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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (1530)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): I call the meeting to order.

Welcome to the 23rd meeting of the Standing Committee on Industry, Science and Technology.

We're going to get right into it today. We have witnesses for the first hour, and in the second hour we're in camera with the analysts, going through where we are to date on our manufacturing study. We have an hour.

Go ahead, Mr. Lobb.

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you for giving me the floor, Mr. Chair.

I introduced my motion last week and I was hoping we could have the discussion in public to debate it. That discussion is to suspend this manufacturing sector study and commence a study of the independence of Stats Canada.

I think this study is a fantastic study and we've had great discussion, but in light of the fact that Mr. Smith has resigned from Stats Canada for some very compelling reasons, I think it's prudent for this committee, in the spirit of transparency, to briefly discuss this motion at this time and have a vote in public on this study and this motion so we can see what's going on at Stats Canada and Shared Services and have Mr. Smith elaborate further on what he sees as the issues and on why the crash occurred almost minutes after the labour report was tabled by Stats Canada. This a huge issue.

Hopefully all members feel that in the spirit of transparency—we hear in question period all the time that all members want to be transparent—we can show Canadians that we want to hear about this in the spirit of science.

The Chair: Okay. Is there debate?

Go ahead, Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair.

Thanks, Mr. Lobb, for the comments, but this committee decided in its early meetings that we were going to do future business in camera and that we'd discuss agenda items in camera. If we were going to discuss this issue, I'd say we move in camera. We have witnesses who have travelled a good distance to talk to us, and I'd like to hear from the witnesses.

The Chair: Okay.

Mr. Nuttall is next.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you.

I certainly appreciate that future business is dealt with in camera. However, since the motion discusses the current study that's on the floor, it therefore would appear to be able to be debated at the moment.

Also, I think that it's a fair point. We have set an agenda, quite frankly, but I don't think we can be so rigid as to say that if issues arise, we can't deal with those issues. Certainly I think this is one that's arisen—I don't want to repeat what Mr. Lobb said just now—and it has had national media attention. The media have started to discuss some of the concerns.

This organization, Stats Canada, has presented before this committee. This individual has been before this committee. What changed between the time he gave testimony to this committee about the future of Stats Canada and now? If there is an appearance that Stats Canada is no longer independent, that is a very worrisome piece of information. I think that taking a look, going through this, finding out what the facts are, and having the testimony come forward is a good thing.

I believe we agreed earlier that there could be four or eight more meetings on this study. I don't think we came to an exact number previously. The point is that it could be a month or two before the study is complete. Having this testimony can certainly help us provide the government with good advice on where they should move forward, recognizing that these issues have arisen not just with the current government. Some of these decisions were also made previously, so it isn't a partisan question.

• (1535)

Mr. Ben Lobb: To be honest, that's really all the time we need to take on this issue. I think Mr. Nuttall and I have said all we have to say on it. The vote's going to take about 25 seconds, and then our witnesses can get started.

We'd be ready to go here in about 30 seconds.

If the Liberals are ready to vote, we're ready to vote. If you want to vote it down, go right ahead, but do it in public.

The Chair: Go ahead, Mr. Baylis.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): It's obviously an important question. I move to have this looked at in camera in committee, as we've already agreed upon. I would like that voted on first.

The Chair: Are you asking for a motion to adjourn?

Mr. Frank Baylis: I'm asking for a motion to adjourn this and have it discussed as we put aside a special committee to look at new business. They've raised an important point, and I think we should look at it in detail, but we don't have time now because of our guests, so I move that we adjourn the discussion and deal with it in camera.

The Chair: I don't think you can.

Is there any more debate?

Mr. Frank Baylis: I thought that the minute I made my motion to adjourn, it was non-debatable—correct me if I'm wrong—and we have to vote on that right now.

The Clerk of the Committee (Mr. Michael MacPherson): Because of the conditions attached to the motion, it would be debatable.

Mr. Frank Baylis: Then I remove the conditions. I just move that we adjourn the debate.

Mr. Ben Lobb: Well, we can't adjourn debate.

The Chair: No, it was to adjourn the motion.

A voice: No, he said “adjourn debate”.

The Chair: All right, guys, do you have any suggestions?

Mr. Alexander Nuttall: If we just proceed with the debate, either on going in camera or voting on the issue, then we can move on with —

Mr. Frank Baylis: I don't want to debate it. A dilatory motion is non-debatable, and you have to vote right away.

The Chair: Mr. Baylis, that's not what I was—

Mr. Ben Lobb: Your motion was not a dilatory motion. Your motion is out of order.

Mr. Alexander Nuttall: What I'm saying is if we just—

Mr. Frank Baylis: It's not.

Mr. Alexander Nuttall: —either vote to go in camera or vote on the actual motion itself, we can proceed. Trying to figure out a loophole to get around having a vote on something...perhaps the rules are in place for a reason. Maybe I'm wrong.

The Chair: If I understand this correctly, Mr. Baylis has asked that the debate be now adjourned, which....

• (1540)

Mr. Ben Lobb: I have a point of order.

The Chair: We are allowed to do that and we can vote on it.

Yes, sir?

Mr. Ben Lobb: The way Mr. Baylis phrased the question—and we can go back and check the record if you like—was not what I know he was trying to do, so it's not what you can do.

What he said was, “I move that we defer the debate and talk at a later time.” He did not ask to call the question to go in camera, and there is a distinct difference. It was a nice sentiment that he had, but that is not what he was trying to do. What he did do was make two distinct differences, and all the members around the table recognize that.

