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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, March 9, 2015**

**Chair**

**Mr. Randy Hoback**



## Standing Committee on International Trade

Monday, March 9, 2015

• (1530)

[English]

**The Chair (Mr. Randy Hoback (Prince Albert, CPC)):** Ladies and gentlemen, it's great to be here at the Standing Committee on International Trade, meeting number 48. The orders of the day are, pursuant to Standing Order 108(2), a study on small and medium-sized enterprises.

We have witnesses in front of us today. Each of the witnesses has five minutes.

Just for your information, colleagues, we'll be taking off five minutes at the very end of the meeting to discuss the Liberal motion on having the minister appear. Mr. Regan will bring forward that motion at that point in time.

I will turn the floor over to the Department of Foreign Affairs, Trade and Development.

Susan Bincoletto, you have five minutes.

**Ms. Susan Bincoletto (Assistant Deputy Minister, International Business, Chief Trade Commissioner, Department of Foreign Affairs, Trade and Development):** Thank you very much, Mr. Chair.

I'm Susan Bincoletto. I'm the assistant deputy minister for international business and I'm Canada's chief trade commissioner. I'm appearing today with a slew of colleagues. Together we're going to be doing the Go Global workshops that Minister Fast has been spearheading, and we will show the cooperation happening among our federal friends.

I'm with Industry Canada, Export Development Canada, the Business Development Bank of Canada, and the Canadian Commercial Corporation. To help the committee in its deliberations, we plan to give an overview of the characteristics and needs of smaller Canadian businesses and how, working together, our departments and agencies support their efforts to locate and penetrate markets and build their international business success.

As chief trade commissioner, I head the trade commissioner service, which is the government's network of trade professionals who serve Canadian businesses across Canada and around the world. The service works to enable business success internationally and to attract investment to Canada. Together with the government trade negotiations agenda, it is key to the implementation of the global markets action plan.

[Translation]

As you know, the Global Markets Action Plan has a special focus on small and medium-sized enterprises (SMEs) and sets an ambitious target of nearly doubling the number of SMEs that export to emerging markets over a five-year period.

In support of the Global Markets Action Plan, trade commissioners work directly with Canadian businesses and business associations to ensure our small and medium-sized businesses can take full advantage of market opportunities abroad. These include: those opened up by agreements such as the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Free Trade Agreement with Korea; those created by the strong growth of emerging markets around the world, but especially in Asia; and those arising from the constantly evolving dynamics of global value chains.

[English]

As we all know, when it comes into force the CETA will improve access for Canadian companies to the world's largest integrated market, representing some 500 million consumers and an annual economic activity of \$18 trillion.

The trade commissioner service is already active on the ground to equip Canadian companies with the knowledge, tools, and support needed so that they are ready to take advantage of CETA from day one and secure a place in the EU market ahead of competitors from other countries.

The TCS is present in over 160 cities in Canada and abroad. It engages on the ground with individual companies, delivering almost 200 services every working day of the year, services that include assessing the potential of the market for the individual client and helping them prepare their expansion strategies, as well as identifying key contacts and troubleshooting as required.

Concretely, our focus on SMEs means that we provide services that are directly relevant to them, that are mapped to their needs and performance, and that help them navigate markets that are difficult for them. Our effectiveness depends on the knowledge of our clients, their sectors, and the foreign markets that we develop through our network and through collaboration with our partners. Trade commissioners work in partnership with the federal, provincial, and territorial ministries to leverage each other's support for SMEs to present effective and user-friendly solutions to these clients.

[Translation]

Finally, outreach to business is an important element of our trade strategy, to make our businesses aware of emerging opportunities. As you may know, the Minister for International Trade, the hon. Ed Fast, is currently conducting “Go Global” workshops in towns and cities across Canada. The minister has reached over 1,000 SMEs interested in international business opportunities with these workshops.

• (1535)

The workshops feature expert panels that highlight the tools, information and support available to them from the Business Development Bank of Canada, Export Development Canada (EDC), the Canadian Commercial Corporation and the Trade Commissioner Service.

[English]

As chief trade commissioner I'm proud of what we've achieved with our roughly 11,000 clients, of which about 80% are SMEs, and I look forward to questions about that.

I will now turn to Shereen, who will discuss Industry Canada, and we'll in turn then go to BDC, EDC, and CCC, and then we'll be happy to answer your questions.

Thank you.

[Translation]

**Ms. Shereen Benzvy Miller (Assistant Deputy Minister, Small Business, Tourism and Marketplace Services, Department of Industry):** Thank you very much.

Good afternoon, Mr. Chair and distinguished members of the committee.

My name is Shereen Benzvy Miller and I am the Assistant Deputy Minister for Small Business, Tourism and Marketplace Services at Industry Canada.

I would like to begin by underscoring the importance of small and medium-sized enterprises—or SMEs—to our economy.

[English]

SMEs account for more than 99% of all businesses in Canada. They provide approximately 52% of total private sector GDP and account for 40% of the value of exported goods. There are some 1.1 million SMEs across the country and they are found in every sector. The vast majority of SMEs, 87%, are very small, with less than 20 employees. They are also the job creators. Between 2002 and 2012, small businesses accounted for 78% of new private sector jobs.

Industry Canada's mandate is to help make Canadian industry more productive and competitive in the global economy. This intersects directly with the interests of SMEs. We work to ensure that our economic framework policies promote competition and innovation, support investment and entrepreneurial activity, and instill consumer, investor, and business confidence. We encourage business innovation and productivity because businesses generate jobs and wealth creation.

[Translation]

More specifically, we take action to help SMEs to overcome challenges, including those related to exporting.

We are in an era of free trade, reduced tariffs and information and communications technology (ICT) that facilitate commerce across borders. Exporting SMEs, on average, generate higher sales and return on assets, while undertaking more research and development activities than non-exporters. In other words, they participate in activities that are synonymous with growth.

[English]

We are focusing our efforts in three areas: venture capital, consulting, and supporting financing.

We are increasing the availability of risk capital through the venture capital action plan. IRAP, the industrial research assistance program, helps by providing technology assistance to innovative SMEs and working to commercialize Canadian products and services. BDC provides consulting services to help SMEs get export ready and to expand into international markets. You will hear more about that from my colleague Michel. It also provides about \$4 billion each year in financing, including for those firms that export.

Thank you so much for the opportunity to speak with you regarding how we can better support Canadian SMEs, and I will be happy to take your questions when the time comes.

• (1540)

[Translation]

**Mr. Michel Bergeron (Senior Vice-President, Marketing and Public Affairs, Business Development Bank of Canada):** Mr. Chair and distinguished members of the committee, I am pleased to be here with you today in support of your study on competing globally: opportunities for small and medium-sized businesses.

I would first like to say a few words about the BDC and then provide you with an overview of our activities geared toward improving the export potential of Canadian SMEs.

[English]

BDC is the only bank in Canada entirely dedicated to meeting the needs of entrepreneurs, with a focus on SMEs. While we have greater risk appetite than other financial institutions, BDC has to be commercially viable as it does not receive government appropriation to run its daily operations. In fact, BDC has paid more than \$363 million in dividends to the Government of Canada since 1997. Our 30,000 clients generate \$192 billion in annual revenue, of which \$22 billion is in export revenue, and are responsible for more than 674,000 direct jobs in Canada. In fact, approximately 16%, or 5,000, of our clients are exporters.

As previously expressed by my colleagues, global competitiveness is key to the continued success of Canadian SMEs. On the other hand, Canadian firms face some important hurdles. The first one is the lack of scale and small size of our businesses; in fact, more than 98% have less than 100 employees. The second challenge is that the Canadian market is relatively small, which implies that in order to grow their businesses our firms have to start exporting a lot sooner than their U.S. counterparts. A good example of this is that an SME based in California has access to a market the size of Canada strictly within their own state boundaries.

Expanding into foreign markets requires an additional level of market understanding and resources if the SME wants to be successful. Going abroad also entails assuming a greater level of risk for SMEs. Therefore, we believe our role as a development bank is to help compensate for this lack of scale by linking our SMEs to the appropriate resources, while adjusting our service offerings to their particular needs. Given these challenges, BDC has recently adjusted its offerings to better respond to the specific needs of Canadian SMEs. These can be broken down into two categories: helping entrepreneurs define the right strategy consistent with their objectives, and offering financial support to help them make the required investment.

On the advisory services side we have the following offering. First, we help SMEs determine whether they are ready to expand internationally. Second, if they are, we help them select the markets that represent the best chance for success. Finally, we can help these SMEs develop go-to-market strategies for these specific markets. These affordable services are paid for by the SMEs and we work in collaboration with the trade commissioner service and EDC to optimize the value.

