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Chair

Mr. John Cannis

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•(1535)

[English]

The Vice-Chair (Mr. Ted Menzies (MacLeod, CPC)): My apologies for starting late. We're still searching for the chair.

As vice-chair, I will assume the authority to get our meeting started. Pursuant to Standing Order 108(2), the committee will consider emerging market trade strategy.

We have as witnesses today, Andrew Steeves, vice-president, administration services, corporate planning, ADI Group Inc.; James Smith with MedMira Inc.; and Giles Crouch, vice-president, marketing and business development, MedMira Inc.

We have another witness on the list who hasn't appeared yet, but we would like to get started.

I see that the chair has arrived, and we can now proceed in the usual manner.

Mr. Steeves, the floor is yours.

Mr. Andrew Steeves (Vice-President, Administration Services and Corporate Planning, ADI Group Inc.): Thank you for this opportunity to speak on the topic of foreign trade for emerging markets.

I think it would be good to give you a little bit of background on my company because it would provide important context to the remarks I'm about to make.

The context is this. We are an engineering, architecture, and environmental scientist firm, founded in Fredericton in 1945. We have offices throughout Atlantic Canada. However, half our business is done outside of the Atlantic region and indeed outside of Canada. We are a company of around 240 people, employee-owned. About a hundred of our employees own the company. Half our business, as I said, is done overseas. When I say half our business, I'm talking about in the order of \$25 million a year of engineering services—engineer-procured construct services—are provided outside of Canada. Many of these services are provided in countries such as Turkey, eastern Europe, Latin America, and Southeast Asia. We do some work in western Europe, we do some work in Australia, and we do quite a bit of work in the United States. But a lot of it is in countries that I think could be called emerging markets.

What do we sell? We sell environmental services, primarily, and specifically, the treatment of industrial waste water from warm, strong, organic processors. That would be things like breweries,

distilleries, food processing plants, pharmaceutical plants, and so on. That I think is important context. I think our location is also important for you to keep in mind because we are not from the normal industrial heartland of Canada. We're not from the Montreal area. We're not from southern Ontario. We're not from Alberta or southern B.C. We are from what would be known as rural Canada.

In preparing my remarks, I looked at the terms of reference of this committee because I thought if I addressed those remarks, at least that would be a point of departure. I noticed that the focus of the consultations is in three areas, the first being information on the kind of policy instruments that would be most useful either to improve market access or facilitate business. The terms of reference asked, "Does Canada need more free trade agreements?" In our opinion, yes. Free trade has been very good for companies in Atlantic Canada. It has opened markets to us that we might not have been able to get to as easily.

Are there other agreements like investment protection or more specialized accords on standards recognition? Yes, to standards recognition. I think when there are agreed-upon standards, it makes it much easier for Canadian companies of any size to operate in that marketplace. It also speaks to transparency. You want to compete for business in a transparent environment where you know what the rules are and how the decision will be made. Sometimes that's not the case. Quite frankly, sometimes it's not the case in Canada. Sometimes you were puzzled why you did not win a job, and it really never is clear.

On customs duties, to me that gets back to free trade.

On double taxation, pensions, and so on, the double taxation of pensions does not apply to us. For the most part, when we win a job in a country, such as Chile, we do most of the work back in Canada and we have a Chilean partner that will do the construction of the waste water treatment plant and provide the necessary on-site engineering services. We work together on those. So those types of issues do not pertain to us.

On policy instruments or approaches that the Government of Canada should look at, I've also been heavily involved with the Association of Consulting Engineers of Canada, so I'm not only speaking for ADI, but also for consulting engineers across Canada. It would be awfully good if external affairs, external trade, and CIDA were all aligned on things, and sometimes they're not. Sometimes we find that the types of services and goods that are being promoted by our trade officials are not really in line with what CIDA is looking at, at all.

Specifically, I'd like to talk about infrastructure investments. I think coming from where I do in Atlantic Canada, we have seen the value of infrastructure investment in highways, ports, and so on. Our CIDA funds have gotten away from that. I think as a result we're maybe not as effective as we could be.

• (1540)

I'd like to make one point to you. CIDA is very concerned about the role of women in developing countries. I'd like to point out that if there is a village well, you are quite often saving the women a lot of effort. And we are not investing in wells or water treatment like we should be.

If you invest in a source of energy, a communal biogas system or something like that, you are saving women and children a lot of effort and time gathering firewood. I think we could align a lot better our external affairs, our trade, and CIDA.

The second term of reference is the types of services and programs, advice and information that would best support Canadian businesses, large and small, in emerging markets, keeping in mind budgetary restraints.

What I would suggest here is that in many cases, a firm of our size or smaller wants to know about projects. We don't want to know about programs or policies. If we know there's going to be an emphasis on food processing in that country, that they are going to be building facilities to process food, fish, farm products, or whatever, then those are projects that our company can help, and helping is business for us. But just knowing that a country is interested or has signed a trade agreement with Canada really doesn't cut it for us.

I can give you an example of something that's being done by trade officials in the Republic of Ireland that is very helpful to us. There is a woman working in the Canadian embassy in Dublin. Her name is Gerry Mongey; I hope I pronounced it right. On a regular basis she sends out to our company and other companies I know e-mails describing projects that are coming up in the Republic of Ireland that might have engineering components. Now in many cases, that's not work that we could do. It's not work that probably anyone outside the Republic of Ireland could do. But guess what? That's our choice, and she has allowed us to make that choice. That's a lot better than, if I may say, some of these Trade Team New Brunswick or Team Canada jaunts to countries have been. There's a lot of hoopla, but really, there are not a lot of projects for us to chase down. In many cases, if you look at who goes on these Team Canada trips, I think you'll find they are firms of a certain size or a certain specialty, and it's not our company.

So that could be really helpful. It's low cost, it's what trade officials do anyway, and an e-mail list is easy to compile. The Association of Consulting Engineers of Canada, for example, could provide you with a list of member firms across Canada. And again, it would be our choice whether to chase that work or not.

I think another thing that would be very useful for us, again knowing of the services and programs, is if we had a heads-up on whether the rule of law is being observed. I can think of a fellow Atlantic Canada company and its chairman, Ken Rowe, and the investment they made in the hotel in Moscow. That hotel has been stolen from them, quite frankly, and that's because the rule of law is not being observed. Well, when you are a firm of 250 people that is owned by employees, you don't want to work in those countries. You don't want to work under those conditions. That's the kind of hole in your boat that will sink the boat.

We do and are quite prepared to export. We think we're fairly export-savvy, but if there is a sudden change in outlook and regime in a country that results in the rule of law not being observed, it's very serious. Now, organizations like Export Development Canada do help us, but even so, that could be a very useful heads-up, if you will.

Thirdly, and I don't want to go over my time, is about proposals and how to develop policy and promotional efforts that advance Canadian trade and investment interest abroad and also incorporate values such as corporate social responsibility, governance, and the rule of law.

One thing we need to keep in mind in Canada sometimes is that Canada is a very big country. We talk about dual solitudes in this country, and in the past it was French-English or east-west or north-south. Right now, in many respects, it's become rural and urban. There are two Canadas in many ways, but one is rural and one is urban. What I'm leading to here is a very specific trade point. In many respects, we focus an awful lot on what I would call high tech—aerospace, communications, automobiles, and so on. When you talk about emerging markets, that's not what they need. Remember I gave the example earlier of wells? Well, there are a lot of Canadian companies in Saskatchewan and New Brunswick, perhaps in the territories, that could really help out rural portions of those emerging economies, emerging countries, emerging markets.

• (1545)

We find that sometimes, the Republic of Ireland example notwithstanding, we are presented with megaprojects on a scale not suitable for companies from Atlantic Canada. I'll give you an example, and to take the pressure off you folks, I'll say it was actually the Province of New Brunswick in this case, not the Government of Canada. A few years ago there was a construction project for a very large, modern airport in Hong Kong, and it involved filling in part of the harbour—for this most modern airport in the world, I guess, after Pearson now—and that project was not appropriate for our firm to hear about.

