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Chair

The Honourable Mark Eyking

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● (0845)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everyone, on this nice spring day in Ottawa.

This morning we're going to continue our study on the potential Canada-Mercosur free trade agreement. I think this is our fourth meeting and we have a very busy morning. We have two sessions, with three witnesses in the first hour, and three witnesses coming for the second.

Good morning, gentlemen, and thank you for coming to our committee. Some of you have been here before. It's good to see you. You know the routine. We try to keep your presentations to five minutes or less. The shorter the better, as that gives us more time for dialogue with the MPs.

Without further ado, we'll go right to Canadian Manufacturers & Exporters. Mr. Wilson, you have the floor.

Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters): Good morning, and thank you for inviting me to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to express our support for a free trade agreement between Canada and Mercosur.

Manufacturing is the single largest business sector in Canada. The manufacturing industry's contribution is critical for the wealth generation that sustains the standard of living of every Canadian. The industry accounts for 11% of Canada's total economic output, while employing over 1.7 million Canadians directly in high-paying jobs. Manufacturing is also an export-intensive business. It accounts for roughly two-thirds of Canada's total exports, and for $1.3 billion in exports directly to the Mercosur region.

As such, trade—both imports and exports—is vital to the Canadian economy and to the health of Canada's advanced manufacturing sector. This is why CME and our members fully support free trade and Canada's free trade agenda in general. However, we do not blindly believe in free trade agreements for the sake of free trade agreements, with Mercosur or anyone else. CME has always believed that no free trade agreement is worth signing unless the deal meets three objectives.

One, it should create a fair and level playing field for Canadian manufacturers and exporters and ensure that they have an equal opportunity to export to foreign markets as foreign competitors have to export into Canada.

Two, it should allow value-added exports from Canada, and not just the export of natural resources.

Three, it should not undermine the existing integrated manufacturing supply chains developed through previous FTAs, especially the NAFTA.

Without a doubt, with a combined market of 260 million people and a $3-trillion economy, Mercosur represents a great opportunity for Canada and for Canadian manufacturers as long as we meet these three objectives through negotiations.

However, as a first step, the negotiations must result in rapid elimination of the very significant tariffs in place across the region that directly and negatively impact major industrial and export sectors. Tariffs of up to 35% in sectors such as automotive, machinery and equipment, and pharmaceuticals are trade prohibitive compared to Canada's relatively modest tariff levels.

Secondly, we must ensure effective trade laws are established to remove structural barriers. I must echo concern noted by other groups appearing before the committee over the real concerns in some Mercosur markets of practices that are anti-trade and harmful to Canadian economic interests, including currency manipulation, direct economic subsidies, regulatory complexities, state-owned enterprises, and the dumping of certain products into Canada.

Thirdly, as with all FTAs, we must ensure effective dispute resolution and remedy solutions that quickly resolve commercial issues as they emerge once the FTA is in place.

While this is CME's advice for the FTA negotiations, there is a bigger, more structural issue that we as Canadians and you as a government cannot overlook, and that is our long-term economic performance under FTAs. As noted above, free trade agreements are only as beneficial as the amount of value-added trade they create. Too often, Canada's FTAs have not led to these outcomes, and this should be the top concern for the committee. Outside of NAFTA, Canada's export record with other FTA countries has been mixed. For example, with the EU, our most recent FTA, exports have actually been down while imports have been up. We must have a plan to reverse these trade trends if we are to grow our economy and create new jobs and grow the middle class.

CME believes this plan should consist of three elements.

One, we must improve our domestic business competitiveness, including our tax and regulatory regimes, to ensure they are focused on investment and growth at home to allow companies to produce goods competitively here for markets around the world.

Two, we must focus on leveraging existing business supply chains. Today, roughly 85% of Canada's value-added exports are production parts that feed into larger finished consumer and industrial parts. Governments must make decisions based on actual industrial capacity for global supply chain integration and expansion, not strive to create new export segments where there is no proven advantage or opportunity for Canada.

Three, we must support the global growth of SMEs by supporting their growth at home. Canada has many small businesses but not enough medium-sized and large companies. In fact, over 95% of manufacturers have fewer than 10 employees, and many do not have any internal expertise or financial ability to expand globally. Governments have excellent support programs, but they should be consolidated to ease access for smaller companies.

Today, Canada runs a significant and growing trade deficit with Mercosur countries in large part because of the structural realities of high tariffs, barriers to entry, and other unfair trading practices. Eliminating these realities through negotiation is a must for entry into this FTA, as it is the only path to export growth and prosperity at home for Canadian manufacturers and their millions of employees.

In conclusion, CME supports Canada's free trade agreement with Mercosur because it can lead to a prosperous manufacturing industry and stronger Canadian economy, but we must ensure the negotiations eliminate structural impediments to trade, and we must implement a plan to prepare Canadian industry for the global stage.

Again, thank you. I look forward to the discussion.

● (0850)

The Chair: Thank you, Mr. Wilson.

We're going to go to the Canadian Vintners Association, with Mr. Paszkowski, the chief executive officer. Before you start, how was your grape crop and your wine crop last year?

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Last year was a good crop across the country so we're hoping that the weather stands as it did last year so we get an even better one this year.

The Chair: It looks like your vines overwintered all right, so far.

Mr. Dan Paszkowski: That's right.

Our industry is made up of more than 700 vertically integrated grape wineries located in six provinces across Canada. We have 31,000 acres of vineyards supporting 1,800 grape growers. Wine is the highest value-added agrifood product in the world, and unlike other sectors of the economy, once our vines are planted it is impossible to move our agrifood operation to another jurisdiction.

The Canadian wine industry contributes more than $9 billion to the national economy, supporting 37,000 jobs and attracting almost four million tourist visitors to the wine country each year.

We are the second-fastest growing wine market in the world, with wine consumption growing three times faster than the global average. Over the last decade, per capita wine sales in Canada have increased by 26%, compared to a drop of 10% for beer, and no growth for hard liquor.

Canada's interest in wines is both an opportunity and a challenge, as Canada is the sixth-largest wine importer in the world. Over the last decade, imports have captured 67% of wine sales' growth of 116 million litres.

Canada has been actively negotiating and modernizing trade agreements around the world. As such, it is important to understand that signatories to CETA, NAFTA, and the CPTPP represent 91% of total wine imports to Canada. These free trade agreements provide Canada with tariff-free access to some of the largest trade blocs in the world, but they also provide tariff-free entry into Canada for the largest wine-producing countries on the planet.

In 2016, these same FTAs supported import access valued at $2.2 billion, compared to $12.5 million in reciprocal trade for Canadian wine. This represents a wine trade deficit of $2.1 billion, which is far from fair trade and erodes Canada's ability to grow wine sales at home.

Annual wine consumption in Mercosur is 1.5 billion litres, of which 92% is consumed in Argentina and Brazil. Wine imports to Mercosur's four member countries total 107 million litres, representing only 7% of total consumption. There is limited opportunity for wine exports to Mercosur, which is further evidenced by the fact that Argentina already owns 100% of its wine sales market, Uruguay 96%, and Brazil 76%. By comparison, 100% Canadian wines have a 10% market sale share in Canada, with a total 32% market share for all wine produced in this country.

There is a significant wine trade imbalance between Canada and Mercosur. Canada exports zero wine to Mercosur countries; and Argentina is Canada's eighth largest wine importer by both value, of $106 million, and volume, of 21-million litres.

For the foreseeable future, free trade with Mercosur would only serve to benefit wine producers in Argentina, Brazil, and Uruguay. Free trade with Mercosur would extend tariff-free access from 91% to 97% of all wine imports entering Canada, and reduce costs to regulatory harmonization, while providing zero benefit to Canadian wine producers.

Annual per capita wine consumption is 28 litres in Uruguay and 24 litres in Argentina, yet the majority of wine consumed in Mercosur is either produced in their home market or imported from other producers in South America, or from countries like Portugal and Spain, with which it has historical ties. With wine imports representing only 7% of total wine consumption, Mercosur countries have not been, and will not be, a priority market for Canadian wine producers.

Given high production costs in Canada, even with the elimination of high import tariffs on wine, the freight costs, in addition to import, wholesale, and retail markups, as well as other taxes, would make Canadian wines uncompetitive in the Mercosur marketplace, even with proactive marketing campaigns.

The Canadian wine industry supports trade agreements that are based on free and fair trade, but this has not been our recent experience.

For example, over the last 30 years under the Canada-U.S. FTA and NAFTA, U.S. wine imports to Canada have grown by $485 million. Canadian wine sales to the U.S. have increased by a mere $8.4 million over that same time period.

Since 2004, under the Canada-EU wine and spirits agreement, EU wine exports to Canada increased by $478 million, compared to $800,000 for Canadian wine export sales to the EU market.

Under the Canadian Free Trade Agreement, winery-to-consumer delivery remains unavailable to 80% of the Canadian population. Today, Canada stands as one of the countries, if not the only country, in the world that does not permit winery-to-consumer delivery. We have freer wine trade with Europe and the U.S. than we have between Ontario and Quebec.