On the financing side, BDC is able to support domestic investments required to, for instance, ramp up production capacity or even help finance the investments to be made abroad, which, in many instances, are purely unsecured financing with no collateral attached. BDC works with EDC and DFATD to help Canadian firms expand abroad in line with the government's global markets action plan. A good example of this is our support to the Canadian technology accelerator program put forward by DFATD in the U.S. for technology-based firms. Another example of this is the fact that BDC holds some trade commissioners in our offices in Canada.

While we believe that our current offerings are relevant, we continuously benchmark ourselves with other development banks from around the world to learn from them how better to support SMEs.

In closing, BDC is a strong believer in the importance of having more successful Canadian exporters and we believe the bank has an important role to play in making this a reality. This is why we will continue investing in resources to increase SME awareness of the benefits of exporting and provide them with the support they need.

[Translation]

That concludes my presentation.

I would be happy to answer any questions you may have later on.

Thank you.

[English]

**The Chair:** We will hear from Mr. Anthony Carty now.

**Mr. Anthony Carty (Vice-President, Corporate Services and Chief Financial Officer, Canadian Commercial Corporation):** Mr. Chair, and members of the committee, thank you very much for having us here today.

My name is Anthony Carty, and I'm the chief financial officer and vice-president for corporate services at CCC. I'm very pleased to give you a little bit of background about CCC and also our support for SMEs.

CCC is the Government of Canada's international contracting agency. The corporation was established by an act of Parliament in 1946 with a mandate to assist in the development of trade between Canada and other nations.

CCC's business model is unique in the world. The corporation's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada by Canadian exporters. In turn, CCC enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. Using this approach, CCC guarantees the performance of the terms and conditions of contracts with foreign government buyers, thereby mitigating their risks and providing added incentive to procure from Canada.

CCC's business model also mitigates risks for the Canadian exporter as the corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution regarding any issues that may arise in fulfilling the contract requirements. CCC's involvement can reduce payment collection risks and business development costs, not insignificant when a business is dealing with buyers overseas. It can aid all Canadian exporters, particularly SMEs, to gain more advantageous contract and payment terms, and it helps increase international awareness by supporting and promoting ethical business practices and corporate social responsibility as Canadian firms seek to increase their international sales.

CCC is a 140-person organization located here in Ottawa. The corporation processes approximately two billion dollars' worth of exports annually, a figure that is expected to double over the next five years as a result of a growing pipeline of opportunities and prudent investments in business development. CCC currently represents the maintenance of about 22,000 Canadian jobs per year.

CCC charges fees for its services, revenues from which have grown over the past number of years from \$13.5 million in our most recent fiscal year 2013-14 to a forecasted \$25 million for the current fiscal year of 2014-15. As returns on planned investments in business development materialize, fees for services are expected to grow to \$35 million by 2017-18.

Since 1956, CCC has also been the Government of Canada's custodian for the Canada-United States Defence Production Sharing Agreement or the DPSA. This is a bilateral agreement that covers purchases by the U.S. DOD of defence and security goods and services provided by Canadian exporters. The DPSA supports over half a billion dollars of defence and security trade between Canada and the U.S. each year. CCC's DPSA business has often been the platform that Canadian companies, particularly SMEs, have used to build their capacity to compete and to generate other global sales outside of the U.S.

CCC works with SMEs in three particular ways. In the first instance, we support SMEs in direct government-to-government contracting opportunities. In our last fiscal year, 2013-14, CCC had contracts or pursuits with over 115 Canadian SMEs, largely through its role as Canada's custodian of the DPSA. CCC's planned establishment of a foreign representation network over the next three years will also help SMEs that cannot typically afford to travel internationally as often as may be required to develop trusted relationships with foreign government buyers.

Second, we work closely with Canada's primary defence and security exporters and encourage them to maximize Canadian content in their supply chains. While figures for these indirect SME impacts are not reflected in CCC's performance measures, their connection to CCC is well understood across the defence and security industry.

Finally, CCC has also begun enhancing its engagement with SMEs on a broader scale through increased participation and profile at domestic and international trade show events. It has strengthened domestic outreach in collaboration with industry sector organizations such as CADSI, AIAC, CME, and other Government of Canada stakeholders in trade, including Western Economic Diversification Canada, through an MOU.

CCC continues to play a key role in the delivery of the government's GMAP, as well as in the export component of Canada's defence procurement strategy, and it is building on its tremendous momentum to strategically assist Canadian exporters large and small—SMEs in particular—in dozens of markets abroad.

Thank you for your time this afternoon. I'd be happy to answer any questions you may have.

• (1545)

**The Chair:** Thank you.

Our last presenter is Mr. Winterhalt from EDC.

**Mr. Todd Winterhalt (Vice-President, International Business Development, Export Development Canada):** Thank you, Mr. Chair.

I'm Todd Winterhalt, group vice-president for international business development at EDC. Allow me to begin today by providing a brief explanation of Canada's official export credit agency.

[*Translation*]

EDC provides financing, insurance and bonding solutions to underwrite the transactions between Canadian companies and their

foreign customers. For today, I will be limiting my remarks to the financial toolkit for small and medium-sized exporters.

• (1550)

[*English*]

The EDC product most used by SMEs is our accounts receivable insurance. This product allows Canadian SMEs to sell with confidence to a new customer in a new market because EDC's insurance will make sure they get paid. As an added bonus, an ARI policy can also allow a SME's bank to provide additional working capital financing because the payment from the foreign buyer is now guaranteed.

Another product is our export guarantee program, where, if an SME needs to ramp up to fulfill a new contract, we can guarantee their bank loan, giving the SME access to more working capital. Similarly, our customer financing guarantee program makes it easier for banks in foreign markets to lend to Canadian SME exporters as they expand their operations abroad.

These products help the balance sheet comfort of Canadian SMEs and make it less risky to take on new markets. As beneficial as these products are, EDC recognizes that the primary challenges for Canadian SMEs are the lack of time, resources, and knowledge to develop new markets.

To that end, EDC actively seeks out high-potential small companies and works with them as a mentor to help them develop and grow. To date, we have approximately 50 small companies in this program.

One of the most meaningful ways that EDC brings value to SMEs is by doing the legwork for them and helping to connect them to opportunities by leveraging our relationships with foreign companies. These relationships are cultivated on a daily basis through our network of 17 permanent representations across the world, co-located with the trade commissioner service, 16 of which are located in high-growth emerging markets.

We leverage these relationships in three key ways. First is through our pull financing. This is where EDC provides financing to targeted foreign buyers with procurement needs that match up well with Canadian expertise and then they commit to work with EDC to buy from qualified Canadian suppliers. Very often, we make the introductions as well. In 2014, we conducted 25 matchmaking sessions related to these pull facilities. Overall, more than 1,800 Canadian companies won new contracts in 2014. About 90% of these were SMEs.

Second, through matchmaking sessions, we also work with the trade commissioner service to bring groups of Canadian and foreign companies together for events like trade shows, in-market missions, as well as arranging cross-Canada visits for foreign firms to meet potential Canadian suppliers. In 2014, EDC conducted 127 matchmaking sessions that resulted in nearly 850 introductions, which in turn led to new business contracts for almost 400 Canadian companies. More than 75% of these companies were SMEs.

Third, and finally, by connecting our investment portfolio companies. EDC is the third-largest venture capital investor in Canada.

[*Translation*]

Through our investments in global equity funds, we gather market intelligence and identify opportunities at the grassroots level, and help connect Canadian companies to these international opportunities.

In 2014, we made 455 introductions which led to 73 qualified leads for Canadian companies.

[*English*]

In sum, in 2014, EDC saw a 4.5% increase in our new SME customers, reaching 6,110; a 4.7% increase in the number of small business transactions, reaching almost 2,800; and a 12.4% increase in total business facilitated for our SME customers, reaching \$14 billion, with 23.8% of that total in emerging markets.

Thank you for your time and I look forward to your questions.

**The Chair:** Thank you, witnesses. We'll proceed with the first round of questions.

Mr. Davies, you have seven minutes.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chair.

Thank you to all of you for being with us today.

I'd like to start by nailing down some metrics to make sure we're all on the same page. In the figures we have from Statistics Canada, the SME sector is defined as under 100 employees for a small business, and under 500 for a medium-sized business.

Are those the figures that we all use? I see everybody nodding. Great.

