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Chair

Mr. Randy Hoback

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• (1535)

[English]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good afternoon, everybody. It's great to see you here after a week back in your constituencies.

Pursuant to Standing Order 108(2), we are here for our study on small and medium-sized enterprises.

I want to start with our first two witnesses. From the MaRS Centre for Impact Investing, we welcome Jared Walker. Following Jared, we'll move on to Ms. Aliya Ramji, the director of legal and business strategy. She's appearing via video conference from Toronto.

We'll start off with you, Jared, and then we'll move on to Aliya from there.

Mr. Jared Walker (Managing Editor, SocialFinance.ca, and Communications Associate, MaRS Centre for Impact Investing): Thank you, Mr. Chair, and good afternoon, everyone.

[Translation]

Good afternoon, dear friends.

[English]

I greatly appreciate the invitation to participate in this conversation today. I'm only one person sitting before you, but I know that my remarks are an accurate reflection of the options and experiences of 130 certified B corporations across this country and the quickly growing market of impact-driven entrepreneurs who can be found in cities, towns, and villages throughout Canada.

I'm excited that the committee has chosen to include this perspective as part of your study on trade policies that will best support Canadian SMEs as they start, scale, and create the well-paying, sustainable jobs of the 21st-century Canadian economy.

I have a few bits of quick context for my comments. First, it's important to recognize the role of the MaRS Discovery District in this work. Second, I'll speak to exactly what "B corp" is here in Canada and beyond. After that I'll unpack a couple of direct policy implications that you may want to consider.

I'm based out of the MaRS Discovery District in Toronto, specifically within the MaRS Centre for Impact Investing. MaRS opened in 2005, under the visionary guidance of the late Dr. John Evans, as a platform to accelerate the kind of Canadian-based innovation that will help build our nation's new economy and support society at large. Within this mandate, the Centre for Impact Investing is poised and tasked with the mobilizing of private capital

for public good. As a part of this mission, MaRS CII became the first global partner organization in B corp, the benefit corporation movement, in 2010.

B corp started in 2006 out of the U.S. with a commitment to providing transparent third-party metrics around the social and environmental impact of businesses of every shape, size, sector, and geographic location. B corp certification provides the same sort of accountability as a LEED building certification or an organic verification, but rather than focusing on one kind of practice area, B corp provides accountability around the impact of an entire company, from worker treatment to community involvement, from environmental footprint to governance and transparency. The big idea here is that while government institutions and non-profit organizations clearly have a role to play in ensuring the social and environmental well-being of our society, we'll actually need to expect more of our business community if we are to successfully face the ever-growing, complex problems that confront us in the century ahead. Even if governments and non-profits use their finances at an efficiency rate of 100%, it would only account for roughly 20% of global spending, and 20¢ on the dollar isn't good enough anymore. To overcome the problems we face, we'll need to engage the innovation and the energy of some section of 80% of global capital that is held by for-profit businesses.

The more practical and immediate reality is that throughout the business world, we measure the things that matter to us. If we are ever to take things like community involvement, worker treatment, or environmental sustainability seriously, we'll have to move beyond excusing these things as nice but fuzzy intangibles. We believe there need to be standards of measure that will help consumers, investors, workers, and governments to delineate between good marketing and truly good companies. B corp seeks to create this sort of measurement that serves to be both rigorous to the applicant while providing instant, easy-to-understand clarity for external stakeholders and observers.

Over the past several years, B corp has created tools for the investment community used by the likes of such global institutions as Prudential, J.P. Morgan, UBS, and others, as well as Vancouver giants like Vancity Capital and impact investment guru Joel Solomon's renewal fund. We've created partnerships with some of the world's leading business schools, such as Columbia, Yale, NYU, and Northwestern, because these academic trusts have seen a clear, growing trend towards impact-driven business within their student bodies. Most importantly, we've built a community of more than 1,200 businesses in 38 countries across more than 120 different sectors that have publicly declared, measured, and reported on their commitments to community, to workers, and to the environment, each calling themselves certified B corps.

That last number of 120 sectors is the figure that I find most compelling, because 120 sectors is not by any stretch of the imagination a niche. Within 120 sectors we have some version of most any kind of business you can think of, from conscious health food to sustainable junk food, from community newspapers to green energy suppliers; dish soap, tea bags, law firms, and ad agencies. We have some basic rules against weapons of mass destruction and child labour, but otherwise you're likely to find a B corp in nearly any field you can think of. These are good businesses. They make good money, and they solve some of society's pressing problems along the way.

You can find these impact-driven companies in the Canadian Prairies, where Step Forward Paper is revolutionizing an industry through the development of an affordable wheat straw-based paper. You may wear one of the lapel pins that I heard the Government of Canada gave to every MP last year in support of Lucky Iron Fish, a Guelph-based business that's working to end iron deficiency, which is a major maternal health issue in the developing world.

In the west, you might drink Ethical Bean Coffee from Vancouver in the morning, or grab a lunch at the iconic Save On Meats deli in Vancouver's downtown eastside. In the Maritimes, it's hard to miss Pickaroons brewery. Their beer is giving back a portion of revenue to non-profits and community organizations across New Brunswick. All of this is to say that B corps are everywhere.

If you've never heard of the official title before, I can almost guarantee you that a B corp has already touched your life in some way, shape, or form. Beyond some of the really big names, like Ben and Jerry's ice cream, Patagonia clothing, Beau's All Natural beer down in Vankleek Hill, or Trico Homes, there are impact-driven business leaders making significant money while making an amazing difference in the communities around us.

While I believe the stories behind these companies are compelling to average citizens all across Canada, I think there should be specific interest within this committee because of these businesses and tens of thousands of other SMEs across Canada. They aren't operating within a bubble. We operate as part of a global market and we ignore global market trends at our own peril.

I don't want to get too caught up on dry facts and figures, but I will share a handful of data points with you, not because any one of these observations is absolute, but because taken in sum it presents a clear narrative. In North America, 70 million people self-identify as conscious consumers, and 73% of consumers at large care about the

company and not just the product when making a purchasing decision. Also, 90% of consumers say that companies must not only say that a product or service is beneficial, but they must prove it. The reason they have to prove it is because IBM's annual trust study says that only 17% of consumers trust manufacturers.

All of this is playing out in a reality where 75% of the global workforce, by 2025, will be comprised of millennials who look like me and who report that they want to work for organizations that make a positive contribution to society. If all of that weren't incentive enough, we also know that companies with higher levels of employee engagement and strong corporate culture outperform the S&P 500 by more than twofold.

The narrative I see emerging from this data set is clear. First, the market pull towards impact-driven businesses exists, and third-party accountability is desired and necessary. Second, it is within this market that we've seen 28 U.S. jurisdictions—27 states and D.C.—pass benefit corporation legislation over the past four years. Legislators of all stripes have been behind this push, as evidenced by the fact that in 18 of these states the votes were unanimous to pass that legislation. Through this legislation, companies can now incorporate their operations as B corps, the same way they would a C corp, an S corp, or an LLC.

As a general sign of support for Canadian SMEs within this emerging global market, which I believe Canadians are well positioned to lead within, I would urge the members of this committee to take seriously the potential of this distinct market for Canadian business; take seriously the need for firm definitions around terms that seem hazy, like social entrepreneurship, social enterprise, and social procurement; and, please take seriously the need for clear and accountable metrics whenever we're evaluating claims of impact.

For a more long-term policy decision or conversation, I'd ask you to consider the potential implications of Canada's number one trading partner soon having 40 to 45 jurisdictions with a set of consistent definitions around these impact terms, consistent mechanisms for measurement, and consistent accountability structures established through benefit corporation legislation options.

As the Canadian Bar Association recommended in their response to the 2014 review of the Canada Business Corporations Act, our team also believes that federal benefit corporation legislation in Canada would be a powerful sign of support for, and stimulant of, impact-driven business in Canada.

We, at B Corp Canada, appreciate the opportunity you have afforded us in speaking here today. Please consider me a resource on the issue for the rest of our short time together here, and consider our team as a continuing asset for each of you and your teams going forward.

Thanks for your time, your energy, and your consideration. I welcome your questions both now and in the future.

• (1540)

The Chair: Thank you, Mr. Walker.

We'll now move on to figure 1.

Ms. Aliya Ramji, you have the floor, for 10 minutes, please.

Ms. Aliya Ramji (Director, Legal and Business Strategy, Figure 1): Good afternoon, Mr. Chair. Thank you for the invitation to speak on behalf of Figure 1 this afternoon.

By way of background, Figure 1 is a photo-sharing platform for health care professionals. The network is designed for individual health care professionals to share de-identified medical photographs with each other. It is a MobileFirst crowd-sourced platform onto which health care professionals can upload medical images of injuries, signs of illness, and/or any other images in a privacy-compliant way to the Figure 1 community. Physicians and other health care professionals use Figure 1 throughout their work flow. The platform is available for iPhone, iPad, and android devices, and on the web.

Just last week, alongside giant companies like Suncor Energy and Loblaw, Figure 1 was named as one of the 15 most innovative Canadian companies of 2015.