● (0855)

In closing, the Canadian wine industry has much higher import penetration and competition than almost any other wine-producing country in the world. While Mercosur supports Canada's goals of greater trade diversification by providing new and expanded opportunities for Canadian businesses and industries, it will create competitive challenges for the Canadian wine industry. To ensure that existing and future FTAs do not come at the expense of Canadian wine and grape growers' businesses and workers, it is vital for government to help us adjust to the realities and opportunities created by ratifying any trade deal.

To date, Canadian wine and grape businesses have been placed at an unfair disadvantage. To succeed, we would require transitional assistance to ensure our interests are represented and that we can take advantage of what these free trade agreements have to offer.

Thank you.

The Chair: Thank you, sir.

We're going to move over to Redline Communications. Mr. Williams, you have the floor.

Mr. Robert Williams (Chief Executive Officer, Redline Communications): Thank you, Mr. Chairman; and good morning, everyone.

I'm Rob Williams. I'm CEO of Redline Communications. We manufacture wireless technology for customers wishing to build private networks and our markets are really focused on natural resources, service providers, and government agencies. Our technology is designed and developed in Markham, Canada, where we employ a team of about 120 engineers and technicians. We manufacture in Mexico and distribute globally using our 3PL partner based in Mississauga.

Our technology is quite advanced. It's a software-defined broadband radio that can operate in a wide array of frequencies. This enables us to sell our products quite easily into countries where the regulatory authorities have specific requirements for those different regions. We incorporate advanced security, and as such, we're subject to strict export controls, something that I think we need to be very mindful of as we move forward.

The nature of our customer engagements require us to have a local presence in the geography with our prospective customers, and we often send experts from our head office to assist customers with those engagements. Thus, it's critically important for us to have free and easy movement of people as we conduct our projects.

Once a project has been initiated, we ship into the country with the hope that prolonged delays are minimized, which is often not the case. Often our ability to adhere to customer timelines is challenged by unpredictable customs clearance regulations, and we often therefore avoid undertaking projects in some of the countries where those challenges exist. Once a project has been implemented, it's occasionally necessary to return defective components, and this simple process is often mired in high double duties, making the simple repair of products a challenge for our customers.

Amongst the Mercosur partner countries, Redline conducts a significant amount of business in Argentina. However, we're limited to the oil and gas market due to the excessive tariffs imposed on incoming goods. These tariffs make our technologies too expensive for other markets in that country.

Although we see a significant opportunity in Brazil, particularly in mining and transportation, it's difficult to enter that market due to the high tariffs imposed on software and technology. For a smaller company such as Redline, the costs to support local content requirements for electronic equipment create an economic barrier for working in that country.

In addition to the import-export challenges I've noted, we struggle with timely payment from customers at the conclusion of sales transactions, due to country-specific taxation rules that tend to challenge a very small company such as ours.

Some of our recommendations as you move forward with this trade agreement, which we very strongly support, include elimination or reduction of the tariffs on the import of electronic and telecommunications equipment; elimination of local content requirements for that equipment; recognition of Canada's rigorous safety standards, eliminating repetitive homologation requirements in each of those countries; elimination of the SIMI process, or certainly simplifying it, for goods that are being returned for repair; replacement of the visa requirements with reciprocal electronic travel authorizations such as we've implemented here in Canada; and simplification of the type approval process for telecommunications equipment and elimination of the need for local applicants.

Again, Redline strongly supports the trade agreement, and I thank you for listening to me this morning.

● (0900)

The Chair: Thank you, Mr. Williams; and thanks to the witnesses for the presentations.

We're going to start the dialogue with MPs. First we have Mr. Allison, for the Conservatives, for five minutes.

Mr. Dean Allison (Niagara West, CPC): Gentlemen, thanks for being here today. I had an opportunity to do a round table with the Canadian Chamber of Commerce a couple of weeks ago. There were about 20 large companies, which you'd all recognize, and we were talking about trade and competitiveness.

Mr. Wilson, you talked about that during your comments. There was an interesting article by Mr. Iveson on the front page yesterday of the *National Post* talking about our direct foreign investment in Canada slowing down and about to fall off a cliff.

One of the things that a lot of these companies said.... I think one company in particular said that they have six manufacturing plants in Canada and they will absolutely never build another facility in Canada. I'm talking about manufacturing now. A lot of these companies are not able to either track money from the mother ship or from head office as they compete around the world.

As we look at these trade deals and where we're at, my question to you is this. You did make reference to our competitiveness at home. Would you just share with us a little more about the challenges you see as we move forward in this country in terms of our own competitiveness, which gives us the ability to trade elsewhere?

Mr. Mathew Wilson: The bottom line is you can't export abroad if you can't make it here. It's a fundamental aspect, and we have struggled in Canada for years with investment. Probably going back to the great recession, maybe even a bit before that, we've had investment problems. That certainly has accelerated over the last three or four years, in that time range, and we're not seeing it. Over the last year, as President Trump has moved into the U.S., it has created a lot of trade uncertainty in the United States, and then add on top of that trade uncertainty, massive tax reform and regulatory reform changes in the U.S. We've seen pretty significant outflows of capital from Canada into the United States. I don't think it's necessarily unique for Canada, but it is something we need to pay attention to. On our FDI numbers, the Iveson article is just one of many articles. I think*The Globe and Mail* had similar numbers a few months ago. I know that even Minister Morneau has mentioned this post-budget.

The FDI numbers coming into Canada are a significant concern across the board, and for two reasons.

One, just for long-term competitiveness you need that FDI.

Two, in the manufacturing sector, whether it's wine, telecommunications, auto, or anything else, the sector is pretty much tapped out at capacity. We're sitting at somewhere around 85% overall capacity, whereas 82% was seen as maximum capacity. You can sign all the free trade deals you want in the world, but if you don't start increasing the capacity levels of Canadian facilities, you're not going to be able to export anymore. They're pretty much at full capacity, whether it's Europe, whether it's CPTPP, Mercosur. Even with the U. S., our ability to export more is really limited by our ability to draw that investment in the first place. We're not drawing the investment in, not creating jobs, not creating innovation, and we're not able to export because of that. We need to see that bump in investment in order to see the growth in exports sorted out.

Mr. Dean Allison: Thank you. I'd like to ask you more questions but I'd be in trouble if I didn't ask questions of the wine industry.

Mr. Paszkowski, thanks for being here. I know that one of the challenges our industry has had has been in exporting. You just laid out the numbers in terms $2 billion in versus $12 million out, etc. Talk to us about some of the challenges that Canadians face. You did talk about high production, but what are some of the other challenges we face as we try to export into other markets? As you mentioned, most markets own their own market, and we are the exact opposite. We have a lot fewer Canadian wines being sold in our own market. You talked about so many things, but what are some of the other issues you face as you try to export? Are they non-tariff barriers? Is it export dollars to trade promotion? What are some of the things that you think would be helpful to try to increase that market, and what are our challenges?

● (0905)

Mr. Dan Paszkowski: The trade agreements open up those markets to us, which is important. However, if you look at the agreements themselves, these are superpowers in wine production, so their interest in importing wine from Canada is limited. Our largest exports will typically be our icewines, but we do have growth in sparkling and table wines because we're becoming better and better every year and winning global competitions. There is that opportunity, but it's slow and it's small. It's case by case, rather than pallet by pallet.

What we're up against is a significant amount of investment by foreign governments into their industry. I've looked at some numbers recently. Whereas the Canadian industry gets support to the tune of around $38 million, I compare that to Italy, which gets support to the tune of $440 million. These are things such as a 40% grant on every dollar of investment made. These guys are getting the best technology, the best innovation, which they're investing into their wineries with the support of their government, to be able to own their own market and export abroad.

The other challenge we have is not being able to ship our wine across interprovincial borders and the fact that the growth in wine sales in Canada is typically going to imports. Over the past 10 years, 67% of all wine sales growth went to imports. That means we have to keep our eye on the domestic marketplace. There is no country in the world that exports that doesn't own their own market. We're in the awkward position that, in terms of our exportable wines, we have only a 10% market share. If we put our eye too much on exports, which is difficult for us to do because we don't have that much volume, we'll start to lose more market share because countries are investing more and more.

Portugal just announced that they're putting another $21 million into marketing in the Canadian marketplace, to be able to capture more market share.

Just this week, there was a report in a drink magazine that told us that six CEOs from liquor boards across Canada were in Italy last week and they provided a presentation to Italian producers, trying to get them to sell more wine in Canada. That's what we're up against. Italy sells more wine in Canada than we do, yet the liquor boards are there trying to get them to sell more here. That's the challenge we face.

The Chair: Thank you, sir.

Mr. Allison, it was a good question, but it brought you way over the time. I don't think you'll be able to ask a question for three weeks.

We'll move over to the Liberals now. Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair. I hope you didn't take any time away from my questions.

The Chair: No.

Mr. Peter Fonseca: It's great to see you all here today.

We were talking about capacity. Mr. Wilson talked about it, and Mr. Paszkowski talked about it.