If you fly into New Brunswick, what do you see? Well, you see a lot of water these days because the Saint John River is flooding, but ordinarily what you see is a lot of trees, a lot of small towns, and some farmland. With that kind of background, we don't design airports in harbours in Hong Kong, but we can design you a very nice airport in rural China, in rural Congo, or in rural Brazil.

I think a lot of times the focus of our trade seems to be on the big projects, not the little projects, and it ignores the fact that a lot of Canadians are very good at certain things that have to do with maybe lower-tech solutions. Our company, for example, generates biogas from waste water treatment. That biogas can be used to generate electricity or to heat the plant or even to help run the waste water treatment plant. It also reduces greenhouse gases.

This is simple technology. We have patents on it, but it does not require PhDs to run it, and it does not require PhDs to design it. But it really is very effective, very appropriate, for these situations. We do not see a lot of those opportunities coming through our trade offices.

You might ask how we get our work. We get our work by going to trade shows and meeting private corporations at those trade shows. We find our trade officials are helpful and they mean well, but what they do is not appropriate to our circumstances.

That would be one of the major recommendations I'd make to you. Look at the expertise that's being developed in Canada for cold climates or remote locations. That has a lot of resonance, I think, for Siberia, rural China, Tibet, parts of Africa, and parts of Latin America. Are we really stressing that the way we should?

Finally, let's allow our companies to exploit their expertise. Maybe there should be forums where Canadian companies of a small size from more rural areas could come in and explain to our trade officials the expertise they could provide. I think you'd find for that, for example, in Atlantic Canada there's a lot more exporting than people are aware of. New Brunswick, in terms of engineering services, is number two in Canada as a percentage of engineering services created within that province. That is a statistic that surprises many people.

With those thoughts in mind, I hope I have covered some of the points you were looking for, and I can answer questions now or after the other presentation.

• (1550)

The Chair (Mr. John Cannis (Scarborough Centre, Lib.)): What we'll do, Mr. Steeves, is once the other presenters finish with their presentation, then we'll go into questioning collectively.

Thank you very much, Mr. Steeves.

We'll go with Mr. Smith. Mr. Smith, will Mr. Crouch speak as well on behalf of MedMira?

Mr. James Smith (Vice-President, Corporate Affairs, MedMira Inc.): Yes, Mr. Chair, if that's acceptable. I'll make a few introductory remarks, and then he'll give the bulk of it.

Thank you, Mr. Chair and members of the committee. On behalf of MedMira Laboratories, I'd like to thank you for inviting us here today.

Briefly, MedMira is a Halifax, Nova Scotia-based life sciences company. It was founded in 1994. It develops and markets rapid diagnostic tests for point-of-care testing. The scientific platform detects disease markers within three minutes.

Without getting into too much scientific detail, I'll say it's a three-minute rapid test that measures infectious and non-infectious diseases. Examples particularly would be HIV/AIDS, hepatitis C and B, H. pylori—which is involved in stomach cancer in some countries, like China particularly—and then some other cancers as well. Our test is a screening tool for large populations, but it's also for diagnosing workplace injuries such as needle-stick injuries and for labour and delivery, particularly in the protection of the child from an infected mother.

This technology was developed by Hermes Chan and Carlina Hui while they were graduate students at one of our universities, Acadia University, in Wolfville, Nova Scotia. We've been publicly traded since the year 2000 and are currently listed at TSX Venture under MIR. Our corporate headquarters are in Halifax. The research and development and manufacturing facilities are all in Nova Scotia. We have a regulatory and somewhat marketing office in Beijing, China.

MedMira is the only rapid diagnostics company in the world to receive regulatory approval for a rapid HIV test from its country of origin—that's Health Canada—the FDA in the United States, and the SFDA in China. I think it's fair to say MedMira is internationally recognized as having the best flow-through diagnostic product.

There are many challenges, Mr. Chair, in the world. There are poverty and malaria, and certainly right up with those two major issues facing us globally is HIV/AIDS. No one is immune to the epidemic, no country. In Canada alone our government has told us there are 17,000 people with HIV who are undiagnosed and do not yet know they have the illness.

Most of our revenues—and I'll close on this matter—come from sales in the United States, China, parts of Africa, the Caribbean, and Latin America. Canadian sales in 2004 were \$5,000. We have not been involved to any degree within the Canadian market.

Those are my comments, and I would ask my colleague Giles Crouch to continue.

Mr. Giles Crouch (Vice-President, Marketing and Business Development, MedMira Inc.): Mr. Chair, thank you very much.

Members of the committee, it's a pleasure to be here today. Thank you for your invitation.

Jim has introduced the company. I'll set out our concerns as a health care exporter. Our focus is on health care matters and exporting health care products.

Worldwide, we're known as having one of the best universal health care coverage programs in the world. We have a sophisticated network of primary through quaternary providers, and we have internationally recognized hospitals such as the IWK Grace in Halifax.

Oddly enough, we remain extremely weak in health care exports. Only nine health care companies in Canada sell as much as \$100 million a year in exports, and total exports from Canadian health care companies are less than \$5 billion. That's compared to sawn logs at \$9 billion. Magna International alone exported \$14 billion last year, and Nortel Networks did \$22 billion. Why can't Canadian health care companies export? That is one of our questions.

The answer begins at home. Our demand at home is weak, compared with demand in the United States where you have a different type of health care system. It encourages competition, and you have a more sophisticated consumer. In the United States, our rapid HIV test is used every single day. We're the number-one rapid HIV test used in United States hospitals. Johns Hopkins, Stanford Medical School, the Duke School of Medicine, the United States Marines, the U.S. Navy, the Walter Reed Army Hospital—all these institutions make use of our test. We are used all over the U.S. We are not used in Canada at all.

In Canada no one will use our products. We find this difficult as we go out into the world market and are asked who in Canada is using our product. Well, nobody is. It is a Health Canada approved test. It has been for several years. Our rapid HIV test comes into critical play in many situations. For example, an HIV-positive mother may arrive at a hospital that is not aware of her condition. With their current HIV test, it takes 24 hours to get the results back. By that time, the baby will have been delivered. The baby will have HIV. A rapid test, which could provide results in one hour, would enable health care workers to administer prophylactic birth management, reducing the chance of transmission from mother to child by about 90%. Every day we have children born in Canada with HIV, for no good reason. This happens in part because our health care system does not create demand.

Ninety-nine percent of our revenues come from exporting. To do better health care exporting in Canada, there needs to be support from the Canadian government. It's not financial support we need. It's simply recognition. It's assistance in moving through the health care system to promote better health care services from companies like ourselves and many others in Canada. There are a number of very good products such as ours. They are approved by Health Canada but do not see use in Canada. Nevertheless, they are accepted quickly in the United States because they benefit the health care system.

European market development is of key importance to us. While we've been very aggressive in the United States, Europe is a secondary market that needs attention from Canada. It's very quick to look south of the border, but we believe looking a little further east can be of assistance to us too. We have a market that's in some ways more sophisticated than the United States market, both in health care and other applications. We would also like to look further south to Latin America.

Bilateral agreements are not common in Canada. The United States has been aggressive in its bilateral agreements with different parts of the world, specifically in Africa, which is becoming a more sophisticated market. Africans are developing bilateral agreements with Europe and the United States. Canada is missing out on the potential growth market. We deal in South Africa extensively, and I see a lot of opportunities for a number of Canadian companies to export into the African market. South Africa is relatively stable. So are a number of western African nations. There are fewer conflicts; there is more stability. Admittedly, though, some countries still do not have the level of stability favoured by exporters.

• (1555)

But to Mr. Steeves's point, there are a number of smaller projects Canadian companies can be working on in those developing nations, and Canadian government support would be tremendous there—again, not looking for financial support, but simply for support from embassies, trade commissioner services, and the Department of Foreign Affairs in identifying those opportunities and introducing Canadian companies. In China we are often asked by government officials why we are not recognized by our Canadian government, and that goes a long way for us to doing business in China.

We have had tremendous support from the trade commissioner service. I would like to commend them. In many countries, as we visit—specifically in China—and as I've done business in Europe and Latin America, the trade commissioner services have always been swift to get back. They give us great assistance, but I feel they are limited and can provide greater assistance, including being able to identify companies that we deal with to let us know if they are legitimate companies and if they have a reputation.