I will also point out that it's now six minutes since the last time I said we should have the vote, so let's just have the vote. If you vote it down, then that's fine. We can have our witnesses carry on. If you want to vote against sitting in camera, then that's fine too, but people will still know that you voted against having a meeting or a study on the independence of Stats Canada.

Isn't it ironic that when we're trying to shed some light here on the integrity of our entire reporting mechanism in this department and the vote will take just 20 or 30 seconds, members of the Liberal party, despite all the stuff they preach constantly about transparency and science, when it comes time to have a vote on that, want to hide and go in camera to have the vote. That's unfortunate, because the vote will literally take 30 seconds. It's almost a quarter to four now, and we could have already had the vote.

I would just say that we have the vote.

The Chair: I will throw in that what you're trying to do is force us to vote on something that we have not discussed, and I don't think anybody is prepared to vote on something that has not been discussed.

Mr. Baylis, you had another...?

Mr. Frank Baylis: I'm going to ask the clerk to give me directions. I'm asking for this to be adjourned, period. My understanding—

The Chair: Then it's that the debate now be adjourned—

Mr. Frank Baylis: I have the floor right now.

I understand Mr. Lobb has machinations and knows the game and system better than I do.

My question was simple. If I have to rephrase it—and if it's not been phrased correctly, and as Mr. Lobb pointed out, I didn't phrase it correctly—I am asking for this to be adjourned so we can get back to the business at hand. I can't ask for it any more clearly. I am asking for a vote—

The Chair: That the debate now be adjourned.

Mr. Frank Baylis: —and I am told it's a non-debatable motion. It has to be voted on immediately. It's not up for discussion. It's not up for anything. It's not up for comments. I am asking whether we can have a vote to adjourn that motion right now—to adjourn the debate.

The Chair: Excuse me; let's not break it down here.

Mr. Alexander Nuttall: I have a question. First of all, I think I'm on the speaker's list from before, but just in case I'm not, is this debatable?

The Chair: No.

Mr. Alexander Nuttall: When this motion comes forward, and somebody's on the speaker's list, do they get bumped, or do I still get my position to speak?

The Chair: It's gone for the day.

Mr. Alexander Nuttall: What we're seeing here is the prevention of debate, the prevention of even talking about—

Mr. Frank Baylis: If I understand, there's no—

The Chair: Mr. Baylis, please....

Mr. Baylis has asked for the debate to be adjourned, and that is a non-debatable motion. We will adjourn this and we will move on with our questioning.

Mr. Ben Lobb: On a point of order, do we not have to have a vote?

You can't adjourn debate. You can ask to go in camera, but if the chair gave me the floor and I introduced my motion for discussion, then we have the floor. We have a speakers list, and we are now debating my motion that I presented. That is in order. Mr. Baylis cannot say, "Let's just adjourn this and get onto something else." He cannot do that. He can ask to go into camera.

• (1545)

The Chair: He can do a dilatory motion.

Mr. Ben Lobb: I don't believe he can. I would ask the clerk, because I'd be interested in the answer.

It just seems strange to me. We have a motion that's on the floor. The motion is in order; we've established that. We have a speakers list, and my recollection—and the clerk knows a lot more about this than I do—is that there are only two or three things that can happen. One is that at 5:30 we run out of time debating the motion; another is that we vote on the motion; another is that Mr. Baylis asks for a vote to go in camera. I believe it would be in order if he asked that, if he did not want to further debate this.

As long as we have a speakers list, there is no way to adjourn this, in my understanding. Mr. Nuttall is also on the speakers list.

If the clerk could show me a section in O'Brien and Bosc that covers adjourning a motion, I'd be interested to see it.

The Chair: I can point that out to you. It's on page 1057:

"That the debate be now adjourned":

A member who moves "That the debate now be adjourned" wishes to temporarily suspend debate underway on a motion or study. If the motion is carried, debate on the motion or study ceases and the committee moves on to the next agenda item.

That is what has happened.

An hon. member: I call for the vote.

Mr. Ben Lobb: He moved it, and when he moves it, there is no further debate and you call the question at that time.

The Chair: That's correct. We've done this in the past in this committee.

Mr. Ben Lobb: Why wouldn't you just call the question, though, Mr. Baylis?

Mr. Frank Baylis: Because I have a great respect for the people who have come a long way to be part of it. I don't feel that it's the clerk's job or our job to educate you on the rules of Parliament. I have the right to do it.

Mr. Ben Lobb: Somebody has to educate me.

Mr. Frank Baylis: I know someone does, but I don't think we should be using their important time.

I've moved it be adjourned. You made many, many points after the motion was moved, which you do not have the right to do, so I want the vote.

The Chair: There is no vote. You've moved the motion. It's done. We are going to move on to....

The Clerk: We do have a vote.

The Chair: There is a vote?

(Motion negated)

Mr. Alexander Nuttall: Is it the clerk's job to educate, or is it just not...?

Mr. Frank Baylis: They are the ones who didn't know the rules.

Mr. Alexander Nuttall: He's there to help all of us, Frank.

Mr. Frank Baylis: That's fine.

The Chair: Okay, we're moving on.

First on our list is Mr. Baylis—sorry, no; we have our witnesses here.

I hope you enjoyed the show. We could have provided popcorn if we had known in advance.

We have Stephen Brown, managing partner for consumer and industrial products at Deloitte. As well, as from Acadian Seaplants Limited, we have Jean-Paul Deveau, president and chief executive officer.