Figure 1 was founded by three Canadians: Dr. Joshua Landy, a critical care specialist here in Toronto; Gregory Levey, a professor of communications with a background in both law and business; and Richard Penner, a deeply technical full stack developer who focuses on mobile apps. Figure 1 has well over 150,000 users worldwide and is adding more than 5,000 new users each week. It is present at 38 of the top 50 medical schools in North America. Figure 1 launched in North America in May 2013, in the U.K. in September 2013, and in Ireland in December of that year. It followed with launches in Australia and New Zealand in January 2014, and South Africa in November 2014, and this past December and January it launched in Europe. It launched in India in February and will soon be launching in South America. To date, we have launched in over 45 countries around the globe.

I would like to share with you some of our experiences with the Canadian consular offices, following which I will make one recommendation to the committee.

We first reached out to the Canadian regional trade commissioner's office in Toronto in November 2014. We found the Toronto regional office to be extremely helpful and able to connect us with different professionals around the globe, including lawyers, health care professionals, and agents. Suzanne Drisdelle of the offices in Toronto has been our key point of contact. She has connected us with consular offices around the world, including consular offices and embassies in France, Italy, Germany, India, and the U.S. We have met with several trade commissioners, including John

Zimmerman, the consul and senior trade commissioner in Silicon Valley, and Richard Bale in Mumbai. John, Richard, and their respective staffs have been very helpful and have acted as local champions for us.

Figure 1 was the recipient of a Soft Landing grant that was helpful for our first in-country launch which took place in India last month. It allowed us to be on the ground in India and to connect with health care professionals face to face. We recently participated in Dose of the Valley and will be participating in 48 Hours in the Hub next month. We have also applied for other similar events. Our international expansion and our international success are a direct result of the innovative concept of connecting health care professionals in a space that has traditionally been disconnected, and we thank the consular offices for their work in connecting us to individuals and organizations who we would not have otherwise been connected with.

We have one recommendation to the committee. Last week Prime Minister Harper announced an expansion of the Canadian trade commissioner service. As the trade commissioner services grow around the world, we recommend that the Dose of the Valley and the 48 Hours in the Hub programs be internationalized. As you know, these programs facilitate interactions between Canadian businesses and industry experts. The programs allow for Canadian businesses to gain visibility and develop relationships within the California and Massachusetts ecosystems. Similar ecosystems exist in Europe, India, China, and Brazil, and it would be extremely valuable for businesses like ours that are expanding globally to have an opportunity to meet a large number of people and gain insight about those markets in a very short period of time.

• (1545)

It is difficult for small businesses with few employees to spend longer periods of time in such large jurisdictions. An organized program like Dose of the Valley and 48 Hours in the Hub would be helpful.

We hope the government can find ways to build on the support it provides. The world is a large place, and as we expand our footprint, we would appreciate further consular support around the world.

Once again, Mr. Chairman, thank you for your time, and thank you to the committee members as well. I will be pleased to answer any questions you may have.

The Chair: Thank you to both witnesses. We'll move on to a round of questions.

In our first round, Mr. Davies, you have the floor for seven minutes.

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

Thank you, Mr. Walker, and thank you, Ms. Ramji, for being with us today.

I will address my first question to you, Mr. Walker, if I may. The Conference Board came out with a report today that focused on trade, particularly between Canada and the Asian market. Among the many findings in that report are that Canada, in the view of the Conference Board, is still far too dependent on the export of raw materials, such as coal, precious metals, and pulp. They pointed out three areas that they thought were key to maintaining or improving our market share in the Asian region: increasing Canadian investment in Asia, increasing the export of services, and, third, increasing value-added products.

Do you have any advice or comments on the findings of the Conference Board that you could share with us in that regard?

Mr. Jared Walker: With regard to increasing investment in Asia, I think this is an excellent time to think about the future and the kinds of policies and economic systems that we'd like to share. This is one area where the west can lead.

A number of great B corps—and this is also a small plug for the MaRS work that we do generally—operate in Asia and are not just businesses, but businesses with character, and businesses that pay attention to environmental impacts and to making sure that development is holistic and not just slanted to one side of the ledger.

I would say that B corp, in being very mindful of the types of investments that we make, is of prime importance. A great example of this is actually our MaRS INFRONT program. We work with fund managers in emerging markets. We bring fund managers in emerging markets together with senior VC from the west. The idea is to be able to increase the amount of funds travelling to small and medium-sized enterprises that are doing good work on the ground in developing countries.

I think this is a real important strategy to pursue more generally. This is something that DFATD does in partnership with Sarona Asset Management, MaRS, and the folks at MEDA. It's in its pilot stage right now. This is our first year, with our first fund managers under tuition, so to speak, but this is something to be certainly considered and expanded.

• (1550)

Mr. Don Davies: Mr. Walker, could you advise this committee of anything that you think the federal government could do? Is there any policy, initiative, or support that you would like to see the Canadian government adopt and that would help your group in furthering its objective?

Mr. Jared Walker: B corps legislation is the first and obvious thing on the docket. As I said before, there are 28 jurisdictions in the U.S. with it: 27 states and Washington, D.C. There are, if my memory serves me correctly, 12 states with legislation before the state houses at present. This is not by any means a niche or something that is going away. It's something that's scaling.

Canada has been a very big leader. We're number two in B corps in the world right now, but as a competitive piece, Brazil is catching up. I would say that if we had benefit corp legislation, it would be incredibly helpful.

Mr. Don Davies: Thank you.

Ms. Ramji, congratulations on your business. I noted that in the same Conference Board report, they point out that China in

particular has expressed interest in Canadian medical health services and technology. I think your product and technology will be of major interest to China, which is, as you know, Canada's number two trading partner.

Are there any barriers that your company has faced in penetrating export markets in the world?

Ms. Aliya Ramji: I'm not sure there are barriers, but there are things that take up more time than others to launch in different countries. For example, we are privacy compliant in every jurisdiction we work in. We're compliant with all the legislation in every jurisdiction. Really, the reason we can't get out to market faster is that we are trying to make sure that we're compliant with every jurisdiction we're in.

Mr. Don Davies: Do you have any advice? I'll ask you a similar question that I asked Mr. Walker.

Is there anything that you would like to see the federal government adopt, any policy or program that would help a business like yours more effectively penetrate export markets?

Ms. Aliya Ramji: As my recommendation stated, we favour any programs that would allow us to meet with people from the industry, whether in health care, pharma, general businesses, or general health care professionals in those particular jurisdictions.

Dose of the Valley is a great example providing us with the ability to meet many people at the same time. It's a 48 hour program.

Because of the small team that we have, we can't spend weeks or months in a particular jurisdiction on the ground, so anything you could help us with to further those interactions would be very helpful.

Mr. Don Davies: You mentioned the importance of trade commissioner service.

Do you find the trade commissioner tools and resources available here in Canada sufficient, or would you like to see those improved in any way here in Canada or abroad?

Ms. Aliya Ramji: We've had great reception at the Canadian Trade Commissioner Service. As I said, Suzanne, our main point of contact, has been very, very helpful. I'm not sure she could do any more with the resources she has. We're very fortunate to have her on our team.

• (1555)

Mr. Don Davies: Do tariffs play any role in your business? Do you run into any kinds of tariffs, duties, or market impediments in marketing your product abroad?

Ms. Aliya Ramji: Not yet, and the reason being is that we are a mobile platform, so other than the duties that we would pay, for example, at an app store, we don't face any tariffs or duties.

The Chair: Mr. Leung, for seven minutes.

Mr. Chungsen Leung (Willowdale, CPC): Thank you, Chair.

My question is actually addressed to both of you, but I'll direct it to Ms. Ramji first.

You are aware that our government is really targeting the Asia-Pacific region as an export market, and are trying to negotiate many foreign investment protection agreements as well as free trade agreements.

If you are a beneficiary of this, for example in Korea or even China, can you share with this committee what your opinion is of those agreements?

Ms. Aliya Ramji: Thus far, we haven't been the beneficiary of any of those agreements, so I have very limited comment on that.

Hopefully, there will be technology—

Mr. Chungsen Leung: Let me then go to the next one, are you in the Asia-Pacific region? Which market are you in?

Ms. Aliya Ramji: We launched in India last month, which is our gateway to the Asian market. We're hoping that by the end of the year we'll be around the globe.

Mr. Chungsen Leung: In getting into the Asian or Indian market, do you experience any tariff or non-tariff barriers compared to entering a new market in the United States or some European countries?

Ms. Aliya Ramji: The difference between some of the Asian markets and the European and U.S. markets is just a factor of how far we are from them. We just don't have as much exposure to the health care professionals in those particular time zones. I don't see any barriers, tariffs, or duties in those markets that are different from anything we've seen in Europe and the U.S.

Mr. Chungsen Leung: Mr. Walker, would you please comment on that, whether you are in those markets and whether you experience tariff or non-tariff barriers at all?

Mr. Jared Walker: I would say that B corps is a global movement. There are 1,220 B corps, varying from small shops of one or two people to large multinational corporations. One of the largest B corps in the world is the Business Development Bank of Canada, so it's a really broad spread movement.

If you asked those individual entrepreneurs, you'd probably get a better answer than I would be able to give you.

More generally than not it's more of an economies of scale sort of thing. The vast majority of B corps are just not positioned to penetrate those markets because they're not large enough, but the upper tier probably would.

