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Chair

Mr. Randy Hoback

Standing Committee on International Trade

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• (1535)

[English]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Welcome back to Ottawa everybody on a nice Monday afternoon.

We're here at the trade committee and pursuant to Standing Order 108(2), we are studying small and medium-sized enterprises.

The witnesses we have in front of us are the Canadian Association of Importers and Exporters, the Canadian Federation of Independent Business, and the Canadian Manufacturers and Exporters.

You will have 10 minutes for your presentations.

We'll start with the Canadian Association of Importers and Exporters. Joy Nott is the president and chief executive officer.

Ms. Joy Nott (President and Chief Executive Officer, Canadian Association of Importers and Exporters): Thank you very much, Mr. Chairman, and members of the committee, and thank you very much for giving me and my members the opportunity to have input on this very important topic.

My name is Joy Nott, and I'm the president and CEO of the Canadian Association of Importers and Exporters, otherwise known as I.E. Canada. It's a privilege to appear today to testify with respect to the March 18, 2015, announcement of support to help boost Canadian exports by providing both financial assistance for SMEs and by further funding the trade commissioner service.

I.E. Canada, the Canadian Association of Importers and Exporters, is a national trade association that's been speaking on behalf of the Canadian trade community for more than 80 years. Our members include importers, exporters, Canadian manufacturers who both import and export, wholesalers, distributors, retail importers, and supply chain service providers.

Our members employ over one million Canadians and contribute approximately \$270 billion in annual revenue to the Canadian economy, which translates to approximately \$40 billion in annual taxes paid federally, not including the GST and duties.

We represent some of the largest importers and exporters in Canada as well as small and medium-sized businesses. Our members import and export across most commodities and product lines.

While most trade associations focus on the policy end of lobbying, I.E. Canada has a long history of both commenting on high-level policy issues as well as actively looking into facilitating international trade at the operational level where exporters often face the largest hurdles. The phrase, while cliché, the devil is in the details, resonates

to most Canadian exporters who have experienced both the best and the worst that policy has to offer once it's translated to its most basic level, operational policy.

In short, I.E. Canada is very pleased to read the announcement that was made by the Prime Minister in Mississauga on March 18. Many of the points in his announcement are welcome news to small to medium-sized exporters who are still struggling to find their export footing in a global economy that is still somewhat soft. Any help offered no matter how small is both needed and appreciated.

I would like to divide my comments today into two general sections: first, the new export market development program providing a total of \$50 million over five years; and second, the additional financial support for the trade commissioner service.

While Canadian exporters face a number of different challenges when wanting to expand their sales beyond the domestic Canadian marketplace—and I'm sure that's not a surprise to anyone in this room—I would like to spend a moment, looking at what the challenges actually are and commenting on how this money might best be spent and most importantly tracked in order to help Canadian exporters in a substantial way moving forward.

Canadian exporters face challenges from both the foreign markets they seek to enter and the Canadian domestic regulatory environment they must wade through in order to be able to compliantly export product from Canada.

As an example, with the new Safe Food for Canadians Act, exporters who wish to export a product that requires a licence, for example, meat, fish, and seafood, must have a CFIA licence in order to export under the act. In order to get that licence, they must show they have implemented a preventative control plan. This preventative control plan must include, at a minimum, a fully documented product and process manual and a process to ensure traceability, recall and complaints of any product they export. Many SME exporters do not have the staff or the funds to comply with the above requirements making Canadian domestic regulation yet another hurdle they must conquer before they can actually export.

Another example would be the SME companies who deal in articles of defence, which would fall for various reasons under the U. S. international traffic in arms regulations, otherwise known as the ITAR. In order to be able to handle goods that fall under this regulatory umbrella, of which many defence articles that float through the North American supply chain do, the SME must not only work with Public Works and Government Services Canada to register for the controlled goods program, which would make them subject to numerous record-keeping and audit requirements, but on top of that they would have to deal with the Department of Foreign Affairs, Trade and Development to obtain any export permits that are required when exporting to countries other than the United States.

While the above two examples are not a comprehensive list of domestic export hurdles facing SMEs, we must be clear that the reasons behind these regulations may be valid and may be required in order to keep Canadians and our trading partners safe. We understand that.

The scope and the minutiae, however, of some of the requirements can really bog down SMEs that simply don't have the in-house expertise to either understand all the rules or to set themselves up in such a way that they can successfully comply with the rules while simultaneously thriving in a competitive export sales environment.

While there are many programs and attempts to make exporting both easier and more appealing to Canadian SMEs, there seems to be a gap in that no single body oversees the export regulatory regime. There is no government export ombudsman, for lack of a better term. We believe there should be one checkpoint through which all government agencies that wish to apply any sort of requirement on exporters should have to go, to explain and prove why another regulatory requirement needs to be placed on exporters, before any new regulation or legislation is passed.

DFATD should be tasked with maintaining some sort of an inventory of all these export-focused regulations, and working with the red tape reduction initiative to streamline and remove domestic barriers wherever possible.

With respect to foreign market barriers, I'm sure it's no surprise to anyone here that another major hurdle faced by Canadian exporters is the regulatory environment in the country of import. Challenges range from non-tariff trade barriers meant to discourage importers into the foreign market to government websites with vitally needed regulatory information available only in languages other than English or French. These sorts of barriers, while often expected and impossible to avoid, result in the Canadian SMEs having to hire subject matter experts in the foreign market to help them understand what must be done in order for their products to successfully enter that market.

The trade commissioner service does a wonderful job of helping Canadian SMEs find local lawyers, customs brokers, tax accountants, and other trade and subject matter experts to help them negotiate and navigate the new market and its complex rules. While the trade commissioner service's assistance is helpful, it takes money to engage these experts. Depending on the complexity of the goods being exported, these professional service fees can add up to relatively significant amounts fairly quickly.

We are pleased to see a recognition that SME exporters require financing, which they often cannot find through mainstream financial lending streams. They need funding to help them hire subject matter experts so that they can wade through either the domestic regulatory environment or the foreign regulatory environment. One recommendation we would make with regard to this program is that metrics be kept to track how much of the \$50 million is spent helping Canadians work through domestic programs, and that those efforts be directly linked to the red tape reduction initiative and the DFATD export regulation inventory mentioned earlier.

Moving on now to the additional financial support for the trade commissioner service, we would like to make a few comments relative to the service overall. For starters, the trade commissioner service is one of the best-kept secrets of the Canadian government. While we see television commercials and other media highlighting all sorts of government services available to Canadians, there's rarely any mention of the Canadian trade commissioner service to explain what they do and how they can help SMEs, and in fact all Canadian exporters. We would strongly suggest that better marketing around the services available to SMEs be undertaken.

The Honourable Minister Fast has said on various occasions that historical trade agreements require historical trade promotions, and we agree that's true. In recent months Canada has implemented or negotiated some of the most important trade deals in Canadian history. The programs announced on March 18 are headed in the right direction to take negotiated deals and turn them into economic growth for Canada.

Persuading SMEs that their businesses are big enough or important enough to actually consider exporting is a different matter. In a rapidly changing and evolving world of international trade, strategies and solutions that worked as recently as 10 years ago may be sorely out of step with the new reality that Canadian exporters of all sizes face. The Internet has levelled the playing field globally, so the ways in which we position our exporters and the tools we as Canadians provide them have to be ahead of the curve to strategically place our exporters in a favourable position.

If we want to pull ahead in the global foot race in which every country in the world that trades is taking part and truly give Canadian SMEs an edge when entering these markets, we should consider working more in tune with the host country and its focus on exporting its products and services to Canada to identify mutually beneficial opportunities.

Formally and openly accepting the fact that signing trade deals means goods will be imported into Canada can be used as a strategic advantage as opposed to merely being seen as a lag on key economic factors. Strategically choosing which imports we facilitate in exchange for being able to target exports is a sound business strategy that should be in place along with a government strategy. Our goal as a country should be to plug into global supply chains, which often means exporting but does not relate exclusively to exporting.

• (1540)

Sometimes in order to be plugged in globally, we must import into Canada. DFATD's own statistics indicate that 48% of Canadian exporters must import in order to be able to execute their exports, but still our trade strategies only involve promoting exports and disregard how we can use imports.

I'll just wrap up by saying that we have an opportunity to use our Canadianness and the fact that we are known around the world. We sew flags on our knapsacks when we travel around the world and we're proud of saying that we're Canadian. We're known as being friendly and easy to deal with, and I think we have an opportunity to use our Canadianness to engage our trading partners in ways other countries don't.

With that, I will wrap up.