According to the figures we have from the Library of Parliament as well, 99.8% of businesses that reported having employees in 2011 are in the SME sector. Only 0.2% of Canadian businesses employing in Canada have over 500 employees. Is that also a commonly accepted metric?

**Voices:** Yes.

**Mr. Don Davies:** Okay, thanks.

For some reason, our figures say that in 2011, the latest year for which data are available, about only 10.4% of SMEs exported. Is that generally accepted as well?

**Voices:** Yes.

**Mr. Don Davies:** Okay.

I want to get a feeling for how much growth is felt to exist among those numbers.

Is there any metric or any target that any of your departments have in order to increase the number of SMEs who are accessing international markets and exporting? Do we have any kinds of targets over the next years that you're shooting for?

•(1555)

**Ms. Susan Bincoletto:** I will answer the question, but I will turn also to Todd.

In the global markets action plan that Minister Fast announced in late 2013, there was a quote by the chief economist of Export Development Canada, Peter Hall, which the minister endorsed, saying that the target for the global markets action plan was to double the number of SMEs in emerging markets.

I'll let Todd speak to how those targets were established, but for us at international trade, it is our road map. We are trying to pull together all of our individual and collective efforts, whether it's on the trade commissioner side or with our partners, to enable that target to be met. We will not be able to guarantee it because there are certain risk factors. Sometimes it's better to tell an SME not to go to China because they are not ready.

When we can help, we will be helping, not individually but by cross-referring each others' clients who have shown the most promise.

**Mr. Don Davies:** Let me just zero in on that target. In the GMAP, if it says to double the number of SMEs in emerging markets, I'd like to put some flesh on those bones.

How many businesses do we have in emerging markets, what is the number that doubling would entail, and by when?

**Mr. Todd Winterhalt:** Certainly. I'll take a stab at that one.

We heard one of my colleagues mention that there are approximately 1.1 million SMEs currently active in Canada, which seems like a very large number. When you actually drill down into that number a bit and you look at the SMEs that are actually even interested in exporting—you can imagine a corner store operator, a hairdresser, or what have you—that number comes down to almost 50,000. It's 57,000, to be specific. Of that number, 40,000 have the means, as my colleague Susan was saying, to actually export. That's not just an interest but the opportunity to do that.

Of that 40,000 number, as of 2012, only 11,000 were exporting into emerging markets, which is where we see the high growth. The goal in the GMAP is to take that number, that 11,000, and over the five-year period of the plan to almost double it to 21,000. That's based on a calculation that was done at EDC—my colleague Peter Hall—looking at the regular growth we've seen in that segment of the population of SMEs, which saw them double about every seven and a half to eight years.

The challenge for all of us working together across the table here is to try to accelerate that and to try to double that 11,000 within a five-year timeframe.

**Mr. Don Davies:** Thank you.

I think you've raised the very important issue of putting the different businesses in the different categories. As you say, it's unlikely, it's impossible, that a hairdressing salon is going to export.

I'm wondering what areas of the SME sector you feel have the greatest unrealized potential to increase their export footprint.

**Ms. Susan Bincoletto:** I can answer in the context of the trade commissioner service. I'm sure the EDC will have their own statistics.

As far as the services delivered by the trade commissioner service are concerned, we have five big sectors, really, that require our support and where there's the greatest volume. It starts with information and communication technologies. We know that in this sector there are lots of little companies. Some sustainable technologies are also a big consumer of our services. Again, they are mostly the service providers and the technology guys within that sustainable technology area. There's also financial and insurance services. Education is very prominent in asking for services from the trade commissioner service. Then there's agriculture and processed foods.

The most services that we generally offer in emerging markets are in Asia.

• (1600)

**Mr. Don Davies:** Mr. Winterhalt, is there an area that was not mentioned there that you think shows promise?

**Mr. Todd Winterhalt:** It's very similar, from our perspective. I'd maybe just add a little bit in the agricultural services equipment sector as well as in the extractive space. That would be in oil and gas and in mining. That's more in terms of supply for equipment.

**Mr. Don Davies:** My understanding is that 90% of the exports from the SME sector currently go to the United States, so there is a question of diversification. I think you've kind of answered that by indicating the focus on the emerging markets.

I have two quick questions. First, with CETA opening up markets in Europe, I would imagine that most of these markets are not emerging but are developed markets. Do you see any promise for the SME sector in Canada in terms of CETA?

My other question—

**The Chair:** You'll have to hurry, Mr. Davies.

**Mr. Don Davies:** Okay.

What's one thing you could give the committee advice on in terms of what would help the SME sector in Canada to export?

**The Chair:** It will have to be a short answer.

**Mr. Don Davies:** Be brilliant.

**Ms. Susan Bincoletto:** I think you have in front of you all of the people responsible for part of the success. I think it's a multipronged approach in terms of both contacts and awareness of the opportunities—whether they have a good business plan or know what they're getting into, whether they're innovative or have good financing, or whether they know there's a suite of programs that the federal government can provide that would help them navigate those trickier waters that emerging markets can often present.

**The Chair:** Mr. Cannan.

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

Thanks to our witnesses.

Thanks, Mr. Davies, for some excellent questions.

It's an exciting study, for a former small business owner-operator, in terms of understanding our global markets action plan and how we're trying to help small and medium-sized businesses take that leap into the final frontier outside of Canada, which for many people is outside their comfort zone. It's an education process, and I appreciate your continued efforts. They will be ongoing. Our goal is to create jobs, grow the economy, and have prosperity for all.

I know it might be hard for Todd and me, and maybe Mr. Regan, to understand how hair salons can actually export, but....

**Voices:** Oh, oh!

**Hon. Ron Cannan:** We have a franchise chain, Tommy Gun's and Chatters, that's actually on the front page of this month's *Franchise* magazine. They have 140 franchises and they have operations in Australia as well. So it is possible; there is hope for us yet, guys.

The fact is that it is an emerging market. It's something that my constituents, as many of you around the table.... Our ridings have small businesses, which are the economic engines that drive our local economy. Our largest private employer is Kelowna Flightcraft, and all the rest are small and medium-sized operators.

One common question I get is this. How do we get access to the information? We've talked a little bit today about some of the different programs. There are some excellent programs. Often my staff and I will point entrepreneurs to the websites, trying to get them the tools to help them move forward. Could you maybe expand on whether there's an overall communications strategy in place that will utilize all these tools available on the Internet to inform the SMEs and provide timely access? How do the SMEs know that it's available?

**Ms. Shereen Benzvy Miller:** Thank you so much for that question.

I would start by saying that obviously there is a lot of information out there, so it's always a challenge for SMEs to find and access what they need. We have tried to put information into locations where they are most likely to find it, and to find it all together.

One of the opportunities for businesses is to go to the Canada business network site, or [canadabusiness.ca](http://canadabusiness.ca), which is a one-stop comprehensive directory of information for services that are provided by federal, provincial, and territorial governments—including municipal governments, actually—to help businesses find the programs and the regulatory things that they need to find in the various sectors in which they operate. It also contains information about financing grants and starting and growing a business.

If you decide that you want to follow that service on Twitter, it is [@canadabusiness](https://twitter.com/canadabusiness), and I would encourage you to do that since it does have 95,000 Twitter followers from businesses in the community today. It is a well-followed site.



We also have BizPaL, which again is intended to blur all the lines of government to provide each sector with the various business licences and regulations they need to know about when they're starting and growing a business. Also, the National Research Council's industrial research assistance program, IRAP, has the concierge service, which is intended to hold hands with entrepreneurs to help them walk through the various programs that are available to them.

There are 230 federal programs available to businesses and they're offered by 30 different departments, so this is not an inconsequential or insignificant question that you're asking about how we actually get the information to entrepreneurs who need it.

There are other services. I actually would like to hand the baton to Monsieur Bergeron, because the BDC also has some ways of helping entrepreneurs navigate through these mazes.

• (1605)

**Mr. Michel Bergeron:** There are different ways of addressing this particular challenge. One very simple one at the BDC is that we have more than 500 people who meet on a daily basis with entrepreneurs, and all of those employees have been trained on the EDC service offering and vice versa. We try to increase our mutual understanding of what the others offer so that we can relay them, depending on the needs they have, to the proper organization.

The same applies with the trade commissioner service. As I mentioned, some of the commissioners reside in our offices, which fosters collaboration. It's important that mutually we understand well what we do so that we can be a single point of contact for the entrepreneur. Another example is that we cross-train our call centres, for instance, so they can refer to the proper institution.

Lastly, there are a lot of initiatives on the ongoing communications side. The conference series that is taking place across the country is a joint effort by all parties, whereby we try to invite our own clients and explain in simple terms what we do so that they know exactly where to call and who to call.

