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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Thursday, November 22, 2018

• (1105)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** Good morning, everyone, on this cold November Ottawa day. I hope nobody had too many problems getting here. Welcome. We're continuing our study dealing with the opportunities from our international trade agreements and how we can help small and medium-sized enterprises. We have with us five stakeholders.

Some of you have been here before but if not, we're going to give you guys the floor first. Try to do it in around five minutes each—that would be preferable—and then we'll open up the dialogue with the MPs. Without further ado, we're going to start off with the Coalition of Concerned Manufacturers and Businesses of Ontario.

Ms. Bamford, go ahead. You have the floor.

**Ms. Jocelyn Bamford (Vice-President of Automatic Coating Limited, and Founder, Coalition of Concerned Manufacturers and Businesses of Ontario):** Thank you for inviting me to speak today.

I'm not a lobbyist. I'm a business owner. We have a small company in Scarborough. It was started off by my father-in-law as a washing machine repair company, and it's grown to 92 people. We have over four patents for new technology developed here in Canada and we hope to export worldwide.

Ninety-two per cent of all companies in Canada are 100 people and below. I want to reiterate that. It's a big difference between small business and large business, and a lot different from the United States, which tends to have a gradual increase in business size. We have a lot of small companies, and then we have large companies.

Small and medium-sized companies are the lifeblood of the economy. We pay for everything. Without us, there are no schools, no hospitals and probably no politicians as well. We have to keep that in mind. What we do is put money into the economy. We give people jobs so they can pay taxes.

If you want to know what you can do to help businesses, the best thing you can do is to go back to your ridings and talk to those businesses. Don't make them come to you. Go to them, because we're just trying to survive. We're trying to keep the lights on and people paid.

You've asked me here to give you my advice on how to help business. Here's what we need. First of all, and most importantly, we need to be able to compete. We're not competitive in Canada due to

the fact that our energy pricing is not competitive. I pay three times what I would pay for electricity if I moved my business to the United States. I also have to deal with cap and trade and carbon pricing. That adds costs that make it impossible for me to compete worldwide.

You can negotiate all the trade deals you like, but if we're not competitive, we're not going to be able to compete with those trade deals, and it will just be a vehicle for other countries dumping their product into ours.

There is also the tariff situation. Right now, there's talk of tariff waivers for LNG. We supply to the oil and gas industry. That will prevent fabricators, coders and steel companies from working on projects that are Canadian. We think that's fundamentally unfair.

The tariff situation is very inconsistent. One of our members makes screws and bolts. He tries to source as many Canadian products as he can, but there's one product that he can only source in the United States. He pays a tariff on that, and then he has to charge more to his Canadian customers who pick up that specific nut and bolt. He has a very innovative nut and bolt. Probably people think that's boring, but those nuts and bolts last a lot longer than anyone else's nuts and bolts. He has to charge more to his Canadian company. When he exports them to U.S. companies, he does get a tariff waiver, but those U.S. companies end up selling back to the Canadian companies for less than what he could sell to the Canadian companies. We think that's unfair.

We need assistance in exporting our innovation. We need ways to take small and medium-sized businesses that have great innovation and technology and pair them up with larger companies that have footprints to get our products to market. That would be a very helpful way to get our products to market.

We need equity and fairness. About six weeks ago, I saw the economic strategy tables. I was horrified, because when you read those economic strategy tables, it doesn't say we're going to create a level playing field where people can rise or fail on their own innovation. It says, we're going to pick the winners and losers. We're not going to help everybody. We're going to decide who's going to succeed and who will fail. We think, for a government that talks about equity and fairness, that is fundamentally not fair and not equitable.

We are also concerned about the strategic innovation fund. Again, we want everyone to be able to succeed and fail on their own merit, and not have government pick the winners and losers.

We need pipelines built so that we can have affordable energy and be able to sell our products. We're concerned about C-69 because we believe it will make us less competitive.

We need the trade commissioners to be more effective. They don't need to be diplomats. They need to be salespeople. For four years, I've been trying to get one of my patented products, which could be utilized by navies around the world, to Australia. I have yet to get an appointment with the Australian navy through our trade commissioners. We need our trade commissioners to help us set up appointments so that we can get in and show them our technology, which is world class.

I'm concerned that if we don't do some things to make us more competitive, then companies will leave. We've seen companies leave or take their growth and move it outside to the United States, so our wonderful success and innovation in Canada will be another country's success story. We think that's going to be a tragedy.

**The Chair:** Thank you and good timing. You're right on and you didn't even read from notes.

**Ms. Jocelyn Bamford:** I don't. I spoke from my heart.

**The Chair:** That's the way we want to hear it.

Thank you for your presentation.

We're going to move over to the Business Council of Canada, who's not a stranger to coming in front of us. Thank you for coming again.

Go ahead, sir. You have the floor.

**Mr. Brian Kingston (Vice-President, Policy, International and Fiscal Issues, Business Council of Canada):** Thank you, Mr. Chair and committee members. Thanks for the invitation to take part in your study on connecting SMEs to new markets.

The Business Council of Canada, as you know, represents chief executives and entrepreneurs from 150 leading Canadian companies, from all sectors and regions of the country. Our member companies employ 1.7 million Canadians, which accounts for more than half the value of the TSX, contribute the largest share of federal corporate taxes and are responsible for most of Canada's exports, philanthropy and private sector investments in R and D.

Canadians rely on international trade to prosper. The trade of goods and services now represents 64% of our gross domestic product and, according to Global Affairs Canada, one in five jobs can be directly linked to exports. Recognizing the importance of trade to the Canadian economy, successive governments have negotiated free trade agreements to enable companies to access these new markets around the world. Put simply, trade agreements create a level playing field for companies to compete in foreign markets. They open markets to Canadian businesses of all sizes, not just large companies, by reducing trade barriers, such as tariffs, quotas and non-tariff barriers, and they create more predictable, fair and transparent conditions for businesses operating abroad.

Canada now has an impressive suite of trade agreements available for businesses to use. We have 14 trade agreement in force and, of course, with the CPTPP, the comprehensive and progressive trans-Pacific partnership agreement, we will have free trade with over 60% of the global economy. This gives Canadian companies preferential access to over 90% of existing export markets and it uniquely positions Canada as the only G7 nation with free trade access to the U.S., the Americas and the Asia-Pacific region, including three of the world's four largest economies. We're truly in an enviable position, when it comes to our free trade access around the world.

Unfortunately, though, few small and medium-sized businesses have the capacity and resources to be first movers into international markets and most often, we witness big businesses leading the way. In fact, large enterprises represent only 2.6% of all exporting enterprises in Canada, yet they're responsible for over 60% of our total exports. Therefore, if Canada is to improve its trade performance, we need to change that ratio and help SMEs trade more and be responsible for a bigger share of Canada's exports.

Research we've done shows that Canadian SME exporters generally have better chances of surviving in emerging markets, if they're older when they enter, export to an advanced economy first, introduce new products more often and have access to financing and more export destinations.

We also find that technology-enabled SMEs that sell through online platforms are much more likely to export and to reach foreign markets than traditional large multinationals, although of course, their sales will be significantly smaller.

We believe that Canada's trade commissioner service does an admirable job of promoting Canadian exports abroad and supporting SMEs going global. We would like to congratulate the government for yesterday's announcement in the fall economic statement of an export diversification strategy that included \$184 million, over five years, in new funding for the trade commissioner service. We think this is long overdue. Our trade commissioner service, when compared with other similar agencies in other countries around the world, is underfunded. We think this is a very valuable investment that will pay off, not just for SMEs but for large companies as well that use the trade commissioner service.

One area where we think there is some room for improvement is to see some better coordination between Export Development Canada, which is responsible for export financing, of course, and the Business Development Bank of Canada, which is responsible for supporting small and medium-sized businesses with the trade commissioner service. EDC and BDC service offerings, in support of going global, should be complementary and include a direct link to services offered by the TCS. There has been progress made on this in recent years, but there's still no explicit protocol between EDC, BDC and the trade commissioner service to make sure that Canadian exporters, SMEs in particular, are aware of the full suite of services that the government provides. It could be a single window or simply a protocol to ensure that there's better communication and coordination among those agencies, so that SMEs and large companies see the suite of services and are able to access them all at the same time.