Mr. Brown, you can go first. You have 10 minutes, but if you can shrink it down, that would be helpful. Thank you.

Mr. Stephen Brown (Managing Partner, Consumer and Industrial Products, Deloitte): Thank you, Mr. Chairman.

Good afternoon. My name is Stephen Brown. I'm a consulting partner with Deloitte and, as the chairman said, I'm the leader of our consumer and industrial products practice in Canada. I have been with Deloitte for 20 years, serving Canadian, U.S., and global manufacturing clients. It is a pleasure to be with you here today.

My remarks are based on the details of Deloitte's 2016 global manufacturing competitiveness index, plus my own experience serving Deloitte's manufacturing clients.

As we sit here in 2016 and look toward the end of this decade, manufacturing-related activities across many nations are rapidly evolving. Manufacturing-based earnings and exports are stimulating economic prosperity, which is motivating nations to increase their focus on developing advanced manufacturing capabilities. To support this, nations are investing in high-technology infrastructure and education.

The manufacturing industry is striving to advance to the next technology frontier. As the digital and physical worlds of manufacturing converge, advanced technologies have become even more essential to company and country-level competitiveness.

That said, the number one driver of manufacturing competitiveness today, which is consistent with the two previous studies that Deloitte has done on this topic in 2013 and 2010, is talent. In this case, talent is defined as the quality and availability of high-skilled workers, which facilitates a shift towards innovation and advanced manufacturing strategies. I doubt that is a shock to this committee. We deal with it. I'm sure you deal with it on a daily basis. I see this issue with my current manufacturing clients, and it is a complex and multi-faceted one to solve. I'm sure we'll get into this in the questions that follow.

After talent, the next three most critical drivers of manufacturing competitiveness are, in order, cost-competitiveness, productivity, and supplier network.

When we look forward, manufacturing CEOs are saying that advanced manufacturing technologies are key to unlocking future competitiveness. The three specific technologies called out by our study participants—and there were over 500 global participants in this study—were, one, predictive analytics; two, the Internet of things; and three, advanced materials.

As the industry becomes increasingly more sophisticated, the traditional powerhouse manufacturing countries of the 20th century—the U.S., Germany, Japan, and the U.K.—are now seeing a resurgence in competitiveness ranking. Leveraging their foundational strengths in talent, innovation, and strong industrial ecosystem clusters—that's a mouthful—these nations are competing with renewed strength and surpassing their low-cost rivals. The shift to higher-value-added manufacturing is shaping a new battleground for global competitiveness going forward.

If we look specifically at how Canada fares based on manufacturing competitiveness, we are currently ranked ninth, with a prediction from the participants that we will fall one place to tenth by 2020. We have advantages such as an efficient regulatory environment, strong support for exports, reliable support for industry, and abundant natural resources, but challenges remain, and I suspect that our conversation this afternoon will be focused on those challenges.

Thank you.

• (1550)

The Chair: Thank you very much.

We're going to go to Mr. Deveau.

Mr. Jean-Paul Deveau (President and Chief Executive Officer, Acadian Seaplants Limited): Thank you very much, Mr. Chairman.

I certainly appreciate the opportunity to come here today to provide testimony.

I'd like to give you a little background on our company, Acadian Seaplants Limited, in comparison to what Mr. Brown just talked about in terms of the big picture.

You'll hear the story of a company that was a start-up. We started in 1981. The company was started out of my old bedroom. One day I came home from university, and my mother said to me, "You don't have a place to stay here anymore; your father has started a company."

Where is Acadian Seaplants today? Today we're manufacturers of value-added products for people, animals, and plants, all derived from marine plants. We export our products to over 80 countries around the world. We have 350 employees based in Canada, the United States, Mexico, Chile, Brazil, Colombia, Ireland, Japan, Korea, and India. Soon we will have employees in China. We operate four manufacturing facilities in Atlantic Canada, and in 2014 we bought the largest seaweed processing company in Ireland. We have an R and D centre, and our head office is based in Nova Scotia, where we have 70 people. We have over 30 researchers on staff, including ten with Ph.D.s, and we have done over 30 research collaborations with academic and research institutions in Canada and around the world.

How did we get from that bedroom that I talked about a moment ago to where we are today? We did that by focusing on four major areas.

The first one was an investment in research and development; the second one was an investment in international market development; the third was an investment in sustainability; the last was an investment in people. I'd like to give you some examples of what has worked and some of the challenges we have had throughout the years.

On the R and D side, we were able to build our company because of the SR and ED tax credit program. We commonly refer to it as "Shred", but it stands for scientific research and experimental development. I think it's important that we all take those words very carefully out there. You can imagine that nobody believed in a start-up seaweed company in 1981. That SR and ED tax credit program was there for us to use, and we used it successfully. We were able to take our investments in research and development and then finance ourselves and our growth throughout the years.

Recently, in the last couple of years, that program has been cut back, with the tax credit going from 20% to 15%. That is certainly a step in the wrong direction, because we need more business-led research and development and we want to encourage companies to do more of that into the future.

The other thing that I think is important to note is the complexity of the SR and ED program. I have the opportunity, given the people that we have, to assign one of our Ph.D.s to do the paperwork necessary for about one month a year so that we can put through our claims. A small start-up doesn't have that kind of luxury. I believe we should be looking having a simplified process for small organizations, while companies that are as large as or larger than ours would be able to continue with the program as it is.