Mr. Paszkowski, you brought up CETA and Mercosur; they're very mature wine markets. Ours is a growing market domestically. Then looking at exports, you brought up icewine. I know icewine is selling well in Asian countries. China is a big market for us. What do we need to do? Is it the marketing side or the capacity side that would help in terms of our exports of wine?

Mr. Dan Paszkowski: It would be a bit of both. Right now, the federal government provides us with roughly $600,000 per year to support export development around the world. We don't export a lot of wine, but to be able to do more of that, the funding we get supports both domestic and international development, so that's very important in terms of the domestic market as well.

Where we're lagging is in the ability to compete on price and the ability to continue to compete on quality. You have the Europeans, the Americans, and the Argentinians; these guys get the best technology in the world. As I mentioned, if Europe gives you 40¢ on a dollar to invest in a tractor or a piece of high-tech equipment, that's a 40% advantage they have over Canada.

Mr. Peter Fonseca: Thank you.

Mr. Wilson, talking about proprietary or great technology, we had a company in here the other day that does HVAC and they are in the Brazilian market. The reason they've had to go there to manufacture is that they have proprietary technology and the tariffs are too high and too restrictive for them to be able to get into that market, and also non-tariff barriers. Do you feel that a company such as that, which would fall under your manufacturer and exporter umbrella, would see a benefit to being able to do an agreement with the Mercosur countries?

● (0910)

Mr. Mathew Wilson: Sure. That's why we're supporting the agreement, as long as you get the right structure in place around it. When you're talking 35% tariffs, I don't know what it specifically is in HVAC, but let's assume it's up around that level, you're not going to get into that market, exporting from Canada, or frankly, anywhere else in the world. It is a closed market for all intents and purposes.

Brazil, in particular, is a huge market. You need to eliminate those tariffs, along with the other regulatory barriers. Some of the safety regulatory barriers were mentioned, and regulatory approvals more generally. That all needs to come with it. It's not just the tariffs themselves. The tariffs are just the tip of the iceberg. If you can create that environment and eliminate those barriers, absolutely it could benefit Canadian exporters, if they have the capacity to export into those markets.

Mr. Peter Fonseca: Mr. Wilson, you brought up CETA. CETA has very high standards: labour standards, environmental standards, a regulatory regime in place, high wages, etc. You did say our exports were down and imports were up from Europe. It's not because.... Their costs are just as high or higher in many cases than ours.

You said that most of our manufacturers are small businesses. How do you move our manufacturers from small business to medium-sized business and make them competitive so that they can export to CETA and in turn also to Mercosur and other countries?

What are we missing there? What's the gap?

Mr. Mathew Wilson: I think we've had this conversation here before as well and I'm not sure there's one easy answer. I would say it starts at home to allow companies to grow. We have a lot of tax and regulatory measures in place that really punish companies for growing.

Mr. Peter Fonseca: That would be with CETA also, right. They would have the same.

Mr. Mathew Wilson: No.

I'm just talking about specific domestic tax policies that actually limit the growth of a company. I know of companies, for example, that once they hit a certain threshold of revenue they're told not to grow anymore by their accountants because actually it's tax-punitive to grow.

We have things like that; I don't understand why we would ever do that. We want to grow companies. There are things like that in Canada that prevent growth.

Then, also, there are not the support programs around the smaller companies in the scale that we need them. When you're talking about the numbers of companies we have that are that small, what European companies have that we don't have is they.... Let's use Germany as an example, which tends to be the classic example of high-tech advanced manufacturing. They have that middle stock of companies, which is really their middle-sized companies. We've got 10 of them in Canada. They've got hundreds of them in Germany. They've got massive global-scale companies like Siemens and BMW and Mercedes. We have Bombardier. We just don't have the number and scale of companies.

When you're looking at exports from Europe into Canada or Europe to anywhere versus Canada to anywhere, they have the scale of companies that can pull a whole supply chain along with them. We don't have that. We need different tools in place. In particular, there's a wide variety of things that could help. Education of our SMEs, for example, on what market opportunities are—which is something I know that we've spoken about before—is a huge component. Small companies with 10 employees don't have the internal capacity to understand markets let alone actually develop foreign market opportunities.

Those are some of the structural differences that exist between Canada and, say, Europe or other countries, which we struggle with in Canada.

Mr. Peter Fonseca: I have a really quick question for Robert at Redline.

The Chair: No, no.

Mr. Peter Fonseca: Eliminating those tariffs, what would that mean to your company?

The Chair: The Liberals will have lots of time if you want to punt that question over.

We're going to the NDP now.

Ms. Ramsey, you have the floor for five minutes.

Ms. Tracey Ramsey (Essex, NDP): Thank you for presenting today. We've heard a similar testimony to yours from agriculture, auto and steel on Mercosur, and about this really extreme imbalance that exists with the Mercosur countries.

Mr. Wilson, picking up on what you're talking about, having some domestic manufacturing auto policy would be a good start for us and it's the same for the vintners and across the board on some of our really key sectors that are driving our economy.

You mentioned that some Mercosur countries are involved in dumping practices and you mentioned the tariffs, but I really want to ask you about those non-tariff barriers that exist in Mercosur countries and what challenges you see there.

Mr. Mathew Wilson: The biggest ones...and Mr. Williams might be able to answer specifically from his company as well so, maybe after I'm done, I'll flip it to him if that's okay.

The biggest things we've heard about from our members are typical things that we see in other markets around the world too. In the automotive sector, for example, countries are very good at randomly changing regulations to suit their needs to make sure their domestic producers are favoured over top of any importers coming in. I assume it's the same in wine and other sectors. If there's a new market opportunity opening up and a vehicle that's made in Canada, or say in the U.S. or in Mexico with significant Canadian content in it, has an advantage in that market, we will suddenly see a change in the regulatory policies.

In some cases around the world, we've seen countries that will implement new requirements for testing on vehicles where they don't even have the equipment inside the country to do the testing on them. It's completely random and it's completely there to block exports from our markets, or specifically imports from other markets into their markets.

We see that on a very regular basis, which is why it is important that as we go through free trade agreements.... This isn't new to Mercosur or EU or anyone else. We've been talking about this for a long time. You need the regulatory alignment behind the scenes to eliminate all those barriers that can pop up on an ongoing basis. It's an essential part of any trade agreement now, and something that I think we've ignored for far too long, along with the impacts of it.

That would be the specific type of example that we hear from our members.

● (0915)

Ms. Tracey Ramsey: Thank you.

With 18 wineries in my riding of Essex I would be remiss if I didn't ask Mr. Paszkowski a question as well.

I know well the imbalances being created by trade agreements and the harm in particular that NAFTA has caused to our domestic wine industry, and of course we'd all like to see that flourish and grow. It provides more than just the wine itself. It's the tourism, the agriculture, all of the spinoff jobs that exist because of the vintners in my community and others.

I really want to ask you about the wine annex that has happened in the trans-Pacific partnership. Do you see a way that a wine annex should be part of trade agreements going forward and a way that it could be successful in ensuring that you have a level playing field for Canadian wines?

Mr. Dan Paszkowski: The wine annex that's in the trans-Pacific partnership agreement comes from the World Wine Trade Group. Canada participates in that group, an industry-government body that has developed the harmonization of regulations to bring down barriers to trade so that my label can enter your country, your label can enter my country, and there are no additional costs incurred.

It's a good thing that this was added into the TPP. Equally in NAFTA—there's another one being negotiated, which will likely be the most comprehensive of any free trade agreement in the world—it's positive as well.

You have to recognize, however, that the largest beneficiaries of that harmonization will be wines entering Canada, not our wines entering places around the world. However, it creates a foundation for good regulations and good policy around the world. Other countries can tap into it.

As you're going to see now, if Mercosur comes on board there will in all likelihood be a harmonization agreement put in. To get harmonization around the world would be a positive element in any wine trade agreement, because that will level the playing field.

Ms. Tracey Ramsey: You appeared before the Standing Committee on Finance during the pre-budget consultations. Further to what my colleague was asking you earlier—you mentioned the direct payments that are being provided by governments around the globe in support of their competitiveness and their grape-wine industries—do you know whether any of the Mercosur governments are providing this type of support? Where do you see the greatest challenge for us? I know you mentioned a couple of the countries.

Mr. Dan Paszkowski: I don't have any specifics on Mercosur countries with me today, but without a doubt there's going to be a significant amount of support provided to the Argentinian wine industry, given its size in that country. They own their entire market, so if they weren't able to export they'd have to cut down their production. Their government will support them significantly to move that surplus volume out of the country.

Ms. Tracey Ramsey: Thank you.

The Chair: That wraps up the time. We're going to move over to the Liberals.

Ms. Ludwig, you have the floor. Go ahead.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Good morning.

I'm going to start with Mr. Williams, and I'm going to kindly ask the question for my colleague: what would the elimination of tariffs and the opportunity for labour mobility mean to your company?

Mr. Robert Williams: Thank you.