Canada's impressive suite of free trade agreements, including CETA and CPTPP, will be more beneficial to Canadians, if there is broader awareness of the deals and tailor-made services available for exporters to take advantage of the market access negotiated.

With that I conclude my remarks. Thank you for the opportunity.

• (1110)

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

We'll go now to the Canada China Business Council. We have the president with us.

Mr. Shantz, you have the floor.

**Mr. Graham Shantz (President, Canada China Business Council):** Thank you very much.

Mr. Chair, vice-chairs, committee members, I'm Graham Shantz, president of the Canada China Business Council, or CCBC.

This year is our 40th anniversary as a national non-profit organization that's been dedicated to doing more and better business for our 350-plus members with China. Our members represent all sectors of the Canadian economy from coast to coast. We have six offices today, four in Canada and two in China. We've just announced that we're going to open a fifth office in Canada—in Halifax, Nova Scotia, Mr. Chair—which will give us an ability to do what we've done for a long time, which is to support Canadian companies in their China strategies. Those offices largely support SMEs.

Since we started in 1978, China's economic reforms have driven China's rapid growth. Our larger members have obviously benefited from that growth. On the export side, think of China's emergence as a major, or "the" major importer for Canadian exporters of pulp, coal, grains and oilseeds. Our large insurance and banking members have established a substantial presence in China. Our pension fund members have been expanding their investments and their China footprints. One last very important point is that our large members from our beginning 40 years ago have viewed membership in the Canada China Business Council in part as a public good to assist other Canadians companies, SMEs in particular, to figure out how to do business with China.

Recently China's rapid economic growth has led to a fundamental change in what it's meant for Canadian companies—specifically, the emergence of China's new elite wealthy. These are the new consumers who've discovered our east coast seafood, who are touring Quebec, who've invested in our Ontario and B.C. wine industries, and whose children study in Alberta's universities and colleges. There are Chinese private equity firms that are taking stakes in small start-ups in my hometown of Waterloo, Ontario, in the IT sector. Chinese tourists are visiting Canada's north.

I should also emphasize that our membership is about 70% SMEs. About 20% of our total membership is made up of educational institutions here in Canada. A significant number of our SMEs are also tourism-related. I believe this point is fundamental for your work as a committee. We often talk about exports, but the impact of China's growth for Canadian SMEs is fundamentally a domestic story as well in the area of education, and tourism in particular. There are some things that can be done to make sure that, on the tourism side specifically, Canadian SMEs are ready to take advantage of the world's largest outbound tourism market, which is the Chinese market. My understanding is that tourism represents roughly 2% of Canada's GDP. When I was in government, serving as our ambassador in Spain, it was 9% of GDP in Spain.

My point there is twofold. One, we can do better in terms of tapping into the China market, which is the largest outbound market, in support of our SMEs. The other thing is that we should be targeted in what we do to help Canadian SMEs benefit from tourism in general, and obviously with this role from the China side in particular.

On the more classic issue of SMEs in China, every couple of years we poll our 350 members. The vast majority of those members, as I mentioned, are SMEs. I'll highlight briefly what their experiences are in China and what they're looking for in terms of support.

The membership has consistently identified several high-priority issues for their China businesses. Finding a reliable local partner is a challenge, one of the keys to success and one of their major challenges in trying to get into the China market. The SMEs have noted that staying current with national and local regulations in China is fundamental to their success. In addition, understanding the different business culture, and the culture in general, is critical. There's been a lot of media attention put onto intellectual property protection. Without understating those challenges, it's worth noting that IP protection has fallen lower on the list of challenges for our membership broadly and the SMEs as well.

In these opening remarks, I'd also like to highlight what the CCBC is doing to help our SME members. We operate two incubation centres, as we call them, one in our Beijing office and one in our Shanghai office. We've rolled out SME training coast to coast in each of the last two years. This is in five cities in Canada. We're developing, internally, training modules for SMEs, which will cover a whole range of issues to try to address what SMEs' concerns are with respect to establishing in China.

● (1115)

The China market is hyper-competitive and it's cost sensitive. We're doing work in China through our two offices there promoting Canada as a destination for investment in secondary and tertiary cities in China.

Should committee members want to explore any of those topics I'm happy to do so in the Q and A section.

Finally, to the committee, on November 12 our board recently launched an initiative to look at what we as a business council can do to assist Canadian SMEs that are owned and run by women, first nations or young Canadian entrepreneurs in their China-related efforts. We're in the consultation phase of that effort and any views that you have or the work of your committee will be quite interesting to us as you continue with your work.

Thank you.

● (1120)

**The Chair:** Thank you.

Those are very impressive numbers on the activity between the two countries.

I would never have thought that 70% are SMEs. That's good stuff.

**Mr. Graham Shantz:** Yes.

**The Chair:** We're going to move over to the Canadian Manufacturers & Exporters.

We have Mr. Wilson, who is another local continuing attendant at our meetings.

It's good to see you again, sir.

You have the floor.

**Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters):** Thank you for having me. Thank you, all members, for inviting us back again.

I'm here today on behalf of Canada's manufacturing and exporting industries and our association's 2,500 direct members to talk about how we can get small and medium-sized enterprise to export more and take advantage of recently signed trade deals.

The CME represents the largest business sector in the country. Manufacturing directly accounts for 11% of GDP, two-thirds of Canada's exports and 1.7 million employees in high wage, high-skilled jobs in nearly every community across the country. Whereas we represent some of Canada's largest companies, the vast majority of our members from coast to coast are SMEs.

First, we want to take the time to applaud the committee for taking the time to study this crucial issue. It's a critical issue for the growth of the manufacturing sector and the prosperity of the country as a whole. In 2016, the CME called for the federal government to support a plan that would double manufacturing output and exports by 2030 as part of our "Industrie 2030" strategy. Over the past several years the government has implemented many elements of our plan.

However, the focus on exports has not been as sharp as the focus on innovation. As a follow-up to that initial strategy, CME recently published a paper called "Stalled Trade: Gearing up Canada's Exports", which focused on the issues that this committee is targeting in your current study. I brought a copy today and entered it into the record. I will outline several of our findings and recommendations for action with the remainder of my remarks.

In 2017, Canada reached an all-time record high for both total goods exports and manufactured goods exports, with \$550 billion and \$360 billion in exports respectively. However, since 2000, really since China entered the WTO, Canada's export performance has been near the bottom in the world. Average annual export growth has been about 2.5%. However, once you remove crude oil exports, Canada's export performance has been at or below inflation for almost 20 straight years. Meanwhile, global trade has expanded at a rate of over 6% a year. Our closest competitors are expanding much closer to global averages. U.S. export growth has been 4% annually and Germany is nearly at 6%.

Since 2000, actually only Japan has had a worse export performance across the G7. This is despite signing FTAs with most major markets around the world. Clearly we need a different approach besides just signing free trade agreements.

The government took a huge step in the right direction yesterday with the fall economic statement. The \$1.1-billion investment in an export diversification strategy with the stated goal to increase exports by 50% by 2025 is a bold and welcome initiative. It aligns directly with the CME's stated goals.

How do we meet this target?

Based on our detailed research and consultation with members we believe our resources should be focused on three core pillars.

First, Canada must strengthen its export foundation with a focus on building within existing free trade agreements, especially within North America. Expecting companies that have never exported to begin exporting to countries with different cultural, legal and business norms is expecting way too much. A better approach is to get more companies to take advantage of what is more readily available in our neighbourhood. Very few companies are doing that today.

Second, companies can't export if they don't have capacity and aren't globally competitive, which most manufacturers today are not. We need to address Canada's investment climate to attract more global production mandates from large multinational companies and then connect SMEs into those supply chains. The measures taken yesterday in the fall economic statement on immediate ACCA, along with a promise to address regulatory barriers, are welcome steps in this regard but only first steps.

Third, and most importantly for this study and for the CME, we must scale up SMEs by developing stronger support programs to encourage domestic investment and expand international growth opportunities. Let me expand on this point.

Over 95% of Canadian manufacturers are SMEs. Of those companies 75% have fewer than 10 employees. By comparison, in the United States roughly 55% of manufacturers have fewer than 10 employees. This is a huge structural and resource gap that undermines Canada's performance. At this size, SMEs lack scale and resources to compete globally to any meaningful degree. This is where our focus should be, filling the resource gap of companies.