**Hon. Ron Cannan:** That's excellent. I think it's very important that we all are aware of this.

I know that Farm Credit Canada is another great partner. I met with the BC Fruit Growers' Association executive director and president this morning. That's another one. They're looking at exporting Campion boats. They're manufacturing boats and are looking at all these different opportunities.

You mentioned earlier that hard-working Minister Fast has been working on these Go Global workshops. He has held I think 11 or 12, and there are more coming up. Maybe you could talk a little about what you've heard from those workshops, what the SMEs are telling you, and what you are doing with that information as you move forward.

**Ms. Susan Bincoletto:** We started these workshops and I think have now completed nine or ten. We've touched about a thousand SMEs, so it has been a success. On average, there were about 100 participants per workshop. They're normally in secondary cities. They're not in the big metropolitan areas.

We have representatives of my service, the EDC, the BDC, and the CCC come in to speak to the participants on what opportunities exist in terms of the federal suite of programs but also in terms of some of the regional opportunities, depending on which sector these SMEs operate in. We do surveys at the end of each one, and we're compiling them. It's early days, but it has been very well received.

What we do in the trade commissioner service is then follow up with these participants. We have a fairly sophisticated client management system, as my colleagues have as well. Once we establish that first contact, we follow up to really see whether we can help continue their understanding and their working through of their potential expansion strategies.

The Go Global workshop is an opportunity for us to actually reach out and increase their understanding of those opportunities. Something that Minister Fast is always saying is that the trade commissioner service is one of the best kept secrets in terms of those opportunities. That's what these workshops are intended to be. We will continue them over the next six months, and we will then be able to better evaluate how successful they have been.

**The Chair:** Thank you very much.

**Ms. Susan Bincoletto:** I'm sorry, Todd wanted to add something.

**The Chair:** I'm sorry, I have to go to the next set of questions. Sorry, Todd.

Mr. Regan, you have the floor.

**Hon. Geoff Regan (Halifax West, Lib.):** Thank you, Mr. Chair.

I can't help but note, as a visitor to the committee, the level of commitment to democratic principles of the other two parties in setting only five minutes in the first round for the Liberal Party, as opposed to seven for all the other questioners. I've never experienced that in all the committees that I've sat on and visited over the years.

One thing I didn't hear about at all today was e-commerce. The industry committee at the House of Commons did a report two years ago on e-commerce and the need for Canadian businesses, especially small and medium-sized enterprises, to adopt it more. Obviously, we see some that are selling around the world using the Internet and e-commerce.

I don't think I heard any of you mention e-commerce today. What part of your strategy is e-commerce?

• (1610)

**Mr. Michel Bergeron:** I'll answer this question, because this is a topic we've been working on quite actively over the last three years.

In fact, we just released an e-book advising entrepreneurs on how to adopt proper practices for e-commerce. My stats are a bit outdated, but something like 84% of Canadians buy online versus only 17% of Canadian businesses that sell online. We see there is a huge gap in between. Part of our role is increasing awareness of how to go about doing e-commerce. There are very low-cost applications that can be used to leverage the e-commerce world.

You are right that it's an area in which unfortunately a lot of our firms, especially on the retail side, have just not adopted those technologies. Unless they do so, they risk losing a lot of business as purchasing habits are increasingly going online.

**Hon. Geoff Regan:** It seems to me the challenge is educating those businesses about the opportunities, the way to do it, and the fact that it isn't as hard as they might think.

What can you tell me about what you're doing, if that is something that any of you are working on?

**Mr. Michel Bergeron:** On the consulting side, one practice that we've started developing on the marketing front is helping firms to be found on the web. It's one thing to have a website, but you want this website to be found.

To what extent is the website properly structured? I'll give you a very simple example. One client had a French-only website. They translated the website, and as a result now 50% of their sales are done in Russia. It's an amazing story. You just translate the website, and then your search results go up on Google. They found new customers without making a significant investment.

**Hon. Geoff Regan:** Into how many languages are you assisting them to translate? Was that into Russian?

**Mr. Michel Bergeron:** No, it was just English. It's French and English. That's a relatively low-cost piece of work.

One thing is helping the firms identify how to be found on Google, through search engine optimization, and so forth, and then making sure the website is structured properly so that ultimately there is an e-commerce platform within it that people can purchase on.

**Hon. Geoff Regan:** Ms. Benzvy Miller, you mentioned that BDC provides consulting services, and it provides \$4 billion a year in financing to those firms that export, I think you mean SMEs. Perhaps Mr. Bergeron wants to answer this, but we'll see.

What percentage of those firms would have between 20 to 99 employees? What percentage would have 20 or fewer employees? How do you break it down? Do you have those figures?

**Ms. Shereen Benzvy Miller:** I'll let you answer because you're lending.

**Mr. Michel Bergeron:** It depends how you define the breakdown, by number of clients or by dollars of commitment. If you go by the number of clients, I'd say roughly 80% of our 30,000 clients have fewer than 20 employees. As I mentioned—

**Hon. Geoff Regan:** How does the \$4 billion break down?

**Mr. Michel Bergeron:** This is how the \$4 billion breaks down. If you look at the number of transactions, you would see 80% go to the smaller firms; if you look at the dollar amount, it's the reverse. Obviously, the bigger companies receive the bigger number of dollars, so it's kind of an 80:20 rule. The top 20% get 80% of the dollars because the financial needs at the lower end of the market are not as great.

**Hon. Geoff Regan:** Mr. Winterhalt, when you referred to the 50 companies that you are working with, SMEs, what sizes would those be and how many would be in each of those ranges?

**Mr. Todd Winterhalt:** The 50 I mentioned are in the mentoring program. Those are the ones that have what we call a "white glove service," which means they have a dedicated relationship manager who will meet with them. Almost all of them would be in the small and very small categories.

**Hon. Geoff Regan:** Thank you.

In the view of the government, what proportion of small and medium-sized enterprises should be exporting? Is there a target?

**Ms. Susan Bincoletto:** We don't have a target but our road map is what is in the GMAP. That is keeping us on the straight and narrow, in a sense.

One of your colleagues mentioned our great dependency on the United States market. We are trying to diversify. To do that, we need to de-risk the value proposition for the SMEs, and each of us has a piece of that de-risking. There are 21,000 SMEs that we want to reach.

**The Chair:** Thank you.

We'll go to Mr. Allen.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair, and thank you to our witnesses for being here.

I'm going to pick up from where Mr. Cannan left off concerning your workshops. I'd like to explore that subject a little more.

One thing is that the number of these businesses that you indicate is impressive. It's comforting to know that you get a lot of these very small businesses with fewer than 20 employees. I come from New Brunswick, where the majority of our businesses actually have fewer than 10 employees. With that said, I'd like to understand a little more about the feedback you're getting from the SMEs.

I'll ask that question in some context. Many small businesses in New Brunswick, where the business owner is the person working on the floor and is the same person as is doing the accounting, the same person as is doing the sales and everything else.... What is the challenge in trying to get these folks out to a session such as this?

Second, how are you making these sessions productive? It sounds as though you have a lot of great people providing them with advice. What are some of the big things you're learning from some of these very small, owner-run companies?

•(1615)

**Ms. Susan Bincoletto:** I'll start, and then Todd, who has participated in seven of those sessions, might provide more colour on the ground.

First of all, these workshops are advertised by either the EDC, BDC, or our trade commissioner service client base, and by CCC as well. People come because they are interested in understanding more about what they've been missing by way of export opportunities, so there is a variety of sectoral representation and of sizes of firms.

That said, some of them don't even know that some of these programs exist, so they operate at the basic awareness level: "I didn't know that if I want to export the product I currently export to the U.S. to Mexico, I can call the Canadian embassy in Mexico, and they can help me find local partners or find a lawyer who can tell me how to incorporate, if I need to incorporate"—things of that nature—or "I didn't know that if I want to sell to a big buyer, EDC can provide some insurance. I didn't know all this." So the workshop is a first introduction for some of them who may not have thought about it.

Todd, why don't you speak too?

**Mr. Todd Winterhalt:** Thank you.

They have been very interesting sessions to this point. I think you're exactly right to suggest that the CEO is also the guy who runs the mailroom and who does the laundry, if it's required. That is the nature of the individuals who are there.

The feedback we've been getting really is, speaking to Susan's point, that they simply didn't know this existed, or if they did, they thought everything happened in four or five distinct silos across the table. So there has been a lot of building of awareness that it's less an individual race, in terms of the four of us running, than a relay. The session is about how you utilize the services at the right point in time and where the hand-offs are between us across the table.