At Redline, we export about 90% of our products globally. The South American market is a significant growth opportunity for us. As I mentioned, we do a lot of work in Argentina with the national oil companies there, and there's a large and growing opportunity in Brazil, particularly in mining and the automation of infrastructure around the IoT. This would have a significant impact on Redline in terms of increasing revenue and increasing the number of personnel we have designing these advanced products for these opportunities. It would be a significant boost for us.

● (0920)

Ms. Karen Ludwig: Okay, thank you.

What is the average age of the people who are working in the design field in your company?

Mr. Robert Williams: They're approximately 35 to 40 years old.

Ms. Karen Ludwig: Is there a steady supply of talent in your area?

Mr. Robert Williams: Talent is becoming an increasingly challenging problem for us. We have a lot of very large U.S. companies coming into the Markham area and the GTA. Although they're creating new jobs, basically what they're doing is stealing them from me and driving our costs up. The recruitment of a lot of the top university talent is being done out of the U.S., and many global tech companies are moving into the GTA, making it really challenging.

Unfortunately, we're having to look at lower-cost development geographies. We're opening a development centre in Romania, which is unfortunate, but access to talent is just becoming more and more challenging for a small company such as Redline.

Ms. Karen Ludwig: When we're looking at talent in Canada, the labour aspect, we've heard from a number of different witnesses, is a challenge.

You mentioned Brazil and Argentina. If we're looking at Portuguese and Spanish countries, do many of your employees speak Portuguese or Spanish?

Mr. Robert Williams: Yes, we have a large number of Spanish- and Portuguese-speaking employees.

Ms. Karen Ludwig: Excellent. Thank you.

Mr. Wilson, is it typical for the Canadian Manufacturers & Exporters that a first-time exporter, if they're looking, let's say, to export to Brazil or Argentina—those seem to be the larger markets—would go direct, or would you advise them to go through an agent or distributor or partnership?

Mr. Mathew Wilson: It would depend on the type of product they're selling and what they're doing. This is a generalization, but many first-time exporters will go as part of a bigger project. For example, SNC-Lavalin, doing a construction project in Brazil—building a new road, or something like that—would take a certain percentage of Canadian suppliers with them on that project as part of the conditions, typically, of their EDC contract, if they're using them. I'm just using this hypothetically.

That is almost always the best way for a company, a first-time exporter, to understand what they have to go through, because they're using the scale of a larger Canadian company and the backing they come with. We strongly encourage our members to try to partner as much as possible with other companies, especially those that have the expertise already, because it's daunting.

You just mentioned language issues, but the legal and all the other issues that come with them aren't the same as when doing business here. It's a huge issue for companies, especially for a company that could be five or 10 people.

Ms. Karen Ludwig: How do they become aware of those opportunities?

Mr. Mathew Wilson: Certainly EDC tries to make them aware. We'll try to do it through our own—

Ms. Karen Ludwig: How do they become aware of EDC?

Mr. Mathew Wilson: That's a whole other question. EDC does a lot of advertising, I guess. We have surveyed our members about awareness and the use of EDC. The understanding not just of EDC but of the trade commissioner services.... These are all really good services; very few people know they exist.

Ms. Karen Ludwig: Sure.

Mr. Mathew Wilson: It's in part a capacity issue, considering the size and scale of these companies, which are so small they just don't know where to go for help.

I think too often the government tries to be the only solution provider, and often they don't look to the government for help; they look to a local chamber of commerce or a group like CME. We don't have the support mechanisms in place anymore, however. We used to be funded to do that type of work directly. We don't have that anymore, so it is a tough thing for them.

The Chair: Thank you; that wraps up your time and finishes that round.

We're going to start the next round with the Liberals.

Madame Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much.

Welcome to the witnesses.

Mr. Wilson, I will continue along the lines of what my colleague said earlier.

You mentioned EDC and BDC [*Technical difficulties*]. You explained that the SME pool was not big enough and if we wanted them to be able to export, we had to help them grow. This is the first observation. How do we improve things on that front?

Then you talked about Canada's export capacity. I would like to hear what you have to say about what limits your export capacity.

You say that businesses go primarily through the chambers of commerce. Should EDC and BDC work at the grassroots level to help companies grow?

● (0925)

[*English*]

Mr. Mathew Wilson: Thank you.

I'll go in reverse order, maybe. I'd say that BDC, EDC, and the trade commissioner service work quite closely with groups like ours —chambers of commerce and others across the country—but they're limited in their own capacity to do so as well. They have only so many people. I would say that they leverage it, but the reach is still fairly limited.

Not every company belongs to an association that has access to that type of information, so that is a limiting factor. I'm sure they could also reach out to their local MPs' offices, and they would direct them as well. Often, however, companies just don't know where to go; they're really stuck and they're not sure where to start the journey, and so that becomes an issue.

That capacity building you're talking about comes in two forms. One is that we need to have a focused exercise on educating SMEs as to what the opportunities are. Through groups such as ours, or directly from the government, or through groups like the chambers at the local level, there can never be too much education on export opportunities and export barriers. Frankly, we just don't see enough of it out there.

To some degree you have to drag the horse to water to make it drink. I believe that. It's not just because you show them the water that they are going to drink. You have to really force them through this.

There are different things we could be doing in Canada to drive those things. We've talked, for example, about whether you put in place an export tax credit, as other countries have done, for example, that would put a lower tax rate on profits made on foreign earnings to directly encourage growth internationally. Would there be tax measures like these that you could put in place? Could we put in place mentorship programs to pair large companies with smaller companies that have done it before? Those are some of the things we have talked about.

The other capacity is strictly a physical capacity. There's only so much by way of goods that a company can put out before it has to expand its plants and facilities. For the most part, Canadian plants— not every single plant, but generally speaking—are at or over capacity already. Their ability to say that tomorrow they're going to start sending x product to Brazil just doesn't exist. It's going to take a long-term strategy.

It could be many years in the making. It starts with investment in new products, typically, which leads to expansion of plants and then gets them into the actual export market. Those first couple of stages come first, however: you have to invest in the new products and then you have to expand plant capacity in order to grow those markets. That's typically where the gaps lie.

[*Translation*]

Ms. Linda Lapointe: Thank you very much. Those are good proposals.

Mr. Paszkowski, I have a question for you. You said that Mercosur was not a market that might interest you and that it provided no benefit to Canadian winemakers. You also said that we already have a lot of free trade agreements. You also talked about your ice wines.

What are the priority markets, Mercosur or elsewhere, for Canadian winemakers?

[*English*]

Mr. Dan Paszkowski: The priority market for the Canadian wine industry is China; it would be our largest export market. We see great opportunities there not only for icewine but for our other wine products as well.

Beyond that we focus, unlike some major wine-producing countries that focus on an entire country, on large cities—New York City or London, England—really driving hard into specific markets to grow our sales.

As I said, we're not a big exporter. We're exporting around two million litres of our quality wines every year. Only about 50 wineries are export-ready right now, of the 700. The big guys are out there and the little guys are trying to enter into that marketplace, but it's a niche market for us. We just don't have the supply to get into it in a big way at this point in time.

[*Translation*]

Ms. Linda Lapointe: Thank you.

[*English*]

The Chair: Thank you.

[*Translation*]

Ms. Linda Lapointe: I have a question for you, Mr. Williams.

[*English*]

The Chair: I don't think we have time for another question.

[*Translation*]

Ms. Linda Lapointe: I'm sorry. I had a question.

[*English*]

The Chair: We have to move over to the Conservatives.

Mr. Carrie, you have the floor. Go ahead for five minutes.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I want to direct my questions to Mr. Wilson. We talked a little bit about non-trade barriers; historically, Canada has been the boy scout in the world when we're dealing with that issue. You, however, brought up something about our domestic industry. If we don't get our domestic house in order, we're going to have major problems and are not going to have to worry about these non-trade barriers.

You talked about capacity building and how important it is to have government policy here in Canada to support it. Interestingly enough, I was up in the House yesterday and I asked the minister a question in regard to pipelines, because we had the Prime Minister state in the election that he was going to, I think, phase out the oil sands, and he was in Europe last week saying he wished he could phase them out faster than he is doing. My question was about Canadian pipelines being built with Canadian pipe that is built with Canadian steel, creating Canadian jobs that help build such capacity.

How do you overcome things like this when you're trying to attract investment in order to build domestic capacity? In Canada we're a leader in the world in our energy sector. We export: we export a lot of intellectual property and our product. What's your plan to move forward, when we're having directions from the top that may not be in line with what needs to be done with our capacity-building requirements here domestically?

● (0930)

Mr. Mathew Wilson: On capacity building you mentioned energy development, and I didn't touch on that. I'd say there's a capacity constraint across the board, whether in manufacturing or energy or other sectors of the economy, whereby the investment just isn't coming in to expand production. You're not talking about $100 here and there; you're talking about multiple billions of dollars in investment that isn't coming, whether it is direct investment in the natural resource extraction side of things or in the upscale or downstream value-added aspects of it.

The longer you go without investment, the less competitive you become, and this has longer-term, cascading effects on the economy and our overall innovation and competitiveness, which is something that I think we all care a great deal about.