I understand they can't go in and do specific investigation work to come up with credit checks. We're not asking them to be a credit reporting agency. That would be a bit of a stretch, but they could give us advice on whether those companies do exist in the market.

As well, we find Canadian product support would be helpful through organizations like CIDA. CIDA serves an excellent role; however, it does not represent Canadian products that have opportunities, so what often happens is that European or U.S. products get sold in those countries where CIDA development money goes. CIDA provides money to that government; they begin a project, and they buy their products from the United States or from Europe. They don't buy them from Canada. How do we stop that from happening? Again, that goes to bilateral agreements.

Tariff reduction is another issue, and that goes to bilateral agreements. We have very little support for the health care sector in general, and to other areas. We get double-taxed very often. We're talking about a very competitive market. There are 36 manufacturers of rapid HIV tests in the world. Only four of us have FDA approval. Only one of us—that's MedMira—has Health Canada, FDA, and SFDA. We have the highest-quality test in the market. A number of these rapid HIV tests are repackaged pregnancy tests. People die as a result of these tests in the market, and we fight this battle every day.

I have been working with the Government of Uruguay, which bought 2,000 repackaged pregnancy tests. An unknown number of people came out with false negatives and have been continuing to transmit HIV. The government is facing an issue, but they tax us when we import the product into that country, and then they tax again when the product is sold by that distributor, so there's double taxing.

Finally, we'd like to look at some regulatory assistance. It's very difficult for small health care companies to go through the costs of regulatory assistance. That is a financial impact to the budget. That could be in the form of repayable loans such as those ACOA offers on the Atlantic coast, which have enabled MedMira to now employ 60 professional people, many from universities, and to expand our markets internationally. However, 99.9% of our sales are outside Canada, but Canadians are being employed.

That would conclude where we are. Our position is that we need better Canadian support through recognition—not financial support, but simply recognition and assistance in the health care sector in providing a better competitive environment that will encourage Canadian scientists to stay here, develop products, and export them to other markets.

• (1600)

The Chair: Thank you, Mr. Crouch.

We'll go to questions from the members, and we'll start with Mr. Menzies.

Mr. Menzies.

Mr. Ted Menzies: Thank you, Mr. Chair—

The Chair: We have 10 minutes for the first round of questions and responses. As we get through the first round, we'll be very happy to go into a second round afterward.

Mr. Menzies.

Mr. Ted Menzies: Thank you for your very interesting presentations today, gentlemen. We've had some excellent diversity of presentations in our investigations into emerging markets, and once again, you bring some interesting perspectives.

Mr. Steeves, you talked a lot about what I would refer to as aid projects or CIDA projects. I picked up on your suggestion of the good work that the combined Department of Foreign Affairs and International Trade and CIDA do together. Can you just elaborate for a minute on where you're going with that? Can you provide us with examples? We're having the debate here in Canada about splitting those departments up, and you alluded to the fact that we need to keep them together for some continuity. Can you just provide a little background?

Mr. Andrew Steeves: Sure.

To me, there are two aspects to it. First of all, whether or not they are together under one umbrella I guess doesn't really matter as much as the fact that they're working together. I think MedMira actually gave a very excellent example of their product. To be honest, our company doesn't do work for CIDA. We gave up on CIDA many years ago, as a lot of consulting firms have. New Brunswick sells sardines through CIDA, it doesn't sell engineering services, and we've been told that quite clearly. Too, the emphasis has gone away from infrastructure, which is what we do, and what we do best. But we do think perhaps there should be a refocus and a re-Canadianization of CIDA, because the message is mixed. I thought Giles just gave us an excellent example of where they could be working together.

Let me be clear here, that we're not asking to.... This is not mercenary. If you have a better test, and it's Canadian, why not use it as opposed to buying something else? We see that a lot. CIDA is getting away from bilateral agreements and into agreements where they throw the money into the pot, into the United Nations or whatever. But there's a certain boy scout naïveté about this that really grates on my nerves. The Europeans are in there fighting for their goods and their services, and Canadians don't think they should.

Again, there's the mercenary aspect; you don't want to push an inferior Canadian product, but in a lot of cases our products are not inferior. I can tell you that in terms of Canadian engineering services, Canadian engineering services are among the gold standard, if you will, of the world. It bothers me to see us spending money on maybe inferior products from European countries, or from the United States, even.

In a sense, I guess that's my answer. I think some of the trade people know this. I'm not sure if the external affairs people know it. At times, CIDA people seem to be working against it.

I'm not sure if that answers it for you, Mr. Menzies.

• (1605)

Mr. Ted Menzies: Well, it answers that question, but it certainly brings some more to mind. We've heard that private companies have approached CIDA with projects in mind, and CIDA has basically told them, no, if you're in it for a profit, or if there's any profit to be seen by the company through this development, then it's dirty money, and we don't want any part of it.

To me, that is the wrong way to approach it. I like the way you approach it. It should be the best, most effective delivery of aid, even if it is a commercial product that comes from this country. Trying to write a hard and fast rule that it can't be a Canadian company because it could be perceived to be tied is not using the right criteria. It should be the most effective delivery.

Mr. Andrew Steeves: Right. And there should be tough questions asked of the company.

Mr. Ted Menzies: Absolutely.

Mr. Andrew Steeves: I have no problem with that, but I do when you're disqualified to begin with. I might submit that this is not transparent either, is it?

Mr. Ted Menzies: That's true.

Mr. Smith made a comment about smaller projects. Is this a better opportunity for Canadian companies to compete? There also were some comments about the large companies on the Team Canada missions, that we miss the opportunities that our smaller companies...and I've always maintained that it's the mom-and-pop companies that keep this country alive, that generate the tax base, that provide us with the economy we have.

Could I have some comments on that, please?

Mr. Andrew Steeves: Again, remember the context is where I come from. Maybe if I were here today representing a large company, I'd be singing a bit of a different tune. I'm on this enough to realize that.

Having worked with a small company, and seeing as that's where I am and have been for 26 years, let me tell you that there are a lot of small companies in all parts of Canada that have developed what I consider very appropriate solutions for rural Poland, rural Ukraine, and rural Brazil. In a lot of cases those areas are not being well served. We're going after the big airport project or the big waste water treatment project. If you look at where a lot of the misery and a lot of the difficulties are in countries, it is more in the rural areas.

I know a few years ago, just to give you a quick example, shortly after the Soviet Union broke up, we looked very hard at a potato house project in the Ukraine. Potato houses are where you store potatoes until you want to process them or sell them to market. We looked at that project very closely—and it would have had some aid money in it—but we realized what a mess that was going to be. No knock on the Ukrainians, but there was a problem with getting the potatoes to the potato house because of the roads and infrastructure. To get the potatoes from the potato house to the supermarket, or the city market, or the potato processor was another problem. There were problems all along the line with roads, energy, refrigeration, and so on. Yet in P.E.I., New Brunswick, and Manitoba, places that grow potatoes, there are all kinds of small companies that could help one corner at least of the Ukraine to overcome that and maybe be a bit of a beacon, or a bit of a leader, or a model for the rest of the country to pick up, and that's being missed.

We see other examples of that. Giles, I thought, gave a good example on the medical front, when he said that somehow we're looking for the home run, maybe something that can compete with the French, Americans, or the Germans, but I think a lot of times we should get back to the appropriate solution for the marketplace, especially when we're talking about emerging markets. I think one of the real problems is that in order to pull yourself up by the bootstraps you've got to do it one step at a time. You don't go from workboots to corner offices in office towers that quickly. You have to do it slowly.

The Chair: Mr. Menzies, you have three minutes.

Mr. Ted Menzies: I wish Mr. Crouch could have been a witness in front of the health committee to talk about this rapid test that we don't use in Canada. I guess I can appreciate the difficulty you have selling this to other countries when your own hometown won't even approve it.

What's the issue? Why won't Canada accept it?

● (1610)

Mr. Giles Crouch: It's a very good question. There was a test manufactured by a company called BioChem, now known as Adaltis, and the test was a very poor performer. It gave a number of false positives, and Health Canada revoked the licence of the company and no longer permitted the sale of the test. We came through approval shortly thereafter, so there is some reluctance, validly so, on the part of the health care workers who are trying to do their best to make sure that any products that are used are validated.