The Chair: Thank you, Joy Nott.

We'll move on to the Canadian Federation of Independent Business.

Corinne Pohlmann, you have the floor for 10 minutes.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs, Canadian Federation of Independent Business): Thanks for the opportunity to be here today to share CFIB's perspective on exporting among SMEs and recent announcements that aim to assist them in that process.

First, though, CFIB is a not-for-profit, non-partisan organization representing more than 109,000 small and medium-sized businesses right across Canada that collectively employ more than 1.25 million Canadians and account for \$75 billion in GDP. Our members represent all sectors of the economy and they're found in every region of the country.

Canada's small and medium-sized enterprises collectively employ over 60% of Canadians in the private sector. They're responsible for the bulk of new job creation and they represent about half of Canada's overall GDP, so if you start addressing issues of importance to them, this can have a widespread impact on job creation and the economy.

Let me start by saying that while we're optimistic about the intent of the recent announcements to assist SMEs with exporting, we're unsure of how it will be delivered and ultimately how effective it will be. Our focus here will be to share with you some of the challenges that smaller exporters face and how these announcements could be designed to best assist them with that.

We regularly ask our members about whether or not they're involved in trade. We last asked in 2012 and what we found was that about one in five, or 21%, are telling us that they had sold goods or services to other countries in the previous three years. About half had actually purchased from other countries. What's also interesting is that another 6% had planned to get more involved in trade in the future but weren't currently doing it.

Now these results have been fairly consistent over time. We've seen some similar results from a survey done in 2009. I would note that these are quite different from what you're getting from Statistics

Canada, for example, that say that only about 10.4% of small and medium-sized enterprises are actually involved in exporting.

This is likely due to a number of reasons, including the fact that Stats Canada data comes from the exporter register database, which only includes exporting of commodities, not services, and those establishments whose merchandise exports exceed \$30,000 a year, whereas our data has no such limits. Our data includes businesses that may not trade as frequently and in lower volumes, and may also include services only. For example, in a previous survey done in 2009 that was focused on trade with the United States, we found that 4% of our members were actually exclusively involved in exporting services only. So that just gives you a sense of what's not included in some of the data you are hearing and reading about.

Many of those included in our data may not be captured, necessarily, in the national data from Statistics Canada. But for us, we need to know more about this particular group and capture their experiences, as it may influence whether they plan to continue to export or move into new markets. One bad experience could make a potential exporter feel that it may not be worth it, simply because it did not have the support, financing, or information that could have made all the difference.

Where do those that trade go for their business? The U.S.A. does remain by far the most likely place that Canadian small businesses export to, followed by the EU, Mexico, Australia, New Zealand, and China.

While still a very small proportion—and you can see from my slide presentation that it gets fairly small as we get into some of the other emerging markets—I would suggest that it's actually the smaller firms that often enter new emerging markets first. Finding ways to support and encourage to help minimize the challenges they will inevitably face is an important area of focus for these types of programs, because, should those smaller exporters experience one or two difficult challenges along the way, it may discourage them from even continuing to export to that market or potentially exporting to new markets in the future.

Of those that are not currently involved in any kind of trade, a good proportion of them do not see their business as one that would be involved in exporting, as they believe their particular product is not exportable. However, that still leaves about 38% of those that are not exporting that could potentially get involved in it, so finding ways to address the barriers they face and highlighting what the benefits of exporting can bring to their business and to their communities may result in more small businesses taking the plunge into new markets.

Other reasons they've identified for not exporting include those who feel the domestic market is sufficient. Now, this particular group may benefit from a better understanding of how export markets may help them grow and expand their businesses. We see this as something the department of international trade, the trade commissioner service, and even groups like us and those of us around the table could certainly help focus on a little bit more.

In addition, though, about 1 in 10 said they lacked the resources, expertise, and contacts to expand into new markets, and about 1 in 20 said they lack information on trade opportunities and appropriate financing, all of which can and should be addressed to some degree by the recent announcements to create an export market development program and enhancements to the trade commissioner service.

• (1545)

Even among those who do already trade into other markets, such as the European Union, there are challenges associated with cost, complexity, and paperwork. These recent announcements could assist with some of these issues as well, in particular, through the trade commissioner service, which could provide the information and advice on how best to deal with the various rules and standards, and assist with the paperwork, and even help interpret certain requirements, if needed, which I think is quite similar to some of the things Joy was saying as well.

We certainly welcome the recent government announcements to provide further support for export among SMEs, as that could help relieve some of the constraints small businesses face, if these supports are properly designed and properly invested.

CFIB would recommend first and foremost that the export market development program be focused on small and medium-sized companies by somehow limiting the size of the businesses that can actually access the program. We would suggest keeping the program simple and accessible, which means that there should be a limited number of restrictions to access the program and it should be made available to both new and existing exporters looking to expand into new markets.

It also should be as open-ended as possible so as not to limit users to specific markets, such as emerging markets only, and should also focus on those markets where potentially recent trade deals have been signed, at the very least.

We would also suggest that the government refrain from being too limiting in what costs could qualify for the program. As long as the cost is clearly associated with efforts to expand into a new market, it should be considered. We also ask that red tape associated with this program be minimized by making sure the forms are easy to understand and that there are resources available to provide support to the SMEs applying for the program. In other words, they shouldn't have to actually get a consultant to help them apply for this program.

It's essential that the program be thoroughly evaluated on a regular basis to determine how effective it has been in helping small and medium-sized enterprises get into new markets, and there should be a willingness to make changes along the way to ensure that it's actually assisting the intended SME market and that it is doing what it was intended to do in the first place.

Finally, as part of the March announcement, the government also committed to additional funding for the trade commissioner service to support SMEs. Unfortunately, I have to say that most SMEs are unaware of the trade commissioner service and when they do know about it, they often feel they're too small for the trade commissioner service to assist them. There's a perception out there that the service is reserved for larger firms only who conduct higher volumes of exports. We encourage the government to do a better job of

promoting these services generally, and especially, that they be willing and able to help support smaller companies.

There has also been an issue of some SMEs, which may come from more traditional sectors of the economy, not being able to get as much assistance from the trade commissioner service as there has been a tendency in recent years to have trade commissioners focus on key sectors of the economy only, which can sometimes limit their ability to assist a business that might not fit into one of these predetermined sectors. We would continue to encourage the department of international trade to ensure that there are some trade commissioners who are able to have a broader mandate and properly assist the smaller types of firms.

Thank you for the opportunity to present here today and share our views, and I'll be happy to answer any questions when the time comes.

• (1550)

The Chair: Great. Thank you very much.

We'll move on to our next witness, the Canadian Manufacturers and Exporters.

Philip Turi is the general counsel, director of global business services.

You have the floor for 10 minutes, Philip.

Mr. Philip Turi (General Counsel and Director, Global Business Services, Canadian Manufacturers and Exporters): Thank you, Chair.

Good afternoon honourable members of Parliament. I'm glad to be third because I think my comments will dovetail nicely with those of my colleagues up here with me.

I'm pleased to be here this afternoon to discuss the Government of Canada's recent announcement relating to supporting SME exporters in my capacity as the head of CME's global business services department, where I oversee CME's national trade and export promotion initiatives.

Canadian Manufacturers and Exporters is Canada's largest not-profit industry association representing manufacturers and exporters in every business sector across Canada. Collectively our members represent more than 80% of Canada's non-commodity exports and thousands of high-paying jobs across the country.

I will start off by noting that my team is quite literally at the front lines of trade promotion and facilitation in Canada and has witnessed first-hand the impact of the GMAP, the global markets action plan.

Over the past two years my team has organized six sector-specific trade missions to the EU, and to Mexico in particular, each supported by federal government funding. We have also coordinated the reception of numerous incoming trade missions and hosted over 40 export opportunity webinars featuring trade commissioners posted abroad, and other international business experts. We launched the Enterprise Canada Network, a single-window platform that has helped over 700 Canadian firms identify and connect to thousands of international business and technology partners; and over the coming months, working with our government and not-for-profit sector partners, we will be launching export mentoring and learning workshops to help build capacity among Canadian SMEs.

CME has also worked extensively with DFATD and the government's trade portfolio partners, including the trade commissioner service, Export Development Canada, Business Development Bank of Canada, and Canadian Commercial Corporation, with respect to coordination and information sharing to better support Canadian enterprises. For example, my team at CME has partnered with these agencies in the delivery of a national outreach program called "Go Global: Supporting Export Success", a series of practical business workshops geared toward SMEs that highlight the business services each government agency offers.