You mentioned, though, the pipeline specifically. Don't ever assume, just because something is built in Canada, that we're going to use Canadian steel and pipe.

Mr. Colin Carrie: Why not?

Mr. Mathew Wilson: I think Dan's story about wine is similar to stories in other sectors of the economy. We are the boy scouts on trade, and for a long time in Canada we have accepted that we can be less competitive in Canada and produce things at a higher cost and that this is okay, because other people will supply those goods to us. That has a direct and long-term economic impact.

Steel production is a good example, whether it's in Hamilton or Saskatoon or other places across the country where we make steel. A significant portion of the steel that's used for energy development in Canada, whether for pipeline or anything else, is imported steel, from Asia primarily and in some cases from Brazil.

This is a bigger structural problem that we need more serious conversations about. How do we leverage better those assets that we have and better use the talents we have in Canada to grow our economy in both the short and the long term, through major projects as well as through ongoing investment?

Mr. Colin Carrie: I think it is something, if we can stimulate the Canadian.... We have all the tools here. We have the mining; we can turn it into these things; and you mentioned the value added. We need to have policies like that, instead of the uncertainty that I think John Manley mentioned in this past budget. I think the budget was 400 pages, and 200 of them talked about the carbon tax and the uncertainty around it.

I'd like to talk to you a little bit about the uncertainty. The Prime Minister said during the election that he was going to transition away from manufacturing—and that was a concern in my neighbourhood, in Oshawa, for we build cars—and again, domestic capacity.

We have a very aggressive U.S. policy on taxation. What would you suggest, building on Mr. Manley's comments, that we do in the short term address this competitive issue, because it appears that other countries are being much more aggressive, and if we don't get on board really quickly, I'm seeing that the manufacturing sector is going to be facing some real challenges. What can we do right away to help in that regard?

The Chair: It's going to have to be a very short answer, because you only have a few seconds left.

Mr. Mathew Wilson: Implement accelerated capital cost allowance measures such as the U.S. just implemented. That would provide the biggest short-term bang for the buck and cost nothing, because it's an accounting measure. It's about cash flow back to the companies.

The Chair: Thank you, sir. We're going to move over to the Liberals.

Mr. Peterson, you have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you to all the witnesses for being here.

Mr. Williams, it's great to see you. You're a neighbour. I'm representing Newmarket-Aurora. It's always good to see friends from Markham here in Ottawa.

I have a question about the free flow movement of labour, of people. What can we put in any free trade agreement to enhance it and to ensure that there remains a competitive advantage for companies such as yours?

● (0935)

Mr. Robert Williams: I think the whole process around visas—moving people to do work within those countries and the requirement to get visas—becomes challenging and time-consuming for a small company like ours. Having an electronic approach to it would clearly simplify the movement of people back and forth.

Mr. Kyle Peterson: Thank you. That's good to know.

I don't know whether anyone has a comment on that. I'm happy to hear it.

Mr. Mathew Wilson: Yes. Here is something that I think Canada could do unilaterally that has nothing to do with free trade agreements or anything else. It's something we've advocated for awhile.

We tend to get caught up in tying temporary foreign workers to people who are coming into the country and adding value. For example, someone coming in to do R and D work or repair a machine or equipment at a manufacturing plant tends to get caught up in the temporary foreign worker program, which really isn't what it was designed for in the first place. We should have visa-free entry for anyone coming in to add value to Canada's economy. It makes no sense at all that at the border we will stop someone coming in.

I've even heard of stories of presidents of companies coming into the country saying, I want to make an investment. That's what they're talking about in the boardroom. When they get to the border, they're told no, sorry, you're here to steal Canadian jobs. Here's someone trying to come in to invest in Canada.

There's too much of that at our borders. It's great to talk about what other people do, and we like to point the finger especially at the U.S. these days for blocking people going into the U.S.. This is a Canadian problem as well, and it's something we could do quite easily: exempt people from those requirements. Yes, have the right controls in place to make sure there are no people coming in and stealing jobs and things like that, but for the big bulk of people coming in, that's not what they're doing. They're actually adding value and employing Canadians.

Mr. Kyle Peterson: I don't know, Dan, whether you have anything to add to that.

Mr. Dan Paszkowski: I don't have a significant amount to add. Just from a worker perspective, we use the foreign worker program because, as Dean knows, the grape growers need these seasoned, experienced workers from abroad. We bring them in not only year after year but generation by generation, workers coming from the same family who come for 20 to 30 years. They are experienced, they understand viticulture, and they are operating multi-million dollar pieces of equipment. We train them; we house them. It's a fantastic and required service for the viticultural industry.

Mr. Kyle Peterson: Thank you.

Mr. Williams, it's great to hear your success story. I like to hear these stories. Outside of Mercosur, though, where do you see growth for your company? Mercosur may or may not happen, of course, but you must have some plans for growth that contemplate free trade agreements and also some that don't. Where do you see geographically the most growth potential for your company?

Mr. Robert Williams: Right now we're seeing most of the activity in the Middle East and North Africa. One thing we do as a company is connect the disconnected. Many of these emerging economies that don't have connectivity for their businesses and citizens are looking for technologies such as ours to help them. Much of the business we see coming our way is in those underdeveloped areas. As I say, I think last year we did about a third of our revenue in the Middle East and nearly a third in South America and Mexico, so they are fairly large markets for us.

Mr. Kyle Peterson: That's good to hear.

Mr. Paszkowski, your association represents big and little, I take it.

Mr. Dan Paszkowski: Yes, we represent large, medium, and small.

Mr. Kyle Peterson: There must be some inherent conflicts when you're trying to represent that diverse group of companies. Is there a different attitude when it comes to free trade and Mercosur within your association?

Mr. Dan Paszkowski: I think everybody is generally on the same page when it comes to trade, for those who are interested in trade. It represents a very small percentage of the wineries in Canada. There are different reasons for it. The smaller wineries want access to trade to get exposure to their products in different markets and to get wine writers talking about their products in different markets. In the Canadian wine industry we like to think that a high tide floats all ships, if that's the way you say it. We don't always get along, but we are unique in the way that we believe our craft industry is special and that if you produce fantastic wine, it's going to help all of us.

Mr. Kyle Peterson: Well, thank you, gentlemen. I appreciate it.

The Chair: That wraps up the time and the dialogue with the MPs in our first session of the day.

Gentlemen, thank you very much for coming and for good presentations and good dialogue. We will be travelling to these countries, probably in the fall, and will probably have a report at the end of the year. You're welcome to have a copy of it. Thank you for coming.

We're going to suspend for a few minutes to get the next witnesses in place.

● (0940)

(Pause)

● (0945)

The Chair: Welcome back, MPs. We're going to continue with our study on potential trade with the Mercosur countries. This is the second half of our morning and we hope to have another 45 minutes here.

We have with us through video conference a group from my home province of Nova Scotia. From Halifax, we have LED Roadway Lighting Ltd.

We have the Alliance of Canadian Cinema, Television and Radio Artists from Toronto.

Also with us today we have the International Institute for Sustainable Development. Mr. Vaughan. Welcome.

Folks, some of you have been before committees. We like to keep the presentations to five minutes or under so we can have good dialogue with MPs.

We will go right to the video conferences and start out on the east coast first. We'll go with LED Roadway Lighting.

Folks, you have the floor. Go ahead.

Mr. Jeff Libis (Vice-President of Sales, International, LED Roadway Lighting Ltd.): Thank you.

Honourable Mark Eyking, chair of the committee on international trade, and honourable members of the committee on international trade, first of all I would like to thank this honourable committee for giving us the opportunity to contribute to the Government of Canada's initiative to evaluate a potential free trade agreement with the bloc of countries grouped in Mercosur.

My name is Jeff Libis. My responsibilities as global vice-president of sales at LED Roadway Lighting include overseeing the company's commercial strategy, sales staff, and worldwide team of representatives and distributors in more than 60 countries globally.

I'm accompanied today by Alberto Capodicasa, who is LRL's manager for business development in the Latin American region, including the Mercosur countries. Both of us have worked extensively in the Latin American market and in the Mercosur arena.

LED Roadway Lighting is a Canadian-owned and -operated clean technology company that specializes in the design and manufacture of energy-efficient LED street lights, smart lighting controls, and smart city sensors. LED Roadway Lighting's primary goal is to create positive environmental change through the development of future-proof products and sustainable, meaningful technology solutions.

Our LED luminaires are designed to provide ongoing maintenance savings, long-term energy savings, and a rapid return on investment for our customers. Our environmentally friendly luminaires improve safety in lighting quality while reducing energy consumption by 60%, decreasing light pollution, and limiting carbon emissions.

LED Roadway Lighting's smart lighting controls and smart sensors for cities offer a leading technology platform to enable applications through the Internet of things. Applications such as radar-based motion-sensing installed on a street light can increase energy savings and overall asset value, while generating valuable data and functionality for the smart city and the smart utility of tomorrow.

