the commercialization of a new drug is very costly, and it's a long, regulated process whose timeline is only very partly under the company's control. The firm needs market exclusivity long enough to enable it to recover the cost of commercialization and make a profit so it can keep new products coming. Duration of patent protection in certain fields is the third issue I wish to put on the table.

Obviously, Mr. Chairman, the committee is working so that Canada might get it right on intellectual property rights. From my point of view, getting it right means not so much finding a silver bullet as being able to meet the different IP needs and resolve the different IP issues that arise in innovation and wealth creation in Canada, recognizing that companies are subject to many influences at play in the global economy. Given the small size of our domestic market and the high cost of developing new technologies today, the new products must succeed in global markets.

Mr. Chairman, I hope I have been able to illustrate some of the IP issues I have found to be important. I look forward to the discussion.

● (1210)

**The Chair:** Thank you very much, Mr. Brzustowski.

We'll go to Mr. Currie, who is joining us by teleconference, for a maximum of seven minutes, please.

**Mr. Robert Currie (Associate Professor, Schulich School of Law and Director, Law & Technology Institute, Dalhousie University, As an Individual):** Thank you very much. I was delighted to receive the invitation to appear before the committee here in Halifax. I'm at a bit of a disadvantage. I'd understood I was to speak for half an hour and then you might cross-examine me for awhile. As the old joke goes, I wrote a long talk because I didn't have time to write a short one, but let me offer this much.

Today I want to speak to the committee on one aspect of our current trademark law that stifles innovation and distorts the market, and that's the use of what are called official marks, which is a kind of hyped-up trademark regime that allows public authorities to reach into the market and exert nearly impenetrable control over words and phrases and things. It has been called a super trademark, and there's a reason for that.

To a limited extent, this is a good thing. There was good public policy behind the idea of official marks when they were originally brought in. It was in no small part to protect important national government symbols, coats of arms, flags, and that sort of thing from being used by commercial entities to bump up the perception of their product by falsely associating themselves with the state.

There are situations where we need the government to protect the dignity of our national symbols, but as we all know, especially after Hallowe'en, too much of a good thing can give you indigestion, and the Canadian public has long been getting indigestion from time to time arising from the over-broad use of official marks. Public authorities have sometimes used these marks not for public purposes exclusively, but to generate commercial revenue at the unnecessary expense of taxpayers and at the unnecessary expense of small business people.

This problem has been illustrated most starkly by two disputes over the last five years, one that took place in 2007 and one that took place earlier this fall. Both of these disputes involved the Canadian Mint and its official marks over various images of our currency.

In 2007 the City of Toronto, you may recall, embarked on a campaign called One Cent Now. The One Cent Now campaign was to have the federal government remit 1¢ of each GST dollar to municipalities. As part of the campaign, the city used the image of the penny and the phrase “One Cent Now”. They used it in their promotional material, bumper stickers, and posters. They also used it in their email address and in the address of a website that was used to promote the campaign.

They got a bill from the Mint for $47,000 for the use of the phrase “One Cent Now”: $10,000 for using it in paper materials, $10,000 for using it in Internet materials, and $27,000 for using the image of the penny in the promotional materials. The taxpayers in Toronto were unhappy. This got a lot of press, and the dispute was eventually dropped between the Mint and the City of Toronto.

Earlier this year, in fact, just about a month ago now, a Nova Scotian songwriter named Dave Gunning put out a CD called *No More Pennies*. On this CD, Mr. Gunning was reflecting on the impending death of the penny and giving the folksinger's take on that. The Mint sent Mr. Gunning a licence fee bill, in particular, for his image of the penny because he had an image of the penny like a setting sun on the back of his CD. It was something like a $1,200 bill levied on about 1,000 CDs. CDs are a very low yield product to begin with.

Mr. Gunning managed to convince the Mint to waive the royalty, perhaps coincidentally after there was significant media interest and clear public disgust at what was perceived to be exploitation of this small business person by his government.

