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Chair

Mr. Dan Ruimy

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● (1535)

[*English*]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Welcome to meeting number 17 of the Standing Committee on Industry, Science and Technology.

Today we're going to have a bit of a shortened session because we have to get back to the House. We're going to try to wrap it up by five o'clock. We have 15 minutes at the end to talk about a couple of things in camera.

Our witnesses today are, from the Canadian Manufacturers & Exporters, Mathew Wilson, senior vice-president, and Martin Lavoie, director, policy, innovation and productivity; and from the Canadian Labour Congress, Chris Roberts, national director, social and economic policy.

We were supposed to have Manufacturiers et Exportateurs du Québec; however, they're not coming now.

We're going to get right into it. Let's try to keep it to about eight minutes each.

Who do we have going first?

Mr. Roberts, take it away. The show is all yours.

Mr. Chris Roberts (National Director, Social and Economic Policy, Canadian Labour Congress): Thank you so much, Chair, and thank you to all the committee members. Good afternoon.

I'd like to convey my appreciation on behalf of the CLC president, Hassan Yussuff, for the opportunity to appear before you today and present the views of the Canadian Labour Congress.

The CLC is the voice on national issues for 3.3 million working men and women in Canada. The Congress brings together Canada's national and international unions, along with the provincial and territorial federations of labour and 130 district labour councils across the country. The members of CLC affiliated unions work in virtually all occupations, industries, and sectors of the Canadian economy, including over 400,000 employed in manufacturing.

I don't believe I need to spend a lot of time explaining to this committee about why the state of manufacturing is of importance to all Canadians. I'm going to quickly get to some of the challenges facing manufacturing in Canada as we see them.

Manufacturing jobs historically have been an important source of relatively well-paid jobs and decent incomes for working class Canadians, including newcomers to Canada.

Today, relatively well-paid working class jobs in manufacturing are at risk. The manufacturing sector has lost half a million jobs since the sustained appreciation of the Canadian dollar, beginning in 2002, and 25% of total manufacturing employment. Job levels have remained depressed since the recession. From its recent 1999 peak of more than 15% of total employment, manufacturing's share of all employment has fallen to below 10%. Unionization rates have also fallen in manufacturing, and the wage premium that manufacturing jobs historically enjoyed has narrowed. Until 2008, hourly employees in manufacturing were paid about 10% more per hour on average than in the economy as a whole. Since the recession, that gap has largely disappeared, and manufacturing wages risk falling below the average for the total economy. In the United States, manufacturing jobs have already fallen below the median wages for the economy as a whole.

With respect to manufacturing strategy, between 2002 and 2014, the manufacturing sector broadly suffered from the combined consequences of the over-valued dollar, associated with the commodity price boom in Canada, and intensified competition from Chinese and other exports in the U.S. market.

With the commodity boom now over, economists expect that the lower dollar and rising U.S. demand for homes and cars will revive Canadian manufacturing, but most indicators of manufacturing's performance have not yet reached pre-recession levels, or have only recently begun to do so.

In our view, manufacturing, innovation, and productivity-generating growth will not occur spontaneously, but rather require encouragement and nurturing by coordinated policy measures.

We urge the federal government to work with provincial governments, industry, labour, universities, and colleges to establish manufacturing sector development councils. These councils would identify opportunities to promote investment and employment in Canada, adopt technologies developed in educational institutions like community colleges, invest in sustainable products and practices and technologies, and expand value-added exports. The suite of measures available could include such policies as domestic procurement policies, active industrial strategies to foster high-tech industry, targeted subsidies, and even public ownership in strategic industries.

In our view, the federal government should begin by convening stakeholders to develop a national automotive strategy for attracting and retaining automotive investment and product allocation in Canada. Aerospace and telecommunications are also logical candidates for sector strategies.

Manufacturing strategy also has an important role to play in helping meet Canada's ambitious greenhouse gas reduction targets agreed to in Paris in December. The federal government should actively develop Canada's manufacturing capacity to support an expansion of low and zero emission transportation, such as a national program of public transit expansion. There are also opportunities to foster the green manufacturing necessary to supply energy efficient equipment and materials used in the construction of high efficiency homes and offices.

● (1540)

Shifting to trade agreements, the international rules governing trade and foreign investment in Canada are critically important for manufacturing. Trade and investment deals that remove policy space necessary to develop sector strategies will constrain the revitalization of manufacturing, in our view. International trade and investment agreements that Canada enters into must preserve the right to implement performance requirements for foreign investors, negotiate community benefit agreements, foster local procurement, and include training requirements and other so-called offsets to stimulate local manufacturing.

We urge the government to replace the Investment Canada Act and its current opaque and seemingly ineffective “net benefit” test for foreign investments in Canada and create a more transparent and clear cost-benefit test. This would require a foreign investor to make binding commitments to production and job levels, commit to new investments in fixed capital and technology, and pledge to expand Canadian content in supply contracts and other inputs.

Finally, finishing with the issue of labour adjustment, higher rates of productivity growth entail that even when manufacturing output is growing, workers will need to be protected in the process of ongoing restructuring. Companies have responsibilities when laying off workers. Reasonable advance notice must be given, adjustment committees should be required in the workplace, and minimum levels of severance pay entitlement must be increased. Employment insurance regular benefits should also be improved, in our view. Governments must find ways to guarantee the pension benefits of workers against windup in the event of solvency deficiencies in the plan, so that the sorts of tragedies we've seen all too frequently in recent years cease. More federal support is needed for labour adjustment programs, especially for older workers, and EI funds should support retraining prior to layoff.

I want to end with an example of the sort of labour adjustment initiative that the CLC believes the federal government can promote and encourage. That is a joint initiative undertaken by the CLC and the Canadian Manufacturers & Exporters. It's entitled CertWORK+, and it's a workplace training and certification program in the manufacturing sector. It's been successful in assisting displaced production workers in manufacturing with adjustment. The program has already allowed assemblers, material handlers, and machine operators to have their skills recognized and certified according to national standards in order to help with mobility and job opportunities. There have been several instances of plant closures in which CertWORK+ has already come into play as one useful tool available to displaced workers in the adjustment process.

I'd be happy to answer any questions the committee might have in that regard.

Thank you very much.

The Chair: Thank you very much.

Now we will move to Mr. Wilson.

● (1545)

Mr. Mathew Wilson (Senior Vice-President, Canadian Manufacturers & Exporters): Good afternoon, members.

We are pleased to be here on behalf of Canada's 60,000 Canadian manufacturers and exporters, and our association's 2,000 direct members, to discuss Canada's manufacturing sector and its future.

My name is Mathew Wilson, and I am joined by my colleague Martin Lavoie. As mentioned, Éric Tétrault, our vice-president from our Quebec division, or MEQ, was supposed to be here as well. However, he was unable to participate. Martin and I are more than able to speak to the issues. We’re all part of the same organization, and so there should be no issues whatsoever from our perspective on that, and hopefully you can understand.