Founded in 2007, our head office is located in Halifax, Nova Scotia, with our primary manufacturing facility located in Amherst, Nova Scotia. Our intelligent street-lighting products have been installed in more than 60 countries, including in projects throughout the Latin American market. An example of our involvement in the Mercosur region is the replacement of more than 12,000 street lights in Punta del Este, Uruguay.

It is important to mention that part of our success in the international market has been possible thanks to the support received from the Canadian government through its various agencies and institutions promoting Canadian export activity around the world. A good reference of this support is the trade commissioner service. The trade missions and local contacts made through the trade commissioner service have allowed LED Roadway Lighting to open new international markets with positive results.

Additionally, Export Development Canada, the Canadian Commercial Corporation, and the Atlantic Canada Opportunities Agency have been valuable partners while LED Roadway Lighting expands its business activities into export markets.

Historically Canada has been a major contributor to the energy sector in the Latin American region. The Brazilian Traction, Light and Power Company Limited, also known as "the Light" today, was founded in Toronto in 1904 and quickly became responsible for generating and distributing electricity in Brazil and other Latin American regions as well as for providing street lighting to the region. This Canadian-based investment in the Latin American market continues to highlight Canada as a leading provider of technology in the electrical industry in the region more than 100 years after the original investment.

Several facts about Mercosur highlight the importance that this market represents for Canadian exporters like us. Brazil, Argentina, Paraguay, Uruguay, Venezuela, and Bolivia represent the opportunity to commercialize goods and services to a market of more than 300 million people, more than eight times Canada's population.

For LED Roadway Lighting, Mercosur represents a market of 30 million street lights and a similar quantity of smart street-lighting controllers, offering LRL approximately a $9-billion market. The business opportunity is accentuated by the fact that less than 3% of the current LED street-lighting inventory has been converted to LED technology and that less than 1% of this total inventory has been equipped so far with smart control devices and/or smart city sensors.

Moreover, federal governments in these countries have been accelerating the conversions to LED technology to fulfill international agreements aiming to lower carbon emissions.

Additionally, recent technology developments with the Internet of things and connected communities have exponentially increased the use of smart devices and sensors in street-lighting platforms, optimizing the use of energy and economic resources and improving the quality of life for citizens in Canada and abroad.

● (0950)

These business opportunities also present challenges. In the Mercosur market, import duties can reach values in excess of 100% of the total of our cost of goods, making commercial success for our products and other Canadian exports nearly impossible. Also, a lack of access to financing and financial products that meet local needs, credit risks, and the challenge of finding effective local partners are obstacles that hinder the export of Canadian goods and services into that market.

Signing a free trade agreement with Mercosur that benefits all parties will facilitate the entry of Canadian companies into this market. However, to increase the opportunities for success it is also important to accompany the signing of a free trade agreement with additional measures, such as increasing the availability of resources from such government institutions as Export Development Canada that offer greater understanding of local risks in their financial tools and offerings, developing financial products whereby contracts can be repaid by energy savings and other sources of cash flows, and creating more resources through the trade commissioner service to connect Canadian companies with qualified, relevant business partners in the Mercosur region.

A free trade agreement will bring several benefits for the Mercosur countries, including access to Canadian-developed technology solutions that promote energy savings; a reduction in greenhouse gas emissions; lower operating costs for cities and utilities; access to state-of-the-art technology at a lower cost; potential investments; technology and knowledge transfer; and improvement in the quality of life of citizens thanks to the implementation of different Internet of things devices, using street lights as a platform for smart city applications.

LED Roadway Lighting sees significant potential for export development in Latin America, specifically in the area of clean technology, energy efficiency, and smart city applications. We believe the opportunity ahead will hinge on better access and better alignment to the market for open trade practices and ongoing deployment of trade resources and programs from the Government of Canada to facilitate Canadian business transactions in the region.

Thank you for offering this venue to provide feedback to the Canadian government regarding a possible free trade agreement with Mercosur. LED Roadway Lighting appreciates trade and development support offered by the Government of Canada, and hopes that our comments and feedback today offer a useful resource to support future commercial connections between Canada and Mercosur.

LED Roadway Lighting remains at your disposal. Thank you.

The Chair: Thank you, sir.

We're going to go to the Alliance of Canadian Cinema, Television and Radio Artists. Many of us know it as ACTRA. They're coming straight from Toronto.

● (0955)

Mr. Elliott Anderson (Director, Public Policy and Communications, National, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)): Thank you, Chair, vice-chairs, and members of the committee. My name is Elliott Anderson, director of public policy and communications for ACTRA, representing 25,000 performers in English-language media, including particularly for this presentation film and television.

With me is Garry Neil, who is our policy adviser and a global expert on how trade agreements can affect cultural policy-making.

I'll give some background, and Mr. Neil will talk about ACTRA's proposal for a new, innovative, and progressive approach to culture in the proposed free trade agreement with Mercosur. This is an approach that's based on our mutual support for the UNESCO Convention for the Protection and Promotion of the Diversity of Cultural Expressions.

I want to start by noting that for more than 30 years ACTRA has been at the forefront of campaigns to exempt cultural industries from Canada's trade and investment agreements, and for 30 years our governments have listened and our trade negotiators have succeeded in exempting culture. However, these exemptions are far from perfect, and Canada's most recent agreement, the CPTPP, contains provisions that we believe will restrict our cultural policy-making space.

The original trans-Pacific partnership agreement would have been a disaster for Canadian culture. Fortunately, the current government took some steps to address it via side letters with participating nations and changes to the preamble. These are positive steps, but they do not completely solve the fundamental problems of the TPP, which we have outlined in our written submission.

ACTRA believes it is time to take a new approach to culture and trade agreements. It would be based not on a negative exemption approach but on a positive commitment to promote diversity of cultural expressions, cultural collaboration, and exchanges.

I'll ask Garry to explain the proposal.

Mr. Garry Neil (Special Advisor, National, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)): Thanks, Elliott. I'm delighted to be here today. Thank you very much.

Canada and Canadians were leaders in the global campaign that led to the adoption in 2005 of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. While the convention did not achieve the hoped-for goal of carving culture out of trade agreements, it does provide a basis for parties to take a new and collaborative approach to cultural relations.

Canada was the first country to ratify the convention, and every member of Mercosur has ratified it. We believe that Canada can, under the convention, maintain its flexibility to implement cultural policies while building a more robust cultural relationship between Canada and Mercosur, if we use it as the foundation for that relationship.

Let me just review quickly the key elements to this proposal.

If we use the convention as the legal basis for our relationship with the Mercosur countries on cultural issues, the convention would confirm that Canada, along with each member of the Mercosur group, would have the absolute right to support its own artists and cultural producers. One of the key objectives of the convention is:

> to reaffirm the sovereign rights of States to maintain, adopt and implement policies and measures that they deem appropriate for the protection and promotion of the diversity of cultural expressions....

By confirming support for the convention, Canada and the Mercosur members would acknowledge that they each have the right to support their own artists and cultural producers in every sector and every medium and however the works might be distributed to consumers. This is a positive understanding of the broad scope of cultural policy-making and is not limited to current media. It would thus provide far more protection for Canada than even the most comprehensive exemption that we have negotiated in any of our trade agreements.

The convention does more than this and creates new opportunities. It calls on parties to develop more bilateral cultural co-operation agreements in every medium; it seeks to encourage international co-operation to promote cultural development; and it would be based on mutual respect, with the goal of providing greater access to diverse cultural expressions in each of the parties.

With this in mind, ACTRA recommends that the government convene a high-level meeting of leaders of the Canadian cultural sector to consider how to expand our bilateral cultural relationship with the countries of Mercosur. Transforming our mutual agreement around the convention into a legally binding text would provide a new basis for a cultural relationship between Canada and Mercosur while at the same time preserving our right to develop policies and measures that create new opportunities for Canadian producers and artists to export and tour.

Elliott.

● (1000)

Mr. Elliott Anderson: Thank you, Garry.

Thanks very much to the committee for this opportunity. We look forward to your questions and the discussion.

The Chair: Thank you.

We're going to move over to the International Institute for Sustainable Development. We have the president and chief executive officer with us here.

Mr. Vaughan, you have the floor.

Mr. Scott Vaughan (President and Chief Executive Officer, International Institute for Sustainable Development): Mr. Chair and honourable members, thank you very much for inviting me.

I need not tell this committee that your work takes place at a moment of exceptional trade policy uncertainty and instability, and thus we welcome work towards a possible Canada-Mercosur free trade agreement.

As we've just heard, Mercosur comprises over 300 million people. Among the strategic objectives of the current Mercosur agreement is not only the enhancement of trade and economic co-operation, but also the support of democratic governance and rule of law. It's important for Canada to diversify our trade relations and deepen our engagement with hemispheric partners.

We also welcome Canada's support of a progressive trade policy. I want to touch briefly on four points related to that progressive trade policy.

The first is environmental goods and services. Currently, both TPP and CETA agreements commit to identify and deepen the liberalization of environmental goods and services, including through both zero tariffs and the removal of non-tariff barriers. In recent years, as we've just heard from our colleagues from Halifax, green markets broadly have expanded and the pace of that expansion is accelerating since the 2015 Paris climate agreement.