As such we were very pleased to see the actions proposed yesterday in the fall economic statement focused directly on this priority. Specifically we want to emphasize the importance of new and additional funding for actions like associations to introduce export accelerator services; the expansion of the funding of the trade commissioner service and the CanExport program; the mentorship program, which is something I have spoken about directly about at this committee before; additional support for company training and hiring of outside expertise, something else we've talked about here several times; and prioritizing trade infrastructure to help get our goods to market.

All of these priority actions form the base of the CME's export strategy and we applaud the government's intention to mirror our recommendations. Now we must move beyond just words and move into implementation of these promises. This will be our focus working with the government, and it should be the focus of both this committee and the government as a whole.

• (1125)

I want to thank the government again for taking the steps it did yesterday, and I want to thank all of you for inviting me to speak to you here today. I look forward to a broader discussion.

Thank you.

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

We're now going to go to the Saskatchewan Trade and Export Partnership. When we did our TPP study, we went right across the country. I think we were in Saskatoon and we met with your group at

that time. Thank you for coming across the country to be here with us today, sir. You have the floor.

**Mr. Chris Dekker (President and Chief Executive Officer, Saskatchewan Trade and Export Partnership):** Thank you.

Thank you very much for the invitation and the opportunity to address the standing committee as you consider how the federal government can better connect small and medium enterprises with trade opportunities around the world. This is an important subject. It's important to us all.

It was said earlier today that one in five jobs in Canada depends on exports. Our research in Saskatchewan indicates that as many as one in three jobs depends on exports. The reason for that is relatively simple. We have a population of only 1.2 million people. It's growing but it's still a very small domestic market, so we have to ship and export what we produce outside of our borders in order to expand and to succeed economically.

It's for this fundamental reason that the Government of Saskatchewan, some 22 years ago, decided to move its trade promotion function away from the government bureaucracy and closer to the industry it serves. As such, Saskatchewan Trade and Export Partnership, known as STEP, is an independent and non-profit export promotion agency serving about 400 members from across the province, most of them SMEs. We have 15 directors on the board, 12 of whom represent the export industry itself. It is from this unique and highly successful model—and from this industry context—that we provide some observations the committee may want to consider.

Through the many witnesses who have been here before, on this trade matter and many others, I'm sure that you are well aware of the significant business challenges specific to the export industry—whether it's different cultures and languages, regional conflicts, tariffs and non-tariff barriers, unfamiliar legal and financial systems, fluctuating exchange rates, varying labelling and regulatory requirements, restricted export infrastructure, or expensive logistics, just to name a few. These create uncertainty for small business, and we all know that small business—any business—does not like uncertainty.

STEP is very supportive and appreciative of the federal government's efforts to improve market access through the removal and reduction of tariffs and non-tariff barriers through USMCA, CPTPP and CETA, which are critically important. Indeed, given a level playing field, our exporters can compete with anybody in the world.

It's important to note that when Canada enters into free trade agreements with other jurisdictions we're only reducing one or two of the exporter's total risks. STEP's suite of programs and services are designed to turn that remaining uncertainty into measurable risk. In addition to guidance and general counselling, STEP organizes ongoing trade missions and incoming buyer events. We do customized market intelligence services and offer market access programs that reduce the cost of marketing in new jurisdictions.

Very specifically, in support of the opportunities afforded our economy through recent free trade agreements, STEP organized nine round tables and seminars with Saskatchewan's export industry over the last year, including the one that was referenced by the chair. In addition, we published exporter guides for the South Korean, European and United States markets. More recently, in concert with CPTPP ratification, STEP participated in the creation of the Canada West Foundation's CPTPP guide for small businesses in western Canada. In the new year, STEP will partner with Global Affairs Canada to offer a CPTPP exporter seminar, and it has organized several outbound trade missions to Japan, Vietnam and Malaysia in the new year.

As you know, the federal government plays a critical role through Global Affairs Canada and the trade commissioner service, Western Economic Diversification, Export Development Canada, and the Business Development Bank. We work very closely with these federal agencies, and in fact provide and enjoy a co-office, co-location effort with Global Affairs Canada and EDC.

In addition to the ongoing support for these internationally engaged federal agencies, we would suggest two key areas of focus for the committee consider, the first being very close to home. Nationally, we believe the role of the federal government should be to help create an environment that is supportive of small and medium-sized businesses and helps SMEs to compete on the international stage through competitive taxation, fair regulation, and the construction and maintenance of export-enabling infrastructure. I would say that's most notably rail, port capacity and pipeline construction.

Internationally, the role of the federal government is to help path find for small business, continue to ensure market access, and promote and defend the Canadian brand abroad.

Thank you very much for your time and your consideration.

• (1130)

**The Chair:** Thank you, sir.

Now we're going to have a dialogue with the MPs. We're going to start off with the Conservative Party.

Mr. Allison, you have the floor.

**Mr. Dean Allison (Niagara West, CPC):** Thank you very much, Mr. Chair, and to all our guests who are here.

We could have each of you individually for the full two hours, so I apologize that my pale five minutes is not going to get to everybody.

Let me get back on my soapbox in terms of competitiveness. I still say fundamentally that on trade deals, I think as a country we've done a decent job, our government and the Liberals. We will give

them credit where credit's due. That's where it's going to stop, though.

Sorry, guys. You're not going to get any more credit than that. Take what you can get. I have to tell you from a competitiveness point of view though—and all of you touched on it—we're getting our butts kicked around the world.

I look at what we decided to do yesterday, with some half measures in an economic update, and I'm afraid I'm not nearly as optimistic as maybe some of my colleagues on the opposite side here are.

We still have issues with regulations. That was mentioned as well as access to capital, skills training, cost of energy and infrastructure spending. We haven't spent any money on infrastructure in the last three years because we're setting up a bank.

That doesn't even talk about your point, Mr. Dekker, about critical trade infrastructure, which is separate from the infrastructure we need in our communities. National debt continues to go...and then there's personal taxation. I don't know in what world or on what planet over 50% for personal taxation is actually an okay thing, where the more you work and the harder you work, the more gets drawn back.

Jocelyn, you talked about some of these competitiveness issues. By the way, I haven't even talked about tariffs yet, which is obviously right there. Why would we ever even think about signing the deal without removing tariffs?

Talk to me about the reality of some of the members on the ground. I know for a fact that businesses are moving to the States as we speak, yet this government is clueless in terms of actually realizing that this is going on.

Talk to me about real world examples of what is going on right now.

**Ms. Jocelyn Bamford:** I will just talk about some of the companies in my area that are coalition members. There's this great Indian baked goods company called Surati. If you ever want the best pistachio cookie made right here in Canada, that's the place to go. They were going to expand into a building right next door, but instead they are going to expand into the States. That's 150 jobs we could have had.

Plasticap Canada were also going to expand, and now they are expanding into Ohio. These are our jobs. As a mother, what I'm worried about, and the only reason I'm here today....

When I started the coalition, one of the other members of the coalition, a business friend, said, "What are you doing, Jocelyn? Why are you banging your head against the wall? Why don't you just go out and worry about your business and try to make money off the cap and trade and green energy?" I said, "If I did that, my kids wouldn't have anywhere to work."

All of us, all of you guys, should be worried about our uncompetitive nature, because you guys have kids and you want them to work.

We need to get a strategy that helps us compete, and we need to forget about the partisanship. We need to get going on how we make it more effective and more competitive.

Those are two companies. Those are 300 jobs that we could have had here in Canada. Those are great products, and guess what's going to happen once they go down there. They don't treat you like a criminal if you are a Canadian company. What did I hear? We were tax cheats. I used to hear from the former premier of Ontario that we were bad actors. We're not bad actors. We're not tax cheats. We look after our employees. We take care of them when they are sick. We need help on growth and competitiveness so we can expand.

I will tell you one other story. I was talking to one of my members who's at capacity now, and his customers are asking him to expand. That's a risky proposition. I said, "Are you going to expand?" He said, "Why am I going to do that? I will just end up giving more money back to the government."

