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Chair

Mr. Randy Hoback

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•(1530)

[English]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Pursuant to Standing Order 108(2), we are continuing our study on small and medium-sized enterprises. We have three witnesses here today.

Before I get started, I'll remind colleagues that it looks as if we are going to have votes, so I'm hoping to get through as much as we possibly can before the votes and then we'll see what the time's like after that.

Without further ado, we'll start with the video conference. From LTP Sports Group, we have John Williams, president.

John, the floor is yours for 10 minutes.

Mr. John Williams (President, LTP Sports Group Inc.): Thank you.

I thought I would give a brief introduction to our company.

We've been in business for 50 years. We are a western-based company, privately owned, with the same two families owning us today as the ones who founded the company. We've been expanding outside Canada for about the last 20 years. We have 150 employees across Canada. We have two facilities in Canada, one in the suburbs of Vancouver in Port Coquitlam, and one in Toronto, right by Woodbine Racetrack. They're both about 90,000 square feet. We're about \$100 million in sales and about 60% of this is in Canada. We also own one retail store locally in North Vancouver.

Our business plan is one in which sell exclusively to independent bicycle dealers. We don't sell to big box stores. We have two parts to our business. One is brand management, so we have our own proprietary brands. These are brands that we're responsible for product developing, marketing, communication, and contract manufacturing, and these brands are sold around the world. Probably many of you have heard of Norco bikes; that is the primary brand. Then we have Axiom products as well, and a couple of other minor brands.

In Canada we also distribute third-party brands. We distribute others, about 90 brands, in Canada and those are sold exclusively through independent bicycle channels.

Our competitors within Canada are global. I guess the three primary competitors would be Specialized, Trek, and Giant. But Canada is our primary market, and as I said, about 60% of our sales are in Canada. Our largest export markets are in the U.S., the U.K.,

Russia, and Australia. We continue to grow in Europe, and we have some presence in Asia today.

That's a brief synopsis of our company.

•(1535)

The Chair: Thank you, Mr. Williams.

We'll move on to our next presenter. We'll do all three witnesses first and then we'll get into questions and answers.

Ms. Martyne Malo.

[Translation]

Ms. Martyne Malo (Chief Executive Officer and Vice-President of Operations, Enzyme Testing Labs): Thank you, Mr. Chair.

First, I will also give you an overview of our company.

Enzyme is a private Canadian company in the video game industry, founded in 2002. The board of directors is made up of three people and a new CEO, which has been me since 2012. We have about 15 years of experience with quality assurance tests for video games. Enzyme is considered to be the only private quality assurance company of international level based in Canada; we are certified and recognized by the major video game developers and publishers.

At the present time, we have three studios: the head office in St-Jérôme, an office in Montreal and an office in Kawasaki, Japan. Our services include functionality testing, linguistic testing in over 39 languages, and pre-certification testing for Nintendo, Sony, Microsoft, iPad, iPod touch, iPhone and Android. We bring together focus groups for offline and online games. We have a translation service and provide customer service in 18 languages.

Our clients are definitely international and they operate on all platforms: PC, mobile, tablet, console, toys. This applies to big companies, SMEs, indies, AAA games, non-subscription online games and educational games. Our clients are in North America, Europe and Asia.

Our team has about 175 employees in the low season, from November to April, and 350 employees in the high season, from May to October. Fifty-five per cent of the employees work in linguistic testing, 35% in functionality testing, 8% in pre-certification and 2% in accounting. Eighty per cent of the staff is in St-Jérôme. We are careful to keep the jobs local.

Let's talk about the distribution by region. We have 30 clients in the U.S., 17 in Japan, 11 in Canada, four in France, two in the U.K., two in Germany, one in Italy, one in Sweden, one in Luxembourg and one in Romania.

Because of Quebec's tax credits, some companies, such as Warner Brothers and Ubisoft, have set up shop in Quebec. That has certainly enabled us to increase our sales in Quebec and our exports have decreased.

In 2013, 26% of our revenue came from Quebec and 74% came from exports. In 2014, those percentages were 56% for Quebec and 44% for exports. This year, from January to March, 68% of sales came from Quebec and 32% from exports. Our main challenge is to triple the expenses to obtain 70% for our exports.