In 2017, estimates showed that global investments in renewable energy alone were $333 billion, surpassing once again global investments in conventional energy sources. The global environmental goods and services market is estimated to be around $860 billion this year, with forecasts showing it could reach $1.9 trillion by 2020. Given this market dynamic, it's important that a Canada-Mercosur environmental chapter carve out an ambitious grouping of environmental goods and services.

The second point is standards. A Canada-Mercosur chapter on sustainable development should also support sustainability standards and amplify the example of CETA's chapter on sustainable development and its inclusion of eco-labelling and corporate social responsibility standards. A Canada-Mercosur agreement should focus not only on clean energy or clean technology standards, but also on a broader range of goods that are important to providing livelihoods to working families, including standards related to sustainable forestry, sustainable fisheries, and sustainable agriculture, as well as a range of other commodities, including sustainable mining operations and their related products and global value chains.

IISD colleagues review voluntary standards on an ongoing basis through the state of sustainability standards report. We're also working with the World Economic Forum and others to examine how voluntary standards are aligning with the sustainable development goals and how trade policy can support these efforts.

Third, Mr. Chair, is gender. The December 2017 Buenos Aires Joint Declaration on Trade and Women's Economic Empowerment, supported by 118 WTO member countries, is a positive step in supporting more women in trade. The challenge is implementation. The International Trade Centre continues to do good work in the area of e-commerce and women, and this could be one specific area in which a new agreement could make real headway.

Finally, honourable members, I want to touch upon investment. No doubt the committee is aware of the regional agreement on investment co-operation and facilitation within Mercosur. Building on Brazil's model development agreement of 2014, the regional agreement offers a new way to spur collaboration on investment and encourage investment flows.

Instead of focusing on investment protection, its primary goal is to facilitate investment flows and co-operation. It sets up a system of dispute avoidance rather than the adversarial dispute settlement through ISDS. As a last resort, the current model provides a state-to-state dispute settlement model rather than a state-to-company one. This approach could also be followed in a potential Canada-Mercosur agreement. In addition, Mr. Chair, Canada could also propose to build upon the CSR provisions included in the Mercosur investment agreement, as well as a sustainable development chapter, to integrate more fully and comprehensively investor responsibility looking ahead.

Finally, honourable colleagues, the Canada-Mercosur negotiations offer an opportunity to update and replace the outdated investment treaties in force between Canada and two Mercosur countries—Argentina and Uruguay.

Mr. Chair, that concludes my comments. Thank you very much.

● (1005)

The Chair: Thank you, sir, and thank you, witnesses, for your presentations. We're going right to the dialogue with MPs now, and we're going to start off with the Conservatives.

Mr. Hoback, you have the floor for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and thanks to all of you for being here, both by video conference and in person.

I'm going to start with LED Roadway Lighting.

I had a chance to travel to Brazil with your CEO, Charles Cartmill, back in 2013, I think it was, with Prime Minister Harper. It was such fun to travel with him because he was so excited about his product. I swear that he was going down the street and counting all the street lights that he could sell and replace as he went through the town of Sao Paolo. It was very interesting to hear him talk about his product. It was contagious, how he talked about it, but there was also the fact that he had seen the opportunity in bringing a LED system lighting to Brazil in terms of what it could do for their power rates and power consumption in places such as São Paulo.

You've talked about 5G and other things being attached to lighting systems. I'm thinking about the 5G network that's going to be coming to fruition somewhere down the road. My question for you when it comes to trade is not so much about the tariffs going into Mercosur countries, but about the non-tariff stuff, the regulatory stuff, such as the type of wire you use, the size of steel you put in your lighting, and stuff like that. Are you experiencing any troubles with that? In going into those markets, how are you finding the regulatory side of things?

Mr. Jeff Libis: As our local content expert, Alberto is probably the most qualified to answer that question.

Mr. Alberto Capodicasa (Market Manager, LED Roadway Lighting Ltd.): About the limitations of...?

Mr. Jeff Libis: Yes, the limitations of the product as it relates to certifications and the content possibilities of the marketplace.

Mr. Alberto Capodicasa: On the technical side right now, several countries, especially Brazil, as you say, are working to have a new certification for street lights and for control systems. Technically, our product complies with the requirements they are asking for, so we haven't seen any big limitations there. There are the local regulations that they are still working on, but so far, generally, on the technical side, we don't see a big limitation for our products in particular.

Mr. Randy Hoback: In Brazil you meet that requirement. Does that mean it automatically translates to Argentina, Uruguay, and the other Mercosur countries? Do you have to do it over again? Or if it's done in Brazil, is it done for all?

Mr. Alberto Capodicasa: Each country has its local regulations. Generally, they're very similar between the countries. When you compare Argentina with Uruguay and Brazil, you see that they are all based on international standards. They are adapting those international standards to the local reality, but basically all of them are pretty similar.

Mr. Randy Hoback: Have you been in a situation where a standard has suddenly changed and for no reason other than change? Have you faced that scenario? I've heard other companies talk about that exact scenario. They've had a product go down into that market, but all of a sudden there's a change in the regulations or standards and they can't ship it there. Have you experienced anything like that?

Mr. Alberto Capodicasa: We have had that experience in the past. In Latin America, it's very common to see changes depending on the government. I'm not going to say no, but it depends.... We have seen in the past that when they change governments, they sometimes change regulations. That has happened before.

Mr. Jeff Libis: Yes. I think there's a standard basic level of certification you need for your product to qualify it for sale within the marketplace, such as electrical certification and safety certifications. That stuff is fairly universal. Of course, when it comes to street lights, as you mentioned, as street lights become more complicated with regard to different types of communication protocols and to different applications within the context of the smart city, the smart grid, the specifications and their scope as they relate to that specific marketplace start to change.

Part of what we've been able to do—Chuck might have mentioned this to you when he was travelling—is that we've created what we call “future-proof” technology. It's part of our approach: to create a platform that can accommodate and change easily to meet the requirements or changing environments of a market. That has boded very well for us as a technology company, because it has allowed us to be quite competitive and easily reactive to some of the changes that I think you're alluding to. It gives us a flexible way into those markets in the Mercosur region.

● (1010)

Mr. Alberto Capodicasa: I would like to add that in those countries they are in a learning process. The advantage here for a Canadian company is that in many cases we are teaching them about the technology, because they don't have the deep knowledge about the technology. They are learning with us. That's an advantage for us.

The Chair: Thank you.

We're going to go over to the Liberals.

Mr. Dhaliwal, you have the floor for five minutes.

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

Welcome to the presenters.

I'll carry on with LED Roadway Lighting Ltd.

Congratulations on being the leaders in this particular field.

You mentioned that there are 300 million people and $9 billion in the market. Do you see this as positive—moving forward with this free trade agreement?

Mr. Jeff Libis: I'm sorry. Can you repeat that?

Mr. Sukh Dhaliwal: If we move forward with this free trade agreement, is it going to help your company?

Mr. Jeff Libis: It will definitely help. It will definitely help our company in the context of making the market more accessible. There is a huge opportunity for both sides of our company's product offering—for the LED street light side of it and on the smart city, smart grid side—mainly because the infrastructure in the Mercosur region is in need of replacement. Energy rates are fairly high. Maintenance costs are increasing. There's a real need to look at utilizing this technology in that marketplace to help mitigate their exposure to some of the bigger trends that are out there in the form of additional costs for energy, additional costs for labour, an antiquated infrastructure that needs to be updated and replaced, and access to global funding from a development bank perspective that's allowing them to enable the conversion of some of this technology today.

Mr. Sukh Dhaliwal: Besides Mercosur, do you see any other nation that we should have the free trade agreement with that will help companies like yourself?

Mr. Jeff Libis: One of the areas where we've found some very favourable response to Canadian technology is the Southeast Asian marketplace. Recently we've done some work in Malaysia, Vietnam, and Thailand, and we've found that the Canadian technology, specifically, is very well received by the stakeholder group that we're talking to. Our reputation as a country and an area where product is of good quality and good performance and is backed by good warrantees has really percolated out into those areas and is very well received. So, Southeast Asia would be an area that I think would be another region that we could be looking at as a Canadian company.

Mr. Sukh Dhaliwal: Recently we travelled to Malaysia, Singapore, and Thailand. Do you face any hurdles when you do business in Southeast Asia compared to Latin America or here in Canada?

Mr. Jeff Libis: Actually, the Southeast Asian market and the Latin American market are quite similar in some of the challenges that we encounter as an organization. Part of it is that, generally, they're culturally different in similar ways. Local expertise, local understanding of how business transactions are conducted and facilitated is an important resource for us as we've entered into those markets.

The requirement for good local partners to help us facilitate our business in that marketplace is also a paramount concern for us as an organization in both of those markets.

Mr. Sukh Dhaliwal: Thank you.

This question is for ACTRA.

Diversity of culture is key to Canada. You said that the government has protected cultural industries for the last 30 years. Besides CPTPP, you don't have any concern with this particular agreement moving forward?