That was from a financing point of view. From a technology point of view, we were able to benefit from the National Research Council programs that were around a number of years ago. The National Research Council had tremendous bench-top work on marine plants, but they didn't just do that work to develop technology; they were there with us, side by side, as we ran into the commercialization struggles as we headed into the future. That was extremely important, because it gave us that background in technology to be able to go and build into the future. Recently the National Research Council has turned into more of a fee-for-service type of organization, and it is very difficult for start-up companies to be able to benefit from those types of capabilities.

I want to talk about the importance of industry research and academic partnerships. This is a major point of differentiation through which Canadian manufacturers can find ways to differentiate themselves from competitors and be able to compete globally. I believe that government funding for universities should be more associated with industry so that those collaborations can be put together and that we can find the paths by which we can be globally competitive. A great example of that is the ACOA Atlantic innovation fund.

● (1555)

The Atlantic innovation fund was a program that was put together to encourage industry to work with academic and research institutions to develop technologies that could be globally competitive. One of the challenges recently is that the National Research Council is no longer eligible to be part of that particular program, which is interesting if you look at it, because this is essentially a conditionally repayable loan to the company, and of course the company should be able to access and use the best technologies out there.

Another program I want to talk about is NRC's IRAP. This is an excellent program for funding research and development, and when the SR and ED program was cut back a number of years ago, it was announced at that time that IRAP would be enhanced. That said, our access to IRAP hasn't changed since that particular period in time.

I talked a little about the R and D side of the situation, but I want to talk about export assistance programs.

Generally, federal and provincial governments do not put as much effort into export development as they do into research and development, and if we truly want Canadian manufacturers to be globally competitive, we have to find ways to help them export, because exporting is far more time-consuming and expensive than domestic market development.

One of the things I would ask the committee to look at is something like an incremental export tax credit whereby, for a short period—say, one year—the incremental amount of exports would be taxed at a lower rate. This would allow companies like ours to hire people around the world and develop those value-added products and markets at a much faster pace. Very quickly it would turn into the existing tax base, and it would be only a temporary measure that would take one year.

Now, if we truly want to have globally competitive companies, it is extremely important that we find ways to attract the talent that is

out there around the world and bring it to Canada. We at Acadian Seaplants have first-generation immigrants from eight countries working for our company in Atlantic Canada. We have gone around the world looking for highly qualified personnel and we have brought them to Canada to be part of our organization. However, it is far too complicated, time-consuming, and onerous to obtain work permits and landed immigrant status for these people. There is no special status that is given to these highly qualified individuals. That system is broken and needs to be fixed if we want to be globally competitive. We need a fast-track way for companies—and it can be pre-approved companies—to be able to hire highly qualified personnel, the best people in the world, and to be able to get them a work permit within 30 days.

I want to make a few comments. The Canadian Manufacturers & Exporters Association presented some information to this committee a while ago. There are two initiatives that I believe are worthwhile for me to mention in terms of supporting them.

The first was a discussion of direct investments of conditionally repayable loans for capital plant improvements, commercialization of a product or process, or export-related activities. I am certainly in favour of those types of activities.

The second point is with respect to the SR and ED program. We believe it would be important to clarify what qualifies for the SR and ED program and also to clarify what is needed to be able to make a claim.

In closing, I believe manufacturing is extremely important as an economic driver here in Canada. We can be globally competitive, and our company is a great example. It is important for everybody to understand that the manufacturing sector provides a huge diversification of jobs for unskilled to skilled to highly qualified personnel, from one end of the spectrum to the other.

I certainly appreciate this opportunity to come here and testify today. Thank you very much.

● (1600)

The Chair: Thank you very much.

We are going to move right into questioning, for lack of time. I have reshifted it, so the first round will be five minutes each.

Mr. Baylis, you have five minutes.

Mr. Frank Baylis: Thank you, gentlemen, for coming here. It's been very interesting.

Mr. Deveau, you touched on SR and ED as a major issue. I'd like to ask about Deloitte's perspective. You deal with a lot of companies and do a lot of these claims. What is your view on the SR and ED program? How is it working? What should we do? What should we be looking at to improve it?

Mr. Stephen Brown: During my preparation last week to come here today, I sat down with two of the presidents of manufacturing clients that I'm currently working with, and they spoke quite favourably of the program. These are mid- to larger-sized manufacturing companies.

To the point Mr. Deveau made, it's not always easy for some of the smaller companies to understand, to file, to follow through, to dispute. The whole process actually generates a fair bit of opportunity and business for Deloitte. I doubt that was ever the intention.

Frankly, there are probably better uses for the capital that these companies are working so hard to generate than getting us to help.

• (1605)

Mr. Frank Baylis: Yes, Deloitte goes across the country.

Mr. Stephen Brown: We do.

Mr. Frank Baylis: One of the things we've seen is that there is an inconsistency in the application of programs. Has that been your experience?

Mr. Stephen Brown: I'm not aware of that situation. I personally haven't seen it and I haven't heard it come up in discussions with my colleagues or clients.

Mr. Frank Baylis: Have you seen anything? Have there been questions, Mr. Deveau, on consistency in the program, so that one year you get something and one year you don't? Have you heard of that in your industry?

Mr. Jean-Paul Deveau: We deal with one of Deloitte's competitors—a national firm, KPMG—and they certainly tell us that we have been turned down on things that at the other end of the country they accept.

Mr. Frank Baylis: In their case, they have seen this inconsistency between one region of the country to another.

Mr. Jean-Paul Deveau: Yes. We certainly see that in certain parts of the country, because one of the things about the SR and ED program is that a lot of interpretation is necessary with respect to what qualifies and what doesn't. That is something we hear all the time.