Canadian Manufacturers & Exporters is Canada's largest industry and trade association with offices in every province, and is chair of the Canadian Manufacturing Coalition, which represents roughly 55 sectoral manufacturing associations, many of which have appeared or will appear before this committee during this study. Of our members, 85% are small and medium-sized enterprises representing every industrial sector, every export sector, and all regions of the country.

Before we outline our vision and priorities for action to support the growth of Canada's manufacturing sector, we would like to acknowledge and thank the committee on this critically important study, and in particular Mr. Masse and Mr. Longfield, who have worked very closely with CME to make this study happen and get as far as it has.

Despite the negative press, manufacturing remains the single largest business sector in Canada. Canadian manufacturing sales surpassed $600 billion in 2015, representing about 11% of Canada's total economy. Manufacturers directly also employed 1.7 million Canadians in highly productive, value-added, high-paying jobs. Their contribution is critical to the wealth generation. It sustains the standard of living that each and every Canadian enjoys.

At the same time, manufacturing in Canada and around the world is going through tremendous changes including major shifts in economic and market conditions, acceleration in the creation and adoption of new technologies, and changing political and policy priorities of governments. In addition to these shifts, manufacturing itself has become much more globalized for production and customer bases, and the lines among manufacturing, services, and technologies are rapidly blurring. This is a challenge for manufacturers as the production processes they use, the goods they produce, and the skills of their workforce are undergoing constant change.

These changes are not unique to Canada. Around the world, manufacturers and governments are struggling to manage the changes that the fourth industrial revolution is bringing upon us. Germany launched Industrie 4.0 several years ago to deal with these changes. The U.S. has established the National Network for Manufacturing Innovation. China has just launched “Made in China 2025”, which aims to move their manufacturing to higher quality and higher value. All of these strategies are helping to drive major changes to their economies and manufacturing sectors.

However, Canada has no strategy at this time, and we need one. Globally we might be the best positioned to capitalize on the opportunities of the fourth industrial revolution based on the strength of our natural resource sector and our access to raw materials, our excellent education system, the expertise in our technology clusters, and the strong existing base in advanced manufacturing and its workforce.

In order to develop that strategy, CME recently launched an initiative led by the private sector to help shape the future of manufacturing in Canada called Industrie2030. Our objective through Industrie2030 is to create an actionable road map that would double manufacturing activity in Canada by 2030. We are also working with officials from ISED to align our consultations with those of the national innovation strategy. We have provided the committee members today with the background documents on 2030 for your review. I apologize in advance that they are only in English. They will be translated, and we'll submit those when available.

Over the past several weeks, we have begun those consultations on Industrie2030 with manufacturing executives from across Canada. The consultations are fairly simple. We want to understand what the barriers are to growth and how we can help companies accelerate that growth. In particular, we are focused on four core pillars: investing in plant capacity, developing and commercializing new products, adoption of new technologies, and finding new customers.

We would like to provide you with some of the initial feedback we have received during the initial stages of our consultations on these core areas.

First, on investing in plant capacity, one of the most common concerns raised is the availability and effectiveness of current investment supports. Simply put, they are out of date. They must be modernized, nationally consistent, and be more relevant to advanced manufacturing. The government should implement national policies and programs, not only for regions but also in support of support manufacturing across the country. For example, all regional economic development agencies should financially support the adoption of advanced manufacturing technologies, and regional tax credits such as the Atlantic investment tax credit should be made available across the country. Further, many of today's support programs are complicated, take months to secure funding, and involve loans, which are then taxed back by CRA, drastically reducing their positive impact for the company. Manufacturers are looking to partner with government to help de-risk investment in new technologies, not to to deal with a more complicated bank.

● (1550)

On product development, scale-up, and commercialization, which is a key area in whether or not we're going to grow Canada's manufacturing sector, many of the current programs for product development are limited and ineffective.

Much of the value and innovation actually occurs in turning primary research and ideas into commercial products. Programs like SR and ED are excellent at supporting primary research; however, they need to support a wider range of company programs and product development and commercialization. The government should also look at other examples around the world from countries that are excelling in product commercialization and in innovations such as the patent box tax regime, which provides direct financial support towards the commercialization of new products and services.

The adoption of new technologies is going to be critical as we enter the fourth industrial revolution. Companies understand how critical it is to have the latest technologies if they are going to be world-class. Right now, however, changes and the range of technologies, such as 3-D printing, advanced automation, and the Industrial Internet, to name a few, are overwhelming many companies, especially SMEs. Most companies don't invest in the technologies because they don't know how to use them, which I guess in some ways is better than other companies that invest in the technologies only to let them collect dust in the corner because they actually don't know what to do with them.

The government should look at the creation of national manufacturing hubs, similar to what's been created in the U.S., which can demonstrate these technologies and help companies understand effective integration. The government should also be looking at programs to help financially support the adoption and creation of those technologies in Canada so that Canadian companies can get access to the best technologies globally, which today they often can't.

As well, companies obviously need to find new customers if they're going to grow. They want new customer bases and they want new markets, but reciprocity in trade access is often very difficult to come by. Canada is a small market and Canadian companies must work beyond our borders to grow. However, we must ensure that Canadian companies actually do have access to foreign markets in a manner similar to how foreign competition has access in Canada. Restrictive government procurement policies in foreign markets and foreign companies unfairly dumping products in Canada are two of the most frequent concerns that must be addressed in moving forward.

I would like to sum up these high-level comments by raising one last critical element, which often goes overlooked in study of manufacturing in Canada, but from our perspective, it's critical for our success. We must begin to once again celebrate and promote the goods that are actually made in Canada. For too long, the sector was thought of as dying or dead, so it didn't get much attention. That's changed over the last several years, but much more needs to be done. As a result, we actually have a fairly limited knowledge about what is made in Canada. Worse yet, the rules around branding something made in Canada are based on a 1970s understanding of manufacturing. Many products that are actually made here can't be labelled as such and celebrated as such. We need to reverse these trends. We need to celebrate what we make as Canadians. We need to promote these goods to Canadians and to the world.

Thank you again for your time this morning, and thank you for taking on this important study. I look forward to the discussion.

The Chair: Thank you very much, and thanks for keeping it under eight minutes.

If we all keep it tight, we can have rounds one and two with a full slate.

We're going to start right away with you, Mr. Arya. You have seven minutes.

Mr. Chandra Arya (Nepean, Lib.): I thank the witnesses for their excellent presentations.

My first question goes to you, Mr. Roberts. You mentioned the manufacturing sector development councils. What are they? Could you quickly, in about 45 seconds, expand on them?

Mr. Chris Roberts: In a nutshell, this is simply the idea of sectoral strategy tables that would bring together all of the stakeholders that have an immediate interest in manufacturing in strategic industries.

Mr. Chandra Arya: Are you talking in terms of sector-wise or region-wise? What does it mean?

Mr. Chris Roberts: It's at the subsector level, such as transportation equipment manufacturing, say, or aerospace, or even food manufacturing. Whatever it is, it's an opportunity to bring together all of the important stakeholders in question to identify opportunities to promote investment in and development of the sector.