Mr. Chungsen Leung: In your quest to go international, would you guide it through Export Development Canada or the trade commissioner's procedure for evaluating whether you are export ready? There is a program that serves as a self-guided tutorial and from that you determine whether you're export ready or not.

Mr. Jared Walker: I think that would be a question more for the individual enterprises. B Lab is a body that manages the certification and then liaises with governments or with specific jurisdictions around passing the legislation. While a B corp might be interested in penetrating the market, what we do specifically is work with them in order to get more traction for the movement and for impact-driven businesses.

Mr. Chungsen Leung: In that regard, how do you act as the facilitator for your clients?

Mr. Jared Walker: On the small end of things—and this is where the B corp/MaRS line gets a little fuzzy here in Canada—we would work with a company like Lucky Iron Fish, which does work in the Asian market. It's a small iron ingot shaped like a fish. When you put it in the pot during your meals the iron leaches into the food, and that can combat iron deficiency. We would work with them in terms of everything from pitch preparation to trying to connect them with investment, but largely that investment would be western based.

For the most part we are still trying to get people to buy in here at home. It's been very successful in the U.S. It's been successful in the U.K. It's been successful without much legislative help here in Canada, but we're trying to take that to the next step and get it right before we move out into other markets.

• (1600)

Mr. Chungsen Leung: In making those claims with respect to food products, how do you find the regulatory agencies outside of Canada, in terms of how much iron is leached and when you reach a level of toxicity?

Mr. Jared Walker: Gavin, who is the founder of Lucky Iron Fish and a friend, has worked very closely with the WHO and with the relevant administrations in the United States and Canada for that sort of thing. I know the sourcing of the iron is very important, because they source all of their iron locally, but then it must be put through the ringer—locally in Cambodia or in the Asia-Pacific region.

Mr. Chungsen Leung: Have you found that Canadian food standards are generally better than those internationally?

Mr. Jared Walker: Yes, generally if they can sell it here, then we'll be all right elsewhere in the world.

Mr. Chungsen Leung: Ms. Ramji, let me come back to this question of how do you find Canadian standards? Are you export ready? Have you been through that program?

Ms. Aliya Ramji: I'm not sure that we've been through the export ready program the trade commissioner has put on, but I know the standards we have for privacy and health care law are very high in Canada. Once we've met those, it's much easier to meet standards in other jurisdictions.

Mr. Chungsen Leung: What about international property protection? Have you encountered any of those issues?

Ms. Aliya Ramji: Both here and in the U.S., and we're facing those abroad. We find that as long as you're on a sound platform in North America, it's easier to protect your property.

The Chair: I'm going to have to stop you there, Mr. Leung.

We'll move to Ms. Freeland.

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

I'd like to start with Mr. Walker. Thank you very much for being here. I'm a big believer in impact investing in the B corp movement and I'm delighted to have you speak to all of us. If you could pass on my best wishes, and I think those of the committee, to Mr. Emery, who I know can't be here because there's been a death in his community.

I would like you to talk a bit more about B corp legislation. You've said that the B corp movement is doing well in Canada already without that legislation. What difference does legislation make? Why is that something we should care about?

Mr. Jared Walker: The most obvious point is that it's a multi-pronged approach. The way B corp works right now is that there's a certified B corp, which is basically a stamp you can put on your company when you have cleared all of the hurdles saying that your company is focused on people, on the planet, and on profits simultaneously. You make a small change in your articles of incorporation so that's reflected.

The B corp legislation takes that a step further, and many jurisdictions have built that into procurement and into other things in a way that allows government to be supportive of good business and of businesses that are specifically targeting specific issues. For example, in some states if you're looking at a construction contract for the state, then you would give preference to a B corp when the two bids are similar. That way you know, for example, in your construction project that not only will you be getting good quality and an affordable service, but you will also perhaps be helping people with previous job difficulties, or a portion of the profit will be reinvested into the community, or something like that.

It's a way for you to double tap, for you to get a bang out of your buck by also hitting one of the priorities of government by helping people within your constituency or within the country more broadly.

• (1605)

Ms. Chrystia Freeland: Mr. Walker, I'd like to follow up on one fact you mentioned in your presentation. You said something about 17% of consumers not trusting manufacturers.

Can you elaborate on that. Where does that come from?

Mr. Jared Walker: IBM annually does a consumer study in the U.S. Basically the gist of it is.... I think most everyone who purchases anything from milk all the way up the chain understands that at this point we have anywhere from 12% to 20% growth in the market in terms of stuff from organic, to non-GMO, to fair trade. However, people can't differentiate between things. People are over-saturated with this idea and by companies who say they do good, but in fact do something very different, as people discover when they turn on the news.

So B corp is a way for someone to know definitively that a company makes an impact on the environment, makes a positive impact with people, treats their workers well, etc., and that this is something you can take to the bank, as opposed to nebulous claims that we're a family company, but which perhaps has adverse effects in the community.

Ms. Chrystia Freeland: Thank you very much.

Do I still have time, Mr. Chair?

The Chair: Yes, you have a minute left.

Ms. Chrystia Freeland: Ms. Ramji, thank you very much. I'll talk fast, and I'll ask you to answer quickly too if you can.

I appreciated very much your specific recommendation about expanding the Dose of Valley program. Are there specific cities in India, China, Europe, or Brazil you think we should focus on?

Ms. Aliya Ramji: I would probably focus on the major cities first in those particular jurisdictions, anywhere where there are big innovation areas, and anywhere there are people to meet. For example, in Germany it would probably be Berlin. In France, Paris. In the U.K., London. And, of course, in any of the big cities in India—Chennai, Mumbai, Delhi—anywhere where you can bring together large groups of people.

Ms. Chrystia Freeland: Super quickly, last question.

Jim Balsillie has complained in public and to me that a problem with the Canadian start-up universe is that as soon as great companies like yours get founded in Canada and show success and start to scale up, they get bought up by the Googles and the Facebooks of the world, and that we don't really create Canadian digital champions.

The Chair: We're going to have to finish.

Ms. Chrystia Freeland: Is that going to happen to you guys, and how can we stop it from happening?

The Chair: Don't take her time away.

Ms. Aliya Ramji: Hopefully that won't happen to us. We have no intention of being acquired right now.

The Chair: We're going to move on to Mr. Shory, please.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair, and thank you to the witnesses as well.

Ms. Ramji, I'll start with you.

You made a comment about interaction. I agree with you 100% that business-to-business interaction is very important for new SMEs to move forward. That is why our government, specifically the Minister of Trade, takes a business delegation with him when he travels.

I had an experience when I went with him to England a few months back. We took a few businesses from all areas. Believe me, I asked quite a few business people and everyone was very happy to have new connections even in advance of the CETA, which we hope to see in the coming years.

As part of the global markets action plan, this government is emphasizing the role of small and medium-sized enterprises. Specifically, we are looking at how many SMEs export and trade internationally and what we can do to bolster the numbers.

When Figure 1 expanded its operations into Europe and Asia, did it take advantage of any federal programs like the trade commissioner service's expertise in foreign economies?

Ms. Aliya Ramji: We did. We took advantage of the trade commissioner service, and some of the people from the consular offices in India introduced us to a number of people in the Indian market—companies, hospitals, health care professionals. Similarly, in our access to Germany and France, and a lot of the other European countries, we had someone from the consular office in contact with us.

We were also the recipient of a soft-landing grant, some \$4,000 to aid our travel to launch in-country in India. That made it possible for us to go overseas and launch directly there.

• (1610)

Mr. Devinder Shory: Besides TCS, do you have any experience with EDC, CCC, or BDC, or other agencies to assist SMEs in foreign countries?

Ms. Aliya Ramji: Not to my knowledge, not yet.

Mr. Devinder Shory: What, if any, would be the primary barriers to expansion and export from the Canadian side? How did Figure 1 get around them? What kind of legislative or regulatory changes would reduce these barriers from the Canadian side?

Ms. Aliya Ramji: Like I said, so far, I'm not sure that there have been any barriers from the legislative side. It's complying with laws on the other side to make sure that we're privacy compliant, health care law compliant in all of the other jurisdictions, which is our primary barrier to getting to market faster. We want to do this in a step-by-step manner, making sure that we are compliant with all laws around the world.

Mr. Devinder Shory: My next question is for both Mr. Walker and Ms. Ramji.

Are you aware of our Go Global workshops, and what do you think of this initiative?

The minister initiated Go Global: Supporting Export Success. It is having workshops in numerous cities on numerous days. Are you aware of that?

Ms. Aliya Ramji: I am.

One of the things that is difficult about these Go Global workshops is that they are for before you've entered markets. As we're already in the market, the type of assistance that we need or could use right now is help meeting the individuals and players in that market. That's the difference for us particularly.

Mr. Devinder Shory: How about you, Mr. Walker?

Mr. Jared Walker: With MaRS, more specifically, a couple of months ago.... We do this stuff relatively regularly, taking entrepreneurs to global workshops that are formal and then through the trade commissioner, or through the consulates office, for example.

We just went down to San Francisco with a slate of 20 impact entrepreneurs to introduce them to folks in Silicon Valley, both for export purposes and for being acquired.

Mr. Devinder Shory: So both B corps and Figure 1 are touching the Asian markets.

Which Asian markets do you believe provide the best opportunities for our SMEs?