We went through all our trials. Everything was fine, and we used the exact same thing in the States, but there was reluctance on the health care workers' part, on the lab side, to introduce a test that had failed once. Even though we're a different company and use a completely different technology that has been validated in many markets, there was reluctance on their behalf to continue to do any testing.

The other side of it is that the applications have never really been brought forward. We've tried to the extent that we can in Canada to address the public health labs. Generally all testing is done by public health labs. In Canada we're used to going to our doctor who says, go to the blood bank, or you go to the nearest hospital to get your blood drawn. And they say, well, hurry up and wait a week and you'll get a phone call with the results of your testing. In many cases that's just fine and okay, but in the case of a pregnant mother who's about to deliver a child, or a doctor or nurse who gets a needle stick delivering an HIV positive patient, if they begin treatment from the needle stick within three hours, they reduce by almost 90% the chances of the HIV being transmitted into that doctor or nurse. When they wait 24 hours or 36, or 48, or they say wait three weeks and we'll see what happens, the chance of the HIV infection is increased.

There is a reluctance to adopt new technology, and part of that is that Canada is a monopsony. That means we have a single buyer of all medical products in Canada. It doesn't create an environment that says let's try new technologies; let's monitor them. We have to work with public health labs to make sure the public health labs test new technologies in line with existing technologies over periods of time, and do the proper scientific validations, and then introduce them into the health care system. But there's a reluctance to do that in Canada.

The Chair: You have another minute to go, sir.

Mr. Ted Menzies: You'll be happy to know that's not the only monopsony in Canada. The Canadian Wheat Board in western Canada is a monopsony also—a single buyer. Away, that's a discussion for another day.

What is the cost of this test, and is it a valid test? Do we need to be moving this forward as something Canada can look at for promoting HIV awareness or detection in these African nations we're all hearing about?

Mr. Giles Crouch: They absolutely can. It's a very good question. Because we've had a lack of support in Canada, we're working directly with the Clinton Foundation on its HIV/AIDS initiative to reduce the cost of our tests to the African nations. We've provided them with all our information on who our suppliers are. We've completely opened our books to them and said, "You go forward and negotiate with our suppliers to reduce the costs of the raw goods we get from different parts of the world. Then we'll deliver a test." We have told them we'll only take a 5% margin in Africa. We have the philosophy that we don't want to make huge profits in countries where the HIV is...750 people will die in the two hours we meet here this afternoon.

Canada could help us by negotiating with suppliers and some of the organizations that hold patent licences on HIV-1 and HIV-2, where we pay royalties on an ongoing basis, by reducing those royalties, with assistance from the Department of Foreign Affairs, and by introducing us in some of these African nations. In the case of CIDA, which we would be working with rather than the Clinton Foundation, it could introduce us, and help us reduce the costs from our suppliers and bring in a lower-cost product.

So the government doesn't have to provide any subsidies at all. It could be assisting us in negotiating reduced prices through government pressure or assistance. Then we could deliver the product at very low margins but higher volumes into the African market.

• (1615)

The Chair: Mr. Paquette.

[Translation]

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman.

Thank you for your presentations. Unfortunately, I missed a few, but I got the first series of questions.

I would like to come back to you, Mr. Andrew Steeves. You mentioned that CIDA, after all, was not willing to support Canadian products and services, even when these products are as good or better than others. I would like you to explain to me how the Europeans, as part of their public assistance program, can promote their products when they rightly believe that their products are good. How could it be done, unless assistance is linked with buying Canadian? Has it already been done?

[English]

Mr. Andrew Steeves: That is a very good question. I would like to point out here that over the last 10 or 15 years, CIDA has moved more into governance and capacity building—the good administration of government, and so on—as opposed to being heavily into infrastructure where it was before. So that's one aspect of it.

When there's a lack of support for Canadian companies, I'm talking about two aspects of it. One is the question you asked, but the first part is the fact that CIDA has had a strong push internally to get more involved in multilateral approaches as opposed to bilateral approaches. On the bilateral approach, if you want to work with Zaire to improve an infrastructure such as water, CIDA prefers to do it through the United Nations, the African Development Bank, or whatever.

If you do it multilaterally, the next thing that happens is the United Nations or the African Development Bank will call for proposals or tenders to provide that service. In many cases, because of colonialism in Africa or Asia, European countries will have a heads-up; Canadian companies will not. Canadian companies actually have done fairly well in the Francophonie of Africa, but not really in the rest of Africa. So there's that aspect of the multilateralism and multinationalism, as opposed to bilateralism.

In bilateralism you'd have an agreement between Canada and Zaire: "We will help you out with water, fuel, and transportation, and we will work with Canadian companies if they can provide a good solution." That's different.

On getting into bilateral contracts, in the past CIDA has focused on large projects, as opposed to small projects—a water system or waste water for a large city, as opposed to helping out a series of villages with their communications problems, water problems, or whatever.

On what has happened, like all of us you start getting tied into the same way of thinking. You go back to what you consider to be the tried and true method, but maybe it doesn't work. In the case of infrastructure, CIDA has gone away from it, and I think it's about time it came back and revisited it.

The experience of Canada will tell you that if you want the Gaspé, Atlantic Canada, or the north to open up and prosper, you need infrastructure. You need good roads, communications, water, sewage, and so on. It's an issue that's affecting our first nations, for example.

[Translation]

Mr. Pierre Paquette: I would like to ask a more general question, because your presentations were relatively specific. We need to produce a report for Canada to develop a strategy for emerging markets. Mr. Crouch addressed this issue. If you had a recommendation to make as to which government action should have priority, what would it be? What should the committee recommend that the government do as a priority for emerging markets, according to your very concrete experience?

• (1620)

[English]

Mr. Giles Crouch: I think the Canadian government, through the department of foreign affairs, industry, and trade, can work jointly with CIDA to identify opportunities in Africa and developing nations where European countries have colonial history, so they have existing business relationships. Canada is very highly respected, in my experience, in developing nations.

Industry and trade can already make contacts with CIDA to talk about smaller-scale projects with Canadian companies like Mr. Steeves', and projects that can have a direct influence on the health care system to battle HIV.

I've talked to countries in Africa like Kenya. The CDC in Kenya from the United States has a GAP program, and they've been delivering U.S. product directly through the CDC and U.S. aid programs. CIDA walks in and offers to help build clinics, but there is no offer of Canadian products at the same time. So industry, trade, and CIDA could work together on projects where the government is going to be making tenders and purchases.

The Canadian government does put out tenders. What happens is that because the CDC has been working with them, they go to a U.S. company called OraSure and allow them to make the tender, but we never hear about it. CIDA does not pass information along about those projects.

This committee could recommend that CIDA, industry, and trade work together to identify projects that are coming up for development where tenders may be involved, or where the government may be making significant purchases to notify, through the WIN Exports database, the companies that may have an opportunity in those countries.

[Translation]

Mr. Pierre Paquette: Mr. Smith, do you want to answer?

[English]

Mr. James Smith: Thank you.

I would just reiterate some of the things that we have spoken of, particularly that with a small biotech company in Nova Scotia, our funding really came from angel financing, about \$12 million out of \$34 million. But that's for the initial R and D. When you get along further and you're going into commercialization and marketing, that's a second time of high risk, when companies are going down in Canada, especially the biotech, the ones that are coming out of universities and that sort of thing. So there needs to be a look at the regulatory process and support along the way, either to speed it up or some assistance during that time and some negotiations, because we can be looking at \$250,000 or \$500,000 that's keeping us from getting our product to market.

We have spoken of our HIV test, but very much linked, particularly for intravenous drug users such as in east Vancouver where there is a strong linkage with hepatitis C, we have a test that has an HIV test combined with a hepatitis C test. It's ideal for that environment, but we need the regulatory approvals. It takes time. There are clinical trials and paying out money for the regulatory....

I've had the opportunity in the last six months to spend quite a bit of time in China. Brand Canada is well accepted in China. That's not only with our tests but with many others. So I think we're going in with a very positive reputation.

I saw that in the Caribbean too when I was Minister of Health for Nova Scotia, visiting there, where Canadians were called in to finish projects that the United States had started. Actually, it was the water system in Barbados, as an example.