Mr. Chandra Arya: Okay. You mentioned auto investment, aerospace, and telecommunications as some of the leading ones. Are you limiting yourself to these sectors where organized labour is quite strong and leaving out others?

Mr. Chris Roberts: No, that wasn't the purpose. It was simply posing the opportunity to identify high-value-added or high-tech sectors that are strategically important for Canada's manufacturing presence globally and starting there.

● (1555)

Mr. Chandra Arya: Okay. My next question is for Mr. Wilson.

I am quite interested in your Industrie2030. One of the questions I want to ask is, what sectors within manufacturing do you see as being more important to Canada in five to ten years' time?

Mr. Mathew Wilson: That is a bit of a loaded question. I think you have to look at some of the bigger sectors we have today and the value they bring, kind of what Chris was talking about. Aerospace and automotive are critically important. The size of their supply chains and the technology they create within those supply chains are massive. If we start losing those over the next five to ten years, we are going to be in real trouble. Those clearly are top of the list.

The next one, I would say, is most likely the food sector, which often gets overlooked in Canada. Food is really important, obviously, as we all eat it, but from an export perspective and a growth perspective, we actually underperform quite substantially in that sector. There is tremendous room for growth. The world wants the maple leaf on Canadian food products, in particular. It is safe and high quality, and we do not export very much of it whatsoever. From a growth perspective—

Mr. Chandra Arya: I did see that food processing is among the top manufacturing sector industries in sales, but not in exports.

Mr. Mathew Wilson: That is correct. They represent about 18% of all manufacturing output, but only about 8% of all manufacturing exports. That is a big gap to make up. Automotive has about the same percentage of output, but their exports are probably somewhere around 25% of the value.

The other sector—if I could just add one last one—is the manufacturing equipment processing sector. If we are going to move manufacturing into the next stage, the digital stage, we need to facilitate Canadian companies in getting their hands on it. There is no better way to do that than to actually create the technologies here in Canada in the first place. Other countries around the world do an excellent job of facilitating that. It is a very big sector. It is often an ignored sector in Canada, and something that we should be looking at more because it not only helps them, but it enables the entire manufacturing sector.

Mr. Chandra Arya: Mr. Wilson, in your opinion, do you think we need a well-defined industrial policy?

Mr. Mathew Wilson: Yes, we need something that looks long term at where manufacturing is going in Canada and can shape that long-term agenda. It doesn't mean that we don't need policies and changes today, but if we are looking only at the next two to three years, we are probably going to miss the boat on a lot of the bigger trends. We think we need a broad-based, sweeping manufacturing policy. We are fully supportive of the sectoral policies that have been created—aerospace and automotive, for example—but if you start lining that up with the food one, the equipment processing one, and all the other sectors that are out there, you will find that 90% of the issues are the same. Rather than create a whole bunch of individual sector ones, we think it is better to start at the big picture, define a national strategy, and see how the sectors fit within that afterwards.

Mr. Chandra Arya: You have rightly identified that innovation is quite good, but the commercialization is a bit of a problem here. In my opinion, we are good at funding innovation in Canada, but not so good at commercializing it.

You mentioned the patent box. In about 30 seconds, can you explain what that is?

Mr. Mathew Wilson: I will let my colleague do that. He is much more familiar with that. That's why I brought him.

Mr. Martin Lavoie (Director, Policy, Innovation and Productivity, Canadian Manufacturers & Exporters): Patent box is a tax regime that is in place in some countries, such as the United Kingdom, Belgium, and the Netherlands. What it does is decrease the corporate income tax rate for products that are the result of commercialization of an IP in the country. It is trying to link the patents with the products.

For example, in the U.K., it would be something like 5% of the revenues associated with that particular product for a certain length of time, say five years. It gives an incentive to the manufacturers to license or develop IPs in the country, and commercialize them in the country, meaning production in that country.

Mr. Chandra Arya: Mr. Wilson, you mentioned the creation of national manufacturing hubs. Are you speaking in terms of clusters? What do you mean by that?

Mr. Mathew Wilson: We put a proposal for the federal government a while ago on the creation of one manufacturing hub that would allow companies to do a couple of things: one, understand the technologies and two, commercialize technologies and products through it. I think you probably need to do it on a sector basis or a regional cluster basis to some degree, and maybe in the upcoming cluster strategy you could fit the two together.

If you look at the U.S., they have 12 national manufacturing innovation clusters. They break down by region, by sector, and even by technology. For example, there are some on 3D printing and advanced technologies. They bring together the companies that are interested in that and allow other companies in, so it is a type of [*Inaudible—Editor*] network.

Mr. Chandra Arya: My last question is about the availability of capital for new manufacturing companies or small and medium-sized manufacturing companies. Coupled with that, we see the shrinking size of the medium-sized manufacturing companies. What are your comments, please?

● (1600)

Mr. Mathew Wilson: Capital is mostly hard to come by, for a lot of companies. More established companies have easy access to capital. The smaller ones, the start-up ones, have a lot harder time getting access to any capital, whether it is through government funding or through traditional commercial areas.

I think CME has been pretty clear, and maybe I will restate it here on the record. I think one of the biggest challenges we have in Canada is how to help small companies become medium companies, and medium companies become large companies. We simply don't have enough large domestic companies to drive global innovation. We have Bombardier and BlackBerry, and over the course of history we've had a whole bunch that have largely been sold out. Having large companies drives a tremendous amount of innovation in Canada in and of itself, but our companies tend to stop when they get just past start-up phase. There are structural reasons, including the tax regime in Canada, which actually punishes companies for growing—which makes no sense whatsoever.

We need to look at some of those imperatives or barriers to growth to get companies to become larger, so they are on a global scale.

The Chair: We're going to move onto Mr. Godin. You have seven minutes.

[*Translation*]

Mr. Joël Godin (Portneuf—Jacques-Cartier, CPC): Thank you, Mr. Chair.

And thank you, gentlemen, for being here. It's always interesting. I would have liked to have met Mr. Tétrault, but Mr. Lavoie and Mr. Wilson, you will surely represent him well.

My first question relates to the end of your presentation. What are the best ways for Canada to keep its businesses, rather than sell them abroad?

[*English*]

Mr. Mathew Wilson: There's a very long delay, our apologies.

[*Translation*]

Mr. Martin Lavoie: We spoke about the patent box tax incentive, which is one approach.

I appeared before this same committee two years ago for a study on start-ups in Canada. Communitech in Waterloo informed us that 66% of start-ups that receive capital funding end up being sold abroad at the end of five to seven years for an amount equal to the value of their patents.

For instance, the patent box could be an alternative to convince investors to market the products here in Canada, which would allow us to stop selling these patents abroad, especially since these companies received a research-and-development tax credit over five to seven years; students and scientists were paid to work in their factories. That's one approach used in other countries that we could use here to help us to keep these businesses in Canada.

Mr. Joël Godin: Is that information in your Industrie 2030 plan?

You are indicating it is. Okay.

In 2015, the manufacturing sector accounted for 9.5% of total employment in Canada and 11.9% of total employment in Quebec. It would seem that this sector is larger in Quebec than elsewhere in the country.