Ms. Ramji.

Ms. Aliya Ramji: From my end, India was our first entry into the Asian market. We strongly believe that India has a lot to provide with regard to health care professionals. We're also looking at China, Japan, and other larger markets.

Mr. Devinder Shory: What about you, Mr. Walker?

Mr. Jared Walker: With regards to the work that we do with SMEs, because of the fact that a lot of it is impact-based, India is a big player for us. On the B corp side of things, because of the high value added, as Mr. Davies mentioned before, we are looking more at developed countries in that region. We are looking at Japan, South Korea, that sort of thing.

The Chair: You still have a minute and a half.

Mr. Devinder Shory: Ms. Ramji, what are the target markets for SMEs in your sector?

Ms. Aliya Ramji: In our sector, I think any of the large global markets are going to be the target. Any of the BRIC countries, and of course Canada and the U.S., are great markets because there are people there with access to technology.

Mr. Devinder Shory: How about you, Mr. Walker?

Mr. Jared Walker: I would echo what Ms. Ramji says.

Mr. Devinder Shory: Ms. Ramji, my colleague Mr. Leung talked about barriers in Asian countries, specifically with [*Inaudible—Editor*]. It seems that you've been to India very recently. When you talk about a 1.2 billion population, of course, it's a huge market, but at the same time I believe SMEs need foreign partners to be successful in those kinds of markets. What is your strategy to find those partners?

• (1615)

Ms. Aliya Ramji: We went with a delegation from Ryerson University on our last trip to India and our in-country launch, and they helped introduce us to some of the strategic partners that we should have in the countries. We also worked with the trade commissioner service to find some strategic partners. The partnerships that we are looking for are with respect to hospitals and health care organizations, and not necessarily companies that might want to acquire or want a piece. That's not what we are looking for. That's not the type of strategy we are using in that market.

The Chair: Okay, Mr. Shory, we'll call it quits there.

We'll move on to the NDP. I have Mr. Morin and Ms. Liu.

Ms. Liu, I understand you are going first.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): I'll start with the round and with a question for Mr. Walker.

In terms of the social mandate of the companies that you represent and the positive impacts they hope to make in communities, and in terms of the trading partners that Canada is choosing, do you think that human rights standards and environmental standards should play a part in the kind of countries that we negotiate trade deals with?

Mr. Jared Walker: I think that certainly within countries, our businesses can make choices regardless of what the policy is. I'll give you an example of a really fantastic B corp that is operated just outside of Toronto. It's called Oliberté. They are the world's first fair trade shoe factory. They operate in Ethiopia and Rwanda, but they choose to work very closely with the community to have their factory inspected so a Rana Plaza or something that tragic doesn't happen in their factory. They pay their workers three times the legal minimum wage. They have a maternity and paternity leave for their workers. Because of the markup in retail fashion, they still manage to net quite a good profit. I think that we can take our principles that we hold dear in Canada and apply them through companies to kind of evangelize good corporate practice in that way.

Ms. Laurin Liu: You mentioned that Canada was number two in terms of B corps. You mentioned that one of your recommendations would be to develop legislation around B corps. What would Canada be looking at in terms of best models around the world? You mentioned Brazil quickly.

Mr. Jared Walker: There are a few countries that have B corp legislation on the tarmac, so to speak. The best example, as I said before, is the United States. There are 27 states with B corp legislation, plus DC. Every state has its own sort of unique wrinkle, but for the most part the legislation is very uniform in order to be applied across different jurisdictions and mean the same thing. Basically, the three prongs are purpose, accountability, and transparency. Is there purpose in your business? Do you work to better the environment? Do you treat your workers well? Do you work well within your community?

Is accountability baked into your company? We work with a couple of B corps that are tech companies. If you are a tech company that has really great practice with paid leave, for example, and you are acquired by a Silicon Valley giant that might not be as family-friendly as Google, does that mean that your policies are going to go away? No, it doesn't, because they are baked into your corporate articles with B corp legislation, and you can't do that any other way.

Transparency means that there is a report every year to make sure that your company is behaving properly.

Ms. Laurin Liu: I'll leave the rest of my time to Mr. Morin.

[Translation]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Walker, I doubt if you are in a position to know your 1,200 members personally, but I wonder whether you know approximately what percentage of your members' sales is for the export market.

[English]

Mr. Jared Walker: That's difficult to sort out because of the 1,200 B corps, we've got 130 here, and 800 in the U.S. A good chunk of them, I would say about a third to 40%, are exporting somewhere. But insofar as the Canadian ones that are exporting is concerned, that's a little more difficult to nail down.

•(1620)

[Translation]

Mr. Marc-André Morin: So let me ask you an even trickier question. Do you have an idea of the proportion of your members' sales that is made up of value-added products?

[English]

Mr. Jared Walker: The vast majority of them are value-added products, simply because 10% or 15% would be something like a consulting service, or a social web design firm, or that sort of thing, but then the rest are largely companies that produce things—widgets—for folks to use. Then you're talking about a method that makes some home cleaning supplies, that's an international B corp, or an Etsy, which recently just filed for IPO, which is a big B corp story, and all their sellers make things and sell them to folks. So it's a large percentage.

The Chair: Thank you, Mr. Morin.

Mr. Gill.

Mr. Parm Gill (Brampton—Springdale, CPC): Thank you, Mr. Chair.

I also want to thank our witnesses for taking the time to be with us to help us with this important study.

Ms. Ramji, you mentioned that you used the services of the trade commissioner, which is great. I was in India last week and had an opportunity to meet some of the exceptional trade commissioners, individuals who are helping SMEs in India. There are approximately, I believe, 42 working out of seven different offices in India. How did you find out about the trade commissioner services that are available for SMEs?

Ms. Aliya Ramji: I was connected to the trade commissioner services by a friend through business. The regional office in Toronto sat down with us and told us about all the other offices around the world and the possibilities of working with them.

Mr. Parm Gill: Thank you.

This question goes to both of you. Do you feel most SMEs that are looking to export their product into other parts of the world are aware of different services, different kinds of help that's available to them, especially to do with the federal government?

Ms. Aliya Ramji: I would say that most companies don't know what's available out there for them.

Mr. Parm Gill: Do you have any suggestions on how the government can do a better job in creating that awareness and providing that information for SMEs that may be looking for that?

Ms. Aliya Ramji: I think some of the things that you started to do, such as putting trade commissioner services in incubators—I know there's an office in MaRS—were good first steps. However, we would like you to be present anywhere where you have conferences or trade shows with small enterprises.

Mr. Parm Gill: Mr. Walker.

Mr. Jared Walker: MaRS works with a considerable number of SMEs, and the barrier is always in getting people in the door. There are so many different services available, from the federal government, provincial governments, municipal governments, and there's a high barrier of entry for people to know. It might be a little self-serving, but I would say to work with regional innovation centres to scale them, and to help them get out to people who are in their own backyards, because it's a lot easier for us to do the work than for you guys to do it.

Mr. Parm Gill: How much time do we have, Mr. Chair?

The Chair: You have about two minutes.

Mr. Parm Gill: I think one of my colleagues may have already asked this question, but maybe I wasn't paying attention to the answer. Are you familiar with the Go Global initiative that was launched by the federal government, mainly Minister Fast?

Ms. Ramji, first.

Ms. Aliya Ramji: We are aware of it. One of the reasons we haven't used it yet is that it's for export ready enterprises, as opposed to providing in-country help once you're already there.

• (1625)

Mr. Jared Walker: We're aware of the initiative. We at MaRS work with multiple sectors of the federal government on this kind of stuff and we let our entrepreneurs know as well.

Mr. Parm Gill: The next question is for Mr. Walker.

Mr. Walker, are there other similar organizations that provide similar services, or certifications, and if yes who would those be?

Mr. Jared Walker: In terms of the certification piece absolutely, there are Fair Trade U.S.A., Fairtrade U.K., and Fairtrade International. There are a lot of organizations that do certification for organic, or non-GMO, or LEED certification for buildings and that sort of thing. In terms of what we do, which is to certify and to pronounce a value judgment on the entire business, there is not another measure that does the same thing.

Mr. Parm Gill: How does one find out about your organization? Who makes the first contact? Does your organization go looking for possible clients, or is it businesses that are looking for you and reaching out to you for your service and the certification you provide?

Mr. Jared Walker: It's a bit of both. We do our homework. We do our own bits of headhunting to find corporations that we think would be good corporate ambassadors that already do good work. BDC is an excellent example of this because it has already baked into their mission the task of helping entrepreneurs across Canada. As a crown corporation they already do a considerable amount of things that are aligned with—

The Chair: You're going to have to wrap this up. I'm sorry your time is up, Mr. Gill.

Witnesses, I would like to thank you for being here in the first panel. I will now excuse you as we suspend for three or four minutes while we go through the process of changing the room over for the next panel.

Thank you very much.

• (1625)

(Pause)

• (1630)

The Chair: We'll get on to round two this afternoon, colleagues. In front of us we have from Padre Software, Mr. Jim Reynolds, and joining us via teleconference from Corvus Energy, Mr. Neil Lang. We'll start off with Mr. Reynolds and then we'll move on to Mr. Lang. You will both have 10 minutes to present and then we'll get on to our questions and answers.