To date, we have held more than 15 Go Global events in communities across Canada and have engaged more than 2,000 attendees, most of which are SME representatives. I have moderated at most of these sessions and would be happy to answer any questions about them during the Q and A period.

Today you have asked my organization along with my colleagues to appear before you to discuss the government's recent announcement relating to funding for SMEs to assist with the development of export opportunities, especially in high-growth markets. Before providing my insights on the subject, it's important to note the present export climate in Canada.

In a period of low oil prices and declining investment in the oil sands region, the pressure on Canadian exporters to buoy the economy has grown more acute. Fortunately, and as recently noted by Bank of Canada Governor Stephen Poloz, the lower Canadian dollar has been a boon to non-commodity exports in Canada, especially in sectors tied to U.S. business investment, with the machinery and equipment, building materials, metals, and aerospace sectors, all showing very positive signs of growth as of late.

However, notwithstanding this recent surge and notwithstanding data limitations, challenges with respect to increased exports to emerging markets remain. In a January 2015 report released by Industry Canada, it was noted that of the 10% of Canada's SMEs exporting, most continued to focus on the United States. This is not a surprise. Only 10% to 12% of Canadian SME exporters currently sell to Latin America, China, or other Asian markets. Furthermore, exports to these regions account for less than 10% of total export revenues. As such, the GMAP quite correctly emphasizes these markets as priority growth markets moving forward.

With respect to funding export assistance for SMEs, it's perhaps best to tackle this question by looking at the what and the how. What to fund was hinted at in the recent economic action plan, in which the government noted the program will help to finance activities

such as market research, participation in trade fairs and missions, shipping prototypes, and pilot projects to create new business opportunities.

While time does not permit me to examine each of these examples, it is important to note the several provincial and local government programs available to exporters that provide funding for similar activities. In provinces such as Saskatchewan, Nova Scotia, Quebec, and Ontario, for example, local exporters have leveraged programs that assist with visiting trade fairs, carrying out foreign market research, and international marketing. These programs are often well subscribed and fill important gaps in the funding needed to accelerate export growth.

There are also export assistance programs available at the federal government level, most notably the global opportunities for associations fund administered by the Department of Foreign Affairs, BDC's market expansion funding, and EDC's financing solutions for exporters. Common among all programs is direct funding, albeit in the form of repayable loans in some instances, for international business development on a broad and targeted basis. Most of these programs require the recipient exporter to meet basic criteria, including being a resident Canadian entity and having an exportable product to service.

• (1555)

Most of these programs and products are also well suited to companies of a particular size, for example, with more than 50 employees, revenues north of half a million dollars, and some experience exporting, usually to the United States.

This begs the obvious question, what can the recently announced export market development fund program do differently than what is presently being offered to SMEs? For starters, funding needs to be made available to medium and small enterprises, meaning companies with less than 50 employees, less than half a million in revenue, and little or no export experience. Export growth potential should be the primary funding criteria. Eligible applicants should be existing exporters, those planning to export, or those selling into a value chain and supply chain leading to exports.

Funding needs to be easy to access—I would echo the comments of my colleagues—and efficiently administered, especially if the audience consists of small businesses. Consideration should be given to whether it's best for the government to administer this funding directly or through a delivery agent. Careful consideration needs to be given to administration costs as well as Canada's international legal obligations regarding subsidies.

Funding should also be structured so as to encourage the uptake of existing services from organizations like EDC, BDC, and TCS, for example, by awarding points to applicants that are existing clients of these agencies, or are on their way to becoming clients.

In terms of fund structure, it would be helpful to look at CME's SMART program as a model. The SMART program administers FedDev funding to companies looking to invest in advanced technology linked to growth in terms of enhancing productivity or exports. SMART includes an assessment component and a project funding component. The assessment component helps companies assess the current state of operations and understand the barriers they face in the globally competitive environment by working with a qualified expert and tools available through the assessment program to develop a vision and a strategy. The findings from this assessment will allow companies to implement a project, under the project funding component, where companies will receive a percentage contribution of eligible costs up to a maximum of \$100,000, whichever is less, to implement the strategy developed during the assessment phase.

Using SMART as a model, export market development funding would be project oriented, based on an assessment and strategy developed specifically to the individual SME, and provide sustained internal resources to drive that export strategy plan over a number of years by greatly increasing the chances of meaningful foreign market penetration.

With respect to the assessment of applications to ensure impartiality and to emphasize the funding of export projects with high growth potential, the assessment team should be a steering committee of seasoned exporters from industry and hailing from the priority sectors identified in the GMAP.

As I'm near the end of my comments, I want to conclude by saying that as this committee considers how best to advise on the structuring of the export market development fund, I would urge you to not replicate the myriad existing provincial and local programs available across Canada. Instead, move the needle on exports by targeting companies with the highest export potential and provide funding that leads to sustained foreign market penetration over a period of time.

Thank you for your time, and I'm happy to answer questions during the Q and A.

• (1600)

The Chair: Thank you, witnesses.

We'll move on to our question and answer period.

Mr. Davies, you have the floor for seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair, and thank you to each one of the witnesses for being with us today. Those were very helpful and detailed submissions you all made.

I'm going to start with access to capital. We're at the end of our study. This is the last day for witnesses and we've heard from a number of SMEs who have testified before our committee from a variety of industries and sectors. Many of the SMEs told us about the difficulty accessing capital as a major impediment to moving toward

exports, or expanding export opportunities. What suggestions do you have to address this challenge? Mr. Turi, I think you just spoke of one, the \$100,000 targeted amount. Do you have a cost for that program? Do any of you have any other suggestions for how we can make capital more accessible to SMEs?

Mr. Philip Turi: Sure. Specifically the SMART program as an example is FedDev funding. CME has been running that out of Ontario for the past eight years. The funding amount is provided by FedDev and administered through CME. The cost to administer the fund typically, and it happens in two-year periods, is about 5% to 10% of the overall fund. The amount of funding to companies is up to \$100,000. That portion of funding can go toward developing the strategy, whether it's looking at a company's floor, or looking at their people. Oftentimes that money goes toward investing in new machinery, new equipment, and new processes. It goes to a maximum of \$100,000. Companies are usually putting up matching funds for that.

Mr. Don Davies: What's the total annual amount of money that is dedicated to that program?

Mr. Philip Turi: It's \$20 million over a two-year period.

Mr. Don Davies: Ms. Pohlmann or Ms. Nott, do you have any ideas about access to capital?

Ms. Corinne Pohlmann: Access to capital is a problem regardless of whether you're exporting or not, especially as you grow beyond the start-up stage. I think that for start-ups there is a variety of different formats now from which people can potentially get funding. It's still tough, but at least there are some programs out there.

It's when you get to that next stage of growth—sometimes moving into an export market can be that next stage of growth—that it can be very difficult. This is where places like EDC and BDC can certainly play a role.

To be honest, I think EDC is perceived as being an organization that helps larger firms more than smaller firms; BDC is less so. I mean, BDC does have a mandate to help small businesses.

Again, I think it's a perception problem. EDC will provide funding and financing to smaller firms as well, but I think people are just not aware of them, and if they are they don't feel they're big enough. That's part of the issue we're grappling with here, that small exporters don't feel that government cares about them so they have to do it on their own. Again, that doesn't mean that's true; it's the perception that exists.

Mr. Don Davies: Ms. Nott, perhaps I'll direct a more targeted question to you.

We also heard from witnesses who talked about CBSA. We know that imports are as important as exports to an SME's trade success. We heard from some SMEs about some particular struggles they face with CBSA inspections, and other impediments.

I wonder if you have any feedback for the committee regarding CBSA and any way that we can hone that process to better help SMEs with imports and exports.

Ms. Joy Nott: As Corinne and I look at each other and smile, I know there is a time limit on these things, so I'll just—

•(1605)

Mr. Don Davies: That's a weekend seminar-type question.

Ms. Joy Nott: CBSA, in all fairness.... Just for complete transparency, I co-chair the BCCC steering committee, which is the border commercial consultative committee; I co-chair the CBSA's public outreach committee. For total transparency, I want to put that on the record.

I think CBSA faces a number of different challenges. Probably the biggest challenge that they face from an export perspective is the fact that, quite frankly, 95% of all attention—money, staff, training, infrastructure, anything you can think of at CBSA—is focused on the import side of the house. The remaining 5% is on the export side of the house.