How should we interpret this figure? Is it positive or negative? Is Quebec lagging behind or leading the pack?

Mr. Martin Lavoie: During the great recession of 2008 to 2010, if I may call it that—

Mr. Joël Godin: You may call it that.

Mr. Martin Lavoie: —the auto sector which is concentrated in Ontario, was greatly weakened. Quebec was seen as being less affected by the recession, and the value of the manufacturing sector in the economy still remained a little higher.

That said, Quebec has its own challenges, as we saw recently in the aerospace industry. At this point, if we look at the automation levels in place, we can see that the number of jobs will be moved from production lines to other added values. For instance, 3D printing is leading to increased demand for 3D designers. Product design is changing the value of it. This way, the former belief that, for example, half of manufacturing employees must work on the production line is no longer representative of the sector. If you go to Bombardier Aerospace today, you'll see that there are many more designers than employees assigned to the production line.

These days, the value of many products has changed, and that's not necessarily a bad thing. We were talking earlier about food processing. It is very good that this sector is the largest manufacturing employer in Canada, but the fact remains that it is one of the least automated sectors. This is why it has peaked. If the businesses in this sector want to grow, they will have to automate. Food processing companies tend to be much smaller and less able to export because they don't have the capacity to serve larger markets.

Mr. Joël Godin: They are limited.

Mr. Martin Lavoie: Absolutely.

Mr. Joël Godin: The table on page 15 of your Industrie 2030 plan indicates that the only sector on the rise in research and development is the aerospace industry.

Are we not putting all our eggs in one basket?

● (1605)

Mr. Martin Lavoie: In terms of public policy, a lot of emphasis is put on the hi-tech sectors. In his presentation, Mr. Wilson mentioned three new technologies: 3D printing, automation and industrial robotics, and what we call the Internet of Things.

These three technologies have as much potential in the textile sector as they do in the aerospace industry. However, aerospace benefits from much more sophisticated government support than the textile sector.

There are good aerospace programs at the provincial and federal levels that work well and that ensure that research and development in aerospace is very intense. However, every year at the Consumer Electronic Show in Las Vegas, there are connected things and connected textiles.

There are sectors that were said to have died 15 years ago. We let them move to China. They are in the process of resurfacing in a much more sophisticated way. Mr. Wilson spoke about technology clusters. This does not mean that these technologies will be revolutionary in only three major areas. They will be in several sectors. Automation has as much potential in food processing as it can have in the wood processing industry, for example. These are adaptable technologies.

When a 3D printing innovation network is put in place in the United States, it is not intended solely for the aerospace industry or the auto sector. Everyone can access it because the potential is there in the 22 manufacturing sectors.

Mr. Joël Godin: Which means that we are aligned.

Mr. Martin Lavoie: This kind of program doesn't currently exist at the federal level. I challenge you to find a program, even in Quebec, that will help companies buy 3D printers or connect their production plants to the Internet. There isn't really a program designed for that.

Mr. Joël Godin: Does the current program run by CED help manufacturers and exporters? Does it help many of them?

Mr. Martin Lavoie: Yes. As you know, CED does not have a program specifically for the manufacturing sector. That said, manufacturing companies can get money.

Mr. Joël Godin: Yes.

Mr. Martin Lavoie: And one of our recommendations is that the assistance programs of economic development agencies across Canada be standardized. For instance, FedDev Ontario in southern Ontario has a program specifically for advanced manufacturing, but there aren't really any others—

Mr. Joël Godin: I'm sorry for interrupting you, but I'm quickly running out of time.

Are regional realities important for you? You said that Ontario has an adapted program, but do you think it's important for the economic development of our manufacturers to be consistent with their regional reality?

Mr. Martin Lavoie: It's important, but our members have questions. One of them is in Saskatchewan, and he is wondering why his competitor in southern Ontario can get funding to automate his plant but he can't.

Mr. Joël Godin: Right. This will help to develop centres of expertise.

Mr. Martin Lavoie: At the same time—

Mr. Joël Godin: There are advantages and disadvantages.

Mr. Martin Lavoie: Yes, but there is a lot of food processing in the Maritimes, in Ontario and in Quebec. There are regional realities, sure, but standardization is needed in order to be fair to all businesses across Canada.

Mr. Joël Godin: I have one last question.

Should we choose regionalization or globalization in Canada?

Mr. Martin Lavoie: What do you mean by globalization?

Mr. Joël Godin: I'm talking about a standard, harmonized program in Canada.

Mr. Martin Lavoie: The programs can be standardized in Canada, but there still need to be regional eligibility differences.

Mr. Joël Godin: Thank you.

The Chair: Thank you very much.

[*English*]

I was going to talk to Mr. Masse in French.

Mr. Masse, you have seven minutes.

Mr. Brian Masse (Windsor West, NDP): We used to have *un accent aigu* off the end of the e, but I think they sold it during the Depression; I'm not sure what happened to it, but it's gone.

At any rate, thank you very much to our witnesses.

I'll start with Mr. Roberts.

I apologize for being late. I don't know if I've missed some of this and, if I have, I apologize.

With regard to the efforts toward making a green economy, what opportunities do you think there are? I see a lot of public support when we have a national strategy—and I'll get to the automotive aspect of that later—and a national vision to move to a certain sector. For example, I don't receive complaints from citizens who, for example, are working to make cleaner engines for cars or cleaner energy in general when they believe they can participate in that.

I'll ask Mr. Roberts, Mr. Wilson, and Mr. Lavoie, about that. What opportunities are really out there to harness that? I just see that we're missing some patent developments to the manufacturing floor that are really obvious. I'll leave it at that. You can spend as much time as you need, because I'll get another round.

This is something that is very important. How do we turn the national consent of the public to go in this direction into an opportunity to create jobs here in Canada?

● (1610)

Mr. Chris Roberts: Thank you for that excellent question.

We firmly believe that there's no way that we're going to meet Canada's greenhouse gas reduction targets unless we have a concerted and ambitious program of expanding green economy activity. Manufacturing is going to play an important part in that.

The CLC, with the Green Economy Network, has developed a program for creating a million green jobs in Canada in the short run. This would be done through things like home and building retrofits, shifting to renewable energy, and creating a whole panoply of green service jobs that are required. There's a manufacturing piece to this that is very important as well. I touched on it briefly with respect to the importance of public transit and having the kind of manufacturing capacity to support the needs around a massive expansion of public transit.

As Mathew Wilson just mentioned, there's an important place for machinery and equipment manufacturing as well to support the expansion of green energy, zero emission, energy sources, and the like. Of course, there's an important skills dimension to all of this too, a skills training and a workforce development aspect to this that we firmly believe will require considerable expanded investment if we're going to hit the targets, which are very ambitious targets, by mid-century.

Mr. Mathew Wilson: Maybe I can just add on to the last piece, specifically on the emissions from industrial sectors in Canada. We've taken a look at Canada's historical emissions output and the performance of the manufacturing and industrial sectors in Canada as a whole. What you actually find is that as the performance improves, emissions from the sector go down. The reason is simple. Companies actually have more money to invest in new technologies. The newer the technologies they have, the more efficient they are and the cleaner they are. From our perspective, these aren't mutually opposite objectives.