Mr. Chair, that is the end of our presentation.

[English]

The Chair: Thank you very much.

We are now going to go to teleconference to Solar Global Solutions, Mr. Charles Cartmill.

Charles, you have the phone, or the mike. You have 10 minutes for your presentation.

Mr. Charles Cartmill (Chief Executive Officer, Solar Global Solutions Ltd.): Thank you very much.

I'm Chuck Cartmill, the CEO of Solar Global Solutions, which is a company that focuses on micro grid solutions, solar systems, storage, and combined heat and power units. The main markets are the Middle East, the Caribbean, and the U.S., with some business in Canada. It's about 80% export based.

I'm also the owner and founder of C-Therm out of Fredericton, a thermal conductivity analysis firm. It exports about 90% of what it makes, that being high-tech thermal conductivity equipment.

I founded LED Roadway Lighting in 2007. It exports to about 45 countries and is strong in the U.K., South America, and the Caribbean. There are very little sales in the U.S. because of Buy American. Overall, we run somewhere between 300 and 400 employees.

That's it.

• (1540)

The Chair: Thank you, Mr. Cartmill.

We have speedy witnesses here this afternoon.

We'll go on to our questions and answers.

Mr. Davies, you have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair, and thank you to all the witnesses for being with us here today.

Mr. Williams, I'll start with you. I'm a Vancouver-based member of Parliament. I know that Norco has a presence in the Lower Mainland and is a well-respected member of our community, so I'm going to direct some questions to you if I can.

You have testified that you have been building and selling bikes for over 50 years. Over those years, I'm wondering if there have been any major impediments to breaking into new international markets, and if so, could you tell us what those challenges were.

Mr. John Williams: We face a number of challenges. One that we're currently facing is managing our supply chain. Our supply chain is optimized for selling into Canada, but this means that we often have challenges selling into our other markets, particularly with differing rates of duty on the product.

For example, we can import product produced in China into Canada at about a 13% duty rate, but into the EU the duty is almost 48%. When we're choosing our vendors, we often have to choose the vendors based on where we want the product to end up. Because of the limited scale of the Canadian market, it's often difficult for us to double-source a particular product in multiple factories, and so we have optimization for Canada and for other markets.

Concerning marketing dollars, in the Canadian market, based on its scale, it's hard to generate significant profits and revenues to market on a global basis. In Canada we compete against global brands. In everything we do to build products, we are competing with companies that have much larger domestic markets to support their scale.

Another impediment we have is banking. Often the Canadian banks are great at supporting us in Canada, but as soon as our working capital needs for international expansion go beyond a certain comfort zone, it's difficult for them to provide financing. We use EDC to insure our foreign receivables, but that doesn't really help with working capital, particularly for inventory.

Certainly languages and cultural issues are always an issue when you go to foreign markets.

Those are probably the three things: product development, competing against larger brands with bigger resources; the marketing; and the financing.

Mr. Don Davies: On the import side, you mentioned that you're a distributor for some 90 brands. Have you had any challenges with Canadian customs on the imports side?

Mr. John Williams: Usually it flows pretty smoothly, although we have some challenges, such as the recent slowdown on the docks here on the west coast, from L.A. right up to Prince Rupert. It caused us some challenges, but also for all businesses in North America.

I would say that what hurts us the most or makes life most challenging is the different rates of duties that each country has based on country of origin. Having a harmonization of duties, not just with the United States but also with the EU and Australia would make it much easier to select factories in Asia for our contract manufacturing.

Mr. Don Davies: The impetus for this study was that Canada has identified the SME sector as being a very pivotal part of our economic profile going forward. We found that only about 10% of Canadian SMEs export now, yet they make up about 99.8% of the Canadian business environment. I'm wondering what advice, if any, you would give this committee. What federal government programs would be beneficial to help your company, or others that you're aware of, to better penetrate export markets?

Mr. John Williams: I think it would be assistance in marketing. Our identity is tied around being a Canadian-based company, and we Canadians have a very good reputation in general around the world for quality and innovation. Some help on that would be useful.