Mr. Frank Baylis: You both touched on something that I'm going to come back to. It may be a simple question.

I'll starting with Deloitte. What is the biggest challenge your manufacturing customers are facing? If there were one thing that the federal government could do, what would you want us to look at?

Mr. Stephen Brown: Consistent with our study, consistent with my experience, and consistent with what was said by the two presidents with whom I spoke specifically about this last week, it's talent. It's the availability and the quality of people throughout the system.

It's not just people on the manufacturing floor. It's the analysts and the managers. It's the people who have the skills and the attributes necessary for manufacturers in an increasingly technological, IT-driven, globally competitive environment. That's the single biggest....

Mr. Frank Baylis: Are they looking for the universities and colleges to be more specific? Are they looking at temporary foreign workers? Is it all of the above?

Mr. Stephen Brown: I think there are elements of all of the above.

In my view, and as I heard in my discussion with these leaders, what we are seeing is a shift in some of the skills sets. For example, 10 years ago a number of business schools in the U.S. university system created supply chain management programs. Those have come to some of the Canadian universities, but we are years behind. That's an example of the kind of thing that the government, the university systems—the colleges, frankly—could be focusing on to become more specific, more industry-focused.

Ryerson, for example, now has a retail-specific faculty, which is the kind of thing that produces specific skill sets and allows people to go deep in a manufacturing context. To me, that is what we need to see more of.

Mr. Frank Baylis: Thank you.

Go ahead, Mr. Deveau.

Mr. Jean-Paul Deveau: There's no question that the demographics show that there are going to be challenges in the future with respect to getting skilled workers to fill our factories in the future.

I want to focus on the other end of the spectrum, which is the highly qualified people. If you're going to have truly world-class organizations, you'd better have the best people in the world. That's extremely important, because you want to find those people and bring them into your organization so that you can remain world class.

There are many areas in which we are the best in the world at what we do. I spend my time trying to measure ourselves against competitors to see if we are really there or if we are slipping. I saw recently one area where we were slipping. I went and searched for who I believed was the best person in the world to help us move forward, who happened to be not be in Canada. Getting that person into Canada is a big issue.

I think our immigration system needs to have a fast-track process to bring in those best people in the world. If that happens, all right, we can be truly globally competitive. It is not good enough to just be good in Canada, because somebody else will be better. If you're the best in the world, you can take on the world and win.

• (1610)

The Chair: Thank you.

Go ahead, Mr. Lobb.

Mr. Ben Lobb: Thanks very much. Thank you for coming here today. I apologize for the slight delay in the program. It was good that you were able to get your presentations off in time. It's unfortunate that we couldn't have a vote in public.

Mr. Deveau, thank you for making investments in, and doing business in, and having processing plants in Canada. I think that's truly commendable.

I might have missed it your presentation, but I was curious about whether you have somebody dedicated in-house in your business to do your IRAP paperwork and your SR and ED paperwork. Did I hear you say you hire an external firm to file those for you?

Mr. Jean-Paul Deveau: Because of the size of our organization, we have our own people do it. Our scientists are the people who are able to do that. Everything we do is done internally. We don't farm out any of it at all. My concern is that smaller organizations, particularly start-ups, don't have the resources to be able to do that kind of thing.

Mr. Ben Lobb: With your SR and ED then, you file all that paperwork in-house and meet with the SR and ED officials to discuss or debate your applications then?

Mr. Jean-Paul Deveau: We do not file our own tax return, but we prepare all of the submission necessary and then hand it over to KPMG, who then file the actual tax return, but we answer any questions regarding the work that is done or the amount that is spent.

Mr. Ben Lobb: Mr. Brown, I have some experience dealing with SR and ED. I worked in the finance department for a software company many years ago. We dealt with Deloitte, and they were great to work with, but it was surprising to me when I got there that so much work had to go into it. I'm not criticizing Deloitte, but there were many fees for helping with this process and the application and everything else.

I know that it's good for all the accounting firms coast to coast, but if you were to look at it a different way, shouldn't it be a little easier for companies to file?

Mr. Stephen Brown: I completely agree with that.

Mr. Ben Lobb: Maybe one of the take-aways from this study would be—again, we're not trying to take business away from you guys—to work hard to find an easier, more straightforward way for companies of the kind Mr. Deveau mentioned, small and medium-sized companies, to be able to file for themselves and have the confidence that when they're audited, they're going to pass their inspection.

Mr. Stephen Brown: Right.

Further to that, I think there's probably some onus on an external provider to provide knowledge transfer and some encouragement to be able to take that on internally. There's also the element of whether they have the confidence within the company to do it correctly and to do it consistently. Some of the onus to take it on and to do what Mr. Deveau's company has done is on the company as well, so that at the end of the day get the benefit that the program is intended to deliver.

Mr. Ben Lobb: Mr. Deveau, for many years now I've talked to many businesses both in my riding and outside of my riding that experience frustration with bringing in people to work for a company. The headquarters could be Huron or Bruce or where-have-you. They might have workers in Europe and want to bring them in for a week of training, but the visa process is a nightmare and getting them here is a nightmare.

When you're trying to train your sales staff or any other part of the company, it's almost a defeatist outlook, because it's not even worth it sometimes to bother doing it. That would also be a nice take-away. Maybe you want to provide comment on that, too, or any suggestions.

Mr. Jean-Paul Deveau: I certainly believe that there should be a fast-track method for companies that can show they need a highly

qualified person, and can identify that, to get on a path that would allow a work permit can be issued in a short period, which I would consider 30 days.