Members of the committee, I'm adding my voice to a call that, in fact, is now decades old, if you read the literature, and which was raised in a white paper that the Government of Canada published in 1991. That call is to either abolish or to amend and significantly restrict the scope of item 9(1)(n)(iii) of the Trade-Marks Act, because this is where the authority for official marks comes from.

● (1215)

This is intellectual property law that breeds cynicism among the people of Canada. It's in no small part because it is so expensive to litigate and challenge any public authority that is using the official mark in an overbroad manner. As I said earlier, this is something that potentially distorts the market. The cost of litigation is particularly relevant in a time when we are faced with a crisis in access to justice and where an all-star legal committee, chaired by Justice Tom Cromwell of the Supreme Court of Canada, is trying to resolve the very real problems that result from access to justice. This is one of those, but it's part of a larger tapestry.

This is a law reform measure that I believe is significantly overdue, and I'd be happy to discuss it further with the committee in the question time.

**The Chair:** Thank you very much, Mr. Currie.

We'll go to our first round now. Our second round will be very limited, but we'll go ahead with our first full round. We'll go over to Mr. McColeman for seven minutes.

**Mr. Phil McColeman (Brant, CPC):** Thank you, Mr. Chair.

Thank you to the witnesses for being here today. You bring up some interesting perspectives that hopefully we can explore here.

Ms. Robinson, regarding the line you talked about, the distinction between colleges and universities, you're no doubt familiar with the various models that universities have set policy for in their own individual environments. What's your proposal to the committee? Obviously, you have a distinct point to make here, the fact that it should be open and not owned by colleges and universities. How do you respond to the universities who say they provide a lot of the infrastructure or a lot of the upfront costs for this to happen? How would you go about making sure they set the same policy as you do?

**Ms. Nobina Robinson:** I'm going to ask Ken Doyle to help me on this one, but the quick comment is that they don't have to have the same policy as we do. That's exactly the problem. They are motivated very differently and they should be kept to doing what motivates them. Their professors are measured by publishing and by patenting. However, when it's about taking that idea and commercializing it, building it, scaling it up, doing cost avoidance studies and market feasibility studies, that may not be what we should ask a university to do. That is why I'm a great believer in the fact that public spending should focus on collaborating.

There is one such example. It is so subscale in the Jenkins panel it is laughable, but it is a very useful program. It's called college-university idea to innovation, CU-I2I. It's a very new program, another one of these boutique alphabet soup programs, but it is working. A college professor and a university professor work together to help a company get a product to market. Let the university professor do what he's paid for; let the college professor build it and break it with the student; let the company commercialize it.

● (1220)

**Mr. Phil McColeman:** In that example and a further comment you made about market pull, meaning industry gets involved early, when there is an invention, an idea, that is being formulated at the university level, at what point would it be appropriate to involve industry in the discussion with what is happening? As you know, these things move at a very fast pace. The onus would be on whom? Would it be on the inventors or the university identifying what the industry is and inviting it in? How does this work logistically?

**Mr. Ken Doyle:** In a case where industry is the one that posed the problem and the academic institution, be it a college or university, develops the solution, industry is part of that on day one. It would have the commercialization plans. In a case where it's an academic discovery that has commercial potential, the university would have to bring in industry to see how far from market it is and what the technology readiness level is. I think that would be the responsibility of the technology transfer office at the university. In the college sector, the companies are coming through the door with the problem they need solved, so it's already at that point where they see a market opportunity and they just need that solution to get it to the customers waiting with cash in hand.

**Mr. Phil McColeman:** Okay.

Mr. Onuoha, in your comments you reflected a little bit about the new, effective risk-sharing concept. Could you just expand a little further on your thoughts on that one?

**Mr. Emechete Onuoha:** Sure. Nobina alluded to this. In a company such as ours where the ROI associated with R and D can take anywhere from five to fifteen years to realize, there are a number of inputs from the point of invention to the point of successful market deployment of a product.