As part of the manufacturing strategy, looking at it overall, we'll be making recommendations around that area, and we already have made recommendations. We would be happy to forward the economic analysis we've done to the committee for their consideration in terms of that specific link between industrial emissions and manufacturing growth. The two can go together if things are structured right.

The challenge you get into is how to help companies invest in the technologies. We have heard from companies about how this is hard to do. In our early discussions around Industrie2030, we heard from a company in Midland, for example, an auto parts manufacturer that was supplying Mercedes-Benz and some of the high-end European auto manufacturers. It was company that we talked about in Windsor when we saw you down there. They were talking about how hard it is for them to convince themselves to invest in new technology that's 15 years old just because it's more environmentally efficient, when it's going to cost them a few million dollars to do it, and they're already making such small profit margins. We need to help them make that investment decision easier so that they are more productive and at the same time their emissions go down.

So there are some positive linkages there, for sure.

Mr. Brian Masse: I'll pose a theoretical example of where we might find some low-hanging fruit—and feel free to embarrass me in front of my colleagues. I look, for example, at an auto plant in Windsor, which was CAW at the time. It was able to create half a million dollars in annual savings by lowering electricity and cooling costs. That saved the plant. Then they had the competitive advantage of not moving the plant to Mexico.

When you mention, Mr. Roberts, the issue of windows, and then you look at doors, and so forth, I think there's again broad public support for that, because there's lot of local manufacturing involved when it comes to doors, windows, and supply and the workforce. If it goes into a building, then you just can't pick up that building and move it to China very easily. So you have, actually, some investment that's also going to be beneficial for the local workforce.

To Mr. Wilson's expression with regard to lowering industrial emissions, you would have some significant cost reductions for that. I look at the home renovation program that we had before. Unfortunately, it was used for some fences and decks and things like that. But would an incentive like that for the manufacturing sector for their hard-building infrastructure, their low-hanging fruit, to get something off the ground, to increase their capital capacity, be a good way to kick start some local business development? I guarantee that the product, unless it's harvested and sent somewhere else later on, is pretty well going to stay in Canada.

● (1615)

The Chair: You have about 20 seconds.

Mr. Brian Masse: Sorry.

Mr. Chris Roberts: Yes, we would just like to see integrated and coordinated efforts in that regard. Instead of just leaving it to the market, which could risk a tidal wave of imports, have some targeted strategy to develop the manufacturing to support that kind of retrofit.

Mr. Brian Masse: We'll get you back later. It's my fault, not your fault.

The Chair: We are going to move to Monsieur Serré.

Mr. Marc Serré (Nickel Belt, Lib.): Thank you for your presentations. Obviously, we have the report here that you talked about. I'll be focusing more on the manufacturing equipment side and the three industries, the third and fourth, fabrication of metal products and machinery. When we look at the manufacturing equipment and the green economy and innovation, we sometimes overlook the link back to the mining industry.

We talk about aerospace and auto, but when we look at the mining industry—with some 380,000 employees in Ontario alone—and the clusters and hubs you've been looking at, the 2,500 companies, we see that they are leading the world. We talked about bragging rights earlier, that we don't do enough. I've had first-hand experience with companies and people from all around the world coming to my hometown of Sudbury in northern Ontario, visiting the innovation that is happening there right now and the exports.

You mentioned FedDev earlier, and we also had an announcement on FedNor, northern Ontario, spending $2 million to help small private sector companies export their products worldwide.

What can we do, what can you do, to look at some of these challenges that are faced worldwide? A lot of our manufacturing is going to the U.S., but we need to export worldwide. I'm hearing that companies are struggling with language issues and regulatory information. There doesn't seem to be a central company or area to help these small companies export their products worldwide. I want you to expand on this.

Mr. Mathew Wilson: First, I don't come from Sudbury, but from a little bit northeast of there, and so I'm from a mining and forestry background, and I have also spent a lot of time in Alberta in the oil and gas sector. We certainly are very cognizant of the importance of the natural resource sector. We see the two sectors maybe going hand in hand. There's always this false dichotomy in the world talking about resources versus manufacturing. Manufacturing sells into resources and buys from resources, and to us they're all the same. The challenge that I think we've had in the resource sector, to be perfectly blunt, has been that we've developed a lot of really neat technologies and then we keep them at home.

Let's talk about Sudbury and the technology supply chain that Vale has created in Sudbury, for example. They have a world-class technology innovation centre. They fostered and created a whole bunch of really neat local companies, and the companies supply Vale in Sudbury.

I see this in Alberta in the oil sands, and the oil and gas services supply sector, and the manufacturers that work there. About 40% of the value of the oil sands and the investment in oil sands is in manufacturing technologies. A whole pile of great technologies created in Alberta to support oil and gas extraction have been exported to other parts of Canada, but they have stayed primarily in northern Alberta. Those companies that are working with the Imperial Oils, Suncors, you name it, are primarily selling those technologies to one location and one project.

It's great to blame governments for stuff, and I'm a big fan of doing that myself, but in this case more of this has to be in the private sector. Why aren't these companies recognizing that if you're working with a Vale in Sudbury, you could also be working with a Vale in South America or in Eastern Europe or Asia? Why, if we're working in oil and gas in northern Alberta, aren't we working in the North Sea?

We extract resources in some of the harshest conditions in the world. We develop technologies to do that. There's no reason why those technologies can't be exported through those larger value chains that those multinationals have. To me that's the starting point. How do we get those companies to use the supply chains that they are already a part of and export, whether it's to Vale or other mining companies in the case of Sudbury? What supports do they need? What access do they need to those markets? The opportunity is there. I think that the companies often don't think they should be doing those things. They think they should only be supplying locally.

● (1620)

Mr. Marc Serré: On that point, I've had the opportunity to talk to several companies. There was the PDAC conference, the mining conference in Toronto. A lot of them are saying that they're trying to get their products worldwide, because the companies are coming over here, but they're feeling that they don't have the support. Small companies can't hire; they have to hire someone in that country for the regulatory issues, the language. How can we help those companies do that? What can Canadian Manufacturers & Exporters do to help them?

Mr. Mathew Wilson: We do a number of things. One, we provide direct business matching services through something inside CME, the Enterprise Canada Network, or ECN, which connects Canadian technology companies and manufacturers to foreign buyers of that technology. That's been a great success. We also do a lot of direct education programs. On a regular basis we will run technology or market opportunity reports where we'll bring in people from the trade commissioner service, for example, at EDC to talk about what companies need to know so that we can educate them a little bit more before they get there. Often for the small companies, it's not that the resources aren't there. Often the companies actually don't know where to go for the resources.

Maybe to your earlier point, we make things very complicated in Canada. We create, especially the federal government and the provincial governments, a whole bunch of unique silos, because everyone needs to have their piece of the pie. We need to make it a lot easier for companies to access those services and understand what they are. Instead of having to go to five or six government departments, there should be one central spot for some of that. I hope some of that's coming.