Australia is known for being able to do those kinds of things. They actively seek the best talent in the world and want it to come to their country. Here, those kinds of people are essentially lumped in with everybody else. I think we do a great job with a lot of things in terms of being very welcoming as a country, but this is a situation where it gets bogged down. If we want truly competitive, globally competitive companies, we need to refine that process to be faster.

● (1615)

The Chair: Now we're going to move to Mr. Cannings. You have five minutes.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you, and thank you both for appearing here.

I just noticed in *The Globe and Mail* today, "B.C. urges Ottawa to fix tech talent gap", so there you go. What B.C. wants is more talented tech people to be let in through the immigration process.

I want to start with Mr. Brown. One role I have here is as the NDP critic for post-secondary education. You mentioned some of the places where we are lagging behind the rest of the world in college and university courses. Are there reports out there that list all the types of talent that Canada's lacking, how universities and colleges can tackle this gap, and how the federal government can spur on that process?

Mr. Stephen Brown: It's a great question. I'm not aware of such a list. I think the various industry associations would probably have an idea of the competitive pressures, the technologies that are coming, and the attributes of the workers and the white-collar talent these companies need. Out of a discussion like that, these requirements should emerge.

However, I do think that it's important for us to place some bets and make some decisions. I would argue that we are better off taking some risks in trying to get alignment between industry and academia to identify the incubators and the various hubs that sit in between those two. If we can align them in almost a cluster, we can have a bunch of things working together in places where we have collectively decided we can be globally competitive.

Mr. Richard Cannings: Mr. Deveau, you mentioned some ideas about getting the best in the world here quickly, such as 30-day work permits. I've been talking to manufacturers in my riding, who are trying to bring in the best in their field from Europe and other places. Once they do get them here, they find it difficult to keep them here because of various immigration rules. If there were a policy to give these people a track to Canadian citizenship once we bring in, do you feel that would be something your industry would support?

Mr. Jean-Paul Deveau: If you're looking at highly qualified personnel for a fast-track process, what I've indicated is that we'd like to see a process through which you could get a work permit within 30 days.

I would hope that it would be attached to those individuals who had applied for landed immigrant status at a future date as part of a normal process. These are not temporary foreign workers that we're talking about; these are people who are committing to come to Canada with their families and are going to stay here. Those are the types of people for whom I believe we would want to find that process to get them to landed immigrant status.

Mr. Richard Cannings: What I've heard from these manufacturing companies is that people who have a work permit then have trouble getting permanent residency. Going through that hoop was an additional bit of work, and they were running into roadblocks there.

Mr. Jean-Paul Deveau: We've used the provincial nominee program out of Nova Scotia. In that particular situation it can turn into landed immigrant status. If you get through that and you're eligible under those criteria, it turns into that and it has worked successfully for us.

• (1620)

Mr. Richard Cannings: Mr. Deveau, you were mentioning that the National Research Council has evolved into something more of a fee-for-service situation. Would you recommend that perhaps it move back to the system it used to use? Would that make it easier for start-ups to get involved?

Mr. Jean-Paul Deveau: The National Research Council, if you look back about 25 years ago, was more focused on basic research as a component, and it was also able to work with industry at the same time as doing fundamental basic research. That organization now has been, to my mind, pushed too far into cost recovery. Realistically, an outfit such as the National Research Council cannot turn into a cost-recovery model.

There is a role for a government research institution to be able to do that basic research and work with industry without always looking for the recovery of funds, particularly with the SMEs. The technology they provided to us many years ago was virtually at no cost. It enabled us to get going, so that we created the business and the industry that we have today.

The Chair: Thank you.

Mr. Longfield, you have five minutes.

Mr. Lloyd Longfield: Thank you, Chair, and thank you both for your testimonies today. I wish we had more time. That's the story of our lives, but we have five minutes right now.

Mr. Brown, I would like to have a copy of the report that you mentioned for our records. Some of your conclusions are leading to where our report is also leading, which shows that in the last few years we haven't had progress in terms of talent, cost, and productivity, with the supplier network being key as well.

I come from the riding of Guelph. Conestoga College has a supply chain program that they're having trouble attracting people to, but there are jobs at the other end. That could maybe help us in that promotion.

Mr. Deveau, what a great company. Congratulations. With what we've seen just on the Internet about being fully integrated, diversified, and technology-based, you'd never know you were talking about agriproducts. I also sit on the agriculture committee, and we're looking at agrotechnology.

I'm interested in something else on the website that one of my researchers found. You've recently installed a Bitcoin ATM in downtown Toronto. What's that all about?

Mr. Jean-Paul Deveau: That's not us.

Mr. Lloyd Longfield: Oh, it's not. Okay.

Mr. Stephen Brown: That was Deloitte.

Mr. Lloyd Longfield: That was you guys.

Mr. Stephen Brown: Yes.

Mr. Jean-Paul Deveau: I was going to say if it's us, then it's somebody in my company who's doing something I don't know anything about.

Mr. Lloyd Longfield: That's right.

Deloitte, maybe I'll flip over to you. We haven't gotten into Bitcoins, although Mr. Nuttall has suggested that might be something we look at in a future study. Does that tie in with anything in manufacturing? If not, we'll skip it.