We have received excellent support from the Canadian embassies and those groups in trade missions or the trade officers in places like Beijing who accompanied us to the Great Hall one day when we met with the Chinese government, the national government. We were invited there, and their presence was extremely helpful. They followed us throughout China, even in smaller cities, which would still have 10 million or 20 million people. They would be there. As Giles has mentioned, we are very supportive of that and we want to encourage that. It means a lot.

They take me along because I'm old. They call me Uncle Jim. I do what I can, but we need the support of our government as well. Those would be my thoughts.

I practised family medicine for 30 years in Nova Scotia. I feel very strongly about CIDA's issue of using a good-quality test in Africa. I think it's a moral issue and an ethical issue that we have a good test. We have one of the best in the world, probably the best, and I will not accept that our test cannot be used when taxpayers' moneys are going to fund programs that are needed in countries like Africa.

We've been called into China, in some areas, to clean up. They've gone with cheaper, inferior tests, and it caused a lot of problems in their public health system. We've been called into several areas, and they're using our tests to clear things up. I don't think we should be doing that sponsored by an agency of our Canadian government in Africa.

Thank you.

• (1625)

The Chair: Thank you.

Mr. Steeves.

Mr. Andrew Steeves: I have two recommendations.

Number one, getting back to when I talked about appropriate projects, again, a firm like ours is not appropriate for the Three Gorges dam or the Hong Kong airport, but through R and D we have recently developed a very simple technology. It's patented, but it's simple. It will take hog waste—and hogs are a proper food source, a protein source, around the world—and if you put it in a pond and cover the waste, you can generate biogas for fuel. You will keep the population of flies down significantly, and by capturing that gas, you will reduce greenhouse gases, but maybe most importantly in an emerging country, by having that cover on that waste, the ammonia does not go into the atmosphere—ammonia being NH_3 . It stays in the waste and can be spread in the fields. A lot of emerging countries actually dry dung or waste and burn it for fuel—a loss of energy and a loss of valued material.

Of course, you're handling this material. By putting it in a pond and covering it over, you capture the gas, you reduce the vermin, the flies, and so on, you capture the fertilizer value, and you reduce greenhouse gases. It's a very simple technology. It's something that could be spread about.

I can give you another example. Many years ago our company looked at a project in the country of Guyana, in South America. They had a rum distillery there that was producing very, very strong waste, causing problems to the receiving water stream. That waste was so strong that if it were treated anaerobically, it would have produced enough biogas at that time—I'm talking probably 15 years ago—that the plant would have paid for itself in two years. That's probably \$25-a-barrel fuel.

The Chair: Did you say this technology was patented?

Mr. Andrew Steeves: A lot of it is patented, but it's simple technology. That waste could have been treated; the waste strength could have been reduced by about 90%, which means it's one-tenth the problem it was before. The biogas would have been produced not only for the distillery itself, but probably to generate for surrounding dwellings or buildings as well. Those are simple technologies.

If we knew about those opportunities—and I think in many cases trade officials do know where distilleries are, or they know where there's a problem—I think firms could do it. There are firms, ours among them, in Sydney, Nova Scotia, that are treating the tar ponds. There's going to be expertise developed there that will be very welcome I think in eastern Europe and Russia, but will we know about it when we hear about it?

That would be number one.

The second thing I have to get back to is something I think Canada does well: promote free trade, promote the concept of transparency. Let us know if there is a problem, because MedMira doesn't want to sell kits in countries where they won't be used properly, or they won't get paid for them, or it's just a disaster. Small companies can't afford these mix-ups.

Those might be my two recommendations.

The Chair: Madam Jennings.

Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Thank you, Chair.

Thank you very much for your presentations. Some of the issues you raised I think are issues this committee needs to seriously consider.

I have a couple of questions. One has to do with your company, Mr. Smith and Mr. Crouch. For instance, this rapid HIV/AIDS test that is not being used in Canada, although it was created in Canada, is being used elsewhere. You explained that part of the reason.... You initially said part of the reason was because of our public health care system. Then later on you added that there was another test that had come out prior to yours, that had been authorized and had turned out to be inferior and caused a high or unacceptable level of false positives, and that this had a sort of spillover, because your test was authorized shortly afterwards, so there was a reticence. That puts a bit of a different context on it than the public health care system....

What I'd like to get to is that I think it's a shame it's not being used in Canada. I agree with you that when you export Canadian expertise or inventions, other countries ask where it is being used in Canada and sometimes want to come in and actually inspect facilities or meet with clients of yours, etc. So I do think it's a shame.

My question is whether it would be used—I'm assuming it would—in hospitals primarily, because you were talking about pregnant women who are HIV, on the point of delivery; emergency care workers, whether it's police officers, firefighters, or whatever; medical doctors or nurses who come into contact...who are stuck by a needle, or where there is some kind of blood exchange involved. I worked in a hospital many years ago, a long time ago. They had their own lab within the hospital to do the testing, so I'm assuming hospitals still have those labs. That's one thing.

My colleague Mr. Paquette, I believe it was—no, it was Mr. Menzies—asked about the cost of the test. Is that in fact what is holding back Canadian health officials now from doing the take-up, from actually buying these tests to have them available in their laboratories, etc., for use? Is that the problem now?

● (1630)

Mr. Giles Crouch: Not directly. The actual end cost the health care system would be paying through our national distributor is anywhere between \$12 and \$15 per test. The test could be done in the hospital. It's approved for serum plasma. They have to do a blood draw from the patient and do blood separation, so it is ideal to do it in the lab, and we feel it should be done in the lab because there should be consultation or counselling of the patient at the time the results come in, if they are positive.

It costs about \$15. That hasn't been so much the reluctance. In the case of creating prophylactic birth management for a mother, you're actually going to save the taxpayer system; it's \$15 in place of thousands of dollars in HIV drugs and therapy for a child. Then in the case of a nurse or a doctor, it's the same thing: you're going to save all that use of drugs. So it's not really that. There was a problem with the BioChem-Adaltis test, and it did impact us in the early stages, but that was a few years ago.

Hon. Marlene Jennings: So what's the problem now?

Mr. Giles Crouch: It just seems to be lingering reticence, and again it goes back to Canada's system of being a monopsony, that it doesn't spark demand from the marketplace. Consumers are not as sophisticated in Canada about looking for new medical equipment.

Hon. Marlene Jennings: This particular issue, not rapid HIV tests, but the issue of new health care products, whether they're treatments or diagnostic products, was raised to me personally about 18 months ago. The company that raised it raised some of the issues that you have about the reluctance and the lack of sophistication and the fact that it's a public buyer, a bulk buyer, so you don't have that competition, etc. They suggested that one way government, and federal government in particular, might counter that or be a part of countering that is to actually work with private industry to set up a model centre where these new products could actually be tested. You would have a network of clinics and doctors, etc., that would actually be working there, that would also be hooked up through the health info network, which is in the process of being built, and that could then be a place where you can bring in doctors or health officials from Alberta or B.C. They could come in and actually see the product at work. Real patients are being dealt with, but it's almost like an experiment, a lab, a live lab.

Do you think that's something government should be doing?

• (1635)

Mr. Giles Crouch: I think so. I think it's certainly part of it, because it will help the companies—the biotech and life sciences companies and pharmaceuticals that are trying to manufacture goods. It will give them somewhere to start, because right now we have to go to the States and everything is in U.S. dollars. Ouch.

Mr. James Smith: If I could just comment, and, Giles, I think you've answered it well, but the doctors are not the drivers of the system here.

We have a system in Canada that's very good. It's very positive in so many ways. God bless it, we're so fortunate to have it. But there are parts of the system that are very reluctant to change. So we have big, expensive machines putting these tests, and they save up panels. They have to save up maybe for several days before the tests go through. That's why if you go to your doctor...

I had an e-mail the other day from someone in Victoria. Her son got a job and he needed some blood tests. He was obviously just out of university and had a job on a ship. Anyway, they told her it could be as long as four or five weeks before the son would get the results of that test. Now that sounds extravagant, but that is actually true, by the time the paperwork finds its way back through the system.