I'll say quite frankly that a lot of CBSA officers are sorely lacking in export training. For example, when we go through major change in export, such as sanctions with Russia—Russia went from being on GMAP and the R in BRIC to suddenly being sanctioned—it takes turnaround time. Often you have the exporters, in many cases SMEs, training customs as to what the sanction says. The officer is stopping it at the border because he just knows that Russia equals bad, and the exporter is saying that the shipment is okay for the following reasons and having to walk CBSA through it.

That sounds like a disparaging remarks against CBSA; in many ways, it's not. Those individuals work very hard. There are a lot of new and changing regulations, and they desperately need training. There needs to be a central focus on how they actually help exporters, especially when it comes to detaining goods.

The final comment I'll make is that they have a definition as to what they consider to be “detained”. I currently have an exporter whose shipment has been held by CBSA for three weeks while they consider whether or not they're going to detain it, because a “detention” is an actual defined term.

Mr. Don Davies: I'm going to move to the subject of people.

I think over the last 25 years we've focused on moving goods and services more efficiently across borders, but people seem to be the remaining frontier, whether it's the visas and transit system at airports, or companies being able to move professionals or senior managers seamlessly across borders to conduct work.

How do we strike the right balance between improving the international mobility of skilled people and safeguarding jobs for Canadians? Do you have any thoughts on that?

Ms. Joy Nott: Actually, not to defer to Corinne, but I think that CFIB might be in a better position to give you a more substantive answer on that one. From Canada's perspective, our members—for the most part, we're talking about business people travelling, and visas and that sort of thing.... Of course, the stereotypical example is Mexico. They're a NAFTA trading partner, yet there is the requirement for visas.

I will shift to Corinne, who I think can give you a more substantive answer.

The Chair: Sorry, Corinne, we're going to have to stop you right there.

Your seven minutes are up, Mr. Davies.

We'll go now to Mr. Gill.

Mr. Parm Gill (Brampton—Springdale, CPC): I want to thank our witnesses for appearing before the committee and helping us with this study.

My question is to all of you. To what extent do you feel that Canadian SMEs know about the full range of trade promotion services that are available to them?

Ms. Corinne Pohlmann: I'll go first. They don't. They really don't.

A number of times over the years we've asked about awareness of these bigger services, and a very small number of people have any idea that they exist. As I mentioned in my remarks, even if they do know, many of them feel as though they're just too small to be seen as being important enough for the government to want to invest any time and energy in them. So it's a challenge, a big challenge.

Ms. Joy Nott: Quite frankly I don't have anything to add to that other than the fact that in recent times we've seen television ads specifically by EDC that speak directly to this issue. So kudos to EDC for putting out those television ads that point to the smallest of Canadian companies and point out to them that they're not too small to export and that they really should be thinking about it. I think more of that sort of mainstream media attention to the fact that these services exist would serve SMEs well.

Mr. Philip Turi: I would echo both of those sentiments. I am amazed by the panel sessions of the Go Global: Supporting Export Success series, which is attended by Minister Fast. We've now done 15 of them, and we've engaged over 2,000 companies or company representatives. At every single session, during the Q and A, which I moderate, there are companies that have no idea that certain agencies, such as CCC, exist. Now, CCC works primarily on behalf of the aerospace and defence industry, but it can also be leveraged by other SMEs.

I've engaged with a lot of companies at this series in particular, the purpose of which, by the way, is to tell the story of which agency can be leveraged for what purpose. Oftentimes companies have no idea that some of these agencies exist. Obviously that fact presents a challenge for all of us. I think we as industry association representatives play a role in telling that story.

In the Go Global series, I usually play the role of the CEO of Canada Inc. and I will walk through the life cycle of exporting. I'll turn to the TCS to identify international opportunities and they will then talk about how they do that. I then turn to EDC to ask what I have to do now that I have a deal. They speak to their various services with respect to deleveraging risk. I can then talk to BDC about their export strategy consulting offering, which can help companies in the early stages, and then to CCC as well if they're doing government-to-government contracting.

That story is a really simple one. We're finding that when we tell that story companies walk away having a very solid understanding of who to turn to and when. That's literally the strategy, right? You turn to each of these organizations for various things. That needs to be your strategy if you're an SME.

• (1610)

Mr. Parm Gill: You mentioned the Go Global initiative launched by Minister Fast. Can you just share your experience with the committee regarding the kind of feedback you've gotten from some of the participants as to how well put together that is? Is it really serving the requirements of some of these SME participants? How well would you say it's working?

Mr. Philip Turi: We keep a close eye on the progress. We have surveys that all the participants fill out and submit. I would say we haven't received a single negative survey from people taking the workshop.

I think that initially we were probably speaking to the converted in terms of who was attending the workshops. I think now after 15 of them they are fairly good productions. We're getting out into smaller communities, so outside of the GTA, for example, and outside of downtown Montreal, and into communities where these organizations, BDC, EDC, and TCS, don't necessarily have a physical footprint, and the feedback has been positive. It's obviously resonating. Companies are walking away with a clear understanding of who does what, and that's the objective.

Obviously we'd like to reach more companies, but with the technology now, we're recording the sessions. They're available online. We just need to tell companies where to go to actually watch them.

I would say the series is going well. It's going to be too bad if we don't continue this series after the election, because I think we've really done a good job of organizing the key government agencies so companies can understand who to turn to, and that's obviously something we're going to have to look at in the future, because I think we've built some really good momentum.

Mr. Parm Gill: For most of the participants that are coming to some of these sessions, do you feel they have had some dealings with a government agency such as the trade commissioner service, EDC, BDC, CCC, and so on?

Mr. Philip Turi: I would say that some are existing clients, but they're not necessarily clients of each of the organizations. What you're seeing is clients of the TCS, for example, coming out and meeting folks from EDC and from BDC. We're doing that by raising awareness through our prospects lists. CME has a prospects list. We all have prospects lists.

All of these prospects are companies that we're either looking at for various reasons. But basically by joining efforts, if they're an existing client of TCS, we're starting to see pickup and they're becoming clients of either EDC, BDC, or even CCC. That was one of the objectives behind how we marketed the series to Canadian companies.

Mr. Parm Gill: I think there's been roughly, give or take, about 15 sessions so far, if I'm not mistaken. What would you like to see done differently with regard to the Go Global initiative? In particular, are there areas of improvement that you would like to see that may be missing?

Mr. Philip Turi: It could always be improved, but we've changed it quite dramatically since the first time we did the event. I think now we have a fairly good format. If you're going to do this event in smaller communities where these organizations don't necessarily have a footprint, the challenge is getting people to attend. Going forward, I definitely have some positive ideas and I'd like to see those implemented after the election.

• (1615)

The Chair: Mr. Gill, that's your time.

We'll move on to Ms. Freeland, please.

Ms. Chrystia Freeland (Toronto Centre, Lib.): Thank you very much, Mr. Chair.

I wanted to start with Ms. Pohlmann.

I was interested both in the data you assembled and in your comment about the need for data. What could the Government of Canada do to collect better data and how would that be useful?

Ms. Corinne Pohlmann: It's been one of the limitations of understanding what the export markets look like for Canadian firms. As I mentioned, the exporter register database, where most of the data that's being analyzed is coming from, does have its limitations. If you export less than \$30,000 in a year, you're not included. According to our data there are quite a number of others that are at least experimenting and trying to get into other markets that way.

Another area that I know we've talked about before is that it doesn't always capture the way business is moving today. There are a lot of small businesses—and I've spoken to them myself—in Canada that have four, five, or six employees and who do all their design and marketing and research here in Canada, but manufacture their products in another country and then have them exported from that other country to other countries around the world. I don't believe they're captured in any way in the export data that exists and there's a lot more of that happening. Or they're part of a value chain, so they're not directly involved in exporting, but they are critical to the export market because their particular component is part of the bigger machinery that is being exported.

I feel we're very limited in terms of the data that we do have and understanding what is happening in the marketplace out there in Canada. I often feel it's under-representing the activity that's occurring. I think we need to do a better job of capturing what's happening in the marketplace.

Ms. Chrystia Freeland: I see Ms. Nott and Mr. Turi nodding violently as you're speaking and I saw that when you made your presentation.

Do either of you have anything to add? Any kind of specific recommendation you could make on how the government could collect data better would be useful to us because we can put it in our report.

Ms. Joy Nott: My comment would be simply.... As you can tell, I wholeheartedly agree with everything that Corinne just said. In answer to your question of what specifically you could do, for the types of transactions where it's the Canadian that's doing the designing, but the manufacturing is happening some place else, then follow the money. There are income tax returns that are being filed. One branch of the Government of Canada has data on what their overall global income is because that money comes home. Follow the money and from following that money you should be able to find a way—I'm not a statistician—to come up with how you can then put some boundaries around what you're trying to quantify.