Mr. Reynolds, I give you the floor.

Mr. Jim Reynolds (President and Chief Executive Officer, Padre Software Inc.): Thank you very much.

It's a pleasure to be here.

I was here on February 18 before the Senate committee. I'm glad that you've asked me back to be able to talk today.

I was going to start off by referencing where the chair of the Senate committee, Senator Andrychuk, left off with her last question to us at that time. I'm paraphrasing this: are there capital hurdles holding Canadian SMEs back from exporting and are Canadian companies basically more risk adverse than U.S. ones?

This question doesn't appear to be unique to Canada. I'm not sure if your committee is familiar with an article in *The Wall Street Journal* dating back earlier in March, which talks about Germany, "The Tiny Giant Hole in Germany's Economy".

It went on to say that the number of small businesses starting up there was down about 25% over the last 10 years and by almost 47% over the last 20 years. Canada is not the only one that's competing in this market. We're not the only one that has these challenges.

In terms of getting the SMEs focused, our government, the Prime Minister, announced on March 18 that there would be two new funding programs over the next five years aimed at SMEs, one with \$50 million for direct, non-repayable costs matched by recipient SMEs for trade fairs, etc. That is certainly welcome. The other is for the TCS. There's also \$42 million over five years to help them add more commissioners and services.

I'd like to talk about a higher level of some of the structural and organizational imperatives that we're going to need if we are to reach the SMEs. I also chair and report to Minister Ed Fast for the SME advisory board that he has, so we have a bit more background on some of these things. First, the challenge of getting an additional 10,000 SMEs exporting in five years seems reasonable given that there are a million SMEs in Canada. When you start to reduce the million for people who are incorporated in their house, small storefronts, and things of that nature, that base starts to shrink and the challenge becomes even larger.

Second, if you look at it a little differently, there are 40,000 SMEs that export today, and that's about 4%. Only 10,000 of those, or 1%, export beyond the U.S. If we're going to have an additional 10,000 exporting SMEs, that's equal to the sum of all the past efforts. When you start to look at the challenge it becomes quite large and you have to get at least 2,000 SMEs per year. That boils down to eight or nine per day exporting if you're going to meet this goal.

One thing I believe is that we need reach out to SMEs. There's has to be a two-way street to communicate. Most SMEs aren't aware of what's going on in Canada right now. In the minister's office, they talk about the TCS as being one of the better kept secrets. People don't understand the TCS and what it does. I'm not so sure we know where the SMEs are that are going to be export ready, or are already exporting to the U.S. and may take the next step and go to emerging markets.

The other part is the organizational structure that's in place today through the EDC, the BDC, the CCC, and the TCS. Those organizations are well aligned to support the previous model of free trade agreements and business as usual. In the last six or seven years, we've had an increase in the number of free trade agreements from four to over 30, and we now have an objective of increasing 10,000 SMEs over the next five years. That goal of moving up for an extra 10,000 SMEs is a tremendous objective, but it's one that's not going to come without our refocusing, in my opinion, on how these organizations are put together.

• (1635)

I have a couple of recommendations in that area. First, we have to create a better awareness, communication, and engagement strategy with SMEs. We're not sure if there's a database out there today that can segment our SMEs, the million that are in the base, and line those out to SMEs that are large enough to start exporting.

Second, there is a growing awareness about SMEs in the marketplace outside of Ottawa or government circles. SMEs are becoming very popular. There are major accounting and consulting firms engaged in SME practices. There are universities that are setting up SME chairs. A women's group in B.C. recently recruited 20 SMEs to go on the trade mission to South Korea. There is a major bank working with a Canadian digital media network and an entrepreneur who happens to be from Waterloo trying to run forums and educational institutions for SMEs to make them export-ready. This group is only reaching five to ten SMEs per session, and if you compare the uptake in new SMEs, there is a heck of a challenge to get to the 2,000 a year that we need.

The committee needs to be aware that the challenge is significant. It's a challenge that we haven't had before, and it comes about because of the very rapid change in the environment, going from four free trade agreements to over 30, and it comes with a goal set by government to increase the number of SMEs by 10,000. Those have disrupted the model that's out there.

When we look at how we're going to create this awareness and engage SMEs, I haven't heard a real strategy being articulated at this point. There are all kinds of initiatives from government, private, and institutional efforts, but we need to ramp those up and recognize that we've had some significant changes in this area.

One thing that would be great to have is a kind of a feeder network for synergies, where you take the initiatives from Ottawa and couple those with the initiatives outside of Ottawa, such as the private corporations, some of which are very large. Our biggest banks are funding SME initiatives, down to smaller, private enterprises that are getting involved in trying to make SMEs export-ready. If they are not export-ready, it's hard to export and do it successfully.

The second thing is to segment the appropriate markets and target them, just like you would if you were an automotive business or a retailer selling clothes. You need to understand what the base of a million is. You have to be able to target the ones that are most likely to be successful, where you get the best return on the money that's invested, whether it's through programs from the government or through programs that private enterprise is putting together.

The third thing is to recognize that the way the EDC, the BDC, the CCC, and the TCS are structured today, they are doing an excellent job of supporting businesses. They are in the export market, but what has changed for them is the fact that we're no longer working with 4 or 5 trade agreements—NAFTA being the most significant, and that's well in the past. We are now asking them to deal with 28 trade agreements, so there's a bit of what we call in the technology business a “disruptive change” that's taking place. When that is coupled with the new goal of doubling the number of companies that export to emerging markets, a significant challenge has been thrown in front of these organizations.

For example, about 80% of TCS resources are deployed in countries outside Canada and 20% at home. That is a great deployment. It's working very well, and I don't want there to be any sense of negativity in the statement I am making. However, when you have 80% offshore and 20% here, if you're going to try to create 10,000 new SMEs that are going to export, and you're going to create them here in Canada, somebody has to add the resources to get out and develop them. Whether it's government or the private sector, or a combination of both, you have to recognize that is needed. So perhaps the TCS needs to be given funding. If they're the organization that's recommended—and I think they are very well positioned to do this—they need to have some additional opportunities there.

• (1640)

Those are my opening comments, Mr. Chair.

The Chair: Thank you, Mr. Reynolds.

We'll move on to Mr. Lang.

Mr. Neil Lang (Chief Operating Officer, Corvus Energy): Thank you for inviting me here today. I really appreciate the opportunity to speak to the committee

Corvus Energy is a young clean technology company of approximately 50 people focused on providing energy storage systems, or large batteries, to the marine market. If you think of cars such as a hybrid Prius, or a fully electric Tesla, then that's what we do for ships by providing large, rugged batteries for ferries, tugs, offshore supply vessels, and other coastal vessels.

We have about 80% market share at the moment, and 95% of our product is sold outside of North America. With Europe having the most stringent marine environmental controls, and also being the decision-making centre for the global marine business, selling only in Canada was never an option for Corvus. I hope that sharing some of the challenges, and also the great support that we've had along our road so far, will be helpful.

Typically, if they can, it's much easier for a customer to purchase from a local supplier. If we look at ourselves, and our own supply chain, we always look to local vendors wherever possible. So to overcome these barriers and become a successful exporter, we focused on three things: firstly, having world-class products in terms of functionality, quality, and value; secondly, developing brand visibility in our export market so that potential customers know who we are and can find us easily; and thirdly, minimizing transaction risk, so that when they do sign a contract with us, customers are not concerned about dealing with a supplier from overseas.

So I'll try to focus on each of these three areas in turn, starting with the world-class products. SR and ED has certainly been invaluable in stretching the initial funding during the research phase of our company. However, our challenge now is in commercialization, and taking fuel data from generation one of the product and using this to develop generations two and three. I know that will ultimately be the base of our long-term success.

Being more and more focused on research, SR and ED doesn't really support this phase of development, but we've been very fortunate to be eligible for the Western innovation initiative funding that provides long-term, low-interest loans for commercialization activities. That's now a vital part of our ongoing success. And I think replicating this program across Canada, and targeting a higher portion of overall funding on the commercialization stage, versus research, would support many businesses surviving what is a very difficult phase in the growth of any young company.

Many of our overseas suppliers and competitors also have the benefit of core technology development and joint initiatives between national research institutions and industry, for example, ITRI, the Industrial Technology Research Institute in Taiwan; KITECH, the Korea Institute of Industrial Technology; or the Fraunhofer Institute in Germany. This foundational research is then released for either no, or minimal, licence fees for multiple companies to commercialize, and thereby magnifies the benefit. We found that due to the level of industrial relevance of research, working with universities in Canada has been less successful for us, and a focus on a similar model of industrial relevance in Canada might be helpful in enabling more successful technology commercialization.

Moving on to the second area, brand visibility, Corvus has received only a small amount of support in this area. Most of what we've done was achieved through our own funding and initiatives on the ground, and through contacts and supports provided by our financial investors. Supporting companies to attend relevant trade shows and find speaking opportunities in target markets would likely be very helpful. Reducing costs by having a Canadian pavilion the SMEs can be a small part of would seem like a very feasible first step, and it's also a model practised by one of our key investors.

To date, overseas trade missions have also had little benefit for Corvus due to the cost to participate, and their broad focus, and they may be more useful for larger companies. Bringing groups of buyers back to Canada targeted on specific industries and introducing them to SMEs may be more effective. Trade commissioners, on the other hand, have been invaluable in facilitating the next steps in finding partners, and the activities to embed commissioners within groups such as the CME have been very effective in providing a route to access this resource.