That is an issue. So we have jobs. I think there's a concern about losing jobs. There are also some lingering doubts about the test being as good as the one in the hospitals. They're very thorough on their

science in parts of China. It's really excellent. And the centre for disease control there compared our test with the traditional hospital test. Ours was equal and ours was the best of 10 available to China. We were number one in the rapid test and we're equal to the traditional test.

It's not an inferior test, but I think we have a system that's reluctant to change. You can say there's one buyer, but there are similar buyers, if you will. And it's got to the stage now where—again I don't want to overuse the words “moral” and “ethical”—people are endangered by the fact that they can't get that test for at least 24 hours and maybe a couple of days.

But what you proposed, I would support, from a public health perspective and as a practitioner. But the doctors will not drive the system. Some of the American universities have recently put out studies focusing on that—that we have to test adults in Nova Scotia. Downtown Manhattan has a high incidence—it's as high as Africa—and there are recommendations coming out of very reputable universities to get going and do something about this.

Hon. Marlene Jennings: No, it's the health administrators who actually approve the budgets, and it's the provincial government ministries that give so much per hospital or whatever, depending on the province, whatever their system. But those would be the people you would actually bring in to show them, “Here it is, working”, and you're able to then save x amount of dollars.

However, I'd like to get on to another point. Thank you very much.

Mr. Steeves, your issue was about CIDA and CIDA not being involved in infrastructure projects, having basically gotten out of infrastructure projects within the last 10 to 15 years. It might even be in the 1980s that they gradually began to move out of that. I'm sure you're aware that one of the reasons for that was because we had been involved in major infrastructure projects, and the developing countries did not have the capacity to continue running these water treatment facilities, or hydroelectric plants, or the upkeep of the highways or whatever, and it meant that you basically had mausoleums afterwards. So there was a push by Canadians to get out of that—don't build bricks and mortar; invest in people.

But I take your point that on a smaller scale, infrastructure can have a major impact in a very short while on the lives of individuals that can go beyond just the little village. I was in northern Ghana—it would be about two years ago now, I guess—and I was visiting a village of Muslim Ghanians. They were pig farming. Their imams had given them the okay. As long as they didn't slaughter the pigs, it was okay for them to diversify and get into pig farming.

So when you talk about that invention that you hold patents on that would take the swine waste and convert it into biogas, which can then electrify, provide energy, etc., plus reduce the flies, and therefore lessen the risk of infection and disease, the whole bit, that's really interesting. I don't see why CIDA would not be involved in promoting that kind of thing.

• (1640)

Mr. Andrew Steeves: I agree with you, but I think we have another optimist—if that's the term—in that they are the only buyer of Canadian aid services in Canada. With your model, I was very intrigued, and I almost jumped in on the comments by James and Giles on the model of maybe taking the hog farmers of Ghana and working with this, seeing if it's appropriate. And not only appropriate; to me appropriate means sustainable. You know, you can build it, it looks great, you and I are there and we shake hands and have our pictures taken, and six months later the cover has slumped into the waste and no one's using it. That is always the key to me, whether this thing is sustainable.

Just to explain it to you, it really is a case of taking a pond, either an earthen pond or a concrete pond, and putting a cover over it. We've designed a cover so it resists ultraviolet radiation. If rain falls on it, the rain could be drained away and so on. It's those little things. I think that would be a wonderful thing, if we could kind of break through to see if there's some alignment here.

I think in the case of CIDA we really have a classic case of going from one extreme, which was big infrastructure projects that would be on the cover of *Engineering News-Record*, to the case that we have very little infrastructure. It's just unfortunate that...and again, I think all of us, we all do this. I'm an engineer; engineers do this. Social workers do it. Lawyers do it. Whatever the "it" model of the time is, we buy into it as opposed to what's appropriate for this part.

Like I say, it comes home to me every time I fly back home, and I'll be flying back home tonight. You're flying to New Brunswick or you're flying to Saskatchewan, and really, we're a pretty empty country. Maybe in southern Ontario or the Montreal area of Quebec it's a little bit different, but why don't we take some of what we know about living in remote New Brunswick communities, in commu-

nicating and getting along, in roads, what's appropriate for roads, and snow and floods and all the rest of it, and take that to Europe, as opposed to trying to take eight-lane highways with cloverleaves and all the rest of it?

Hon. Marlene Jennings: I'm going to take from this the idea that government, particularly the federal government, should develop some kind of model that would, when the products are new products and are more than appropriate for the Canadian market—diagnostic health products, for instance, that are appropriate for a developing country, if we're talking about international development cooperation—provide a venue for Canadian products to show that they're actually good as well as sustainable, and they're worth other countries buying into that.

The Chair: With that, you made a statement more than a question, and we'll go to Mr. Julian.

Hon. Marlene Jennings: No, I just did a summary. I was going to say résumé, but that's in French. I summarized the questions and the answers into one piece, which I know our researchers have taken down diligently.

The Chair: I know they did.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much.

You may have covered this in your initial presentations, but I wanted to get a sense from each of you as to what percentage of business is currently done in Canada and what percentage is done outside of Canada, and what your major markets outside of Canada are. In percentage terms, when you take your companies, how do they stack up? What are the major markets inside and out?

• (1645)

Mr. Andrew Steeves: This year our company will do approximately \$50 million of business, and likely anywhere from \$25 million to \$30 million of that will be outside of Canada. Of that \$25 million to \$30 million, probably half of that will be in the United States, maybe a bit more, with other large chunks of work being done in Panama, China, Australia, and Korea.

Mr. Peter Julian: Approximately how much are you talking about? Are you talking about \$1 million each?

Mr. Andrew Steeves: No, we have a large project in Australia that's probably \$6 million or \$7 million. The one in Panama is probably \$2 million or \$3 million. In China we're hoping for a series of projects, each probably of, say, \$800,000 each. We have partners in those countries.

Mr. Peter Julian: Essentially a couple of million there.

Mr. Andrew Steeves: Yes, and I realize Australia is not an emerging economy.

Mr. Peter Julian: No. That's helpful.

And in Korea?

Mr. Andrew Steeves: For Korea, it depends, because we have a partner over there, and some years it's maybe \$50,000 and some years it might be \$800,000. Again, depending on how our partner is doing—and the economy is a little slow there right now, as I understand it. We have been doing work in Taiwan, but that project was finished last year.

We've worked in 30 countries overall in the last 20 years and have had significant projects in, I'd say, every last one of those.

Mr. Peter Julian: Do those contracts tend to be sustaining, or do they tend to be one-offs? If you want repeat business in that country, you then have to go through a new process?

Mr. Andrew Steeves: Just to be clear here, all these projects—and when I say all of them, I mean 90%-plus—are for the private sector. What would happen is you'll have, say, a cheese plant in Australia and they want to treat their waste water—maybe their old plant is overloaded, outdated, or whatever. We will build a waste water treatment plant for that cheese plant. There will be an ongoing involvement, we call it after care, where we'll go down and work with the staff to make sure the plant is working well. There's instrumentation and controls that will help do it in some instances; in some instances it's not required. But that would be a \$20,000-a-year contract. Being involved with those people, we might get the next upgrade, which is ten years down the road. There's the floating cover on it that's replaced every eight or nine years, so there's ongoing environment.... It's more or less a one-off, and then we have to find the next cheese plant in Australia that might be interested in our covers.

Mr. Peter Julian: How do you monitor on an ongoing basis what projects you may be able to take on?

Mr. Andrew Steeves: What we've been doing...being in the private sector, we go to the trade shows. There are regional and international trade shows for dairy, hog, breweries, distilleries, and so on. It took us a long while to learn this. I'm making this sound simple, but we made a lot of mistakes. One of the things we did learn was go where the buyers go, and one place is trade shows.

We do advertising and marketing, we make cold call visits, but you'd be surprised at how many industries where it's a small world. For example, in potato processing we have a fellow who works for us, and he probably can get a hold of any of the major potato processors in the world, because it's just a small world for a lot of these industries. It would be the same for mines and metal processing. For example, in automobiles, there are eight car manufacturers really.

Mr. Peter Julian: My follow-up question, before we come over to MedMira, is about assistance you've received internationally from the Canadian government. You visit trade shows and try to maintain a network of contacts. Have you received adequate assistance? What assistance have you received? You mentioned very clearly that

CIDA has not been a help. In fact, CIDA is not even on your radar screen.