I agree with Corinne. What's happening is very large and for SMEs usually that is their first true footprint into exporting. Nothing physically leaves Canada, but they're still exporting.

Ms. Chrystia Freeland: Ms. Nott, you may be a statistician, but I think you are a logisticians, which I thought was very impressive.

Mr. Turi, do you have anything to add to that?

Mr. Philip Turi: Not really on the capture side. I was going to just echo that and also echo the comments of the CFIB in the sense that I have a whole host of companies, particularly in the automotive and the aerospace industries, that sell literally to one customer, and they are large OEMs that have a presence here in Canada. That data isn't reflected in the export numbers. They're selling locally. They sell to one customer and they sell quite a bit to one customer, so it would be, again, capturing it through the CRA as a mechanism to track that data.

Ms. Chrystia Freeland: Those answers are really fascinating, because the other area I wanted to ask you about is global value chains, global supply chains, and how we're doing at fitting in.

There's an interesting new report, which I'm sure you've seen, from the Institute for Research on Public Policy by Ari Van Assche, specifically about Canadian companies in global value chains. The argument made in this article is that we are not doing a good enough job promoting the kinds of exports that fit into the global value chains and that we need, when we think about export policy, to really understand that it's not only about us making stuff here and sending it somewhere else, but also about being embedded in global supply chains.

My question, to whoever is passionate about this, is this. Do you agree, and what can we do about it?

• (1620)

Ms. Joy Nott: I'll take that one. I know, that being said, that all three of us are passionate about this. I'm confident we've all spoken about this.

I think what needs to be done, in answer to your specific question, and if you look at my written remarks, which I didn't get the chance to read all the way through.... In many ways a lot of our programs specifically highlight export. I think we need to start changing our vernacular and start talking about supply chains, which include both imports and exports. That's the global game of the 21st century.

The Chair: Excellent.

We'll move on to Mr. Cannan.

You have seven minutes.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you, ladies and gent, for being here. It's always a pleasure.

I just wanted to pick up on my colleague Mr. Gill's comments.

Joy, in your opening comments you mentioned that we need more awareness and better marketing. I just want to clarify. Do you think the Government of Canada should be investing more money in the advertising and marketing of the programs and services available?

Ms. Joy Nott: Honestly, that's a bit of a loaded question.

Do I think they should be investing more? I don't really have an opinion on that. Do I think that at least some money that's already being spent needs to be diverted towards this? Yes.

Hon. Ron Cannan: If you were in charge of the marketing program, how would you see that it could be more effective in reaching your members?

The same goes for Ms. Pohlmann of the CFIB. How do you feel you...?

Both of you can answer that, because you both have members, you're saying, who aren't aware of the program. How can we more effectively reach members?

Ms. Corinne Pohlmann: Again, I think it's by working through organizations like ours. I would suggest that we, ourselves, could do a better job, but I think it's also just getting into trade publications in sectors that are more prone to trade. Manufacturing is a big one, of course. Natural resources and even agriculture are big in trade, and it's important to make sure they understand that these types of services exist.

It's also the messaging that's important. It's the fact that they need to message that they are willing and able to help even the smallest companies. Even if there are three employees, or even if they do less than \$100,000 a year in exports, they can be helped. I think that's the important piece that needs to be really pushed.

Hon. Ron Cannan: There are Go Global workshops that Minister Fast and other ministers have been working on with SMEs across the country. I think on Friday there was the 2,000th participant, so he has had good uptake. Have you had any feedback from your members as far as Go Global is concerned? Are you aware of that and informing your members of these workshops?

Ms. Corinne Pohlmann: It's been a CME thing, so we haven't necessarily been as engaged on it.

We have certainly let our members know, where possible, that these types of workshops exist, but we have not been active. I don't know of any members who have actively been engaged in the actual Go Global workshops.

Ms. Joy Nott: I would echo that. I've talked about the Go Global workshops and I've had people ask me about the Go Global workshops. The one thing that I'll say is that there have been a few SMEs that I've literally tried to push. When you talk to them, you get the same answer, "I'm not big enough yet."

One particular company that comes to mind has 65 employees and is just outside Kitchener-Waterloo. They're currently exporting to the States and have been for about 18 years. They're growing at a decent rate, not super fast but at a decent rate, yet if you talk to that owner, he'll tell you he's still not big enough to go global, which is—

A voice: It's a challenge.

Ms. Joy Nott: It's a challenge.

I think part of the messaging, just to finish my thought on what Corinne was talking about, even in some of the wins.... You tend to hear about the Bombardiers and that kind of stuff. Those big stories get all the media attention. I think we need to start championing the companies nobody has ever heard of and start talking about those little wins, no matter how small, so that people can identify.

Hon. Ron Cannan: I remember being a small business owner myself and you want to look at exporting, but where do you take that first step?

Ms. Joy Nott: Yes, it's very risky.

Hon. Ron Cannan: Where is the comfort zone, right?

The United States has been our biggest ally and will continue to be, and when you go past that, what are all the other roadblocks? I spoke to a constituent this morning and it was the same thing. They wanted to get more comfortable in Canada first before they expanded, and others weren't aware of the potential, so connecting with the trade commissioner service...as you said, they're fantastic. Once they've made that contact....

I don't know if maybe it's the Canadian psyche, but generally, we're less risk takers. There's nothing wrong with being conservative, I must say, but—

•(1625)

Mr. Don Davies: Point of order, Mr. Chair.

Some hon. members: Oh, oh!

Hon. Ron Cannan: —on the other hand we have to continue to encourage Canadians to take that step.

Just one last question, Ms. Pohlmann. As far as your numbers go, looking at the chart, out of the 109,000, are approximately 60% of those then exporting?

Ms. Corinne Pohlmann: No, approximately 20%, 21% are involved in exporting.

Hon. Ron Cannan: Import-export, I should say.

Ms. Corinne Pohlmann: Yes, importing and exporting. It's around 60%, 62%, where they're involved in either one.

Hon. Ron Cannan: When you said those who aren't, there are about, the other 40%, 16,000 potentially.

Ms. Corinne Pohlmann: Could potentially be exporters, yes.

Hon. Ron Cannan: Mr. Turi, thank you for your presentation. You talked about funding for SMEs and easier access.

Can you elaborate on the dollars you're talking about, and how would you see the funding.... You mentioned it could be government operated, or through some other organization.

Mr. Philip Turi: In order to move the needle here, we need to think strategically around tailoring the funding to projects and companies that have the highest export potential, regardless of the size, so a little funding can go a long way, depending on the company.

In terms of the correct model for delivery of this, my group at CME has gone through GOA, the global opportunities for associations program, which is a federal fund for national industry associations. That funding goes towards the SMEs in our membership to help them travel abroad on trade missions. Companies typically get around \$1,500 to \$2,000 to travel on these trade missions. It's nice because it helps to defray some of the costs, but it really doesn't move the needle.

A lot of the companies that travel with us, sometimes it's a first step into a market. They've established some connections and that has led to sustained market penetration. For other companies, it was one mission. They went there one time and it really didn't lead to anything.

In terms of the delivery of this, the concern would be that if the government were to administer this, the administration costs could be significant and the concern is that we want as much of the money going to companies as directly as possible, providing obviously that they're meeting certain criteria, that they have high export potential projects, and that they can sustain the projects over a period of time.

That would be the concern around the government administering it. That was the reason behind the suggestion of a delivery partner, whoever that is, whether it's another government agency or what have you. It's going to take quite a bit of resources to administer this thing.

I can tell you, our experience with SMART, and doing it over eight years, it has taken quite a bit of time to get it up and running. It has to be easy and efficient for companies to access. As was said earlier, companies shouldn't have to engage a consultant to develop their proposal to apply for this funding. They should be able to do it themselves. If they need to access someone for assistance, then that's fine, but if we set it up such that companies are going to have to go and pay someone to apply, no one's going to apply.

Hon. Ron Cannan: Let's just say it's a balance of trying to find the proper administration.

The Chair: Ms. Liu.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): I'd like to start with Mr. Turi, and I want to ask a question that's kind of tangential to exporting. I want to ask a question regarding manufacturing R and D because we recently got statistics from StatsCan on the manufacturing sector.

We found that between 2011 and 2015, R and D spending by manufacturing firms declined by 13.5% from \$7.4 billion to \$6.4 billion. We see that Canada is actually losing ground compared to other countries in manufacturing R and D.

Does that have any effect on our capacity to export?