For example, in BDC, some consulting work may be done up front while they're getting their international plan together. They then get to the point at which they have the first contract—usually in the U.S., if it's an SME, but potentially in Europe or maybe in Mexico. Now it's the question: "Do I bring in EDC, or how do I make sure that I have the right contacts in place?" I'll talk to my folks on the ground and with the trade commissioner service in market or maybe I will deal with another government entity abroad; then the CCC comes in.

What we have tried to do through the workshop sessions is adapt to that feedback on the fly. The sessions have now changed into a bit of a case study, in which we have a fictitious company walking through each stage of an export as they look to a new market, and the participants see how the services are provided across all of the agencies at the table here. It makes it a little more tangible, a little bit more real.

I'd end by saying that out of the seven I've been to now, I've come away with six to eight real leads out of each of them, cases in which there is an organization that is ready to export but that has been waiting for the opportunity—looking to mitigate the risk, in some cases. Seeing us all there has really helped to stimulate them.

**Mr. Mike Allen:** Following up on that, when you talk about other departments and agencies, it is striking that for some exporters, whether of wood or of agricultural products, there is always the integration of, for example, phytosanitary certificates from Agriculture Canada. Are the regulatory aspects that some of these small businesses wouldn't even know about factored into these sessions as well, so that you give them a heads up on how some of those things go?

**Ms. Susan Bincoletto:** Yes, that is one thing that the trade commissioners, either in Canada or around the world, have to always

be aware of, all the regulatory and legal changes that are happening in Canada and in their country.

Our regional offices, for example, are the first point of contact for those kinds of enquiries. Then we dispatch the information to our colleagues at the federal level or also at the provincial level. We are the go-to point to find a solution to those problems.

**Mr. Mike Allen:** My next question is on trade commissioners. You talked about that. I had some experience in dealing with one in the U.S. who was specifically targeted on certain markets, like for instance the high-tech sector in California. How do you leverage your experience in these various trade commissioners' offices, for example, for a company that maybe wants to export a non-traditional product into a different market in which you might not have the trade commissioner expertise? How do you bring all that together to the benefit of the small business?

● (1620)

**Ms. Susan Bincoletto:** We work a lot in matrices, in a sense. In terms of helping the SMEs, if we know there are certain trade commissioners in some markets in the U.S. for example that have that specialty, then they are tapped into. Often the first point of contact is in our regional office. A company will come in and say, "I need something", and we say, "Let us check." We have a client management system with our 11,000 clients that helps figure out if your issue is similar to an issue that we've been trying to solve for another company; therefore, we make some of those connections.

It is teamwork, trial and error, and problem solving for those companies. Sometimes it takes little time to find a solution. Sometimes it takes tapping into the network of our trade commissioner service and our federal partners as well.

**Mr. Mike Allen:** I have one last brief question, very quickly. You talked about the case study, Mr. Winterhalt. Is that available for people who weren't able to get to that session?

**Mr. Todd Winterhalt:** Yes, the sessions are videotaped. As well, there is background material made available through a deck style of presentation.

**Mr. Mike Allen:** Thank you, Chair.

**The Chair:** Ms. Liu.

[*Translation*]

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you, Mr. Chair.

My thanks to our witnesses for their presentations, which will help us focus our study a great deal. Today, they answered a number of key questions and I thank them for that.

After I was elected as an MP in 2011, I visited the SMEs in my riding. I noticed a wide range of needs, but I also realized that a lot of demands are similar.

Last week, I visited a company that makes rubber parts. It is a very specialized business. Located in Saint-Eustache, it now exports to Asia, to China in particular. This is exactly the type of SME that needs encouragement and support.

Several concerns have been raised. SMEs are very versatile and change direction very quickly, which often makes it difficult for the government to adapt its tools to this reality.

During my visits, I asked the businesses whether they were aware of the existence of the Canadian Trade Commissioner Service, and most of them said that they were not. I think it is really important to focus on educating the SMEs and raising their awareness.

However, I would like to go back to another question that was raised.

[*English*]

My question is more on global payment issues that affect mostly medium-sized businesses. The number of businesses reporting that currency movements are having a negative impact on growth has increased over the past few months. I was wondering if this is an issue that you've looked at. Is this something you're planning on dealing with specifically?

I guess we could start with whoever would be best placed to answer.

**Mr. Todd Winterhalt:** Thank you for the question. Certainly the last few months have been a bit of a challenge for many businesses of all sizes, but in particular SMEs have the fewest reserves or wherewithal to withstand the fluctuations in currency changes.

At EDC we do offer a number of financial products, guarantees that would allow small companies to protect against the movement of the dollar. If their contract is in U.S. dollars or euros, for example, we can have a foreign exchange guarantee in place that permits them to mitigate that risk. That's the best product we can bring to bear.

**Ms. Laurin Liu:** We know that China recently established a currency hub in Canada. Do you expect that to have a big impact on SMEs? What positive impact do you expect that to have?

**Ms. Susan Bincoletto:** It's early days, but clearly for us it's a driver. It's a big success for Canada to have been able to do that. We're hoping to see the benefits of that very soon.

• (1625)

**Ms. Laurin Liu:** So you'll be watching closely, I guess.

**Ms. Susan Bincoletto:** Yes.

**Ms. Laurin Liu:** I'd like to follow up on a question asked by Mr. Regan on e-commerce in particular. We know that selling products online has actually grown enormously for Canadian companies over the past few years. Do you have any projections on how quickly online sales are expected to grow for SMEs in Canada?

**Mr. Michel Bergeron:** I can try to answer.

The first part is that, as I mentioned, right now the performance in terms of current sales is not optimal. It's probably below what it should be. In fact, if you look at purchasing patterns right now, a lot of those purchases are done with U.S.-based companies so it's not even SMEs, it's not even Canadian companies. That is obviously an issue of scale and the Amazons of the world obviously have a lot of power and they cover a lot of ground, hence the importance of our SMEs catching up.

What should the number be? Again, it depends on each business model. It all depends. Some products are easier to sell online than

others. One of the important issues that I think it's important for this committee to understand is that there are a lot of changes in terms of the paradigm of businesses going global. We have companies that we support in the venture capital business that are born global. The market in Canada is too small to sustain their offering; they have to go global. Some companies with 10 employees have 95% of their revenues outside of Canada. The scalability of the business model is something. If you sell applications on the app store, you're global from day one.

A lot of changes are happening on this versus the traditional ways of building a regional leader into a provincial and national—

**Ms. Laurin Liu:** I just have a very short question that I want to fit into my time, so sorry to cut you off.

I'd be interested to know how the value of the Canadian dollar and the price of gas have influenced, if they have, exports for SMEs.

**The Chair:** You have already had five minutes.

Just give a very quick answer, if you don't mind.

**Ms. Susan Bincoletto:** I haven't seen an immediate impact but it's something that on both fronts we're looking at very closely. It could be a competitive advantage with the reduction in the dollar, but it does have an impact on the oil price as well. We're looking at it.

**The Chair:** Mrs. Grewal.

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

Thank you to the witnesses for your time and your presentations, and for providing testimony on the importance of small and medium-sized enterprises

SMEs are the backbone of the Canadian economy and this government has made it a priority to help SMEs grow and develop, allowing for increased employment opportunities for Canadians. Our government has also been committed to opening new markets for our SMEs. The new Comprehensive Economic and Trade Agreement between Canada and the European Union is set to become Canada's largest cross-border agreement.

Could you please tell us how CETA will directly benefit our SMEs?

**Ms. Susan Bincoletto:** As I said in my introductory remarks, we're talking about a market of 500 million customers, so it is a very large market that SMEs can take full advantage of. Europe is easier to penetrate than, for example, the Asian market because it's a more mature market, the rules and regulations might be closer to what we have, and there are clearly big multinationals that operate in Europe that can become a good source of buyer potential for our SMEs.

When we speak about the attraction of the global value chains, there are lots of them in Europe and our SMEs can actually be.... Through our trade commissioner service and through the pull facilities that EDC has, we can accelerate the introduction of our SMEs to these big multinationals in Europe. I think it's an exciting potential and we are already starting to work to try to develop a strategy, in spite of CETA not being in force yet, to make sure that we keep our mover advantage.