When you look at IP parcelled out in individual patents and inventions, it can misstate the cumulative or singular value of one particular patent versus the market value of a product that is informed by multiple patents. I give as an example a technology that was invented at our research centre, the emulsion aggregate marking technology. We started R and D with respect to this product in the early 1990s. It took us in excess of roughly 11 years to bring that particular product to market. The product wasn't actually introduced to the market until 2003.

The initial product was protected by well over 400 commercial patents. The process of managing that investment and continuing to finance the development, the extended research, and market readiness, all of that risk had to be undertaken by our company. When we consider partnering with post-secondary institutions, our feeling is that, if there were to be a sharing of the rewards associated with this long-term commitment to bring a product to market, then there should certainly be deliberate willingness to share in the market risks, many of which are not acknowledged by the universities that we may negotiate a partnering agreement with, which presents us with challenges on several fronts. One is just the financial hydraulics of partnering with an entity that is unwilling to share the full scope of economic risk. It also presents us with internal rigidities.

In that regard, some of the most intense competition that we face in terms of bringing products to market and to continue to finance promising research and development is not from our external competitors. It's from my counterparts within our company. Patricia and I are competing with counterparts in various parts of the world within the Xerox family for foreign direct investment. We make a very robust case for Canada. I said it in my remarks and I will say it again. Canada is a remarkably rewarding platform for us to conduct our innovation business. We still have to make the case to the mother ship.

We're happy to share the rewards associated with research and development and taking value-added products to market, but our partners need to share the risk.

● (1225)

**The Chair:** Thank you very much, Mr. Onuoha and Mr. McColeman.

Now on to Madam LeBlanc for seven minutes.

[*Translation*]

**Ms. Hélène LeBlanc (LaSalle—Émard, NDP):** Thank you kindly, Mr. Chair.

Thank you very much to all the witnesses. I always take a lot of notes when the discussion is so educational.

I was pleasantly surprised by Xerox Canada's R & D investment here in Canada. That leads to skilled jobs and value-added products.

I would like you to provide more details. You mentioned changes in federal R & D programs. How do you see those changes impacting not only your company, but also others who engage in R & D here?

[*English*]

**Mr. Emechete Onuoha:** With respect to the SR and ED credit reductions that have been proposed by the government and included in the budget implementation bill, the Xerox Research Centre of Canada and its operations have drawn on the SR and ED credit for the duration of our operations which amounts to roughly a 20% material impact as a percentage of our research operations. As I mentioned, we don't conduct satellite research. We conduct value-added materials research here. Our exposure is roughly $4.5 million per year associated with the SR and ED program. Going forward, the 5% reduction has a financial impact that would amount to roughly the equivalent of one researcher per year. As I mentioned, with our patent rate, each one of our researchers is highly productive.

Having said that, to your point, the greater impact is on our ability to make the business case for additional investment in Canada. Our capital investment and research investment in resources can be applied in any number of locations around the world that have a much lower, if you will, cost of business associated with research operations. We have principal research operations in the United States, two research centres, one in California and one in New York. We have one in Grenoble, France, a small operation in Bangalore, India, and a small joint surface chemistry practice in Japan. The capital can move very quickly. What we have done effectively, by reducing the SR and ED credit, is penalized our current investments, which as I mentioned, are throwing off a great deal of productivity, not just for our company, but also for the country.

We've established a globally revered centre of excellence around surface chemistry and gels, etc. It's a source of constant training and a learning opportunity for Canadian high-promise graduate students across the country. Again, that makes the hurdle that much higher to justify internally. Quite frankly, that's what I'm most concerned about. We're not necessarily content with the status quo. Our brief is about growing the investment here in Canada and extending the platform that we've already created.

[*Translation*]

**Ms. Hélène LeBlanc:** I understand perfectly. Thank you very much.

The Standing Committee on Industry, Science and Technology is a fascinating place. We deal with a variety of extremely topical subjects, like intellectual property. Other subjects concern us a great deal, as well. For that reason, I move the following motion:

> That the Standing Committee on Industry, Science and Technology immediately undertake a study of the criteria, including national security, defining "net benefit to Canada", that apply to the review of foreign acquisitions involving the natural resources industry, and specifically the acquisition of Canadian oil and gas companies by foreign state-owned enterprises, under the Investment Canada Act, and that the committee report to the House.