That's what you're up against. You want people to grow and expand and make money, but when they can, they don't grow to their capacity. Fundamentally you have to ask yourself. I as a business owner work 14 hours a day. I was up last night putting a proposal together for a customer while I was driving here. We're not drinking champagne from our shoes. We're working to keep the lights on. How many of my 14-hour days should I work for me, and how many should I work for you? Because right now I'm working more for you than I am for me, and that's not a good thing.

We need to get competitive. We need to celebrate success. We need to help companies scale up, and we need to make it beneficial for them to do so, because otherwise why are they killing themselves?

• (1135)

**Mr. Dean Allison:** Thank you.

I don't have much time left, so I will just maybe make a comment.

**The Chair:** You have about 20 seconds.

**Mr. Dean Allison:** I know they're going to lobby for over \$600 million for media, and that's a great thing, and there is \$800 million for SIF, which, by the way, SMEs are still not going to have access to. At the end of the day, there were a lot of half measures in this economic update, and nothing for SMEs, which is who we need to help.

Thank you very much.

**The Chair:** We'll go over to the Liberals now. Mr. Dhaliwal, you have the floor.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** Thank you, Mr. Chair.

I was listening to the conversations we had and I'm going to start with Saskatchewan. The committee travelled across Canada when we were studying the CPTPP agreement. Every person we came across in Saskatchewan and Manitoba is all for free trade and says free trade helps. Are all the businesses in Saskatchewan that do foreign trade big, or are there small and medium-sized ones as well?

**Mr. Chris Dekker:** For certain, there are small and medium-sized as well as large players in the international agricultural commodity

fields. Members of STEP include, for instance, Nutrien, Viterra and AGT Foods, but the vast majority of our members are small and medium-sized enterprises. In fact, 76% of our member businesses have between one and 50 jobs.

Certainly the vast majority of exports from Saskatchewan in the agricultural commodity field are from the large enterprises, but there are a number of brokers and small producers, and indeed farmers, who are getting directly involved in exporting their goods to markets around the world.

**Mr. Sukh Dhaliwal:** As Mr. Wilson mentioned about the economic statement the government gave yesterday, we are going to invest \$10 million over the \$100 million that we already invest in small and medium-sized businesses so that they can do well. How do you see that farmers, these small businesses from Saskatchewan and from western Canada in general, can take advantage of this?

**Mr. Chris Dekker:** As mentioned in my opening comments, there is a whole suite of risks for exporters as they produce their goods and ship them around the world. The tariffs and the reduction of tariffs and non-tariff barriers are only one element of the reason they're not successful or are reluctant to export around the world. There are a number of initiatives that trade promotion agencies such as STEP do to help reduce the risk and make sure they are aware of the opportunities afforded to them, either through the federal and provincial governments or trade associations. We path find for that and make that pathway to exports easier for them, reducing their risk.

I'm not sure of the details of the entire package that was announced yesterday. That's something we're going to have to read through and see how we can specifically assist small and medium-sized enterprises in taking full advantage of that. Any increased focus and access, as well as resources to the export industry, would be welcome.

**Mr. Sukh Dhaliwal:** Thank you.

Mr. Kingston, what we are hearing particularly from small businesses, as Ms. Bamford was also mentioning, is that it's not easy for them to access the programs that are in place. Are they not aware of them? Do they not have time? Could you tell me some of the tangible solutions that can be worked out between your members and the government?

• (1140)

**Mr. Brian Kingston:** In terms of raising awareness, yesterday's announcement goes some of the way to addressing that, by giving the trade commissioner service more funding so that it can hire more people and be out in the community making companies aware of the services that are provided.

The other way they can understand the opportunities is through working with large companies and becoming part of a large company's supply chain. We've seen many great examples where an SME has been brought into a large company's supply chain, and then that large company has brought them into a new market such as China. It has helped them enter that market and understand all the complexity of doing so, and they're protected by the large company there.

That's not something in which there is necessarily a role for government. That's just the collaboration and co-operation amongst large and small firms. We recently asked 50 of our member companies to provide input on how many SMEs they have in their supply chain. The numbers are staggering. In a typical year, those 50 companies had 50,000 Canadian SMEs through their supply chain. This is everything from a company providing coffee at meetings to people producing highly complex and technical parts that go into a bigger product.

There's a lot of room for collaboration there, but it's the government's role to make SMEs aware of the services available.

**Mr. Sukh Dhaliwal:** Thank you.

**The Chair:** You're right on time, Mr. Dhaliwal.

**Mr. Sukh Dhaliwal:** Thank you, Mr. Chair.

**The Chair:** Before I go to the NDP, I'd like to welcome the member for Huron—Bruce, Mr. Lobb.

Welcome to our committee.

**Mr. Ben Lobb (Huron—Bruce, CPC):** Thank you, Mr. Chair.

**The Chair:** As you can see, it's very exciting here, with good stuff happening.

**Mr. Ben Lobb:** Yes. Thank you.

**The Chair:** We're going to go to Ms. Ramsey.

You have five minutes. Go ahead.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you so much.

Thank you all for being here.

I share your deep frustration, Ms. Bamford. I have to tell you that it is sometimes just an exercise in futility to sit here and have all of you come. I know you all presented in the previous Parliament around a similar study that was called "Competing Globally", bringing forward a lot of the same issues that we're yet again sitting here today discussing, looking for action on from the government.

I think a lot of them are very specific and concrete things that you've brought forward that could really make a difference.

I take your point, Mr. Wilson. You're saying we need a different approach. That couldn't be more true. When we look at even the agreements that we're signing, there's an idea that these will offer us opportunities, but then we see disappointing things like we're seeing out of the CETA results in less than a year, where we have a 46% deficit that somehow has appeared.

Obviously, the trade agreements are not a magic bullet. They are not actually being written in a way that is opening doors for businesses, and that is just a source of extreme frustration for all of you and for some of the members on this committee.

I want to speak about a couple of other things. These were the NDP recommendations in the previous Parliament. Some of them will sound familiar because you certainly touched on them, but I wonder if, when I've finished with these few things, you could talk about the importance of these small things that would make such a huge difference in your ability to export and grow your business.

The first one—and this was mentioned—is about coordinating the export marketing support across all levels of government, something that seems so simple in its approach, but we continue to be in this kind of silo world where one doesn't talk to the other and doesn't know what the other is doing, and so these programs just fundamentally aren't working.

Second is a one-stop shop where SMEs could go to access all of the programs, everything that's available, and then have some resources go to the groups that are trying to connect people to these projects or whatever—funding—whatever exists in there. SMEs come before the committee and tell us they don't have the resources, they don't have someone to dedicate 100% to looking through all of these government websites to identify where they can plug in, so they need resources to do that.

Last, you mentioned the skills gap. This is something that I hear from SMEs in my riding. All of us hear this across the country. If we do not address the skills gap, we will continue to see businesses leave our country, because they can't find people to work to reach their full capacity.

I just open it to comments on those simple things, and I ask, once again, although it may be a frustrating exercise, to please submit to the committee so that we can include your remarks or things that you brought forward today in our report that we'll bring forward to Parliament.

**Ms. Jocelyn Bamford:** Can I just comment on that? We have an aging workforce, especially in the skilled labour pool. If you go out to our plant and look at our people, you see amazingly talented people, but they're getting close to retirement. We have taken all the trades out of the public high school system, so we have nobody backfilling that.

It's an easy fix. The infrastructure is there. We need to put some dedicated plan on how to get kids back into skilled labour, because that's going to be the high-paying job: the pipe fitter, the electrician. Those skilled labourers are gold—a millwright makes over \$100,000. If you want your kids to make money—

• (1145)

**Ms. Tracey Ramsey:** There's no school, then.

**Ms. Jocelyn Bamford:** There's nowhere to train them, so we need to get on that skills gap. It's an easy and not expensive fix to do, I would argue, but a lot of our colleges have also decided that they want to be universities, so again, we don't have skilled labour coming out of the college system.

**Mr. Mathew Wilson:** I agree with everything that Jocelyn just said—something that we've talked about here a number of times—but I think there are a couple of things that you hit on that we fully support as well.