**Mrs. Nina Grewal:** Would anyone like to comment?

**Mr. Todd Winterhalt:** Perhaps I can provide just a very specific example of what Susan was referring to.

In November, EDC signed an \$850-million facility with Vodafone out of the U.K., the world's second-largest telecoms provider. Of that facility, \$100 million was set aside specifically to attract Canadian SMEs into the supply chain of Vodafone. It wasn't just to get into the U.K. but Vodafone's 55 other countries in which it operates, many of which are emerging markets. This allows the exporter, through a fairly well-known name and a creditworthy partner, to get into some of the emerging markets. This is how they work together and we can leverage the CETA agreement once it's ratified and in force.

• (1630)

**Mrs. Nina Grewal:** Can you also give us some examples of SMEs who have successfully used the trade commissioner service or another one of our export agencies?

**Ms. Susan Bincoletto:** There are lots of examples. I can't really think of one company. When we provide a service in the trade commissioner service and we close a service—a service can be that we've established a contact, we've solved a shipping problem, or we've enabled a sale to occur—there's a survey that goes out to our clients. Sixty per cent of them respond to those surveys, and we have an 85% satisfaction rate. Generally, we are there as a value-add for companies to accelerate and facilitate their ability to take advantage of opportunities in various markets around the world.

**Mrs. Nina Grewal:** Which markets or regions should our SMEs be focusing on to expand growth?

**Ms. Susan Bincoletto:** Generally, we look at the potential of growth for countries. Obviously, for example, the Asia-Pacific area is one of the areas where there is the most growth. Africa is one as well, where, if you look at the potential in the future, the growth can be very promising. Africa is not for everyone, and we can't simply say you should go to Asia.

The trade commissioner will look at the business plan, the type of products or services that the SME is thinking of exporting or needing a partner in raising capital from other countries. The advice is given on a tailor-made basis in a sense. The SME has to do its own homework in order to be ready, and to have the backing, the financing, and the management team to do that.

**The Chair:** Mr. Davies.

**Mr. Don Davies:** Picking up on my last question, I don't know if I gave you enough time. I think I have a good grasp of what you're doing now, but I'm thinking forward.

Is there a policy, a strategy, or a tool that Canada is not currently employing to help our SMEs better tap into export markets that you

can suggest to this committee, that you would like to see the federal government adopt?

**Ms. Susan Bincoletto:** That's a tricky question.

**Mr. Michel Bergeron:** I can jump in if you want.

**Ms. Susan Bincoletto:** Yes, please do.

**Mr. Michel Bergeron:** To be honest with you, in discussions with our clients, a lot of the barriers are within the heads of our business leaders, so if we can collectively do a better job increasing the global mindset of our business leaders and Canadians in general, we'll improve our performance. An interesting study was done in Germany, which explained why mid-sized firms were so high performing on the export side. One of the reasons was because, in their vision statement, they wanted to be global leaders from day one.

If we take that vision and say we can be global leaders because we have good products, good services, good companies, and if we can just change the mindset of people who say, "You know what, my market is just domestic", and have them think of their market as the planet, that would be a big plus.

**Ms. Shereen Benzvy Miller:** If I could just add that essentially firms that are ready for growth are the ones that are ready to look at export as a viable business plan. The more that we invest, and we already have a number of programs that help companies essentially establish themselves on the growth trajectory, the more we can encourage companies to take advantage of those programs, the better it's going to be.

We've done the venture capital action plan and we have a variety of other things to help companies in that direction. Lifestyle companies are companies that are just interested in the domestic market. They are generally not the ones that you're going to target to encourage exports.

You want to basically create a subset of SMEs that see themselves in the export market as part of their growth trajectory. It's really about getting to young entrepreneurs. We have the futurpreneur program where there are mentors who work with young entrepreneurs between the ages of 18 and 39 to really track the way in which their companies will grow. Then we can encourage them toward exports.

• (1635)

**Mr. Don Davies:** The Library of Parliament noted that in 2011, Ontario and Manitoba had the highest percentages of SMEs that exported, at 12.8% and 11.9% respectively, with Alberta and Saskatchewan having the lowest, 6% and 3.9% respectively.

Are there any factors that account for this difference?

**Mr. Michel Bergeron:** It's the industrial structures of those two economies, basically. If you look at Ontario, with the strong manufacturing base, manufacturers per capita export more than other businesses. The other piece is Manitoba is quite strong on the wholesale distribution side of things, so obviously a lot of the businesses are playing an important part in terms of the exporting and transit of goods.

**Mr. Don Davies:** The first thought I had was comparing Ontario to Alberta and Saskatchewan. You had the strong manufacturing industrial base versus two provinces that were more resource extractive-oriented. But Manitoba was the one that I thought was interesting. Are there any other policies provincially that may account for why some provinces are having better SME export performance, anything we can learn, any best practices from any of those provinces?

**Mr. Michel Bergeron:** I'm not aware of any differences. I don't know about my colleagues here.

**Mr. Don Davies:** Just a well-run NDP government, I would think.

Sorry, that doesn't call for an answer.

**Voices:** Oh, oh!

**Mr. Don Davies:** Stoney silence I'm met with.

Okay. I'm curious, as well, just to explore a little bit more the difference between the developed versus the developing markets, because of course, again, CETA is developed, but the focus on SMEs, it seems, as you've said, is on the emerging markets.

Do we have any strategies that may help the SME sector in Canada derive the benefits of CETA in that market, or will you be working on that if and when that agreement comes into force in the years ahead?

**Ms. Susan Bincoletto:** Yes, we are developing a strategy with our partners in the department and with others to make sure there is an awareness on both sides. On the Canadian company side, it's what the wins through CETA mean for them. There will be webinars, face-to-face discussions with SMEs to say, okay, now this is what you can translate into a greater opportunity for you within some member states, not Europe as a whole but in some member states, depending on what they offer.

The same applies to Europe, by getting a better sense of the opportunities there, in Europe, and saying, we have Canadian capability that you can tap into, and then do the matchmaking.

**The Chair:** Okay. Mr. Shory.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair.

Thanks to the witnesses as well.

I have to say this, numerous times in the past I have asked numerous SMEs in this committee, and also on the ground, when I go to a foreign country on a trade mission, etc., about the TCS's performance. I am very happy to share with you that to date I have not found one single SME that has said they are not excellent, so thank you for your service on that.

But at the same time, I agree with you, with this Go Global—and one of you agreed and accepted—that not a lot of people know about TCS, EDC, CCC, etc., because normal people, small businesses specifically, say, this is more red tape, bureaucratic stuff, because they don't know. The question, then, is this. You have had very successful Go Global meetings in the past, now you are going forward with all those kinds of awareness campaigns, I would call them. Once you meet these people, and you make them aware that there is a service. I have a couple of questions in that. First, are all your organizations interconnected? My understanding is if, for example, one person contacts TCS, you will guide them or direct them wherever they need to go. Second, once someone approaches you, how long does it take to process that SME's application or to follow the contact?

**Ms. Susan Bincoletto:** We are connected. In the last year we've made a lot of progress in trying to increase that connection. We have cross-referral services. We have information centres that have been trained so that if an SME calls and says, well, I need x, y, and z, and it doesn't fit within the trade commissioner service offering, but we know that it might be EDC- or BDC-relevant, then we refer those SMEs. The worst thing that SMEs will have happen is that when they call a number, and then we give them another number to call, and another and another.

The cross-referrals are a way to actually provide almost a one-stop shop. It won't ever be perfect, but it is a great improvement from what we used to have, which was much more siloed. This is also enabled by the co-location. EDC is co-located in many markets with the trade commissioner service. If you're just on the other side of the corridor or the side office, the kinds of connections that can occur when we say, "I've met this SME, what can you do for them?", are a lot faster and easier than if you're not co-located. We share business plans and we share lists of clients that we feel are promising so that we can actually be more targeted in helping those.

• (1640)

**Mr. Devinder Shory:** Is it fair to assume that when someone contacts the TCS, once you see some benefit of helping that SME you also share with them that there is another department, EDC for example, or you refer them to EDC for them to follow up, etc.?

Is that right?

**Ms. Susan Bincoletto:** Yes, we do that.

We're more of a leading indicator in a sense because a lot of people come to us to figure out how to do things. Once we've exhausted our conversation with them, I think that's when they become more ready to hit EDC. Then their business plan is a lot more advanced and matured, and they may actually have a proposal to bring to EDC, whether it's for insurance, or bonding, or anything that EDC feels they can help with.

**Mr. Devinder Shory:** Mr. Winterhalt, my colleague from the NDP, who has good wishes, which may not come true, talked about CETA.

My question is whether you have seen any effects or demands from SMEs since we signed the free trade agreement with Korea, and at the same time with CETA. Even though it is not in place yet, do you have some inquiries from potential exporters about how it will work?