Mr. Philip Turi: Most definitely. Looking at the most recent budget, it was a good year for manufacturers with respect to the accelerated capital costs allowance, which will allow for further investments in machinery and equipment, and write that off over a period of time.

The challenges are there with respect to investments in R and D in the manufacturing sector in particular. That's why some of the things announced in the budget were critically important. Those invest-

ments in things like R and D have to move in lockstep with investments in growth export promotion.

Why has there been a decline in that R and D investment? There are a whole host of reasons. The point is that companies need to start doing more of it. Access to capital has been an issue. Obviously, there are a whole host of subsectors within manufacturing that are still recovering from the last recession, but I know that companies will take advantage of some of the positive announcements in the budget last week, and that should lead to increased investment in R and D.

Ms. Laurin Liu: Good, so I guess we'll wait and see.

I want to talk to Ms. Nott as well.

You talked about the importance of having a strategy that takes into account imports and not just exports. What would that strategy look like? What would be some of the main aspects of that strategy?

• (1630)

Ms. Joy Nott: I can't really comment at this point on specific industry sectors because we have members from all over. I could take up your whole day talking about different examples of what that would look like.

I've been in international trade myself for almost 35 years and when you actually sit down at a table where it's two business people—no government people in the room—pounding out a deal, what usually ends up happening is an exchange, a little bit of this for a little bit of that. It's a give and take. I think that any kind of an international trade strategy where we focus solely on exports and we're not really looking at what our trading partners are trying to accomplish by signing a free trade agreement with us is doing us a disservice.

I think that when we are encouraging SMEs and when the trade commissioner service is out there, we should not only be dealing with companies that are directly exporting but we should be trying to engage trading partner to trading partner and basically coming up with win-win scenarios.

Take Korea and beef as an example. We have beef that they really want. What are they really looking at doing and what are they targeting to come into Canada and how do we facilitate that? We should take a different tone with our trading partners as opposed to we're here to export and we don't want to talk to you about what you want to import into our jurisdiction.

Ms. Laurin Liu: So would that be a change in approach essentially?

Ms. Joy Nott: A big change.

Ms. Laurin Liu: That's really helpful.

I want to move on to you, Ms. Pohlmann, because I know that you wanted to add something about Don's question on the movement of people and I just wanted to give you a chance to speak on that.

Ms. Corinne Pohlmann: When it comes to movement of people of course there is a lot of discussion around how easy it is to move people in and out of Canada. Some of the challenges our members have faced when it comes to the trade-related movement of people have been things along the lines of service people who were coming into Canada going into another country in order to service a piece of equipment belonging to them.

Some of the issues that come up are more about clarity of rules. It's really an important part of this. The businesses will do what they have to do but they need to understand what they have to do. Often it's very confusing if it's this type of worker, or if it's this type of executive, or if it's this type of person who you're bringing across the border. There are all different types of rules and it can get very complicated. I think that's where clarity has to be brought into the picture.

Even between Canada and the U.S., we have very different rules when people cross. Even when just a service person crosses the border, it's a different rule in the U.S. when a Canadian goes into the U.S., than when an American comes into Canada.

As a company, you're just trying to move your people to make sure that the equipment is getting fixed as quickly as possible, but you have to understand what those rules are and it's not always clear. That's always been our first objective, to make sure you have clarity in what is needed to get that person from one place to the next. That's probably the most important to me.

Then we can get into the whole need for temporary foreign workers or not, but I don't know if this is the forum for that. When it comes to just that mobility of labour I think that's an important piece of it.

The Chair: We're going to have to stop you right there and move on to Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Chair.

I do also want to start by welcoming our witnesses and thanking them for taking time out of their busy schedules to come share their thoughts with us today.

As everyone in this room is well aware, Canada is a trading nation and one in five jobs and 60% of our GDP are linked to exports. As trade increases so does our nation's prosperity. It is therefore quite essential that we take steps to remove barriers to trade and that we assist our businesses both large and small to compete in the global economy.

In our recent budget the government announced the creation of an export market development program, which will work with small and medium-sized enterprises as they explore and pursue new export opportunities. The program would provide a total of \$50 million over five years in direct financial assistance to entrepreneurs seeking to export to emerging markets for the first time. The idea is that the program will assist with participation in trade fairs, missions, and market research.

In your opinion, will a program such as this one help Canadian entrepreneurs manage the cost of international expansion? Could you please say something about that?

Mr. Philip Turi: One of the questions that comes up often at the Go Global sessions—it's directly related to your question, and I wanted to mention earlier there was a question around the take-up of these things—is that there are two panels. One of them is about what each of the government agencies does. The other panel is a panel of CEOs of companies that no one's heard of, for the most part, unless you're really involved in certain sectors. These are companies talking about how they exported, how they took that first step, the challenges that they encountered, and how they worked with local government officials to export. That's something to keep in mind.

The question that comes up often is “What's the spend?” SMEs will often look at a foreign market—and let's discount the U.S. because that's usually the default foreign market. When they're looking at a new market, a non-U.S. market, often companies will think about what the budget is that they will have to put together to penetrate that market. It's highly specific to the company. Some companies' export strategies are working through sales agents and through distributors, in which case often they'll go to a market for the first time and they'll establish a relationship with distributors. The spend for those companies is highly dependent on their ability to get to that market and the business relationship with those distributors.

For other companies that are importing with a view to exporting to a large multinational, or tapping into a large supply chain, their spend is also very different. That's one of the reasons why in my comments I was talking more about structuring the fund so the number one criteria is high export potential. That includes putting forward project ideas that may have selling into a supply chain or global value chain as part of the project criteria or part of the project description. To me, and to CME, that should be more equally weighted in terms of value, than a company who's saying, “I'm going to sell product A to a foreign market.”

It depends on the company and therefore the spend depends as well. That's why, I think, we have to structure it to a maximum amount. Companies should be willing to put forward matching funds. If they're going to be serious about this type of investment then they need to think about how they can manage that by putting forward matching funds.

• (1635)

Mrs. Nina Grewal: Obviously the United States remains a wider market for Canadian exporters, but as we have seen from previous testimony before this committee, our companies are doing business around the globe. From your experience, where are the trade opportunities arising? Are they from countries like China, India, Brazil, or are any other emerging international markets of equal or greater significance?

Ms. Corinne Pohlmann: I'll take that one.

I hesitate to create a program where you're limiting which market people should go into because for some reason it's been regarded as a target market. Putting the U.S.A. aside, perhaps that's the one market you don't include because it is a bit easier, but even then I would suggest for some very small companies that's the first step they're going to take.

I would be hesitant to suggest which country because you never know. The winds change as Joy noted. Russia was once a darling we were supposed to be going toward, and now it's a place we're not supposed to be exporting to. It can really change, and I think you need to leave it up to the businesses themselves to create the case as to why they think their product will be of benefit to that particular market. I don't completely agree with Philip, but I do agree with the fact that they need to show they're willing to put money and time into that market in order to make it a success. That has to be part of what they have to show in their application.

The Chair: Okay, I'm going to have to stop you right there. Unfortunately your time is done.

We'll go to Mr. Morin. You have five minutes.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Thank you, Mr. Chair.

Ms. Pohlmann, you spoke about the fact that companies do not know about the programs available to them. I would like to turn things around. Do you think the agencies and the government know enough about the businesses to be able to create programs that are adapted to their needs and that meet their requirements?

[*English*]

Ms. Corinne Pohlmann: I think what you're suggesting is correct. They don't necessarily understand, and I think a lot of these agencies are set up for a more traditional type of export firm where it's a commodity or a good, and they're doing it from Canada. They are exporting to another country. What I don't think the government, the trade commissioners, and so forth, are set up to understand is this idea of moving into supply chains and how to support those types of companies, or companies that are based here but manufacturing elsewhere, and how to support those types of companies, which are a growing part of our economy. I think that there is a bit of a disconnect between what the government agencies are supplying and what it is that's happening in the marketplace.

• (1640)

[*Translation*]

Mr. Marc-André Morin: We are talking about programs to support exports, but government policies can also be obstacles. For instance, there is a company called Enzyme in my riding that specializes in adapting video games. I saw the problems firsthand. The company was adapting video games into Kazakh and needed programmers who spoke Kazakh. If a job like that was posted at the Saint-Jérôme employment centre, I'm sure they they would not find anyone.

Shouldn't we have an industry development policy in Canada to enable the companies to grow and survive locally? Exporting could come later.

[*English*]

Ms. Corinne Pohlmann: Now you're talking about all of the other issues that we certainly work on within our organization.