This idea of connecting companies to the government support programs is critically important. If a company has five people, it has no one to actually do this. The vast majority—99%—of Canadian manufacturers and exporters have that. They're not the large multinationals. They're not the GMs, the RBCs or whoever. However, don't rely on the government to do it. Setting up systems—and we've talked to Minister Ng's office about this—just for the government to deliver programs does not work. Small companies don't want to hear from government. They don't care what government has to say. With regard to Jocelyn's point—and she's not exactly one of these companies, but along the same lines—if the government's there, it's typically there just to tax you more or to regulate you more. It doesn't really want to hear from you.

Leverage associations and groups like STEP, CME, chambers of commerce, Business Council of Canada, and Canada China Business Council. We're all resources that can be used and leveraged. Let us work with the small companies. Empower us. Give us the direct resources to connect us to our members and to the broader network of exporters to facilitate that.

We had called, for example, for an export concierge service that could be set up through the private sector to do exactly what you're talking about. Don't set up fancy websites and the rest of it. No one's using them. Actually get people to talk to each other. It's an amazing thing that happens when you actually talk to someone face to face and give them customized support, and that's what associations can offer.

This idea of coordinated market support and marketing support programs, again, doesn't need to be done just across the federal government, which is essential. It also needs to connect in through the provincial governments—and regional governments in some places—and then tie in the private sector support groups like us that are actually doing those types of things across the country already. Don't look at it just as a government initiative. Look at this as how you can tie the private sector into it to leverage this up.

If this is just left in the hands of the government, there's going to be a lot of the same type of stuff. It'll be out there trying to find companies to talk to. It doesn't really understand what's going on in the marketplace. It's two or three steps removed from it. That's our job. That's what we do, so help us do those things and then you'll have a lot better results.

I've said in front of this committee a number of times that STEP is exactly the type of program that should be replicated across the country, which is exactly what you're talking about. However, it's funded by the private sector with public sector support, and it gets the outcomes that we want.

**The Chair:** Thank you, sir.

I just have a point of clarification. Ms. Ramsey was talking about submissions. We have your submissions. I think she's alluding to the fact that if there's any new stuff from you or your members, we can

take it. I think we're going to be allowing submissions to come in until the end of December.

We're going to go to the Liberals now.

Madam Ludwig, you have the floor.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you.

Good morning to you all. Thank you for your testimonies this morning.

I can say from being a small business owner that... As Mr. Wilson well knows, we have a manufacturing business back in New Brunswick, and we also have a tourism business. Prior to the election, I actually taught international trade at university, so I live this.

I want to highlight a couple of points that each of you said, and then bring it back together.

Ms. Bamford, you talked about going directly to the business for the training or to get information.

Mr. Kingston, you specifically talked about better coordination.

Mr. Shantz, you talked about training modules, as well as—and I want to get back to this—education and tourism.

Mr. Wilson, you talked about scaling up and about the risk and the challenge with fewer than 10 employees. In Atlantic Canada, over 50% have four employees or less.

Mr. Dekker, you spoke of the uncertainty and the opportunities with trade missions.

Bringing that back together, I think—and we've heard from across the committee—one of the things is really the importance of getting the information to the entrepreneurs of what they actually don't know and how to coordinate that. While listening to the economic statement yesterday, I can say that I did feel encouraged at the opportunities for mentorship, when we look at further funding and investment, at ground-level initiatives, the work that is being done by so many of you here.

When you look at that, can you suggest to us how you can see tapping in to that funding to take that down to the ground level to the people who you work with directly every day and who trust you?

I'll start with Mr. Wilson.

• (1150)

**Mr. Mathew Wilson:** Sure. Maybe I'll just talk about the mentorship networks because that was something that we worked directly with the minister's office to get in the fall economic statement. We were very happy to see it in there yesterday.

The idea simply is to get people who know what they're actually talking about in front of other people who are struggling to do that and transfer knowledge. Knowledge is power. These small companies of five or 10 people who haven't exported, or maybe have only exported across the border into Vermont or something like that, don't have the breadth of knowledge that they need to even go to Michigan if they were already in Vermont, let alone to China, Europe or somewhere like that.

Get them in the room with people who have been there. Talk one on one. They're not government people. They're not association people. They're people who have actually done it themselves. We run these types of things across the country. In fact, Jocelyn is part of a manufacturing executive council that we run in Ontario, and we run those across the country.

The idea would be something similar to get exporters talking to exporters to actually help them build up their capacity at a local level. It could be run through associations. Again, it doesn't have to be government controlled. It's about getting the people who've been there and done that to transfer their knowledge and then be a resource for them on an ongoing basis. Then they're sharing, learning and growing together, rather than being out in the wilderness—which a lot of them feel like they are—and not knowing where to go for that help.

**Ms. Karen Ludwig:** Thank you.

Mr. Shantz, you talked specifically about the opportunities with international education and students coming here. When you look at your training modules or the 70% of your SMEs that are not involved with education, do you ever see if you can try to bring them together so the Chinese students who are studying in Canada are drawing on their expertise to work directly with some of your SMEs?

**Mr. Graham Shantz:** It's a very good question. In fact, I think for Canadian small and medium enterprises, it's the presence of so many Chinese students with degrees, often wanting to stay in Canada ultimately as permanent residents. They have a familiarity with the culture, the business culture, the language back in China. They have been tapped by many of our members as a source to look at China or to grow their China business. It's actually a competitive advantage in terms of how our immigration program integrates with our long-term economic interests as well.

On the other way we tap into it, I was thinking of some examples of large companies. There's one that comes to mind in Calgary, Nexen, which is now owned by the Chinese enterprise CNOOC. For five straight years, and this year for a sixth year, they have taken a six-month long exercise to identify 40 to 60 suppliers in the oil and gas industry who are suppliers to them in Canada—mainly Alberta but also B.C. and Saskatchewan. Some of them come from across Canada, generally the west, but not exclusively. They take them through training sessions in preparation for a visit to CNOOC headquarters, when they determine that those sub-suppliers have some world-leading expertise in services or in manufacturing. Then they do a trade mission back to CNOOC headquarters, not to the executive level, to the actual purchasing level within the company.

When I used to be a trade commissioner in Indonesia in the oil and gas sector, I would often say to Canadian companies that were

contacting me, “If you want to sell to Indonesia, you need to sell to Exxon or to—at the time—Gulf Canada, Husky”, all of which had operations in Indonesia. It's a risk reduction strategy to get into a new geographic market that's a familiar market to them.

**Ms. Karen Ludwig:** Do I have time?

**The Chair:** No, you're well over for time.

**Ms. Karen Ludwig:** Thank you.

**The Chair:** Thank you for the dialogue. Things are going quite well here this morning. We've done one round. I think we're going to break. Everybody can stretch their legs, get a coffee or whatever they want, and then we'll go back and do another round. We're going to suspend for 10 minutes.

• (1150)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1205)

**The Chair:** We'll continue on our study. We have time for another round.

Welcome, to the member for Calgary Nose Hill, to our committee.

**Hon. Michelle Rempel (Calgary Nose Hill, CPC):** Thank you, Chair.

**The Chair:** We're going to start off with the Liberals.

Mr. Fonseca, you have the floor.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Thank you very much, Mr. Chair.

Yesterday, Mr. Chair and to the witnesses, we heard the fall economic statement. It was well received by many of your groups, and we thank you for the comments you've made on the fall economic statement. I think it was in tune with what we've been hearing over the last year or so about what business has been looking for.

One investment, in terms of where we're trying to improve, is with our international trade, especially to set the stage for many of these international agreements. We're investing \$44 million in our trade commissioner service.

Mr. Shantz, from your perspective—because I know you've used them with a lot of your SMEs—how would that \$44 million be best spent in the trade commissioner services over the next five years? Where do you think the gaps are? What do they need to do?

**Mr. Graham Shantz:** Thank you.

Having formerly been a trade commissioner and then also having managed a section that included all of our trade commissioners in Asia, I'll let the current trade commissioner service answer on where they think the stresses are. From my own experience and just from our conversations here, historically the Canadian SMEs that don't export, that are just domestically focused, generally speaking aren't as profitable, can't pay as high wages, don't pay as many taxes, and they disappear from the landscape faster than SMEs that export do. The mystery was always why the SME that didn't export suddenly decided to export. How did Jocelyn get into the export market? Were they born global? That sometimes happens. Oftentimes it's just a matter of having the ability to trigger the awareness of an export market. Maybe it's North Dakota. Maybe it's just across the border.