**Mr. Todd Winterhalt:** Yes, and on the South Korea front a little bit more so, in particular in the ICT, information and communications technology space, with LG and Samsung, and others as foreign buyers. As we know, it was ratified on January 1, so it's in force.

There has been lots of interest from a lot of the small manufacturers in the ICT space, as well as in the auto sector, where there are a lot of Canadian companies that would like to get into the supply chains of a Kia or Hyundai, for example. There's a significant amount of interest there.

On the CETA side, I think it's still a bit early days; we're still probably a year or more away from ratification there. But certainly the size and the scope of the market is extremely appealing to a lot of Canadian small and medium-sized exporters. I am anticipating quite a bit of interest there. Our own economist is looking at a 30% uptick in terms of applying to Europe.

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

Mr. Lizon, the floor is yours for five minutes.

**Mr. Wladyslaw Lizon (Mississauga East—Cooksville, CPC):** Thank you very much, Mr. Chair.

Welcome, and thank you to all the witnesses.

For my first question, I need a bit of clarification. I'm not the regular member of the committee; I'm subbing in for my colleague today. It relates to the first question that was asked today.

Small businesses have up to 100 employees and medium businesses have up to 500 employees. Now this is a bit confusing for me. Why is it based on the number of employees? I mean, it was very relevant years ago, but now in some sectors it doesn't really matter how many employees you have because you could have state-of-the-art equipment and it would be considered a small business although, really, they could be a huge business in an economic sense. Therefore, should there not be additional indicators that you could use to compare businesses: what is small, and what is bigger or medium?

**Ms. Shereen Benzvy Miller:** Different jurisdictions use different metrics.

We have landed on this one, in a sense, because it's the simplest one to do comparative analysis with. Generally, size by employee is actually one of the indicators for growth and job creation because that is one of the economic generators. At the end of the day, in a jurisdiction like ours where we don't have a set-aside system, for example, it becomes less important. We don't target programming specifically for small or particularly for medium, so we don't say that if you have a 101 employees you're no longer eligible.

It doesn't prejudice businesses in any way that this is how we measure them. We just find that it's the easiest way to do the comparative analysis that we need economically.

• (1645)

**Mr. Wladyslaw Lizon:** Where I was going was this. Wouldn't it be easier to do it based on annual output or annual sales?

**Ms. Susan Bincoletto:** Yes.

It's clear that for some programs we do look at the sales revenue, and the normal breakdown is \$50 million. Some say that if you have \$10 million in sales you're a small company, and if you have up to \$50 million you're a medium-sized company. The EDC uses the \$50-million cutoff point, which Todd will say is almost the equivalent to less than 500 employees.

We do have the two indicators: employees and value of sales. We do look at both, especially in the programs that we have that help SMEs go abroad to investigate opportunities.

**Mr. Wladyslaw Lizon:** Small and medium-sized businesses in Canada, of those that can potentially export, how many do it at the present time? Not all of them are geared to exporting; you mentioned hairdressers.

Do you have a number or a percentage of businesses?

**Ms. Susan Bincoletto:** I think we've identified 11,000 currently exporting, but it's not an exact science. We don't look, as a denominator, at all those companies that have the potential to export, and then get the percentage that actually export from that base number. They use the total number of SMEs overall. So 10% might look bad, but that's out of every single SME, including those that would never, ever export (like the guy that plow out your driveway). If they looked only at those SMEs that could potentially export, the percentage that do export will be much higher.

**Mr. Wladyslaw Lizon:** What would be the main challenges for those who want to become exporters to becoming one?

**Ms. Susan Bincoletto:** The challenges are the uncertainties of foreign markets. They don't know what they're getting into. They may say that they're doing five million dollars' worth of sales in Canada so they're happy to stay in that niche. It takes backbone. It takes entrepreneurship. It takes ambition to actually say, let's try to find other niches. It's a combination of factors...whether the management team within an SME is less ambitious and says, well, I'd rather stay with \$5 million because it buys my cottage and it gives a pension to my children. That level of "okay let's take risks" varies according to categories of SMEs, but BDC has a lot more experience.

**Mr. Michel Bergeron:** I have an interesting anecdote where an owner of a very important business—it's a \$25-million business—didn't want to tackle the emerging markets because the owner didn't like flying. Basically he passed over the business to his two sons and now the business is entirely global in emerging markets. Back to my point, it's in the mindset of the business owners and whether they have the ambition or not. Some don't have the ambition, but could have the means, and for others it's the opposite.

It's just an interesting anecdote.

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

We'll move back to Ms. Liu.

[*Translation*]

**Ms. Laurin Liu:** Thank you very much, Mr. Chair.

According to a Statistics Canada investigation, 10.4% of Canadian SMEs exported goods and services in 2011. That is 4% of the revenues made by the businesses.

Are those numbers comparable to those in other countries? How does Canada compare to the rest of the world?

**Mr. Michel Bergeron:** We have data on the diversification of markets. Canada relies heavily on the U.S. market. Canada's dependence on the U.S. market is much greater than what we are seeing with all the other OECD countries that have more diversification. From a risk management perspective, it is important for us to diversify beyond the U.S. market. The agreements with Europe, Korea and emerging countries are a good illustration of that.

**Ms. Laurin Liu:** Thank you.

The government must provide SMEs with tools and support for exports, rather than provide that to big businesses, since the SMEs are the ones having a hard time exporting for lack of funding. Is a tool such as the industrial research assistance program (IRAP) directly geared toward SMEs?

• (1650)

**Ms. Shereen Benzvy Miller:** Yes. Our programs are specifically geared toward SMEs. I must say that most Canadian businesses are SMEs. That is why our programs are for them. They represent 99% of Canadian businesses.

When the time comes to make changes to those programs, we take a close look at the needs of small and medium-sized businesses.

**Ms. Laurin Liu:** What do you mean exactly by an approach that is specifically geared toward SMEs?

**Ms. Shereen Benzvy Miller:** We have round tables with them.

Minister Bernier has recently participated in a dozen or so round tables to discuss with the SMEs their needs in terms of growth. How do we make a business grow in Canada? Round tables are making it possible to determine the challenges facing SMEs on a daily basis and the programs that the government could set up to help them grow.

**Ms. Laurin Liu:** We now know that the production chain has become internationalized. The reality is that often many goods no longer come from one manufacturing point only. There are several points.

How do you incorporate this change when you think about programs designed to help Canadian SMEs?

**Ms. Susan Bincoletto:** In terms of the Trade Commissioner Service, we are realizing that there is a need for deeper and greater knowledge of what that all means. We are no longer selling a product. We are selling a sub-component of a product that can be used for a plane, an engine or many other applications. That requires knowledge of how the industry is evolving.

That is what the Canadian trade commissioners are trying to better understand so that they can then send the information to our trade missions. They then know, for instance, in the case of Boeing,

Airbus or BMW, why those companies need that small component. We are no longer talking about the traditional sales. We still have the traditional sales of wheat, but there is also a lot of cutting-edge high tech involved in the system of value chains.

**Ms. Laurin Liu:** So the approach is based on the ability of people and experts to acquire knowledge. We are talking about institutionalized knowledge and so on.

**Ms. Susan Bincoletto:** For trade commissioners, it is very important—I am talking about my service here—to be familiar with the new technologies and new developments and to always be on the lookout for them. They go to conferences to talk to business people and need to know the jargon of the business world; otherwise, they are not useful enough. The business community wants specific solutions. They do not want generalities. That is the challenge facing trade commissioners. They must always be learning.

**Ms. Laurin Liu:** Okay.

**Ms. Shereen Benzvy Miller:** We also invest in mentoring. It is very helpful when an entrepreneur has a mentor who knows how to make a business grow like theirs. The advice is very specific.

**Ms. Laurin Liu:** Thank you very much.

[*English*]

**The Chair:** Mr. Cannan.

**Hon. Ron Cannan:** Thank you, Mr. Chair.

This is a very interesting and enlightening conversation. I want to touch on three final points.

Mr. Carty, you talked about CCC and what you have been doing, working with Western Economic Diversification.

We've talked to BDC. I have Scot Speiser as my regional manager. You work closely with BDC and EDC, Export Development. Maybe just share a little about the role of investment and access to capital for foreign investment and making Canadian SMEs and the tourism operators export-ready.

**Mr. Michel Bergeron:** I can maybe start.

As I mentioned in my remarks, it's very important that our Canadian entrepreneurs continue to invest, especially for those expanding into global markets, so that they have the ability to invest either in their capacity to serve those foreign markets, or in some cases something we've started doing is to help fund their acquisition into foreign markets, which is an important market development strategy for them.