Mr. Andrew Steeves: The reason I mentioned CIDA was specific instances in which some of this technology could be translated, if you will, to a non-profit institution, such as a village where the communal waste goes in and you produce biogas, and so on.

We don't receive a whole lot of help from trade officials, quite frankly. Sometimes when we go into a country like China, we'll let them know we're coming, and so on, but a lot of those contacts have been made by us or our partners. It gets back to what we were talking about earlier—we're really too small for the radar screen. These projects sound big to us when you talk about \$3 million or \$4 million, but if you're working in Beijing for the Canadian embassy, \$3 million or \$4 million is really not a big project. In a lot of cases I think it's just below what they'd be interested in. That's our assumption. I'm not going to knock the trade officials, because when we've asked for help, just as MedMira said, it's been helpful—but what we find is it's when we've asked for help. It's not like we get a whole lot of examples. I gave you one example, of the Canadian embassy in Dublin. They do send out lists of projects in that country. We don't get a lot of that.

• (1650)

Mr. Peter Julian: How many minutes do I have?

The Chair: Seven minutes, sir.

Mr. Peter Julian: I'll just keep on that, then, for a moment. What assistance have you received? You mentioned that Ireland is a helpful trade office. Specifically, what kinds of support have been useful to you?

Mr. Andrew Steeves: Well, at times you have difficulties getting a professional engineer into a country, although that's more for our neighbour than many other countries—getting into the United States, for example, or other countries. Sometimes you need to know some details on business arrangements, contracts, and so on. Again, that's been people like the Export Development Corporation, but we have not gotten a job through the Department of Foreign Affairs and International Trade.

Mr. Peter Julian: Not a single job?

Mr. Andrew Steeves: Not a single job—and we have not done work for CIDA since 1993, and that was our one and only project.

Mr. Peter Julian: If we have time I'll come back to CIDA, but I wanted to ask MedMira the same question, in terms of your overall markets and the supports you've received.

Mr. Giles Crouch: We came out of our R and D phase last year, just over a year ago, and moved across into the selling phase once we had FDA approval.

We did about \$2.4 million in revenues last year. The market is growing. Obviously, we're trying to grow the market as a small company. The U.S. is about 70% of our revenues, China is about 10% to 15%, and the remainder is broken up among different countries. That will significantly alter in this financial year. You'll see the U.S. move down to 50% and the other 50% split up between China, Latin America, and Africa.

Mr. Peter Julian: What are your projected sales for this year?

Mr. Giles Crouch: We're judging \$4.5 million to \$5 million.

Mr. Peter Julian: Okay, so you're doubling?

Mr. Giles Crouch: Yes. We expect to do that over the next three to four years—to continue to double.

Mr. Peter Julian: That's very interesting. That's without a Canadian market?

Mr. Giles Crouch: That's without a Canadian market. Total Canadian sales in this fiscal year will be \$8,000.

Mr. Peter Julian: What is that, if you don't mind my asking?

Mr. Giles Crouch: It's less than 0.00-something—

Mr. Peter Julian: No, no, but \$8,000...because you said.... We'll come back to the issue of—I've learned a new word today—monopsony. Coming back to that, the \$8,000 then is to—

Mr. Giles Crouch: Those are rapid tests the Canadian Armed Forces are using, and one or two hospitals.

Mr. Peter Julian: So the armed forces are using it?

Mr. Giles Crouch: Yes, they're using it in overseas settings, in Bosnia and Afghanistan.

Mr. Peter Julian: What's wrong with that picture?

Mr. Giles Crouch: Yes. They use it for blood screening, actually, to protect our troops.

Mr. Peter Julian: What assistance, if any, have you received then from DFAIT officials or from our embassies or consulates?

Mr. Giles Crouch: From our embassies we have never received any financial assistance. We've never looked for any, and they don't have it. As for trade commissioners, in China, when Jim has been there on occasion to see, the trade commissioners have come out to the events to wave the Canadian flag. That is critically important in China when you work with the Chinese government. I have been taken around by trade commissioners in the past to meet with various companies. When we were doing business in Sweden, the ambassador came to an event we held at the embassy. The ambassador actually came out to the event, which actually helped to secure deals for the company. They were very impressed. It's an honour to many companies to receive an invitation from the Canadian embassy.

Mr. Peter Julian: Oh, yes, absolutely.

Mr. Giles Crouch: The trade commissioners in South Africa have been a tremendous help, although there's been great dissonance between CIDA in South Africa on the NEPAD project and the trade commissioner, who said, "I can't really do anything for you with CIDA." It really made it frustrating for us. But the high

commissioner has offered her residence to do a launch of our product in the South African market, to host a small conference.

ACOA, from Atlantic Canada, has supported us with marketing funds through repayable loans. We're happy to accept repayable loans rather than grants or money just being given to us. We prefer to pay it back.

To Mr. Steeves' earlier comment, we almost don't get on the radar screen of the EDC, although some deals we talk about are worth \$2 million, \$3 million, or \$5 million to us. EDC just doesn't see us as being worth their interest. They are more interested in the massive-scale projects, so we disappear off that radar screen.

•(1655)

Mr. Peter Julian: Have they said that to you, or is it something you've inferred?

Mr. Giles Crouch: I'd say it was more inferred. They've never said it directly. They have, on occasion, said that's too small a project for them to consider. At other times, they just say they can't consider a project of that scale.

Mr. Peter Julian: Coming back to your comments about monopsony and the Canadian health care system, isn't the problem really a lack of encouragement for Canadian innovation? In both cases, whether we're talking about CIDA or we're talking about the health care system, there is not the type of encouragement to bring along innovations that could lead to more technology or innovation in other sectors, which could be a help to Canadians but also could be exported worldwide.

Mr. Giles Crouch: Absolutely.

Roger Martin, who's the Dean of the Rotman School of Management at the University of Toronto, produced an excellent report called "Where are the Exports? The Canadian Health Care Mystery", which a lot of our information is taken from.

It does start with Canada, because we are a monopsony. Our consumers aren't sophisticated to know what to look for in different products. In the States, because you have a choice of health care providers, you will say, "I'm going to go over to that hospital, because Uncle Joe said they've got this great new test that can give results in five minutes or half an hour", or "I can go and get an MRI there, because it's faster and it's a little bit cheaper".

But in Canada—I'm not advocating a U.S. style health care system; I'm really not.

Mr. Peter Julian: I would be the last person to accept that, of course, around this table. I mean, the U.S. health care system is twice as expensive; they leave millions of people out.

My point was that it wasn't the structure of our health care system, it's the fact there isn't that encouragement for innovation, and there should be.

Mr. Giles Crouch: That's right.

Mr. Peter Julian: There's no reason that within our existing health care structure there could not be encouragement for innovation. There should be.

My argument to you is that I agree with your point; I do not agree with the cause. The cause is not the structure. The cause is the fact that we're not encouraging innovation, and we can do that within our existing health care system.

Mr. Giles Crouch: I believe we can. We have a good health care system, but we need to spark innovation.

It goes to Ms. Jennings' comment about having a centre, where you could have life sciences, biotech companies. You could have them in two places, and it would give you the advantage of even bringing in foreign governments to see the innovations that are taking place in those centres, and subsequently, you could get export sales.

Mr. Peter Julian: You commented earlier, Mr. Steeves, about the re-Canadianization of CIDA. Could you explain that a bit more?

Mr. Andrew Steeves: There has been a strong push within that organization to go multilateral as opposed to bilateral. Bilateral is Canadian. With bilateral you're talking about Canada dealing with the country. Multilateral is supporting a third entity, say the United Nations or the Inter-American Development Bank, with your donations, and then allowing them to decide with their larger resources, larger staff, and so on.

The problem is that the record of Canadian companies—not only in my industry but across the board, with the World Bank, etc.—is very poor. I'm not going to dispute what you said about the structure, but I will tell you this. Any structure tends to get ossified over time; it tends to get to thinking one way. This is actually what I think CIDA or the medical establishment can get into. There is such a pressure to reduce costs by clumping together, using your big-money power to buy drugs from maybe the lowest provider, that it does not encourage innovation. It truly doesn't.