Finally, on the question of minimizing transaction risk, this can be split into two parts: technology risk and financial risk. Establishing reference projects for export customers and partners has been a key to overcoming technology risk. STDC provided Corvus significant support by funding a joint project with the Norwegian government. This left Corvus with an overseas demonstration project, a new export customer, and a core partnership with one of the largest marine engine manufacturers in the world.

● (1645)

This type of overseas collaboration seems to be unusual for STDC, which normally focuses on projects within Canada, but I think it would be effective, if driving export is one of the aims, if this type of overseas collaboration could be repeated for other export-focused companies.

Financial risk to the customer also has to be minimized. This can be achieved by providing foreign exchange hedging, letter of credit facilities, and creditor insurance to smaller companies. EDC has supported Corvus very well in this regard by underwriting the risks, which enables us to work directly with tier one Canadian commercial banks. This is critical. Without this support, it's unlikely we would have been successful in growing our export business. I would strongly encourage continuing these activities for other companies.

For export-focused companies, finding venture capital funding locally within Canada can also be hard, as exporters are perceived as a higher risk than companies focused on local markets. STDC has been very helpful in making introductions to North American funds. It would be good if they could extend their reach to Asian and European funds, who maybe have a better understanding of the export markets we're trying to reach.

Overall, there are an impressive number of resources available within Canada. However, it's daunting for SMEs to find and navigate them all. If access to these facilities were consolidated and a single point of contact provided to act as a guide so that all the resources could be made more quickly and efficiently available, the benefit would be significant.

I hope these thoughts have been helpful. I look forward to answering any questions.

The Chair: Thank you, Mr. Lang.

Mr. Davies, you have seven minutes.

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

Thank you, Mr. Lang, and thank you, Mr. Reynolds.

Mr. Lang, I was in Vancouver yesterday, and I have to ask: what's the temperature there?

Mr. Neil Lang: It's still pretty good. It's about 10 or 11 degrees today.

Mr. Don Davies: It was minus 28 degrees here last night.

I'll start with you, Mr. Lang, if I could. What percentage of your exports go to Asia?

Mr. Neil Lang: About 15% goes to Asia at the moment.

Mr. Don Davies: What are your target markets if you're looking five or ten years out? Do you have certain areas of the world where you'd like to expand your business?

Mr. Neil Lang: I think the marine market is global. We're really focused on where the majority of coastal trade and shipping is taking place. Certainly around northern Europe, the west coast of North America, and the east Asian seaboard are the key focuses for us.

• (1650)

Mr. Don Davies: I think you've done an excellent job of indicating some of the policies or programs that could be of help to expand SMEs' exports. I'm going to turn that around and ask if there are any challenges your business has on the import side in procuring the inputs you need for your manufacturing. For instance, where do you source most of them, including the lithium that you use?

Mr. Neil Lang: Our cells actually come out of Korea. The cell is the base of our battery. We have managed to get a trade agreement, or a trade tariff recognition, where we're allowed to import and then directly export without duty because our product is for marine purposes. Certainly we watch pretty closely the free trade agreements. The South Korean one would have been key for us in that regard.

In terms of the other components, for metal components we have a dual-sourcing program, really. We have about 20% coming out of North America, from Washington State and B.C., and about 80% coming from Asia—from China, Singapore, Korea, and places like that. That's been our focus.

Mr. Don Davies: As a successful SME start-up—I want to congratulate you on your excellent growth, and in a clean technology area, which I think is really important to note—what's the one thing that you would suggest the federal government could do to assist SMEs to improve their export potential?

Mr. Neil Lang: I think the hardest thing for us was getting trade finance sorted out. It was a long road to getting the banking that EDC eventually provided and in getting letters of credit support and foreign exchange support. When you're pre-cashflow-positive, even if you have a good pipeline and you can demonstrate a path forward, no tier one commercial bank really is willing to work with you. Without that support from EDC, we wouldn't have gotten to where we are today.

For us, our requirements in that area will expand as we grow. We're just looking to make sure that this facility expands along with our business.

Mr. Don Davies: Thank you.

Mr. Reynolds, what percentage of your business is done with Asia?

Mr. Jim Reynolds: Zero. We export into the U.S.

By way of background, we produce advance manufacturing systems where the technology...and the large U.S.-based Japanese and German manufacturers use the technology.

Mr. Don Davies: Are there markets other than the United States that you're seeking to export to?

Mr. Jim Reynolds: Yes, we've proven ourselves in the U.S. market with these top-level companies that demand the quality, and now we're looking to move offshore.

Mr. Don Davies: I have the same question for you, Mr. Reynolds. Do you face any particular barriers exporting or importing your software development? I don't know if the inputs would be applicable to you, but...?

Mr. Jim Reynolds: I could answer that perhaps in two ways. From a software business, no, we don't. That's pretty simple going.

But from the vantage point I have on the SME advisory board, a number of other board members do have difficulty. They have difficulty getting people into other countries. Even though there are agreements, they still get hung up on some of them. They have difficulty in getting import-export permits.

So those are two of the areas required, and we may face it too if we go to other countries. We're going to need to get our staff in, and I hope we don't run into hurdles that way.

Mr. Don Davies: What would be the single most important piece of advice that you could give the federal government in terms of a policy or program that would help SMEs like yours expand their export footprint?

Mr. Jim Reynolds: If I can I'll narrow down your question to companies that are already export-ready or are exporting.

Mr. Don Davies: Sure.

Mr. Jim Reynolds: It's access to capital. We're not using the EDC. We're a cashflow positive self-funding company and we don't have partners or VCs or anything like that.

Mr. Don Davies: The same answer as Mr. Lang, really. It's about access to capital.

What about SMEs that aren't exporting? We have a target set of how many we want to get ready. How do we accomplish that?

Mr. Jim Reynolds: I've been thinking about that for some time. The programs like Go Global are starting to go in absolutely the right direction. I think, though, that if you get down to SMEs that aren't exporting, you're almost addressing those on a one-by-one basis. Those are very personal decisions those companies have to make. So to target and bring your organizations down to personalized services and communications, they'll get those out.

I'd wrap it up by saying SMEs that aren't exporting don't know about what the government offers, don't know about TCS, the trade commissioner service. Get that message out.

• (1655)

Mr. Don Davies: I have 30 seconds and I'll ask a quick question.

What role does investment play? This Conference Board report came out today, and it talked about Canada lagging behind the rest of the world in our investment profile, particularly in Asia. They pointed out that investing in these markets is a way to establish a market footprint and build relationships. Is there a way that might help expand Canadian investments in some of these markets?

Mr. Jim Reynolds: I'll take the technology sector as an example. If we were there and we had offices, technology presence perhaps from the TCS or whoever's there, that would help a lot.

The Chair: Thank you, Mr. Davies.

We'll go on to Mr. Allen.

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

Mr. Reynolds and Mr. Lang, thank you for being here.

Mr. Reynolds, I'd like to start with you and pick up a little from where you just left off in the Go Global workshops. About 1,200 companies or so have participated in those so far. With that in mind in your metric of getting so many per day, eight to nine exporters per day, I guess getting some of them used to that, to use Go Global, would have to be a positive impact as a way to start getting those companies?

Mr. Jim Reynolds: It's been very positive in two ways. At the session that was held in Waterloo back in late January, Minister Fast made a great 40-minute presentation about why it's important to export, and it was all focused on SMEs. So the SMEs in the room came away saying, boy, the government is targeting us.

Second, many large organizations were also in the room. There were bankers and university people. I met somebody who introduced himself afterwards who was from a big trading organization, in the \$20 billion to \$40 billion a year range internationally, and they are looking for SMEs.

So there's that message of going out to the SMEs, going into some of the smaller markets, rather than hitting Toronto and Vancouver. Go Global is hitting some of the smaller markets, and I think it's very good that way.

Mr. Mike Allen: Okay, thank you.

You talked a little bit about the trade commissioner service and the new staffing and program resources that were rolled out by the Prime Minister last week, but you also said that there's some disruptive change going on here because of all the new markets. We're used to operating in basically a handful, and now we've expanded that. When the trade commissioner folks were here a couple of weeks ago on this, I asked them how nimble they were. Obviously, you wouldn't have every expertise in every trade commissioner service all around, but they'd have to be fairly fluid in terms of how they could access the experts in those areas and the markets and those types of things.

Are there areas, as part of this expansion, that the Government of Canada should really be looking at in terms of making the trade commissioner service more nimble so that they can react to this disruptive change?

Mr. Jim Reynolds: I'd say, yes, there are. In our local area, there's one trade commissioner, and that trade commissioner can't go out and meet with a hundred different SMEs, otherwise they'd be overwhelmed. If you've got programs coming out of Ottawa that generate an awful lot of interest on the street, you've got to have a number of trade commissioners there who can handle that uptake and capitalize on that interest. If you get SMEs interested and then you can't follow through, then you may lose them. That would be one thing.

The budgets of the trade commissioners are primarily set right now. I'm not sure how the additional funding, the other \$42 million

that's going to be available in increments of about \$8 million a year, is going to be deployed, but it's important that it get deployed most effectively. Perhaps one of the suggestions is that they take a look at where they deploy their resources. Is it here or offshore?