As I mentioned, access to financing for what resides outside of Canada is often riskier for our private financial institutions, so access to financing becomes important. This is where EDC and BDC are trying to compensate for this limited risk appetite.

• (1655)

**Mr. Todd Winterhalt:** Maybe I'll just jump in quickly.



I think he's exactly right. As Michel says we do have a Canadian direct investment abroad program that allows us to finance a Canadian company's investment in the purchase of a foreign sub to really help grow their footprint. That's available for companies of all sizes, SME included.

As was also mentioned, on the venture capital side, we have an equity team at EDC that does direct venture capital investments into smaller Canadian firms here to help them better prepare and grow their businesses to go international. On the flip side, we also directly invest into international funds and then try to connect the investee companies with Canadian suppliers, so it's that pull strategy I referred to earlier.

Both internationally and domestically we can come to the table with equity investments for Canadian companies.

**Hon. Ron Cannan:** Thank you.

Could you maybe expand a little bit on the connection between the SME exports and creating domestic jobs, and the fact that one in five jobs or 20% of our GDP is based on trade? We're a trading nation. We talked about the GMAP strategy going from 29% to 50% by 2018 for emerging markets. I think that's 11,000 to 21,000 companies, and that would create about 40,000 jobs.

How do we benchmark and move forward to get to that 40,000 mark? Maybe you could expand a little bit more on that linkage.

**Mr. Todd Winterhalt:** For us it's fairly simple math in terms of the economics behind it. You're exactly right. For every dollar of export, you generate a certain number of Canadian jobs. It is looking at doubling the number of exports to emerging markets. We're at roughly 10,000. You're looking at roughly four jobs created, maintained here in Canada, based on those incremental export sales. That's how we arrive at the 40,000.

**Hon. Ron Cannan:** Finishing off with our trade commissioner service, we have regional offices in Canada. Maybe you could expand a little bit more on how they are positioned and what the criteria are based on, as well as for some of our international locations and some of the new locations and why we've positioned them according to GMAP.

**Ms. Susan Bincoletto:** We have regional offices in every region of the country. Their basic responsibility is to make sure they understand the circumstances of the region they serve and know which sectors are the most promising for international opportunities. Based on their business intelligence gathering, they provide the names of those companies to our missions, our embassies, and our consulate generals abroad where their sister trade commissioners are. Then they see whether there are opportunities that can actually happen in those countries.

That requires working with a company, understanding if their assessment of their potential is right, and if they need to find solutions to problems that they think they can't solve, to solve them. That's where the regional office is the hub of determining the Canadian capacity in Canada so that they can feed the pipeline of the Canadian capacity to our posts.

We have 160 posts around the world. We reallocate depending on the priorities and we've now opened four offices in China in tier two and tier three cities because we want to make sure that we are present

in China. The small cities in China are bigger than the biggest city in Canada, so there is a lot of opportunity, and the sales there can really make a big difference for an SME.

**Hon. Ron Cannan:** Thank you very much. Did I mention we have some wine that we want to export too?

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

Witnesses, I want to thank you for today. I have a little bit of homework for you.

Mrs. Grewal asked for some examples earlier on. If you could provide some examples to the committee, just within the next couple of weeks, that would be great and we can include them in the report.

• (1700)

**Ms. Susan Bincoletto:** Absolutely.

**The Chair:** I will excuse the witnesses.

Colleagues, we'll let the witnesses leave the room and then we'll get on with the motion.

Mr. Cannan, let's get started here again.

Mr. Regan, you wanted to introduce the motion. If you want to go ahead and read it into the record, that would be great.

**Hon. Geoff Regan:** Mr. Chairman, I move:

That the Committee invite the Minister of International Trade to appear before it, for a total of one (1) hour, to discuss the 2015-16 Main Estimates, and that the meeting be televised.

**The Chair:** Thank you.

**Hon. Geoff Regan:** I gather my colleague from the NDP will be moving an amendment to ask that this be after the report on priorities and planning for the department is tabled. If that is the case, it strikes me that what we ought to be doing is asking for the minister to come with his officials, for him to stay for an hour, and the officials perhaps to stay for the second hour.

My motion doesn't provide for that but I think that's probably what we ought to try to do.

**The Chair:** Mr. Cannan.

**Hon. Ron Cannan:** That's fine. I think that's reasonable.

Looking at the motion, there's only one item on the main estimates so the minister could probably wrap that up in about five minutes. I was just wondering if we could have a friendly amendment that says, "to discuss the 2015-16 Main Estimates, as well as the current SME study, and that the meeting be televised."

So it's the same thing.

**The Chair:** It's your motion, Mr. Regan.

**Hon. Geoff Regan:** It struck me that including the material in the report on plans and priorities makes sense. Is that your view as well?

**Hon. Ron Cannan:** Yes. The minister is pretty capable of answering anything. We want to look at the main estimates and try to get some feedback. I think it would be helpful, following this afternoon's discussion, to know what he's hearing from the SMEs as well, as we move forward to the recommendations.

**Hon. Geoff Regan:** It seems to me you want to have range for various kinds of questions, right?

**The Chair:** Mr. Davies.

**Mr. Don Davies:** I think it's a good motion. We haven't had the minister come here in quite a while. I think it's always helpful and instructive to have him come here, but I feel that in general it's most helpful to the committee when the minister comes in after that plans and priorities report has been tabled, because there could be something in the report that the minister would like to comment on or that we would like to question the minister about. So that's a friendly amendment.

**The Chair:** Why don't we deal with the friendly amendment first? I sense consensus on that, so I will do a vote on that at this point, and then we'll come back to your amendment, Mr. Davies.

**Mr. Don Davies:** I just want to be clear about this. When the minister comes, we usually have range to ask the minister questions on anything trade-related.

• (1705)

**The Chair:** Again, if you start opening it up, I have to be a little bit careful here. Historically this committee has allowed you to have a lot of latitude to go that way, and I see no reason not to do that unless the members start raising points of order, in which case I'll refer back to the original motion.

**Mr. Don Davies:** The reason is that generally we can use the tortured technique of saying what isn't in the estimates. Now I notice what's not in the estimates.... So you get to it one way or the other, but we're not planning on being irrelevant. I just want to be clear that when we talk about coming here for the estimates and this, I don't think there's a need to mention this particular study, because I think that would be part of the questioning that would be proper in any event.

**The Chair:** Again, I just need consensus about including it in there. I don't see it limiting our proceedings.

**Mr. Don Davies:** Okay. As long as it's not limited then.... But why put in a reference to one issue—the SME study—at all then?

**A voice:** It's so we can move forward and then go to your motion.

**Mr. Don Davies:** Oh, okay. It's purely pragmatic. Okay.

**The Chair:** Those in favour of the amendment?

**Some hon. members:** Agreed.

**The Chair:** We'll go back to the main motion.

Mr. Davies, you wanted to make an amendment to this again?

**Mr. Don Davies:** I believe the motion is to have him here before May 30. That's the outside time for the minister to be here.

**The Chair:** If we bring him forward with the main estimates, then basically we have to go through the main estimates and approve our portion of them, and they have to be tabled back in the House by... I'm sorry, but I don't know the date.

**The Clerk of the Committee (Ms. Christine Holke David):** It's around that time. There are allotted days, and it depends.

**The Chair:** I'd want to get it done before then; otherwise, they're deemed reported.

**Mr. Don Davies:** I'm advised that it's May 31, I think.

So my amendment is simply to not call the minister until after the planning and priority report is tabled, but no later than May 31. It's in that gap period.

**The Chair:** Okay.

Mr. Cannan.

**Hon. Ron Cannan:** I just wondered if the clerk knows when the planning and priority report is to be available.

**The Clerk:** No, it's in March usually, but I don't know the exact date.

**Hon. Ron Cannan:** I'm just curious because I know we have only two weeks in April.

**The Chair:** We have a couple of options here. We could table this and then get the exact dates if you so choose, and then bring it back on Wednesday. We understand the spirit of the motion, so if you don't need fixed dates in the motion, Mr. Davies, the spirit of the motion would be such that it would be after planning and priorities and before main estimates are deemed—

**Mr. Don Davies:** That gives the minister the flexibility. He's busy.

**The Chair:** Mr. Regan.

**Hon. Geoff Regan:** The minister might come back to us with proposed or suggested dates.

**The Chair:** We also have to work with his calendar. Does that seem fair?

All right. We need approval of the final motion. All those in favour of the final motion?

(Motion agreed to [See *Minutes of Proceedings*])

**The Chair:** Thank you. I think that's it, colleagues.

The meeting is adjourned.







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