Mr. Stephen Brown: It may, because it's one of these emerging technologies that has the potential to have a disproportionate and exponential influence on a number of things that probably aren't obvious as we sit here today, including the ability to provide verifiable, transparent, and trustworthy transactions to facilitate agreements in a peer-to-peer way. Deloitte helped spin off an entity that is working on enterprise- and commercial-grade blockchain infrastructure, which is something to keep an eye on.

Mr. Lloyd Longfield: As our committee goes forward, blockchain is something we need to be considering in the next few years, and hopefully sooner.

I'm very interested in your model, going back to agrotechnology, of having offshore talent. Is it as a result of just not being able to get talent here that you're setting up facilities to help you, or is that a standard type of practice?

Mr. Jean-Paul Deveau: No, and I'll give you an example. One of our major product lines is a biostimulant that's used to help grow crops. I go to the world biostimulant conference in Strasbourg, France, and then another one in Florence, Italy, three years later. I look at who's doing what in the world. I look at the best in the world assembled there—1,100 people—and I go shopping. I find the person who appears to be someone who could really move our company forward.

I've literally hired six people like that, probably, throughout the years. They're very specific. They have fundamentally changed us and allowed us to stay at the top in terms of what we do, the absolute best in the world. It's not because I can't find them here; it's just that that's where they are. It's a global world.

•(1625)

Mr. Lloyd Longfield: Right. Well, to be the best, you get the best.

In terms of technology and technology transfer between Canada and other countries, have you worked on taking their technology or connecting to their technology, or does offshore technology stay offshore in terms of IP?

Mr. Jean-Paul Deveau: Well, it's rather interesting. It's kind of the reverse. We're known in our smaller world as being the best in the world. When we bought the company in Ireland—we actually bought it from the Irish government—we said that we would bring our technology to Ireland, and the transfer of technology would be in that direction.

Mr. Lloyd Longfield: Great. Then the IP and the value stay within Canada.

Mr. Jean-Paul Deveau: Absolutely. It makes us a bigger, stronger company, and we end up hiring more people in Canada.

Mr. Lloyd Longfield: I have about 20 seconds, so I'll ask a really quick question.

In terms of IP, you have ten Ph.D.s working with you. Has IP been a challenge with any of the universities? Is that something we need to improve and to explore more deeply as part of our study?

Mr. Jean-Paul Deveau: Negotiating IP agreements with academic and research institutions is about the most painful thing I do in my job.

Voices: Oh, oh!

Mr. Lloyd Longfield: Thank you. It's good to get that statement on the record.

Thank you very much.

The Chair: We have time for three more questions. We have four minutes on this side, four minutes on that side, and Mr. Cannings will have two minutes.

Mr. Alexander Nuttall: Thank you, Mr. Deveau.

Is it more painful than this?

Mr. Jean-Paul Deveau: This is wonderful.

Mr. Alexander Nuttall: Beautiful.

I have a couple of questions. First, you have about 330 employees worldwide.

Mr. Jean-Paul Deveau: We have 350.

Mr. Alexander Nuttall: Of those, about 135 to 140 are in Canada?

Mr. Jean-Paul Deveau: No, about 250-plus are in Canada.

Mr. Alexander Nuttall: One of the things I've been trying to find out from employers is this. If you could change any policy in the Government of Canada, the number one thing that affects you, what would it be?

Mr. Jean-Paul Deveau: It would be the immigration policy that I talked about, so that I'd be able to hire who I want, when I want—the best in the world. I'd change that one.

Mr. Alexander Nuttall: Okay.

Is there an adverse effect for your business from any of the proposed tax changes, whether it's payroll taxes or carbon taxes, or does it not really have a massive effect on you?

Mr. Jean-Paul Deveau: I wouldn't put those on a priority list of what would have a significant impact on us.

Mr. Alexander Nuttall: Does it affect hiring at all, or no?

Mr. Jean-Paul Deveau: No. Our opportunities to grow our business are with respect to how much effort we put into international market development. The more I can put resources toward doing that, the bigger we will grow our base and the more value-added products we'll export from Canada.

Mr. Alexander Nuttall: I'm just trying to think about how to frame the question.

Over the next two to three years, where do you see your brightest spots in terms of growing the number of employees in Canada?

Mr. Jean-Paul Deveau: In Canada, it would be on our biostimulants business. Most of these operations are in Nova Scotia. They would involve the manufacturing location that we have. It's a 115,000-square-foot facility. We have a 15,000-square-foot R and D facility. Also, our head office is located in Dartmouth, Nova Scotia, where we have 70 people. These three bases will grow more than anything else in our organization.

Mr. Alexander Nuttall: For the expansion of the facility or the creation of the facility, I believe two and a half years ago now, you made about a \$6-million investment?

Mr. Jean-Paul Deveau: That's the Cornwallis facility. It is that 115,000-square-foot facility, yes.

Mr. Alexander Nuttall: Okay. Wonderful.

I understand the federal government came to the table with some dollars. Were those repayable loans or were those grants?

Mr. Jean-Paul Deveau: We have used, in the past, funds from the Atlantic Canada Opportunities Agency. We have used funds from the provincial government and all of those types of funds. We have used funds from the R and D point of view from IRAP, the SR and ED program, and so on and so forth. For every single one of those funding types of programs, whatever the conditions were, we've honoured them and paid the money back, if necessary.

What they've allowed us to do is to grow our business bigger. We would still be a successful company without any of that funding, but we would be a lot smaller than what we are today.

•(1630)

Mr. Alexander Nuttall: I guess where I was going with this is, from your point of view, what is the best approach? Is it repayable loans? Is it straight-out grants, as how SR and ED and IRAP would do it? To you as an end user, what is the best approach for government to take?