Mr. Marc Serré: As a last question, you mentioned post-secondary and world-leading in terms of the universities and colleges we have here. What can we do to encourage our graduates from our universities or colleges to be working more to get the skill development needed to compete worldwide, to change the manufacturing? How we manufactured 20 years ago is not how we're manufacturing today.

I know I probably don't have much time.

The Chair: For 30 seconds, anybody?

Mr. Chris Roberts: Well, the CLC and its affiliate unions, especially in the building trades, have a long-running initiative to encourage interest in the trades, which are very important for a lot of the manufacturing industries. We have especially identified groups that have historically been disadvantaged in the labour market—I'm thinking of first nations, indigenous groups, and women especially—as candidates for apprenticeship opportunities and career paths that lead them in that direction. But there also has to be support from industry, from employers, to sponsor these apprenticeships and ensure that they can continue to completion.

The Chair: Mr. Dreeshen, you have five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Mr. Serré was speaking just a few minutes ago about the mining industry. Our natural resource extraction industry is so important, and we do have a worldwide reputation. I think sometimes we're too concerned about saying we're sorry for everything and not recognizing the fact that we're really centres of excellence in so many different areas.

Mr. Wilson, you were speaking about a fourth industrial revolution. Again, you also spoke about how important natural resources will be to that. Coming from Alberta, one of the issues I am thinking of right now is the 100,000 job losses that we have in our resource industry. However, there are some opportunities and some things that can be done.

One of your members, PSAC—the Petroleum Services Association of Canada, not the organization we normally associate with that acronym—has been looking towards getting well decommissioning done. Opportunities exist there. It is part of their commitment to make sure that they look after the wells they have that are no longer in service. I think one of the important things is to take a look at what that reclamation looks like. All you have to do is go up to Fort McMurray and you'll see what takes place there and how you have these lush forests that used to be pits. I think people would recognize how it can be done if it is done properly. I believe they made a submission to the finance department to ask for some assistance in this regard, because there are no extra dollars for the cash flow to be able to make some of these things take place. That's one issue in terms of a way in which we could perhaps help that industry.

If we look at the other side, it has to do with pipelines. You have the steel industry that is tied in, and all of these different groups. Whether it's the iron ore that is coming out of Quebec or it's the steel industry in southern Ontario or all of the jobs that are associated with the rest of the country, it's critical that we are able to make these types of moves in the future. We have a lot of people throwing sand in the gears in order to help themselves in certain issues. We do have OPEC oil that of course is coming into eastern Canada, and we're having difficulty selling western oil in the other direction. There is a lot of frustration. How do you expect companies to be able to invest when they don't see any future in that area?

My question, basically, is to ask if you could give me just a little bit more information on what you see and what you know from the Petroleum Services Association, what their plans are, and what they would like to see.

As well, perhaps, since it looks like I'm running out of time because I talk too much—

● (1625)

The Chair: You have just under two minutes left.

Mr. Earl Dreeshen: Thanks.

I know they did make a budget submission. We could have an opportunity to look at that, if you could send it through the clerk, including the detailed decommissioning projects they're looking at, as well as an estimate of jobs that typical decommissioning projects would involve and the costs.

The other thing is that there was a discussion about industrial emissions versus industrial growth, and that was something that was asked earlier. I wonder if you could make a few comments on that in the minute or so that I have left you, and supply that to the clerk.

The Chair: You have a minute and 10 seconds: go crazy with it.

Mr. Mathew Wilson: A minute and 10 seconds. Fantastic.

On the first question, yes, PSAC is a member. I think it's maybe one of the worst names for an association to be Ottawa.

Voices: Oh, oh!

Mr. Mathew Wilson: But the petroleum services group shows the link between manufacturing services, and oil and gas, or natural resources, because about half of their members are manufacturers in the Alberta area. Many of those are our members. I know from talking to them a couple of weeks ago, that those Albertan companies are having a hard time keeping the lights on right now. Their order sheets are drying up, and there is significant concern that the prolonged downturn in oil prices is going to drive employment and manufacturing out of the province.

For those of you who don't know, although a question was asked about employment in manufacturing in Quebec, Alberta is the third largest manufacturing jurisdiction in Canada. It's about double now what B.C. and Manitoba used to be. They used to all be about the same. It's a critically important sector for that economy, and a lot of that is driven by the natural resources sector.

We will find out the details that you're asking for from PSAC. We'll get those to the committee clerk as soon as possible—hopefully in the next couple of days.

Mr. Chris Roberts: Mr. Chair, may I quickly speak up to defend the good name of the Public Service Alliance of Canada, which is a very honourable and admirable union that's an affiliate of the CLC.

The Chair: Thank you for entering that into the record.

We're moving on to Mr. Arseneault.

[*Translation*]

Mr. Arsenault, you have five minutes.

Mr. René Arseneault (Madawaska—Restigouche, Lib.): Thank you, Mr. Chair.

I will address Chris Roberts first, then I may encroach on the questions of my colleagues Mr. Arya and Mr. Serré.

You said earlier that you rely on the federal government to establish alliances with the provinces, the colleges and the universities when it comes to the manufacturing sector. That is what I understood. Based on what we've been told by witnesses who have appeared before you—and I'm referring to the Canada development agencies in particular—there seems to be incredible cooperation between all Canadian provinces and all the colleges, universities and polytechnical schools.

Does the agency you represent already maintain close ties with all the colleges and universities across the country?

● (1630)

[*English*]

Mr. Chris Roberts: No, not as close linkages that we would like. Specifically, what I proposed was focused strategic venues that would bring all of the relevant stakeholders together in a particular industry, including labour, employers, industry groups, business associations, colleges, and various levels of government, to get all of the things, which Mathew Wilson just talked about, right. That includes all of the incentives, the investment promotion, the various levers that we want in place to build capacity in a specific industry together, and to get them consistent and right. You need all of the players at the table, and right now we don't have those relationships.

[*Translation*]

Mr. René Arseneault: Do you know if somewhere in the world, a country in the West, for instance, there is a council in the manufacturing world that we could draw inspiration from here, in Canada?

[*English*]

Mr. Chris Roberts: Yes, northern European countries have this co-determination, or co-operation, or coordination and collaboration to a much higher degree than Canada does at the workplace level, at the enterprise level, and at the sector level. Absolutely I would propose looking to northern European examples for this kind of experience.

[*Translation*]

Mr. René Arseneault: I'm from New Brunswick and, although it is a small province, it has a good manufacturing sector. We were speaking earlier about the food industry. I'm thinking of the company McCain, which is very close to my home. This global company exports a lot of its products. I don't know if it respects the 18% or if it exports more than it produces. I don't know the ratio.

My question is for either of you.

Canada's population is the worst in terms of aging, which is reflected in the workforce. Our workforce is aging.

How can we address this problem?

Is using outside expertise and skills the only solution, or should we instead offer our workforce training in colleges or elsewhere?

[*English*]

Mr. Mathew Wilson: I think I met with you with Calla Farn from McCain's talking about some of these issues a couple of months ago, and they're really top of mind for us.