• (1700)

Mr. Mike Allen: Having done some work in the enterprise resource planning software business in the past in a previous life, I know that when we were working between Canada and the U.S. it was pretty easy, with the free trade agreement and other things, for people to move. That's one of the areas where I think we have tremendous potential in terms of people and resources doing work in other countries.

Do you partner with other major ERP platforms as part of the work that you do in manufacturing, and have you seen any challenges in moving people?

Mr. Jim Reynolds: I think, first off, given your background in ERP, the answer to your question as to whether or not we partner with them is no, but we'd like to. The software that we have is supply chain software that automates the supply chain inside the four walls of plants. We pick up where ERP solutions leave off, and then we take the complex deliveries throughout, say, any manufacturing plant and we synchronize those so they get the parts to the line, where they're consumed just in time. Our clients have had 5% to 10% productivity improvement in the eight-hour shift, without adding extra resources, and they've reduced conveyance teams by up to 20%. There's a compelling justification for it, so we're at the point of looking for some partners to take the software beyond. But we don't compete with ERP companies. All the major ones don't have this particular type of process and software.

Mr. Mike Allen: Okay. You have your own professional staff within your own company—

Mr. Jim Reynolds: Yes.

Mr. Mike Allen: —who obviously are exported as well, as part of the process?

Mr. Jim Reynolds: Yes.

Mr. Mike Allen: Okay, thank you.

Have I got a minute and a half left?

The Chair: Yes, about that.

Mr. Mike Allen: Okay.

Mr. Lang, I'd like to go to you with just a clarification question on your commercialization and the financing of that. I think you said you got some diversification. The Atlantic Canada Opportunities Agency does the same kind of thing with the business development program loan. You also talked about SDTC being in that a little bit as well. Do you see them partnering better going forward as part of this commercialization piece?

Mr. Neil Lang: I think the challenge in a partnership, for a small company, is knowing all the different opportunities that are available. Even when we go back to Go Global...that was the first time I had seen all the major institutions in one place at one time.

The different opportunities are all there, but it's a question of getting one point of access to guide SMEs through the processes and through the opportunities and the things they might need.

In our case, SDTC and Western Innovation were quite different. SDTC was about putting an example project out into the market—putting a large battery system into an electric ferry. The wind financing is more about our continued product development at an in-house level. The two are complementary.

Do they work together? I guess the more support you can focus on successful companies, the more likely they are to be successful. If the funding is spread very diversely, then there's a risk that it doesn't benefit anyone.

Mr. Mike Allen: Thank you for that clarification.

Thank you, Chair.

The Chair: Thank you, Mr. Allen.

Ms. Freeland.

Ms. Chrystia Freeland: Thank you, Mr. Chairman.

I'd like to start with Mr. Lang.

I won't ask you to brag about your great west coast weather. I have my dad visiting from Alberta this week, and I've already heard enough western bragging about our terrible climate.

I was really interested in the point you made about the difficulty in commercializing our research in Canada. That's something I hear about a lot. Can you talk more specifically about what we're not getting right in that space and what we could be doing to do it better?

Mr. Neil Lang: Much of the funding and work, certainly within the universities, is focused more on pure and very early stage research. From a commercialization perspective, it is probably pre-commercialization by five years.

There are many challenges to getting your product. Once you develop your first-generation product and then put it into the field, you get a lot of field data. Then, taking that to the second and third generations ultimately is the platform to grow your company in the future.

There is not much focus on that industrialization process and not that much support for industrialization process. You are looking at how to optimize your manufacturing systems, how to optimize a design for reliability of the product. The technology is there; it's now a question of optimization for a commercial product that will operate in the real-world environment. There is not significant funding to support those activities.

• (1705)

Ms. Chrystia Freeland: In your experience, which country, or maybe which cluster of universities, really gets this right? Is there a best practice that we should be following?

Mr. Neil Lang: In Europe, Fraunhofer is probably the best practice. They've done some pretty amazing work in the solar industry and in green technology. ITRI in Taiwan has done some pretty impressive work as well. Even some of those do some blue-sky research, but then they make it available to multiple companies, whereas with SR and ED, the funding is focused on one company, which does some research, and then the intellectual property is locked within that company.

If you can do the research at the level of a foundation, such as ITRI or Fraunhofer, and then push it out into the market, three or four or five or multiple companies can pick up the base technology and apply it to their own industry or market and develop it to build maybe four or five world-class products out of the same base technology, rather than just getting one, as when the IP is locked in.

Ms. Chrystia Freeland: Thank you very much, Mr. Lang.

I'd like to ask Mr. Reynolds a couple of questions.

What share of your business is done with the United States?

Mr. Jim Reynolds: I would say 80%.

Ms. Chrystia Freeland: How effective is NAFTA for you? Do you feel that for your U.S. customers, doing business with you is essentially the same as it would be with a U.S. company, or are there still some barriers? Is it a little bit harder for you than it would be if you were across the border?

Mr. Jim Reynolds: No, it's not; there is no real difference, or if there have been differences we worked them out years ago, so that it doesn't feel as though there are differences right now.

Ms. Chrystia Freeland: Is the weaker dollar helpful?

Mr. Jim Reynolds: Sure.

Ms. Chrystia Freeland: Do you think we're going to be seeing any impact from companies like yours? We talk a lot about the impact of the weaker dollar.

Mr. Jim Reynolds: When we do business in the U.S., we basically have price sheets, etc., set in U.S. dollars. On the days when the Canadian dollar is worth more than the U.S. dollar, what we net back is a little lower in Canada. When it's the way it is today, the net back is a little higher. We have to make our business model profitable on selling in U.S. dollars.

Ms. Chrystia Freeland: So you can take more days off now?

Mr. Jim Reynolds: Well, I wish we could, yes.

Voices: Oh, oh!

Ms. Chrystia Freeland: You spoke very specifically, Mr. Reynolds, about how to hit some of the goals we have on getting small and medium-sized enterprises more involved in exporting and in trade. There's going to have to be an expansion of the resources available to them. It's clear that you've thought a lot about this. Do you have a specific sense of how many additional resources and what kind we need?

Mr. Jim Reynolds: Those are very, very good observations.

The Chair: You have about five seconds to answer.

Ms. Chrystia Freeland: You can just say a number.

Mr. Jim Reynolds: On additional resources, I think of net additional as "redeployment of existing" resources. I come from a corporate background, where we did a lot of restructuring and bringing companies out of CCAA and things like that. Oftentimes, you don't have the luxury of saying you need more resources; you have to redeploy what you have.

I think it's about redeployment of existing resources and reconfiguring them based on the new dynamics of the extra trade agreements and that target of 10,000. The 10,000 target is pretty cool. It's like Canada in the Olympics and Own the Podium. It's going to push people.

The Chair: Mr. Shory.

Mr. Devinder Shory: Thank you, Mr. Chair.

Thanks to the witnesses as well.

Mr. Lang, we heard from some witnesses that Canadian SMEs are risk averse and shy away from exporting due to fear of overseas processes. Your company, Corvus, has obviously overcome such hesitation. The question is, what pushed your company over that hurdle into exporting your products? Which government services did you use? What do you think the Government of Canada can do to improve its services to motivate more SMEs to cross over into exporting?

• (1710)

Mr. Neil Lang: There are a few different questions in there.

Firstly, for Corvus, I think the thing that pushed us across was the reality of our business. We're very focused on a particular market, and that market is 95% driven by overseas customers. We didn't have a choice, really.

In terms of the facilities that are available to Canadian companies, in order of importance for us I would say it was the financial support by EDC in providing the backing we needed to deliver letters of credit and so on and so forth to our customers, and foreign exchange opportunities. De-risking the transaction financially for our customers was probably number one.

Also, STDC has been enabling us to create reference customers overseas. That's key. Again, if you're not present in the market and people can't see you, they just don't know you exist. Physically having a site in your key market and enabling customers in that market to go see it is hugely powerful.

The third part—and whether you're exporting or not, this really is a challenge for all SMEs—is around the commercialization perspective and how you help people through that “valley of death”, if you like, that \$5-million to \$10-million size, with your first prototypes and your first customers, and seeing it through that first two, three, or four years of commercialization to get to a stable platform where you can build profitability.

Those are the three core things.

Mr. Devinder Shory: Do you have any suggestions for the government? What should we do to motivate more SMEs?

Mr. Neil Lang: For getting more people involved, I think it's about making it easier for companies to access the facilities that are available. For the people I work with and the people I talk with in different companies in B.C., most of them aren't aware of what is out there to support them to export. I think that if there were a single point of contact, as I mentioned, where they could access the different programs, that would drive significantly more interest from them.

Mr. Devinder Shory: Thank you.

Mr. Reynolds, you mentioned a couple of issues. You said that there are 40,000 plus SMEs, and that only 10,000 of them export. You then talked about the TCS, whose resources are deployed at about 80% internationally and 20% domestically. At the same time, you also mentioned the Prime Minister's latest announcement promising to help SMEs by providing additional funding on an ongoing basis to the TCS service.

On the other hand, you talked about an awareness campaign. You also mentioned Go Global and agreed that it is a good initiative which helps SMEs and builds awareness among them.