Mr. Garry Neil: Historically, we have adequately protected our cultural policy-making space, but in the last five or six years, we have not. We have begun to move in a direction away from a general cultural exemption, and this, in my observation, is going to cause us serious concerns. The backslide began with the comprehensive and economic trade agreement between Canada and the European Union, where, instead of a general cultural exemption, we sought to exempt culture on a chapter-by-chapter basis. We have continued that model in the TPP, and it's a very weak model because a chapter-by-chapter exemption in the TPP is a unilateral exemption by Canada. It's not a mutually agreed exemption between the partner countries. It's a unilateral exemption by Canada. It's not underpinned by any strong provision in the preamble or by anything in the right to regulate section. We're very concerned about that.

The changes that were made to enable us to sign the CPTPP are simply not adequate to overcome those problems. The side letters are positive, and they do recognize that we have certain additional rights, but basically all they do is eliminate the restrictions we put on our own cultural exemption. We restricted our cultural exemption, and the side letters seek to eliminate those restrictions.

The new preamble provision is fine. It recognizes the importance of cultural diversity and of promoting it, but unfortunately, preambular language, as this committee knows, is not binding. It does not overturn a clear provision of an agreement. It's simply used as an interpretative tool. So, in fact, we are very concerned.

● (1015)

The Chair: We're going to have to leave it there. Thank you.

Your time is up, Mr. Dhaliwal. Those were good questions.

We're going to go over to Ms. Ramsey.

You have the floor for five minutes.

Ms. Tracey Ramsey: Thank you, everyone, for being here today.

I want to continue the line of questions that my colleague started to ACTRA. Certainly we hear your concerns about the CPTPP, and I believe you had submitted as well, in October 2017, to the public consultation process around that.

In that submission, you spoke about the need that "Any future trade or investment agreement involving Canada must fully preserve Canada's unrestricted right to regulate for the protection and promotion of cultural industries and cultural diversity."

I want to ask how Canada's producers and consumers of cinema, television, and radio will be affected if we don't preserve the ability to regulate in this manner.

Mr. Garry Neil: We have very strong cultural industries in Canada. The film and television industry is very robust. Last year, there was about $8.6 billion of production activity in Canada, and about $4.6 billion was Canadian content production. All of that production is underpinned by very strong public policy measures: everything from Canadian content quotas through Canadian programming expenditure requirements, broadcasting regulations, rules that govern cable television. We have public agencies, Telefilm; the public-private agency, the Canada Media Fund.

All of these agencies and policies and measures are what underpin our strong cultural industries. Frankly, many of them are a violation of the kind of normal rules that you have in trade agreements.

Our co-production treaties, by their very nature, violate the most favoured nation provisions. Our content rules violate national treatment obligations that are typically contained in trade agreements. It's fundamental to have an exemption for the cultural industry so we can continue those.

What we're saying is that it's time to move away from that negative concept of "an exemption" to something that's more positive, that says we should be having more forms of international collaboration in the cultural industries, around diversity of cultural expressions. The UNESCO convention can provide that positive approach and move us away from the negative exemption approach.

Ms. Tracey Ramsey: Thank you.

You also mentioned new technology. At the committee here, we have just completed a study on e-commerce, which certainly had a cultural component to it as well.

I'm wondering if you can speak to what sort of concerns you have with regard to culture and new technology platforms.

Mr. Elliott Anderson: Well, it's simply in the sense that right now we're witnessing a pretty dramatic change in the film and television industry in terms of the platforms on which it is being viewed. We're moving now to a market where players like Netflix, for example, are increasingly dominant. That is problematic in one sense. We're certainly witnessing this in the NAFTA negotiations, where it was written in an era where these changes weren't even contemplated.

Part of the reason why we think that establishing a positive enforcement that grants the absolute right to protect culture is that—I can suggest and Garry can jump in on this—a positive commitment would then enable us to in essence future-proof things. I would say that the world we're watching now, where streaming is becoming increasingly a dominant way in which Canadians and people around the world are watching the cultural products that our members help make, isn't something that was foreseen earlier. The problem with a negative approach is that we can't future-proof it, so to speak.

● (1020)

Mr. Garry Neil: The e-commerce chapters that we're beginning to see in international trade agreements don't differentiate between the nature of the product or the service that's being transmitted and sold electronically, and that's a problem. Cultural goods and services, while they do have an economic value, also have a profoundly important cultural side. The agreements, in taking this broad-brush approach, treat the distribution of travel services and the sale of refrigerators and other goods, and cultural goods and services, in exactly the same way. They don't acknowledge that Netflix is primarily producing, primarily distributing, Hollywood product.

It has a look and a feel.... It may be telling stories from other countries, but they're doing it in an American way of storytelling rather than a form of storytelling that you would see from other parts of the world. To have our own material available electronically to do that, we require strong public policies.

The Chair: Thank you, sir.

That wraps up your time, Ms. Ramsey.

We'll go over to the Liberals. We have time for one more MP.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig: Thank you.

My questions will first be directed to the gentlemen from LED Roadway Lighting Ltd. I represent New Brunswick Southwest, so we're not so far apart. My daughter is actually an oncology nurse in Halifax.

We've heard from a number of different witnesses about specifically the opportunities to develop new talent. I notice, Mr. Libis, you're a graduate of Acadia. That's where you got your first degree. In terms of local content or local hires, are you hiring many from Atlantic Canada?

Mr. Jeff Libis: I'm sorry, there is an echo in the communication. Could you repeat that question?

Ms. Karen Ludwig: In terms of hiring talent in your company, are many of your new employees hired from Atlantic Canadian universities or colleges?

Mr. Jeff Libis: They are indeed. Yes, we have strong affiliations with the universities and colleges in the area, including both Nova Scotia and New Brunswick. We are actively looking for the top, brightest engineers and technology experts to join our organization from the region.

Ms. Karen Ludwig: In terms of the technology or the expertise required, when you're working with the college and university networks across Atlantic Canada, are you helping them in terms of the suggestions regarding curriculum or the requirements that are necessary to be successful in green opportunities?

Mr. Jeff Libis: The answer to that question is probably yes, but indirectly. We also work quite closely with the universities and colleges on some of our technology development. Through those actions or activities in the development of our technology, I believe that has an influence on the type of curriculum they are deploying to train their students.

So the answer is yes, indirectly, through technology development alongside the colleges and universities.

Ms. Karen Ludwig: Certainly you're a very, very successful Atlantic Canadian story. I understand you opened in 2007. In a very short period of time, you really have had a sizable global footprint for an Atlantic Canadian company. I'm wondering what recommendations you would offer to others—maybe not your competitors, but other companies in Atlantic Canada—on how to move into the global market and be successful.

Mr. Jeff Libis: No worries about the competition, because LED Roadway Lighting as an LED street lighting manufacturer and smart controls manufacturer is quite unique for the Canadian market.

The suggestion is very clear, and that's to utilize the government resources that are available for export development. These are resources like Global Affairs, the Trade Commissioner Service, Export Development Canada, Canadian Commercial Corporation, and local trade development agencies like Nova Scotia Business Inc. or New Brunswick ONB. These resources and the people involved in these agencies are absolutely spectacular. They have access to resources and contacts. It was a fundamental part of our success as we grew from one installation here in Halifax eight years ago to 66 countries of business today.

That would be my first and foremost recommendation for anybody looking to get into export.

● (1025)

Ms. Karen Ludwig: Thank your for that recommendation. Certainly we heard that as well from a number of different witnesses. Just this morning we heard it again from Canadian Manufacturers & Exporters about the awareness of programs.

If I may, how did you become aware of all the available trade services to give you such a leg-up?

Mr. Jeff Libis: We became active with our local account managers with each of those governmental agencies. We've recently become part of the "accelerated growth service", a grouping of the government agencies that help to facilitate export development on behalf of eastern Canadian companies. We're in a position now where we have active meetings with all members of the trade development team associated with the Canadian government, including EDC, CCC, Global Affairs, Business Development Bank of Canada, ACOA, and Nova Scotia Business Inc. That has really helped us amplify our message in the global market and has supported us as we've grown into other markets, other countries.

Ms. Karen Ludwig: You mentioned CCC. Are you selling directly to governments?

Mr. Jeff Libis: Our clients are either utilities or governments. We definitely work through the Canadian Commercial Corporation, and have utilized them in conversation with governments. We haven't actually been successful in enabling a transaction as of yet, but they do bring a layer or level of expertise to the conversations we have had with governments globally.

Ms. Karen Ludwig: Do you see that that could be an opportunity in a trade agreement?

The Chair: No, sorry. That wraps up our time, our dialogue with the MPs, and the meeting.

Thank you, gentlemen, for being with us. Thank you for good presentations and good dialogue. We have quite a bit more to do on this study. We're going to be travelling these countries, and we'll have a report probably at the end of the year. You are welcome to get a copy of it and get the results from it. Thank you, again, for coming and have a good rest of the week.

We're going to suspend just for a couple of minutes, and then we're going in camera.

[*Proceedings continue in camera*]