Mr. Jean-Paul Deveau: It depends which type of program you're looking at.

For example, on a capital program, a conditionally repayable loan works out very well. On higher-risk R and D, particularly IRAP's program is geared towards that. They want to be way out there in terms of leading-edge research and development. That tends to be more of a grant, because that's the sphere they play with.

You have to look at what you are doing. When we're doing a capital expansion, one of the things that was absolutely excellent about ACOA was they provided repayable loans, but they don't take in security, and because they don't do that, we can then go to our banks and provide them with the security, get three-quarters of the financing from them, and then finish it off with ACOA-type money, which has been very useful for our growth in the past.

Mr. Alexander Nuttall: If you don't have the operational need, you don't need the capital expansion.

Mr. Jean-Paul Deveau: I'm sorry?

Mr. Alexander Nuttall: If you don't have the operational need to expand, you don't need the capital expansion itself.

Mr. Jean-Paul Deveau: That is a correct statement.

The Chair: Thank you.

We're going to move to Mr. Jowhari.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

I'll pass my time to Ms. Hutchings.

Ms. Gudie Hutchings (Long Range Mountains, Lib.): Thank you.

Thank you, gentlemen, for being here today and for your presentations.

I think we miss one thing. There have been wonderful conversations around the table, but I think we need to put a rural focus on something sometime. I'm from a rural riding in Newfoundland and Labrador, and we've had, as I said, wonderful conversations.

Mr. Brown, you have some impressive experience dealing with major companies. Do you have any experience you can share with us with smaller, rural companies, SMEs, that you could tell us about?

Mr. Stephen Brown: A big part of Deloitte Canada's practice is focused on smaller private companies. We do serve those kinds of companies coast to coast.

With respect to the topic we're discussing today, though, with the trends that we see, even for smaller companies, the need for technological sophistication, the need to be in and around other companies or other sources of talent or intellectual property and distribution channels and whatnot would tend to draw the capital and the talent from around the world to the urban centres where there's attractiveness of a different sort.

The rural piece of this is a bit of a paradox, because as a result of this critical aspect around talent, the trends would not be pushing us in that direction.

Ms. Gudie Hutchings: Mr. Deveau, I'm familiar with the geography of Yarmouth and where your other facilities are. Would you put a different rural lens on this than Mr. Brown?

Mr. Jean-Paul Deveau: I think rural Canada provides a tremendous amount of opportunity, particularly on natural resource development. In our case, we're taking what was an undervalued raw material—marine plants that nobody was doing anything with—and turning them into value-added products and exporting them around the world.

Our manufacturing base and our R and D base are in rural Nova Scotia and New Brunswick, whereas our head office is in Halifax, a more major metropolitan area, but the combination of those two has allowed us to be very successful. We're extremely proud of the workforce that we have in those areas and the opportunity to be a significant part of those rural communities.

Ms. Gudie Hutchings: That's perfect. Thank you.

You and I could have a conversation about rural areas, because there is the magic and there are the opportunities that arrive.

We're running out of time, but I'd like to hear from each of you.

You have more experience, Mr. Deveau, so what is the one thing we could do to help rural businesses and rural manufacturing businesses?

Mr. Jean-Paul Deveau: From my point of view, I would look at whatever strategic advantage the rural community has and I would find a way to exploit it. What is there that it can offer and then turn into something for the world?

• (1635)

Ms. Gudie Hutchings: Mr. Brown, how can we do this with the help of the federal government? How can we help to do that?

Mr. Stephen Brown: There's something as simple as the ability to move people in an efficient way to a location that maybe balances the cost pressures of some of our urban locations, and to draw on the talent, the spirit, and, as Mr. Deveau said, the competitive advantage of some of the rural areas. My mind would go to infrastructure and how we can move people or provide high-speed Internet access in those kinds of things that businesses are dependent on.

Ms. Gudie Hutchings: Thank you, gentlemen.

The Chair: Thank you very much.

Finally, Mr. Cannings, you have two minutes to close us off.

Mr. Richard Cannings: Thank you.

Mr. Deveau, you mentioned SR and ED and IRAP. People have been talking about them. You intimated that SR and ED had been cut back and that part of that slack has perhaps been taken up by IRAP.

I wonder if you could explain to me—I literally know very little or nothing about these programs—what you would like to see. Would you like to see SR and ED grown again? We've heard that perhaps it could be simplified, thus taking some business away from Mr. Brown. In terms of the R and D side of your business, what would benefit you most?

Mr. Jean-Paul Deveau: First of all, it was scaled back. A number of things were scaled back, including the per cent of the tax credit, but also some of the ways the calculations were done. If that were reversed, that would certainly be quite beneficial to us. That would allow us to invest even more in R and D.

There is also the administration of the program. Historically, throughout the years, it would be a pendulum. It would get tighter and it would get looser, depending on who was leading the organization and what direction was being provided. Today it's as tight as it's ever been, with basically everybody looking for ways to disqualify activities from counting for that tax credit program.

I think it should be looked at from the top. What behaviours do we want? If an activity falls into that suite, which would have to be clearly defined, then we want to be able to credit that particular aspect.

Mr. Richard Cannings: How's my time, Mr. Chair?

The Chair: You have nine seconds.

On that note, thank you to our guests. I wish we had more time to spend with you. There were great comments and great questions.

Thank you very much. We're going to suspend for no more than five minutes to get our bearings, and then we'll get back into our business.

[Proceedings continue in camera]

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