A part of it is, definitely—and I would echo some of the statements here—that there needs to be coordination of the various mechanisms. Preparedness is really critical for us, as a business council, for those companies that go on trade missions that we're involved with. One thing that our council does very well, if I may be immodest, in Beijing and Shanghai is to make sure that when they want to meet local companies, we get the right companies across the table from them.

When they're coming on a trade visit sponsored by the trade commissioner service, oftentimes with provincial or federal political leadership, we have to have the right people across the table, and make sure it's the right sector and it's a good match. That sounds easy, but there are a lot of months of preparation to know who's coming on the mission with the ministers or the premiers and what sectors they are in. If it's pipe coating, is it interior or exterior? You have to know the specifics. You don't want to waste people's time. You want to have the right possible partner across the table. I would say preparedness is part of my answer to your question, assisting the trade commissioners in being well prepared and getting the right partners across the table.

● (1210)

**Mr. Peter Fonseca:** Thank you.

I'm going to give Ms. Bamford the opportunity.

I know the trade commissioner service didn't work so well with you. We're trying to look at how we can improve the trade commissioner services, and how the funds from the fall economic statement can help your experience so that you can find success. You've found much success, but I mean find more success globally.

**Ms. Jocelyn Bamford:** I think if you're going to be hiring new people, you need to hire people who are not diplomats. You need to hire salespeople, people who can go in and get you an appointment with whoever you want to target in a foreign market.

I don't know if you've heard of a website called theomx.com. They match large companies with a supply chain that has that capability. You need those kinds of matching capabilities for people who need something but who maybe don't know about or can't resource who has that skill.

Then, there's just pairing up companies that have gaps when we have solutions. We have such great solutions in Canada. What I have found since I founded the coalition two years ago, in getting to know

the businesses and what they do, is that the stuff that we develop will blow your socks off.

The other thing that would be helpful would be to take people who have patents and try to take those patents global. A lot of small and medium-sized businesses just don't have the resources to do that. If I'm going to sell something, it's going to be me selling it. If it's a new market, it's going to be me doing that.

We need assistance in making those connections with those global partners and with large companies that have a footprint and that maybe want to carry some of our products and sell them on our behalf.

**Mr. Peter Fonseca:** Thank you.

Mr. Kingston, you talked about the coordinated effort between the EDC, the BDC, the TCS—

**The Chair:** I know you're on a roll and you tried to get that one in there, but it's not going to work.

Mr. Hoback, you have the floor.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair, and thank you all for being here this afternoon.

I'm going to start off with STEP, because actually one of my first trade missions abroad was Agritechnica in Hanover. I went with STEP.

**Mr. Chris Dekker:** Yes.

**Mr. Randy Hoback:** It was great, because we were able to experience the show and talk about our goods over there with Flexi-Coil at the time. We actually went on a tour afterwards and toured some different field operations, looked at different machinery from North America that was being used there, which was good and bad because we had some machinery that Morris Industries got to look at, which I didn't like. Overall it worked in the best interests and it really got our feet in the door.

It also made us aware of all the regulations in Europe, such as homologation and going through the whole process of regulatory review. Do you feel that the government could be a little more helpful in that area?

I think of PAMI, which set up a system for homologation so that companies could go there and have their product analyzed in Canada and could meet the homologation requirements before it was actually shipped overseas into Europe.

Chris, can you give us some comments on that?

● (1215)

**Mr. Chris Dekker:** Certainly, and thank you for the question.

Yes, our free trade agreements are primarily about access to market. It's about reducing tariffs. That's the prize, getting preferred access into these markets.

Then there are the non-tariff barriers, which include sanitary and phytosanitary issues that hopefully will be determined by science-based fact-finding, rather than politics and other trade barriers, and whatnot.

The other barrier, particularly in Europe as it relates to manufacturing and short-line agriculture manufacturing, is certification, European certification, CE, which is a difficult thing for our members to get their heads around and to actually have it applied to their products that they need to ship into Europe.

STEP is indeed partnering with a number of CE-certified institutes, both in Canada and Europe, in order to get that capacity and those resources into the hands of our manufacturers so that they at least know where to go to get that resource. Any assistance we can get from the federal government in that regard would certainly provide a better pathway for our exports into that market.

**Mr. Randy Hoback:** Mathew, you talked about not reinventing the wheel, using the associations that are there and giving them appropriate funding. One of the best tools that the ambassadors had when we were in the Ukraine was the Friday beer night, where all the Canadian companies came in and had a beer. We learned more about what was going on in the Ukrainian marketplace from each other than what any bureaucrat could tell us at that point in time.

I think it's different now, but at the time, EDC was promoting Ukraine quite heavily, saying there was a billion dollars. We were pretty excited about it until we realized we didn't qualify for one cent of it. We weren't in an appropriate sector. Hopefully they have some flexibility to recognize new sectors and throw money at that.

I want to go to Graham Shantz. I'll use an example of one of the things we're seeing out west, because I don't think they'll mind me sharing it. Bourgault Industries last week laid off 8% of their employees because of a competitiveness factor. The reality is that they have plants located both in Canada and in the U.S., and because of the tariffs, the surtaxes on steel coming out of the U.S., because of the aggressiveness towards steel not coming in from Asia, it's creating a scenario where they're no longer competitive, so they cut back. They're looking for savings, cost savings.

Actually, we're starting to see that happening in a lot of the manufacturing sector. They're saying they can't compete now because it's just too expensive; their input costs are just too high. What do you see as a solution for the dumping of steel coming out of China and Asian markets? What's the balance? We can't allow them to dump it into Canada, yet in the same breath, we do require that steel. What is a way to find balance? How do you work with the Chinese to get that balance?

**Mr. Graham Shantz:** It's probably the fundamental question for the global economy and it's hitting right home in Saskatchewan. There's a very important dinner between the two principal actors, the U.S. and China, coming up in Buenos Aires on the margin of the G20, between President Trump and President Xi Jinping, where they say they want to try to solve the trade dispute they're having and I would hope they do.

There are layoffs in Saskatchewan and there are crops being plowed under in the U.S. Midwest, directly because of the trade dispute. I'm certainly watching with great interest, as are our members. Whether that gets resolved and how it gets resolved will have real effects on the Canadian economy.

**Mr. Randy Hoback:** Again coming back to the surtax on American products coming across, I know it was reactionary from us that we had to kick back. Because they put a tariff on our steel, we

have to do the same thing. Now we're feeling the results of that. Definitely the manufacturing sector is feeling the results when they can't get exemptions quickly enough.

I'll use the example of Ram Industries. They won an exemption for a certain type of steel they can't get in Canada for their cylinders. They've been waiting and waiting and can't get it, so what's going to happen is that they'll start laying off people because they're losing contracts.

Maybe we're better off just saying, you know what, it's not worth it. Let's get rid of that surtax. Let's make our jurisdiction the low-cost producer, the most competitive area, and if the U.S. wants to charge their customers more for products they import, so be it. Do you agree with that?

**The Chair:** Mr. Hoback, we're going to have to leave that as a statement because you don't have time for a question.

**Mr. Randy Hoback:** You're talking more than they are.

**Voices:** Oh, oh!

**The Chair:** It's 5:15 now. We're going to move to Mr. Peterson.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Thank you, Mr. Chair. I'll try to be as brief as I can.

Thank you, everyone, for being with us. It's nice to see those of you who are here again and it's nice to see some of the new ones too.

There's a great consensus forming around this table, I think, that one of the basic fundamental things we should be doing as a government, generally speaking, is to coordinate our efforts, so that there's that coordination, whether we refer to it as an "export concierge" or just giving tools to our agencies that are meant to help export. I think there was consensus on that.

That makes me want to ask Mr. Dekker about STEP, because to me STEP seems to be the solution in some aspects. You said that Saskatchewan's population is only about 1.2 million, so by necessity it's a trading province. We're lucky that 10% of this committee is from Saskatchewan. That's great. We're punching above our weight on this committee, which is amazing. Canada's population in the world is small, too, so I think the same sort of premise exists.

As a federal government, what can we steal from you to copy that system? Is it even appropriate to do so?