This motion builds on a motion that the House of Commons adopted unanimously in 2010, precisely on the Investment Canada Act.

I am not alone in calling for this clarification. The NDP has made the request repeatedly, and the Prime Minister of Canada has asked for it as well. Industry Canada is reviewing a case as we speak. What's more, Mr. McKenna wrote an article in *The Globe and Mail* that says:

● (1230)

[*English*]

> —Prime Minister Stephen Harper vowed a "clear and new policy framework" is coming. Ottawa promised much the same after the controversial 2010 decision to reject Australian mining giant BHP Billiton Ltd.'s takeover of Potash Corp. of Saskatchewan Inc., but nothing happened.

[*Translation*]

It is clear that the issue is topical and that the right time to deal with it is now. Furthermore, our committee has a duty to be proactive. The proposal should be adopted.

[*English*]

**Hon. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** Mr. Chair, on a point of order.

**The Chair:** Madame LeBlanc, hold on for a moment.

Mr. Lake.

**Hon. Mike Lake:** I just want to get some clarification.

Right now, have we stopped this meeting with our witnesses sitting here and we're now discussing committee business? Has the clock stopped on our meeting and now we're doing something else?

**The Chair:** The clock has stopped. I was just going to intervene, Mr. Lake.

I will take Mr. Harris and then I will have an intervention myself.

**Mr. Glenn Thibeault (Sudbury, NDP):** Point of order, Mr. Chair.

If Madame LeBlanc has the floor, it can't be stopped on a point of order, if I have that correctly. She continues to have the floor because she was still speaking. She was interrupted by Mr. Lake, so the floor goes back to Mrs. LeBlanc, if I have that correct.

**The Chair:** Mr. Thibeault, I was only suggesting that my intervention will be next.

**Mr. Glenn Thibeault:** Oh, okay. Thank you.

**The Chair:** Mr. Harris.

**Mr. Dan Harris (Scarborough Southwest, NDP):** Madame LeBlanc has the floor, I believe.

**The Chair:** Now I have the floor, Mr. Harris.

This is not germane to the business at hand and there hasn't been 48 hours' notice. Right now I've stopped the clock, but I want to let you know that if you're going to continue on with that, I will start the clock again and your time will run out. If you want to go back to questioning and then serve notice on the motion later, then it can be heard at the committee. It has to be germane to the business we have at hand, or we have to serve notice on it.

[*Translation*]

**Ms. Hélène LeBlanc:** I just wanted to clarify that I had already submitted a notice of motion a few weeks ago.

[*English*]

**Mr. Glenn Thibeault:** It was September 26.

**The Chair:** One moment. I was not aware of notice of this motion. If we've had 48 hours' notice, then it's fine. I was informed there wasn't notice.

Members, my original information was incorrect. The motion was served on September 26. We have copies, if you'd like one.

Madame LeBlanc has the floor and we'll continue.

[*Translation*]

**Ms. Hélène LeBlanc:** Thank you, Mr. Chair.

The study before us is extremely important, but there are other issues that we need to discuss. This isn't the first time the matter has come up in committee.

I mentioned that the Prime Minister himself said he wanted clarification. Furthermore, according to a recent article, the Premier of Alberta indicated that the deal had to respect specific conditions. She said, and I quote:

● (1235)

[*English*]

I'm going to quote:The premier has asked the federal government to impose stricter employment and management conditions on CNOOC's $15.1-billion takeover bid of Nexen [...]

Redford also wants CNOOC to make firm commitments to honour environmental standards and to clarify its plan for research and development—

This is totally relevant to the current study. We have just talked about research and development and so on. That's from Mrs. Redford.

Also the business—

**Hon. Mike Lake:** Point of order, Mr. Chair.

**The Chair:** Mr. Lake.

**Hon. Mike Lake:** This is relevant, again, to the operation of the committee. I think it's important for the witnesses to know that at this point no one is talking to them. The NDP has decided to debate something else and they are kind of shut out.