Even our data tells us that a good chunk—60% or so—are not ever going to get involved in export because it's just not exportable. However, definitely barriers around red tape within Canada and

standards... Even within Canada, going from one province to another, there can be barriers. I think we need to fix those just as quickly as we're trying to fix some of the international barriers.

In fact, some of the work on internal trade that's ongoing is promising for the first time. It shouldn't be easier to do business in the United States than it is to do business in another part of Canada. We should encourage companies to do more trade within Canada, and there are still too many barriers in place for some of them to do that.

[*Translation*]

Mr. Marc-André Morin: Mr. Turi, I think you spoke a little earlier about the criteria, particularly that a company's export potential should be considered more seriously.

I have another example. A company in my riding managed to develop a product with huge potential. Its representatives made contact with buyers in Japan, but the company needs \$15 million in inventory as a guarantee to insure orders with Japanese companies. It's a great project with unlimited potential. However, if the company does not get any help, it will have to make do with the local market. It might export to the United States, but that will be all.

What can we do for cases like these

[*English*]

The Chair: You're going to have to respond very quickly.

You've used your five minutes up, Mr. Morin.

If somebody wants to give a five-second answer, that would be fine.

Mr. Philip Turi: In five seconds, from my comments earlier, that would be a perfect example.

A company in that situation should be able to apply to this fund. That is a high export-potential type of project. As part of their project, it should be using government services. If they're not, that should be something that we consider. That would be a perfect project for this fund to actually go into and invest in.

I agree with you.

The Chair: Okay, you're on point there.

The floor is to Mr. Allen for five minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Chair.

Thank you to our witnesses for being here.

Mr. Turi, I'd like to start with you. I want to pick up a bit on the accelerated capital costs that you mentioned.

One of the things we heard in our finance committee prebudget consultations, specific to ACCA, was trying to make sure that Canada was on a level playing field because companies are making investment decisions—here, or in the U.S. or Mexico—based on different tax policies. They were able to do that.

Do you see this 10-year window, which is a pretty significant extension over the two years we've been doing in the past, as having potential? Could it have more business investment here to become exporters, as opposed to in the U.S., Mexico, and importing?

• (1645)

Mr. Philip Turi: With regard to early signs from our membership, absolutely.

The fact that it's been extended to 10 years, that's almost indefinitely. Companies looking at the extension—from what we're hearing from our member networks—are now considering investments in new machinery and new equipment to do exactly the things that the government program was intended to do. The timeframe is perfect. From our view, that's effectively indefinite for now.

Mr. Mike Allen: Ms. Pohlmann, on your pie chart where you talk about who's exporting and who's not, and then the other one on if you have traded in the past three years, were these point-in-time types of things, or do you have previous years of this data so you could see trends?

Ms. Corinne Pohlmann: We have some. I wouldn't say it's consistent going back a long time, but we do have some data from 2008-09, which is fairly consistent with this one from 2012. We're going to be collecting some data as well—we're doing it right now—that's going to be similar to this, so we can see if any of this has changed in the coming months as well for this past year.

Mr. Mike Allen: Okay, I appreciate that.

One of the comments you made on the export market development program was to focus only on SMEs by placing limits on the size of the companies that can access program. The other comment we've heard from others before is that we should be targeting companies that have export potential. I'm not sure that those are consistent principles. I'm sure you're all hoping to get to the same objective, but I'm not sure I see the same principle.

If we're going to be targeting, is there a framework for doing this so we achieve all the objectives we're trying to?

Ms. Corinne Pohlmann: I know it's a tough one, but this is supposed to be focused on small and medium-sized enterprises.

Too often what happens in these funding type of programs is that larger firms tend to be able to take advantage of them more quickly because they have the resources and the people to do the research and get the work done and get it in, and then the funding's gone. By the time a typical small business is even aware of the program, the money's usually gone. That's why I think it's important that it be focused on smaller exporters, or those that intend to export and have that limit, because there are other opportunities for larger firms to access some of these types of money. This really should be focused on that. If there's a need to continue to increase the threshold, then I would worry that it would end up being more the medium-sized firms only that are going to be accessing it.

Mr. Mike Allen: Thank you.

Ms. Joy Nott: I agree with that and I would just add that there are many other programs, so keep the threshold to really mean small to medium.

The other thing that I would add is that often many programs in the past have had a qualifier that you have to show some sort of track record. You have to have a history of exporting. I would say in this particular case, get that off the table. Sometimes you have people who...so that's the one thing that I think is really important.

Mr. Philip Turi: If I could just add to that, I think that the size of the company, those types of criteria that in the past may have been hurdles to taking advantage of a public program, I don't think that those should limit any company from applying. I think the number one criterion, the number one objective, should be the project itself or the company and the size of the opportunity.

The example from the honourable member was a perfect one, a small company that probably would have been precluded from applying to other government programs, perhaps even from using the services of existing government agencies, but nonetheless has a project. They have a foreign buyer, huge export potential, and they shouldn't be precluded from funding simply because of their size or their lack of experience.

Mr. Mike Allen: I have a last quick question on the trade commissioner service. Some have said it's almost as if we're going from a mile wide and an inch deep to something else. If we spend on that and you make this broader, how do you continue to keep these TCS people effective and keep their training up to speed? It seems to me that it's going to be a challenge.

Ms. Corinne Pohlmann: I'm not suggesting that everybody be broad; I think you need your specialists. The specialists can be referred to when people come from those various sectors, but you need to have a layer that can manage those more general questions that small businesses are going to have.

The Chair: Thank you.

We're going to Mr. Adler, please. You have five minutes.

Mr. Mark Adler (York Centre, CPC): Thank you very much, Mr. Chair.

I'm just here for the day, but I do have a couple of questions.

Canada has huge diaspora communities. Would you care to comment on those inherent advantages that Canada has, given those diaspora communities, to access markets where people speak their own languages?

• (1650)

Ms. Joy Nott: I completely agree with you. In the part of my comments that unfortunately were just going a little over, I didn't get the opportunity to explain that's what I mean when I say our Canadianness. Canadians are known because we're friendly, we're honest, we're easygoing, and all that sort of stuff. We're also known as being truly multicultural, and I think that is a huge advantage that we need to be taking advantage of more by incorporating that into a strategy where that's a conscious element, and looking to a certain extent at targeting within certain markets.

I know a lot of our members are telling us that they have open positions they'd love to hire people for, but there's a mismatch of what's in the marketplace compared to what their needs are in many cases. I think with that focus on specific market opportunities when you come to international trade, and then on groups here in Canada that come from that specific market, there should be some sort of conscious effort made to connect those dots.

Mr. Mark Adler: Whose responsibility would you say that would be?

Ms. Joy Nott: I think, for the most part, that is the employer's responsibility. Often, when you are talking about small to medium-sized businesses, a lot of government programs, including things like the trade commissioner service, are subject matter experts that a lot of these people get ideas from. They get general guidance from these sorts of programs. The Go Global program and the trade commissioner service give some good ideas to entrepreneurs and people who are looking to grow outside of Canada.

Mr. Mark Adler: We have some very favourable economic conditions here in Canada. We are number one in the G-7 in terms of job creation. We have the lowest federal corporate tax rate. We have seen a huge rise in investment in Canada as a result. We do seem to have some inherent competitive advantages.

My question is for Ms. Nott, and maybe Mr. Turi can also chime in on this. Are investment conditions favourable in the sense that, rather than being an importer, companies are looking at Canada and saying, "You know what? I want to set up in Canada and invest in Canada, given the favourable economic and business conditions"? How much of that are you seeing?

Ms. Joy Nott: I can jump in first there.

I have probably fielded more questions on that particular topic in the past year than I have in the 10 years prior to that. Quite frankly it's because of CETA and the fact that Canada will have free trade agreements with the United States and Mexico, because we are first movers. I am getting asked a lot of those questions because people are considering Canada as a strategic North American footprint.

Then, they are a little bit discouraged by some of the regulatory frameworks that are around it. I am not going to go into any detail. I'll just say that I refer to something like an export ombudsman, because you have other government agencies that sometimes will put regulations in place that actually act as domestic hurdles to exporters. It is not intended to be that way. Sometimes it is necessary, but we need to be conscious of that.

Mr. Mark Adler: Okay.

Mr. Turi, would you like to comment on that?

Mr. Philip Turi: I would echo Joy's comments. My team gets an email almost daily right now from our partners in the EU, in particular, for incoming missions. We have one right now coming in from Portugal. We have others coming in from Lithuania, the Netherlands, and Poland. There is a lot of interest in investing in Canada. I think it has caught on. I would also echo Joy's comments that they are also very concerned about regulations, standards, bringing people here, finding space, all those normal types of questions.