• (1220)

**Mr. Chris Dekker:** The coordination of effort is critical. That's what the STEP model is between the province and industry. As I mentioned, some 22 years ago the province of the day decided that it needed to get closer to the industry it served, so all of our programs and services are designed and delivered by the industry to the industry. Also, it's membership based, so if you want those services, you have to join as a member of STEP. It's a small fraction, but it still is what we call "skin in the game". There's great interest from industry in our programs and services because of that.

I was chatting with Mathew about our model. We get a call perhaps once a year from a province that is saying, “We understand the success of that model, so how do we emulate that?” The governance model is actually really simple. It's the political will that is required in order to set up something like that, because once you give up that function to industry, you give up some control. That's where a lot of models and wishes fall afoul. We're prepared to assist in any jurisdiction to set up similar models if it's required. All it requires is a phone call.

**Mr. Kyle Peterson:** Thank you. Everyone's nodding, so I'm going to assume that people agree unless they say otherwise. That's good.

I'm a member of the Newmarket Chamber of Commerce, which is one of my local chambers. I reach out to businesses all I can. I was a member of that chamber before I was a member of Parliament, so I know how hard these people work and what the importance is of all these issues we're raising today. They came out with a newsletter today, as they do after any provincial or federal event, such as a budget or something like that, praising in some regard the fall economic statement. One of the things they liked was this approach that there's going to be a regulatory review on red tape or regulation, whatever you want to call it.

I want to ask everyone about this. If there's one regulation that you could get rid of to help your business, what would it be? Some of you represent a lot of businesses.

**A voice:** No pressure.

**Voices:** Oh, oh!

**Mr. Kyle Peterson:** I'll start with Jocelyn, because she speaks for one company and one industry.

**Ms. Jocelyn Bamford:** Putting in new equipment or expanding your current footprint is a nightmare. It's such a nightmare that people don't even want to do it in terms of any kind of new equipment or if they want to expand on their current footprint. It's the steps that you have to go through. For equipment, you could buy world-class equipment, but if it is only produced in another area of the world, to try to bring that in and get that certified—even if it's the only one in the world—is very difficult.

Getting new equipment or expansion streamlined would be helpful. I could spend all day talking about it.

**Mr. Brian Kingston:** The fall economic statement yesterday highlighted 23 areas where the government intends to accelerate its regulatory reform process, with a focus on agri-food, medical devices and medical equipment, and the transportation sector. That's a great place to start. Of course, there's a whole other range of regs to go after, but if the government can deliver on those 23 priority sectors and do that quickly, we'll have made a lot of headway.

**Mr. Graham Shantz:** I'll pick agri-food. The regulations are there, and I'm not an expert on which ones would be better if they were less in the way.

I think it's attitudinal. I'll give you two examples.

One is from my days in Spain when I successfully got a maker of Spanish ham to come to Canada to invest in a plant that was empty in order to produce Spanish-style ham to sell to Canada, but mainly to the U.S. I couldn't get the approvals in about five years of being

here, although they could import the production from their facilities in Spain and sell it to us. It was not a food safety issue. That was just fascinating. We can import and eat it, but we can't produce it because the production method is different from what has been approved. That's an attitudinal issue.

The second one, on the outbound China side, is that we have a member who wants to do high-end beef exports and has had real difficulty with Canadian approvals to export. That, to me, is attitudinal. It's not necessarily the specific regulation.

● (1225)

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

As chair, if both sides are cranky with me, they say I'm doing a good job.

**Mr. Kyle Peterson:** You're doing a great job, Mr. Chair.

**The Chair:** Mr. Peterson, your time is up.

The Conservatives have the floor now.

Mr. Hoback, your colleagues are very gracious in giving you the floor, and you can continue on with your dialogue.

Go ahead, sir.

**Mr. Randy Hoback:** I'll definitely do that.

I guess a continuation of surtaxes is just something we should just consider maybe removing for the sake of manufacturers.

I'll start with you, Mathew.

**Mr. Mathew Wilson:** No, we were in favour of implementing it in the first place. We know it's a problem. I think our focus right now is to improve the process to make it quicker for companies to get the refunds that they should be getting under the existing processes that are there. Right now, it's just taking too long for companies to get the money back out, the promises that were made. There's \$16 billion, apparently, in taxes that will be collected. That money should be recycled back into industry, so how does that work?

We're worried. If you just start dropping tariffs, where does it end? That's the fundamental issue. We have said in front of this committee on multiple occasions, as I said, that we're for reciprocal trade. It doesn't matter whether it's the U.S., China, South Korea or Germany. It doesn't matter who it is. If we start creating imbalances in our trade approaches and how they treat our exporters versus how we're treating their exporters, it's a bad road to be going down. We agree with that equality, even though it does cause some pains. We need to fix those pain points.

**Mr. Randy Hoback:** I'm going to move on to the infrastructure. We talked about that.

Chris, you and I talked about this before.

I'll use an example. In Arborfield right now we have a plant there that's trying to export alfalfa pellets, and railcars are three weeks late again, all because we've been moving oil by train. Again, if we had our pipelines built, that wouldn't be an issue, or not as much of an issue.

What do we need to see in the infrastructure that will allow our product to come from places like Saskatchewan and Manitoba, which don't have port access, and get it to the coast?

**Mr. Chris Dekker:** The Canadian brand, in addition to safe and secure when we relate to food and food products, is efficient and timely delivery and most competitive prices.

What we're finding, as you have noted, on all commodities and all exports from Saskatchewan is that we can get the deals. We can get the markets. We're in there, but delivering from Saskatchewan, a land-locked province, is getting particularly difficult.

You mentioned one example. We had alfalfa pellets that were destined for Japan. They cannot get railcars at their facility to get their product to market. That directly impacts exports. We have another example at the port in metro Vancouver where someone had a container that was left at the port, not able to get on to the ship, and the ship left without it. It was also destined for the overseas market.

That does not bode well for our Canadian brand and will impact our exports from now until that is resolved. As I mentioned in my opening comments, it's about rail and rail capacity. It's about capacity at the port, and it's about pipelines as well. All three of those are hand in glove.

**Mr. Randy Hoback:** I want to go down the road with Ms. Bamford.

You talked about bringing new technologies into Canada and taking advantage of those technologies to become more efficient, only to have red tape placed in front of you so that you can't move forward.

Where's the incentive now to take on these new technologies?

**Ms. Jocelyn Bamford:** One of our members brought in a new piece of equipment, and it sat on their shop floor for 18 months. They were trying to get approval. If you know that it's going to be painful to bring it in, there is no incentive to do it. We need to be able to streamline new equipment, especially if you're bringing in new equipment that's going to streamline your processes and make them more efficient or make you be able to reduce your production time.

There's no incentive, and we need incentives to bring that in.

**Mr. Randy Hoback:** To you, Mr. Kingston, one of the things they brought in with this economic update was accelerated depreciation of 100%. In the grain sector, I found it really interesting that they brought it in on tractors and combines. We don't build tractors and combines.

Why would you do accelerated depreciation on products that you're bringing in from the U.S. ? Why wouldn't you allow it on seeding equipment, which we make plenty of in western Canada, sprayers, swathers and stuff like that? Is this not just reactionary to the reality that we're uncompetitive, they really don't have a plan, and they're just grasping at straws to see what they can do?

**Mr. Brian Kingston:** On the tax front, the ideal outcome would have been a comprehensive review of the tax system to ensure that Canada has one of the most competitive systems in the world. If you look at our combined statutory corporate tax rate, it still sits above the OECD average, so to say that we're tax competitive now because of yesterday isn't true. There's a lot of work to be done on that front.

However, yesterday's announcement was helpful simply because U.S. tax reform for Canadian companies adds serious disadvantage to the U.S., because the U.S. allowed for 100% immediate expensing for machinery and equipment. We've matched that, which gets rid of that incentive for the industry where we think we're most at risk. It's a temporary measure, but I think it stems the bleeding, and it's important.

• (1230)

**Mr. Randy Hoback:** We wouldn't do it if the U.S. hadn't done it first.

**Mr. Brian Kingston:** The immediate expensing...? No, this was a reaction to—

**Mr. Randy Hoback:** There never has been a vision from this government to say this is how we're going to become more competitive. Everything has been ad hoc—you saw this yesterday—and actually reactionary to what's happening in other markets. Is that fair to say?