There are two kinds of challenges going on at the same time. A decreasing percentage of our population is in the workforce, and that is going to accelerate substantially over the next five years. We're already seeing skilled labour shortages in a lot of key manufacturing sectors that are actually slowing down growth. I mentioned that when I was in Midland a couple of weeks ago, several companies were talking about a $1 million expansion. We're talking about a town of only about 20,000, so it's a pretty big expansion and pretty big job creation.

They can't get the people to actually do that $1 million expansion. Certainly in our studies in the past when we've looked at these issues, we've seen that companies are actually withholding investing in their operations because they can't find people to do the jobs. So, there's a real concern on our part.

The second big part of the concern is the changing types of jobs. These aren't the same jobs that they were 20 to 30 years ago. Things are changing in the manufacturing sector. While there are a lot of the traditional jobs, such as welder or electrician, and a lot of the skilled jobs are still really important, now, more than ever, companies need multi-dimensional workers who are able to do multiple jobs at the same time. Often, our education system is not set up to train people that way, so that's another challenge.

What are we doing or what should we be doing about it? I guess I'd start by going back to something that Ms. Roberts said a few minutes ago, which is that we need to start with our youth. We're not getting enough youth involved. The challenge of manufacturing is that everyone thinks that manufacturing is kind of the way it was in the sixties and seventies: dark, dangerous, and dirty. They don't think of creating airplanes or jets or cars or guitars or really neat things that are going on. They think of steel, cutting down trees, and mining.

We need to reshape what modern manufacturing is: it's high-tech; it's innovative. If we can change the perception, it would get more youth in.

● (1635)

The Chair: Thank you very much.

Mr. Nuttall.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair. I'll start with a couple of questions regarding this, and then I have spoken with you about a question I have and a motion I want to put on the floor, which I think we'll deal with afterwards.

Mr. Wilson, when you mentioned being proud of manufacturing, talking it up and showcasing where we've had successes, I couldn't agree with you more.

One of the concerns I have, though, is that recently we've had, and still to some extent enjoy, a low-dollar environment. At the same time, we've seen a steep reduction in the number of those working in the manufacturing industry. In a little one-minute window, because I have to manage my time, could you explain why?

Mr. Mathew Wilson: Do you mean the relationship between the dollar and the number of people working in the sector or...?

Mr. Alexander Nuttall: The past has dictated that as the dollar goes down, the manufacturing industry goes up, because it's cheaper to buy from Canada. I understand there are two sides to the equation, because you're buying it at a higher cost.

Mr. Mathew Wilson: That is a real challenge. Certainly a decade ago when, as Chris was talking about, we lost about half a million jobs in the manufacturing sector, that was largely due to a bunch of companies that were relying on a 65¢ dollar to remain competitive. One of the biggest fears we have right now is that companies will get used to and rely on a 75¢ dollar.

We tell all of our clients to prepare for a dollar at par and then everything else is just gravy, but that they should take that not as profit to put into their pockets but as profit to actually reinvest in their companies, to create the new technologies, to invest in their machinery and equipment, because that's where the long-term growth is going to come from. That's what Germany and the U.S. do the best, and we don't.

Mr. Alexander Nuttall: Obviously, taking advantage of the low dollar, it is a good time to invest, and especially if you're purchasing the technology from other Canadian companies, you're gaining.

In terms of scaling up, you mentioned there were perhaps some challenges in that area. Have you looked at the possibilities of equity crowd funding to help with scale-up? I'm a former banker, and it was often frustrating that we couldn't put money into the places we wanted to because there was a box and it didn't fit. I know you've probably heard that a million times. Can you comment on that?

Mr. Mathew Wilson: Too often manufacturing is outside the box as a whole, but Martin can probably talk better to that than I can.

Mr. Martin Lavoie: I did some digging in terms of both crowd funding and equity crowd funding, and it seems that it works very well for consumer products, but for business to business, it doesn't work that well, and most of manufacturing in Canada is actually B to B, giving to a supplier of another company.

I think there's potential there in some areas like wearable electronics, things that you buy as consumer. Maybe one day we'll see some platforms of B to B equity crowd funding where maybe a larger company can invest in a smaller company that has the technology, something like that, but we haven't seen any of those platforms yet.

Mr. Alexander Nuttall: Right now it's just consumer investment, and it's limited based on the regulations within each jurisdiction.

Mr. Mathew Wilson: Right.

Mr. Alexander Nuttall: In terms of championing manufacturing, what would you say to someone who says they think that certain parts of our economy should transition away from manufacturing?

Mr. Mathew Wilson: Boy, that's another loaded question. Thanks.

● (1640)

Mr. Alexander Nuttall: Yes, it is.

Mr. Mathew Wilson: I guess I'd say that there are 1.7 million Canadians who are directly employed in the sector, and if we're transitioning away from them, there had better be a good future for them.

Chris talked about the wages in manufacturing. On average, manufacturing pays about 120% of the average wage in Canada. It would be a huge problem if we started transitioning away from manufacturing.

The other thing I'd say, just from a national perspective, is that we didn't talk about innovation and the creation of new products exporting to the world. Seventy per cent of our exports are manufactured products, so our wealth generation would drop substantially if we transferred away from manufacturing.

The other thing is our innovation capacity would drop. Fifty per cent of all private sector R and D is done by the manufacturing community. We need the manufacturing sector to drive wealth, creation to drive jobs, and to drive innovation for the rest of the economy.

Mr. Alexander Nuttall: Thank you.

Mr. Chair, I appreciate the answers on that and I know that my colleagues will have more questions. With that, because I know we're going to be tight on time today, I'll use some of my time to put this motion on the floor. It doesn't have to be dealt with right now. We can deal with it afterwards when we have time.

The Chair: You are just going to give notice of motion?

Mr. Alexander Nuttall: Yes.

> That the committee send out a media advisory for the Industry Committee's Manufacturing Study tour of Bombardier and other facilities by end of day June 1, 2016, and that media be invited to join the committee on the tours taking place as part of the manufacturing study.

I know you have a copy. I have copies for everyone else as well.

I have a quick question for you, Mr. Chair, if I have time. I know we haven't had confirmation of an appearance before the committee from Bombardier as of yet. Could we ask the clerk to officially reach out to them?

The Chair: If we can.

We have two more questioners: Mr. Baylis and Mr. Masse. We're going to wrap it up after that, which will gives us quite a bit of time to have—

Mr. Alexander Nuttall: You're going to wrap up. I didn't realize that.

The Chair: I want to leave enough time to address all of those.

Mr. Alexander Nuttall: Thank you.

I'm sorry for the interruption there.

The Chair: You only used 40 seconds more.

Mr. Baylis, you have five minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): I'm going to be fast, rapid fire, because I have lots of questions.

Mr. Roberts, is the temporary foreign worker program something your congress is for or against?

Mr. Chris Roberts: We're critical of it, frankly, especially for the lower-skilled and lower-wage streams. We don't feel there's a case for that.