Mr. Mark Adler: The fundamental business conditions and economic conditions are getting out to the world, and the global business community is learning about that and taking a hard look at Canada. Is that right?

Mr. Philip Turi: Yes, I would agree.

Mr. Mark Adler: Good, thank you.

You have 10 seconds—

The Chair: It's four.

Mr. Mark Adler: —the Canadian technology accelerator: comment.

Some hon. members: Oh, oh!

Mr. Mark Adler: Can somebody comment quickly?

• (1655)

Mr. Philip Turi: Are you talking about the accelerator program that is being run by DFATD and some of their—

Mr. Mark Adler: Yes.

Mr. Philip Turi: I know that there has been interest, particularly among the start-up communities in Canada. There are the funding challenges for those companies that are looking to access capital, but the fact that there is a presence for those start-up companies, particularly the technology companies, in foreign markets is a good thing. There is a lot of interest, so we are going to see more of it.

The Chair: Thank you. I am going to stop you there.

Mr. Davies, you have seven minutes.

Mr. Don Davies: Thank you, Mr. Chairman.

I have heard, not only from this panel today but from other witnesses, that of course not every SME can export. We have the corner grocery and the local dentist. There are many SMEs that simply won't be able to import or export. You have identified the importance of trying to hone in on particular companies or businesses that may have increased chances of finding success on the international level. Can you identify any sectors or industries in the economy, broadly speaking, that you feel are the best candidates for international trade success?

Ms. Corinne Pohlmann: I can probably take that one because, in some of the surveying that we do, we can look at it by sector as well. I do have some of that data. Traditionally, manufacturing is by far where you are going to get most of the opportunities, and we represent about 12,000 to 13,000 small, independently owned Canadian manufacturing companies. Even in that group, only about 10% to 15% are involved in export trade. I think there is a huge opportunity there.

Agriculture, I think, is another sector in Canada. Our food safety rules are considered top-notch around the world, despite some stuff in the last several years, but we have a good reputation. I think that is another area of great opportunity.

Even natural resources... We are seeing a bit of a slump at the moment. We have expertise in that area that, even on the small company level, can definitely be exported and sold into other countries.

Those are the three sectors that, among our membership, have the highest proportion already involved in trade. Those businesses are still a minority. Those are the three I would identify.

Mr. Don Davies: I'm going to shift a bit to e-commerce. We had a witness from Google come to our committee last week. It seems to me that the growing importance of the Internet and the worldwide connectivity and e-commerce has explosive potential for SMEs. It's not like in the 1970s, where you had to send salespeople to China and they had to go back every three months for two months to learn. It would seem to me that never before have we had a greater ability to research markets and learn about them, to market our own goods and services, to conduct commerce, and to basically do business electronically.

I'm just wondering, are there any government policies that you think would help your members better access that technology to help them get their goods and services flowing?

Ms. Corinne Pohlmann: I agree. I think e-commerce has huge potential. I think for very small firms it's actually through the Internet that they finally get exposure to other markets, and then somebody somewhere else comes to them and says, I'm interested. That's often how those conversations start.

On government policy, I'm not so sure. I think there are other barriers around the cost to set it up, and that's not always the technology side. Sometimes it's the actual ability to accept payments, for example, that can be very costly. That can be a barrier for some small firms. Understanding what the rules are when you sell product to another country, those are the types of barriers that I think small businesses will face when it comes to e-commerce, but I agree; I think it has huge potential.

I hesitate to say whether there's some government policy that can encourage that. I think it's something that's more about new technologies that can help open up and lower the costs of getting into that world. That will do more than anything else in getting e-commerce more accepted.

Mr. Don Davies: I have four minutes left. I've one more question, and then I'm going to give each of you one minute to answer my last question.

I want to talk a bit about green technology. I'm hearing a lot about green technology, environmental services, being a multi-billion dollar, many-billion dollar sector for many countries in the years ahead. Do you have any ideas for how we may stimulate our SME sector in terms of tapping into green technology or environmental goods and services around the world? Do you have any members who are pushing in that area? Would tax incentives help? Are there any kinds of programs that—

• (1700)

Ms. Joy Nott: I'll jump on that one first.

There was something that came about eight months ago or so, six to eight months ago, the environmental goods agreement, which is being negotiated globally. Canada's at the table and looking at that.

What the program basically is looking at doing is reducing duty rates and other traditional trade barriers to encourage green goods, goods that are specifically defined as being "green", to be traded to try to enhance the economic attractiveness of those goods. I know that when DFATD came to us to find out from our members what the uptake or interest for that would be, it was very great when it came to very specific products. Then on the services side—granted we don't generally deal with companies that sell services, so I would have to default to Corinne for that—there was a lot of interest, but in a very Canadian way, very wait-and-see until there was more....

I would say that as long as we stay plugged in to what's happening globally, we can't be behind what's happening globally.

Mr. Don Davies: I think the Obama administration has done some work in that area of trying to reduce tariffs to zero for all environmental goods and services as a means of stimulating. It not only is good for business, but it may be good for the environment as well.

In my last time here, I want to give each of you a minute. I'm now deputizing—

The Chair: You only have a minute left.

Mr. Don Davies: I have a minute, so you have 15 seconds each. If you could do one thing, if you could advise the government to do one thing that would help SMEs increase their international trade, what would it be?

We'll start with you, Mr. Turi.

Mr. Philip Turi: Obviously, continuing to open markets is huge, so let's continue to invest in opening new markets. That's vitally important. With respect to the direct funding, follow some of things I was outlining earlier. Let's not put up too many barriers, let's not create limitations based on size and history, and let's look at the export potential of each project. It doesn't have to be a massive type of fund where we're funding thousands of companies. I think that if you focused on smaller companies, greater impact, more potential, I think this would have a better chance of moving the needle.

Mr. Don Davies: Thank you.

Ms. Nott.

Ms. Joy Nott: I would say advertise, advertise, advertise, and no, that doesn't necessarily mean television commercials and an extended budget. That's not what I'm saying. There are things like Facebook, Twitter. There are all kinds of things. Get the word out there for what services are available.

Mr. Don Davies: Ms. Pohlmann.

The Chair: Very quickly....

Ms. Corinne Pohlmann: Reduce trade barriers. Ultimately, that's the biggest impact for a small company. Whether that's a free trade agreement or whether that's importing into Canada through CBSA, just try to reduce them as much as possible.

The Chair: Mr. Cannan, you said you wanted a couple of minutes.

Hon. Ron Cannan: Yes. Thank you.

You mentioned green technology. I spoke with a constituent today and one of the services they provide is fencing for agricultural communities and farmers who need electrical fencing. One of the aspects is that they don't have access to power, so they use solar panels in the rural areas. They try to support Canadian businesses all they can, but they're buying their solar panels from China. They just got a ruling under the Special Import Measures Act, and it's gone up over 200%. It was initiated by four Canadian companies in the solar industry trying to stay competitive. So here we're penalizing a Canadian company that's trying to promote the use of green energy, but Canadian businesses can't buy the product as supplied by Canadian businesses.

I understand what you're saying, that we're trying to promote and we want to promote green technology, but we also are a globalized world and when government interferes.... If everything is level and we have a fair trading field across the world, that's great. That's why trade agreements are so important, I believe. You eliminate those unfair taxes and subsidies. Wouldn't you agree?

Ms. Joy Nott: I would agree; however, Canada, like any country, still needs to be prepared to take corrective action when other countries are dumping goods or are unfairly subsidizing or doing

some things that quite frankly aren't fair. If you leave business to business to deal with itself, the market will dictate price. The market will dictate all kinds of different things. When foreign governments start getting involved, you have....

I don't know why the dumping was placed on the Chinese solar panels. Whether it be subsidization or whatever else, Canada needs to be prepared to take a defensive posture in those circumstances.

Hon. Ron Cannan: The Canadian International Trade Tribunal, separate from government, oversees that, and there's the WTO. I think the balances are there. That's just an example.

Ms. Joy Nott: Yes. They're supposed to determine injury, right? Obviously, if it was not being fair to the Canadians, they had to do what they had to do. I think most Canadian traders understand that. It's difficult when you get foreign government policy that's actually not good for our economy. There's not very much we can do about it.

● (1705)

Hon. Ron Cannan: Thank you for that.

The Chair: Thank you, witnesses. It was great having you here. I appreciate your spending some time with us.

Colleagues, if you can just hang here for five minutes, we have a little bit of housecleaning to do before we adjourn the meeting.

[Proceedings continue in camera]

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