**Mr. Brian Kingston:** That's fair to say, yes.

**The Chair:** Sorry, Mr. Hoback. We'll have to wrap it up at that point and go over to the NDP.

Ms. Ramsey, you have three minutes. Go ahead.

**Ms. Tracey Ramsey:** It's going to be quick. We've talked a lot about things that we can do, but I'd like to also talk about trade agreements and going forward. In the USMCA there is a small portion of it titled "Cooperation to Increase Trade and Investment Opportunities for SMEs". I wonder if you can comment on this language. Also, what should be included in future trade agreements to help support SMEs?

That is for anyone.

**Mr. Mathew Wilson:** My light went on, so I guess it's me.

We were very happy to see that language on the folks in SMEs in the agreement, but let's not get lost in technical agreements. They really don't matter to SMEs at all. No company is reading these. I don't want to read them, and I'm paid to read this type of stuff.

I don't think it matters that much. It's how the government supports SMEs, the actions we are talking about today and whether or not those support mechanisms are there or not that will actually drive change.

On the agreements themselves, we've signed something like 14 FTAs now, as a country with different markets around the world. Only a handful of them have ever actually seen an increase. You mentioned CETA earlier. South Korea is another one where we saw massive trade deficits increasing with them because we just weren't ready and able to compete.

You can put all the language you want in there about supporting SMEs, but if you don't have the actual support, it doesn't matter that much. I think the steps taken yesterday are a good first step in terms of addressing some of those resource gaps the SMEs have. Now we have to work to actually implement them in a meaningful way that will work for those SMEs.

Again, just saying something or even throwing a bunch of money at a problem doesn't fix the problem. You actually have to have something that works for those SMEs. That's really where we need to turn our attention now.

**Mr. Brian Kingston:** Could I just add to that? Our ultimate goal here should be that we want SMEs to turn into large companies.

**Ms. Tracey Ramsey:** Of course.

**Mr. Brian Kingston:** We want to support SMEs. We're a small business economy and they're critical to our economy, but the fact of the matter is that only 2.3% of our exporting companies are large businesses and they're responsible for 60% of exports. Let's find ways to grow those SMEs into global champions. That should be our ultimate goal.

**Ms. Jocelyn Bamford:** My concern is that some of the people see success and then they get out of Dodge. We're taking our best and brightest and they are going where they will have a more competitive landscape.

Taking it back to having a competitive landscape is fundamental to be able to compete, scale up and grow.

**The Chair:** I think Mr. Dekker had a comment.

**Mr. Chris Dekker:** When we were consulted by the federal government extensively on what the priorities were for the NAFTA renegotiations, we made it clear that it was to do no harm. By that we meant we should make sure we maintain market access into the United States, with 0% tariffs on all the things that we export to that jurisdiction. That's what a free trade agreement is. We would just emphasize that any future free trade agreement must have that as its priority focus. All of the rest of the add-ons are fantastic, but the prize is market access.

**The Chair:** These are good questions and good answers. We have time for one more MP.

Mr. Sheehan, you have the floor.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much.

Thank you for your testimony. That was great.

The fall economic statement yesterday talked about increasing our exports overseas by 50% and creating the global strategy. Perhaps we can get comments from you. There was some money associated with that. It is very timely that this fall economic statement happened and you're here today to respond on that comment.

Perhaps I'll start with Mathew.

**Mr. Mathew Wilson:** As I said in my commentary, we were very pleased to see the \$1.1-billion investment in an export strategy. That target very much aligns with what CME had asked for. We spoke about it in front of this committee before. Getting the tools right is

really important. Just saying you're going to do it or throwing money at something is a first step, but it doesn't guarantee any outcome.

The other thing I'd say is—and we talked a little bit about this already—we shouldn't get so hung up on where trade is growing. The priority should be to grow trade. We don't have enough companies trading. We don't have enough companies scaling up to go global, so the priority really should be on expanding the number of companies and the number of things we're selling. It shouldn't matter whether it's in the States, Mexico, Brazil or China—just grow that. There is a lot of focus around diversifying away from the United States. No, let's grow our pie in the United States, and grow a pie everywhere else at the same time.

I just want to make sure that from our perspective, growth is growing a full pie, not just a limited amount of that pie.

• (1235)

**Mr. Terry Sheehan:** I have to drill down on that. You said “tools”. Can you give an example of a tool or two?

**Mr. Mathew Wilson:** Sure. I mentioned the mentorship networks earlier. I think they will be critically important to transferring knowledge to those who don't know how to export. Some of the funding will go to different sector associations across the country to give their members the tools they need to understand market opportunities. Trade commissioner service, additional funding for it and the CanExport program, all those different tools will be really important but how you implement them is more important than just saying you're going to implement them.

**Mr. Terry Sheehan:** That would be enhancing the existing tools. Do you have any idea for any new tools that perhaps aren't there right now?

**Mr. Mathew Wilson:** Most of the tools we had put forward and suggested were largely copied in the fall economic statement yesterday, working very closely with Minister Carr's office, so there's not a whole lot more from our perspective. Again, trying to implement them is going to be critically important.

I mentioned earlier it's trying to get the pieces in place, like STEP across the country, and working with provincial governments to coordinate those efforts. It wasn't talked a lot about yesterday but to work with those provincial governments would be a critical piece.

**Mr. Terry Sheehan:** Chris, you looked as if you wanted to say something.

**Mr. Chris Dekker:** Export goals are laudable. They are a metric by which you garner and gauge your efforts. Export values are a function of two things: volumes and prices. We can increase volumes by opening market access and whatnot. We can affect prices by building pipelines, quite frankly. If we get world prices for our oil, you watch our exports go through the roof.

**Mr. Terry Sheehan:** Does anybody else want to comment?

**Mr. Brian Kingston:** It's a very simple tool, and it's going to sound rather bureaucratic, but EDC, BDC and the trade commissioner service don't share a CRM system. It strikes me as a very basic thing you could do so that someone in government can see that this person has access to different services. I think that would be helpful.

**Mr. Terry Sheehan:** Anybody else...?

**Ms. Jocelyn Bamford:** I want to make sure that whatever program you have is equitable for all different folks. I don't want to see one picking the winners or losers. I want everybody to be able to access it. When I look on my street—and our plant is in a very industrial area—there's a lot of great technology by people who maybe don't have the wherewithal to do that networking.

Right now, on the provincial economic development side, officers visit the companies and tell them what services are available but there's no coordination between the federal and the provincial. There are feet on the street right now, provincially. If you can coordinate that federally through some of those resources, you'll have the people who know what services a lot of the businesses on the ground floor are doing. You need to take what these people can make and sell it to people who need it. There are no interlinks to make that happen.

**Mr. Graham Shantz:** If I could, Mr. Chair...?

**The Chair:** Go ahead, sir.

**Mr. Graham Shantz:** Trade missions matter and the political leadership of trade missions matter in China. It's unique to the China market.

**Mr. Terry Sheehan:** And Japan...yes.

**Mr. Graham Shantz:** It can sometimes be viewed as a luxury but they matter in helping SMEs get in the door and get legitimacy. Getting attention in China as another country is really tough. The Atlantic mission that was just over, which coincided with our annual general meeting, was critical. The plan was all four provincial premiers and three of four were there with big missions: education services, SMEs, seafood, etc. It's the only way you can get in and get some legitimacy for the SMEs and get them some exposure. That matter is in the tool kit.

The other thing is, as I said in my comment, please don't forget services. That's really critical to SMEs in Canada. Very specifically, the Australians have a China-ready for their hotel industry. It's very simple. You need to have a landing page in Mandarin for your WiFi because the guests cannot read English or French so you need to have a landing page and that means you have that. You have a breakfast, which is congee. You have translators available and then you're China-ready and you have a seal and that means the Chinese tourist knows that hotel understands their needs. They're very specific to sectors.

Thank you.

**Mr. Terry Sheehan:** Those are great answers.

**The Chair:** Thank you. We've had good dialogue and great presentations today and good advice for us.

We're going to have to end it there. We did two rounds. We're doing well today. We're going to suspend just for a couple of minutes. I don't want MPs to go too far because we're going into future business.

*[Proceedings continue in camera]*

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