**Mr. Glenn Thibeault:** That's not a point of order, Mr. Chair. It's debate.

**Hon. Mike Lake:** It is important, because it looks like she's asking a question. I want to be clear that she's not actually asking—

**The Chair:** Order, please.

You're right. It's not a point of order, but it is a point of courtesy.

**Mr. Glenn Thibeault:** That's your job, Mr. Chair.

**The Chair:** Thank you, Mr. Thibeault.

I will let the witnesses know that we are in a procedural moment right now. You can listen in and Madame LeBlanc can continue.

Mr. Regan.

**Hon. Geoff Regan (Halifax West, Lib.):** Mr. Chair, in courtesy to the witnesses, if it is the intention of the NDP to talk out the clock on this, which it may or may not do. It would be good to let them know that and then they wouldn't have to sit here.

I hope we're going to get back to them before too long.

**The Chair:** Madame LeBlanc, I don't think it's your obligation to tell us your intentions, but if you'd like to, then we could give the witnesses some added courtesy in this regard.

[*Translation*]

**Ms. Hélène LeBlanc:** If I may, Mr. Chair, I would like to carry on as I had prepared something on that. I think the witnesses will understand just how important this very pressing matter is to us. It has to do with research and development and the approach we want to take to developing our natural resources. It applies to research and development, as well as intellectual property.

Industry stakeholders are also talking about the importance of ensuring the Investment Canada Act lays out sound and clear criteria around investing in Canada. There are other concerns over the Investment Canada Act.

I could go on and on, but since we have invited witnesses, I move that we vote on studying the Investment Canada Act as soon as possible, and then continue with our questions.

Thank you, Mr. Chair.

[*English*]

**The Chair:** Okay.

[*Translation*]

**Ms. Hélène LeBlanc:** I would like to vote on the motion.

[*English*]

**The Chair:** Thank you, Madame LeBlanc.

Colleagues, could we stay at the table and keep the interaction with the witnesses? I know this doesn't often happen here.

Mr. Lake, a motion from the floor.

After Mr. Lake did you want to—

**Hon. Mike Lake:** Mr. Harris is next, right?

**The Chair:** No, Mr. Harris was on the last point of order and then —

**Mr. Dan Harris:** It was to speak to this motion.

**The Chair:** Okay.

Go ahead, Mr. Harris.

**Mr. Dan Harris:** I want to say that it is incredibly important to have this study and have it happen now. We had a motion at committee to study this, that happened months and months ago, and we still haven't moved forward.

We have massive investment deals coming down the pike. We need to have clear and transparent rules, so that business can make the right decisions about investing in Canada with some confidence that it will be approved because they know what the rules are going in.

We should proceed immediately to a vote on this, as soon as I'm done speaking, which is now.

**The Chair:** As soon as the debate is finished, I'll be glad to facilitate that, Mr. Harris.

Mr. Lake, go ahead.

**Hon. Mike Lake:** I really hate to have to go down that road if you guys know that if we're going to have a full debate about this. Hélène didn't tell me ahead of time that you were going to bring this up in the middle of what was already a truncated meeting. Had we had that discussion, we would have been prepared for it.

If that's the road you guys decide to take, we have to go in camera as we always do for our committee business, and that means sending the witnesses away. I think it's too bad that we would go down that road.

Mr. Chair, I move that we go in camera.

● (1240)

**The Chair:** That is a dilatory motion.

**An hon. member:** A recorded vote, please.

(Motion agreed to: yeas 6; nays 5)

**The Chair:** On behalf of the committee, I'd like to thank the witnesses for their testimony.

It's all on record. Any additional items you would have anticipated bringing up from questions, please submit them in writing to the clerk and we'd be glad to consider them for our report.

**Hon. Geoff Regan:** Mr. Chairman, isn't it possible to have them back? We still have a little while longer. I hope we can just vote when we are in camera and then have them come back in. I don't see why we couldn't.

**The Chair:** Okay. We'll pause for a second.

[*Proceedings continue in camera*]

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