With respect to the higher-skilled streams, we believe that if Canada could do something about its terrible training record and find a solution that would require employers to invest in training the workforces they already have, we wouldn't have to poach skills from offshore as much as we do.

Mr. Frank Baylis: Fair enough, so you're not for it.

How would the manufacturers' association see that same question?

Mr. Mathew Wilson: We're in favour. The temporary foreign worker program historically has been a release valve for companies that can't find workers in all kinds of manufacturing sectors, including a lot of heavily unionized sectors of the economy. It's an important measure, when companies can't find the right skills, to be able to find those skilled workers.

On the other hand, the immigration changes are coming through and should create the release valve that we need in the sector by allowing companies to hire directly through the express entry system. This will create, I think, a lot better streamlined matching between new immigrants coming in.

Mr. Frank Baylis: Switching gears now to the SR and ED program. Can I get a quick overview of how your associations see that? What are the opportunities to improve upon it?

Mr. Mathew Wilson: I'll turn that over to Mr. Lavoie.

Mr. Martin Lavoie: As you guys know, the SR and ED program has been cut significantly in the last four or five budgets as a result of the Jenkins report back in 2011.

We would like to see capital expenditure being reintroduced as an eligible expense under the program.

Mr. Frank Baylis: Accelerate capital...

Mr. Martin Lavoie: No. Capital expenditure for R and D purposes, which used to be eligible for the tax credit. It was eliminated last year.

We would like to see how we could unlock the accumulated tax credits that large corporations have in Canada. I'm glad to hear that you might visit Bombardier. It's one of the firms that probably has a large pool of unused tax credits.

Mr. Frank Baylis: If there is a way we could redirect those into R and D for smaller companies in some way. Okay.

Mr. Martin Lavoie: Exactly. I think we need to also look at how we can use the tax credit for commercialization of new products. We need to look at the ED part of SR and ED, namely, experimental development. The way they look at ED, if the experimental development has a technology enhancement purpose, if you're a company and you say you're doing experimental development because there is a prototype that you want to commercialize, more than likely you're going to get refused because it's not a primary research purpose.

Mr. Frank Baylis: So you find the ED part to be too restrictive. Have you seen problems across the country? Have you seen regional issues? Is this another problem, or is it the same everywhere? Is the implementation regional, with some better and some worse?

Mr. Martin Lavoie: We've heard of some problems with regional differences in interpretations and acceptance of the claims, especially in Atlantic Canada. In the past, a lot of companies from there seem to have had some problems. We raised it with the CRA, which meets with their technology reviewers every year.

Mr. Frank Baylis: You've seen problems in Atlantic Canada. Do you know how we could unlock built-up tax credits that companies can't use? In your report you mentioned that companies do not use the program anymore. Why are those companies choosing not to use it?

● (1645)

Mr. Martin Lavoie: A lot of companies don't.

Mr. Frank Baylis: Why is that?

Mr. Martin Lavoie: Uncertainty.

Mr. Frank Baylis: Uncertainty in what?

Mr. Martin Lavoie: There is uncertainty in getting your claims through. Also, a lot of companies in recent years have been audited and have been asked to reimburse claims, although they had a record of claims going through. The CRA themselves, a couple of years ago, said in one of their reports that about 50% of SMEs don't even claim SR and ED, either for a lack of knowledge or because they think it's just too complicated. There's a mix. It is quite complicated, because it's all in the interpretations.

Mr. Frank Baylis: Would you say that it's an important program and that, if we could improve on it, this would be the way to go?

Mr. Martin Lavoie: I think it's a good program that is not functioning very well and needs to be updated.

Mr. Frank Baylis: If it was, would it have an impact on productivity?

Mr. Martin Lavoie: It could have an impact on productivity, and commercialization as well, if we were to redirect the program and update the definitions of technological advancements in line with what other countries use.

Mr. Frank Baylis: TPP, are you for or against it? How can it help you?

Mr. Chris Roberts: It's terrible agreement, and I can tell you why.

An hon. member: On his time.

The Chair: Five seconds left.

An hon. member: He's for it under the right circumstances.

Mr. Frank Baylis: Thank you.

The Chair: Mr. Masse, would you like them to continue that conversation?

Mr. Brian Masse: We can clearly find out that the current deal is fatally flawed and not supported. That's the evidence we just received.

My understanding is that it is the parliamentary secretary's birthday today. Happy birthday, Mr. Fergus.

Some hon. members: Hear, hear!

Mr. Brian Masse: I understand, as well, that one of his birthday wishes is a national auto policy.

Some hon. members: Oh, oh!

Mr. Brian Masse: I would like to turn it over to Mr. Roberts and Mr. Wilson to expand upon that subject matter. I still think that if we had the right national auto policy in place like other countries do with manufacturing and so forth.... We had Canadian Auto Partnership Council, which was a functioning council under Mr. Rock. At the time, Minister Rock had meetings that were inclusive of Parliament, inclusive of committees, inclusive of all the sectors that worked on targets. That's a starting point. I think a greenfield or a brownfield is still possible for our auto sector. It's not worth giving up on at this moment.

I'll turn over to Mr. Roberts and Mr. Wilson this highly charged subject that we should continue to consider. I want to hear your opinions about that. If they contradict my thoughts, that's fair game.

Mr. Chris Roberts: It's urgently needed. In comparison to the scale of new investment in plant formation in the United States and Mexico relative to Canada, it's crystal clear that we're at risk of not being able to renew the kinds of investments that we have made historically. This is going to have all kinds of ramifications for high-paying, high-productivity employment in the communities these industries support. I think we need coordinated policies between the various levels of government to attract new investment and product allocations. I think this would be relatively easy to kick off.

Getting the incentives consistent and correct is important as well. There are other dimensions, including rethinking monetary policy to ensure that we have export opportunities for auto parts and assembled vehicles in the future. There are also trade agreements. We can't sign agreements like the Trans-Pacific Partnership and expect to have the investment and industries we need in the future.

Mr. Brian Masse: Thank you.

Mr. Wilson.

Mr. Mathew Wilson: I'll disagree with that and just say two really important things.

First, Canada is often not even on the map when it comes to foreign investment decisions of major multinationals. We just don't exist. When they are asked the reasons for investing, most of them don't even know they invested here in the first place. Changing our reputation abroad, I think, is critical to our being able to track that investment.

Second, I'd say that we rely an awful lot on FDI, which is great, and the auto sector is really important, but we also need to focus on how we grow Canadian companies to be bigger and more successful. We have some world-class Canadian manufacturers in the auto sector. Magna, Linamar, and Martinrea would be three examples, and they're huge technological leaders in the parts development side of things.

A new assembly is critical to drive the parts side of things, but we could also figure out ways to grow more Canadian companies and make them more successful to drive investment, because often we aren't on the map when it comes to global investment decisions, unfortunately.

● (1650)

The Chair: Thank you very much.

With that, we will thank our witnesses for providing some interesting conversation topics. It was really enjoyable.

Thank you again for coming.

We just need a minute to let them go, and we're going to suspend.

[*Proceedings continue in camera*]