What other initiatives should the government take to move forward, to ensure that more and more SMEs are aware of the government's programs and that they are also encouraged to move forward towards export markets?

Mr. Jim Reynolds: The government has put in place some of those basic foundation blocks. There are pretty encouraging developments in terms of focusing on SMEs, and providing them with funding. I salute those efforts. What we need to do is to start to build on them. As Neil said, we have to create awareness. I'll give you some examples.

Locally, in Kitchener-Waterloo, a fairly senior person at an international accounting consulting company heard me talk—we're on another board together—about some of the issues with SMEs. He found this interesting, and after about three months, he came to me and asked if I could set up a meeting with the TCS.

I was able to put him in contact with our TCS representative and he went mad. Later, he came back said he had no idea the TCS could do this since he thought that it was there essentially to organize trade missions.

This occurred at a big international company that is more than familiar with the EDC and the BDC. The staff are familiar with the TCS but they really weren't aware of its capabilities at the local level.

I think every accounting company has an SME practice set up. Perhaps one of the ways to reach exporting SMEs effectively is to go to other organizations that are already there or interested in it, where there is a receptive audience which can get some synergy out of it, and to start to talk about what can be done. You go to one major accounting company, and boy, if you make a great presentation there, they can filter that out across all of Canada, and I don't mean sticking with the majors, but going to the local firms.

That's one area; the other is at the university level.

York University has their own chair now for SMEs; they just hired an individual for that. I don't know too much about it, but they want to reach out to their graduates.

I know that the University of Waterloo has a big focus on creating new SMEs among students who want to start their own business in systems engineering and design. They help their graduates start their own businesses, become SMEs, and then foster them along.

It's a question of raising awareness. I feel very confident that Canadian business will respond. There's definitely a reluctance, as Neil and others have said. Canadians aren't sure if they can compete internationally, so they tend to stay at home. They're not as aggressive going out there. But if we make them aware and help them understand what's available, I think we're going to see some very good results. I don't think it's up to the government to send out mass mailers, flyers, or websites. Those haven't proven to be all that effective.

• (1715)

The Chair: Thank you, Mr. Shory.

We'll go on to Mr. Morin.

[*Translation*]

Mr. Marc-André Morin: Thank you, Mr. Chair.

Mr. Reynolds, you spoke earlier about the large number and great variety of small and medium-sized businesses in which it is possible to recruit in order to increase exports. You also spoke about the lack of data on the nature of those businesses. In some sectors, some relatively large companies, with hundreds of employees, do not export, and probably never will. Then we have some mini-companies, with one or two employees, that specialize in developing game software, for example, or all kinds of other cutting-edge areas.

If we know neither the nature nor the potential of companies, we do not know who we are dealing with. We may be trying to reach someone, but we do not know who we are looking for.

Is the lack of data in that area not one of the major problems?

[*English*]

Mr. Jim Reynolds: You have me at a bit of a disadvantage. I don't have the translation device; I apologize.

The Chair: Why don't we stop here a minute.

Mr. Morin, I'll give you a chance to repeat the question.

Mr. Jim Reynolds: I'm very sorry about that. I do want to understand and answer your questions.

The Chair: Mr. Morin, perhaps you could repeat your question for him. I won't penalize you for any time.

[*Translation*]

Mr. Marc-André Morin: I was talking about the large number, the vast pool, of companies. I do not want to discuss the actual number, but it is a huge one.

If we have no data on those businesses, there is no way of knowing whether they are producing for a local, very specialized market and will never export, or whether they are tiny companies that are also very specialized, but who may have a customer in Europe, Asia, or the United States. If we have no data about them, how can we reach them? Would not the first thing to do be to make a list?

• (1720)

[*English*]

Mr. Jim Reynolds: Yes. I agree with your question. It's a very good question. I liked it a lot.

In terms of the ability to understand how many businesses are in this one million, those are the government's statistics that come out. Those are the numbers we've been given. We're not sure just how detailed or how finely cut that database is that's available. So the question you've asked is one that we've been wondering about as well. At this point, we don't have the answer.

There has to be some massaging of the database to get there; otherwise, we're not exactly targeted in. That's partly why I was suggesting that in a communications strategy we look at who else is involved in the SMEs and who wants to help SMEs. Typically they're in the private sector or the institutional sector: the Canadian Chamber of Commerce, the Better Business Bureau. There are two organizations—I can't remember the names, but one is in Montreal and one is in Quebec—who do an excellent job of bringing in the SMEs and making them aware of opportunities.

We almost have to reach out and get some synergies through the other organizations. I'd love to know the database numbers as well.

[*Translation*]

Mr. Marc-André Morin: I can give you an example. The best manufacturer of electronic circuits for electric guitar pickups works by himself from his home. He has two or three subcontractors who make components for him and 90% of his products are sold in the United States. That is what exporting is for him.

Next door, you might find, say, a manufacturer of roofing beams for farm buildings. He has 200 employees, but he sells only in the local market.

If the government has no data that can identify each kind of company and the markets each is producing for, it seems like a game of blind man's buff.

[*English*]

Mr. Jim Reynolds: I think you're right, in many ways. The two companies you talked about both have huge potential for Canada. You know about them. Other people somewhere will know about them. But those organizations may not know about the trade commissioner services, what Canada has to offer. In the case of the farm parts manufacturer, they may not be interested in exporting, or they may not know how to do it, how to engage. They may think it's a big challenge.

That's where the communication and engagement is really important. I agree with you 100%. I see that locally. People just aren't aware.

The Chair: Thank you, Mr. Reynolds.

Mr. Gill.

Mr. Parm Gill: Thank you, Mr. Chair.

I also want to thank our witnesses for appearing before the committee and helping us with this study.

My question is to both of you. Can you tell us some of the countries that your businesses currently export to or are doing business with?

I know, Mr. Reynolds, you mentioned that 80% of your business is into the United States. Are there any countries other than the States that you are doing business with?

Mr. Jim Reynolds: It's more a question for Neil.

Mr. Parm Gill: Mr. Lang.

Mr. Neil Lang: I would say currently that about 80% of our product is going into northern Europe, mainly Germany, Norway, Denmark, or Sweden. There just happens to be a focus of demand for our particular product there.

The other driver we have from an export perspective is into China. Especially in the major cities and the major port cities, there is certainly a big focus on cleaning up the air and the ports. Shipping is probably the largest polluter in port cities, so there is a big focus there on green technologies for marine applications. Those are our two major export focuses.

• (1725)

Mr. Parm Gill: Can you share with the committee your personal experience in terms of some of the hurdles your business faced when you first started wanting to export to other countries?

Mr. Neil Lang: I think there are two big challenges. I think from a product side and a market side, the biggest challenge is getting the first installations, the first proofs of concept in those markets and having an installation in the market where potential customers can go and see it and feel it. There's also the matter of building up a reputation. Word of mouth is pretty strong in most industries. One customer wants to talk to one or two other customers who have already bought your product. I think that was key.

The second piece was that they wanted to understand how you were going to service those customers. We're a Canadian company over in Vancouver. If they have a problem with our product, how are we going to make sure that we can look after that effectively and get it fixed for them? That was probably the second thing. In Europe, we manage that by working with integrators. We work with large electrical integrators such as Siemens and ABB. We partner with them to deploy our product into the market.

In China we've done it slightly differently. We have what we call value-added resellers, skilled agents who can provide service and maintenance work to our customers so they feel comfortable that their product risk is managed. From a product side, that's been the biggest thing.

I think I've already talked a couple of times about the financial side. Before people sign a contract with you and put down the deposit, they want to know that it's guaranteed or that our company is guaranteed to deliver and that if we don't deliver our product then their money is secure and safe. They want the LCs and so on and so forth from first-tier commercial banks to back that up.

Mr. Parm Gill: Do we have some time?

The Chair: You have a minute and ten seconds.

Mr. Parm Gill: Both of you mentioned that you've had some dealings with the TCS, EDC, and maybe BDC. In your opinion, how well are these government agencies positioned for helping SMEs make the leap to exporting?

Maybe, Mr. Reynolds, you want to go first.

Mr. Jim Reynolds: Sure. With regard to the TCS, I think they're very well positioned. They've reached out. They're aware of us. We're aware of them. They recently set up through the TCS's Atlanta trade commissioner a technology innovation session that was taking place in a large automotive company in Mississippi. They went out and got six booths at the show. Actually they paid for three and divided each one into two and brought six companies down from Canada. So they're moving to develop that.

There was a session in Waterloo about a month and a half ago at the University of Waterloo, and they brought in their representatives from Mexico, Atlanta, and Detroit.

The others, the EDC and BDC, are not 100% ready at the SME level yet in terms of being able to deal with them.

The Chair: I'm going to have to stop you there. I'm sorry, Mr. Gill, but your time has expired.

I apologize, Mr. Lang. I know you probably wanted to answer that question.

I want to thank both witnesses for appearing here.

Mr. Lang, make sure you wear some sunscreen when you go out tonight, so that you don't get too much sun on your forehead. Hopefully, you'll send some of that warm weather this way. We know it's coming sooner or later, hopefully sooner rather than later.

Colleagues, we'll see you on Wednesday.

The meeting is adjourned.

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