I would suggest to you—and again, remember my context, where I'm from—that an awful lot of innovation doesn't come from the core; it comes from around the core. There are whole theories of history written around that. The innovation didn't come from Rome; it came from about 50 miles outside Rome. People in Canada might like to say a certain time zone might be a little more innovative than some other time zones—certainly in some areas.

• (1700)

Mr. Peter Julian: B.C.

Mr. Andrew Steeves: No, I wouldn't say that about B.C., because B.C. is very innovative in engineering.

Mr. Peter Julian: That's what I mean. B.C. is just a few time zones over.

Mr. Andrew Steeves: If you have a very fixed structure, it's difficult to challenge it within that structure. We've had the same experience. We developed a technology for removing arsenic from drinking water. Within our home province, we had a former premier ushering around another Canadian company in competition with us.

The Chair: I seem to be more generous in time with my colleagues from the New Democratic Party, for some reason. That was a good question.

With respect to our representatives abroad, you used the offices of the representative in Ireland?

Mr. Andrew Steeves: Yes.

The Chair: I've noticed that these trade representatives who work abroad on behalf of the country keep getting transferred every three or four years. Given the investment put into preparing these people, would you suggest that their tenure be extended? Mr. Steeves, you said you go where the buyers are, and it takes time to develop and learn. Would the same principle not apply to these commercial attachés?

Mr. Andrew Steeves: I would agree with that, and I'll tell you why. It takes a long while. With our engineers, it takes three years before they're any good. You have to know how the company works, how the technology works, how to put it all together. I would assume that this would apply to places as well. It would make sense that it takes three years or so to know how a place works.

For example, the European Bank for Reconstruction and Development is doing a lot of work in eastern Europe. I would be willing to wager that a lot of this work is done within Europe, not by North American or Japanese companies. Why? Because the money comes from other European companies.

We are just going to beat out our brains if we go into Poland looking for a waste water treatment plant for a french fry when the European Bank for Reconstruction and Development is funding it. It's going to go to the Dutch, the Germans, or the British.

The Chair: You are referring to CIDA, I presume.

Mr. Andrew Steeves: Right, but that trade person would say, "Don't do it". It's not a transparent process as far as North Americans are concerned. With the Europeans, it's transparent. They will accept your proposal, but there's no way you'll win.

The Chair: The fact that we're increasing bodies on site in different countries is one positive step, but they must be in a position to spend more time and get more acquainted.

You talked about there being no encouragement for innovation. Has MedMira ever received any funding from the government for R and D?

Mr. Giles Crouch: Not a lot.

Mr. James Smith: During the R and D stages, the provincial government put in \$600,000. There were some tax benefits and that type of thing. ACOA has been good with us. It took us almost four years to get FDA approval on our first HIV test.

The Chair: Lawrence MacAulay was the premier at that time in Nova Scotia who supported the effort?

Mr. James Smith: No, MacLellan.

The Chair: MacLellan, that's it—a former colleague and member of Parliament.

You kept on referring to the government, and I would like to place it properly. If I understand correctly, you got your notice of compliance in 1995 or 1996?

Mr. James Smith: In 1998, we received it from Health Canada. The FDA took till 2003.

• (1705)

The Chair: I did a little bit of a read-up on the company. You ran into obstacles provincially and weren't able to make inroads into the Government of Canada. The notice of compliance gave you the green light, but then you had to deal with a cumbersome system provincially. It varies from one end of the country to the other. Or was it the federal government that prevented you from putting product in the labs?

I want to distinguish between the provincial and the federal jurisdiction, for the record.

Mr. James Smith: The provincial government was eager that we stay in Nova Scotia. The head office was in Toronto at the time.

The Chair: But were some used in the labs?

Mr. James Smith: Yes, there were some used in some of the hospitals, but again we ran into trouble with the other company, and I think things went sort of badly. The other thing was, as I mentioned earlier, the system in the hospital ground on. You know, the tests were done, and why do something different? I think this whole idea of innovation being used and utilized...

The Chair: Can I zero in, Mr. Smith, on really whose fault the issue is? Was it the federal government that created an obstacle after you secured notice of compliance?

Mr. James Smith: I think it's a lost opportunity. I was somewhat aware, when I was around in 1998 and throughout those times, and I wouldn't say there were obstacles there. There was just a lack of opportunities. I don't know how else to answer the question.

The Chair: What is disappointing, and my colleagues expressed it here and I'm in support of what they're saying, is that it's a shame that we have a unique Canadian innovation, a Canadian product, and it hasn't been embraced. That's what I'm trying to tie into—which jurisdictions carried out their responsibilities. I know sometimes when I was parliamentary secretary to the Minister of Industry we

talked about becoming more efficient in terms of approvals, clinical trials, etc.

Mr. James Smith: I think that went along pretty well. We had the approval for Canada. You need an export and a laboratory licence to do that. You couldn't do it on the street or in a street clinic as such right now for what we have in Canada, but we're quite happy with what we have in Canada. There's still no cure for HIV/AIDS, and it should be done very thoughtfully and very carefully by people who know what they're doing.

Some of these products that go through the clinical trials then go out into the communities, and they're disasters, and that's what we're finding around the world with some of these other tests: the clinical trials are fine when somebody who knows what they're doing does them, and then you go out into the communities and they're not working out so well. But we've taken I think a positive approach in MedMira that we're not blaming the federal government as such. We're interacting with a system that is on the whole quite good. We have some areas that we need to be more supportive of.

We talked about the cost of our test and how it ties in with regulatory. When we get the first approval in the United States, we call it the first generation. Actually we had to do three tests: the two controls and the actual test. I don't want to get too complicated, but there were three tests, so we'll say it was about \$45, total cost. Some of the HMOs and others will say we're allotted \$25, but we went to the second generation that did away with essentially those two controls, so we can do one test now. So we can charge \$20 for a test and they still have \$5 extra in their budget. That's where the regulatory approvals are so important, and that costs a lot of money. But we've gone from first generation to second generation through FDA approval. That's the sort of thing we have also enhanced in Canada as well.

The Chair: With some of these diseases, and I'll close with this, if you will, with respect to HIV, for example, we know the UN has undertaken a tremendous initiative to monitor and support them. Has having Canadian approval and FDA approval not positioned your company, or these Canadian products, to be in the forefront of getting them out in the needy areas—I won't name the areas specifically, but to certain countries that have a need for these test kits?

• (1710)

Mr. Giles Crouch: It has to a good degree. Unfortunately, part of it is marketing availability. We're thinly capitalized, so we are trying to change capital.

The Chair: This goes back to what Mr. Steeves was saying about needing people out there to be able to promote Canada, Canadian goods, and Canadian innovation. And it ties in with what we're doing with our other report, which says that EDC needs to broaden its mandate and support not just export of goods, potatoes, etc.—which we should—but everything else.

Mr. Giles Crouch: The Canadian ambassador to the UN could go and talk about our products.

The Chair: I'm glad you said that and not I.

I do thank you very much for being here with your presentations. They're certainly going to go a long way in helping us put our report together on these new and emerging markets, supposedly, although I heard some very nice comments from all three of you to the effect that yes, there are good markets to look at in Brazil, China, and India, but certainly we must not overlook some of these other areas you all three touched upon.

Does MedMira manufacture in China, by the way?

Mr. James Smith: No, our FDA approval and our China approval are for our plant in Nova Scotia. There could be some packaging done eventually.

See, that's a concern, that you're hearing press releases in Canada from some of the competition where they're announcing sales to the Red Army—a term that hasn't been used for 18 years, largely—and we really doubt the sales have actually taken place. This is a Canadian company that's hyping the stock market, really, to promote their product but really cannot manufacture an HIV test and export it from Canada to China. We think they're probably going to go into Shanghai, buy a grandparented product that's already there, and go from there. But that's our competition in Canada on the stock market, if you want to know what we're up against sometimes.

But it is a product, and our cost, while it's not a lot higher, is sometimes more than what these other companies are prepared to go in and sell it for to some of these developing countries.

The Chair: Well, thank you once again for being here with us and providing such input. As I said, it's certainly going to go a long way.

I thank my colleagues.

We'll adjourn.

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