We could use some help, possibly, with product development, because it costs us as much to develop a new bike platform as it costs any other competitor. I know I'm repeating myself, but because of the scale of the Canadian market we have fewer people among whom to amortize those costs; to survive, we have to be successful outside Canada. There could be some help on that.

With banking we've been very fortunate over the years because of the banking regulations we have in Canada. But that regime hurts Canadian businesses expanding abroad, because our banks are uncomfortable with providing financing on inventory outside of Canada. As for working capital, our needs go up quite a bit as we expand outside of Canada. Concerning foreign exchange, we have ways to manage it.

On the question of personnel, the minds of management are in Canada, and all the knowledge-based jobs are in Canada, but often we need local knowledge for the markets we're selling into. We don't really have any challenges today bringing in people from abroad to help us, but sometimes it takes awhile, if we identify an individual we want to hire abroad to bring over to Canada.

I think those are the main areas.

● (1545)

Mr. Don Davies: I'm going to finish by saying that you mentioned you are beginning to get some market presence in China. What has been your experience in building your footprint in the Asia-Pacific, particularly China?

Mr. John Williams: In China, it's very slow. We all hear that it's a 1.3 billion-person market. That may be the population, but there are really maybe 50 million to 100 million people who have the means to buy our product.

It's a slow process over there. It's just a question of patience. The market is emerging for our product in Asia, but it reminds me of the way Russia was about 15 years ago. It will take time, and we just have to be patient.

The Chair: You're pretty well done there, Mr. Davies.

I'll move on to Mr. Gill.

Mr. Parm Gill (Brampton—Springdale, CPC): Thank you, Mr. Chair. I also want to take this opportunity to thank our witnesses for helping us with this important study.

My question to all three of you, if you can help us understand, is whether any of you have had dealings with federal agencies such as

the trade commissioner service, and if so, would you be able to share your experience with the committee?

Mr. Charles Cartmill: It's Chuck Cartmill here, I've had experience with most of them. May I comment?

Mr. Parm Gill: Sure.

Mr. Charles Cartmill: I think the trade commissioner services are doing a wonderful job.

Maybe I should just step back. You all have the document that I sent in, I take it. I'm just going to confirm some of the things, because this was one of the areas that I covered. I do serve on Minister Fast's SME advisory board, and I've spent a lot of time looking at this. I can tell you that, having travelled the world and used trade commissioners services, they do a fabulous job of helping us enter markets and identify clients, helping us in some cases set up appointments and even accompanying us. I think they're doing a wonderful job.

I'm going to focus my comments based on what I've learned at LED over the last 10 years or so—it's really just about that old—and at Solar Global Solutions, because they're both in enormous markets with tremendous opportunity for growth, and I think they're the kind of businesses we need to support.

When I started LED I had a pretty simple rule for the employees: if EDC won't approve an account or a municipality or a country, we don't sell to it. I didn't even need a credit department and we've never lost money with that approach. So EDC is a phenomenal group offering a great service. I see in *The Globe and Mail* this morning that it made \$1.1 million in profit and paid a dividend of equal amount. It's amazing that it can do that, giving the support. So it just needs to be encouraged to do more work with smaller companies. I think one of the things is that it's been very responsive. We managed to get it to set up a unique deal in Maldonado, Uruguay, late last year that allowed us to book about a \$5 million order. So it can be creative.

The one that we have been extremely frustrated with is Canadian Commercial Corporation, and I am meeting the president and CEO on Tuesday afternoon, Martin Zablocki. Canadian Commercial Corporation only deals with SMEs that are referred to it through the IRB program, the industrial regional benefits program, that are associated with the U.S. Department of Defense. There's next to no risk. I don't know if it's a shortage of people, but I'm hoping to learn more about that when I'm there. But I've met with its representative in the Caribbean, in Cuba. I've met with him in different countries, in Panama. It adds, or it could add, a unique and most important reference to SMEs, I would say.

When we go with these companies to export to foreign governments—which are a lot of our clients, including municipalities and governments, and utilities—if it's a government, Canadian Commercial Corporation gets in the middle and would act as the contractor. So it would buy the product, and we're sure of getting paid. It charges between 1% and 5%, and it sells it to the foreign government or company. If it's a government, most of the time there is no need to go to tender.

What's so important about this is that SMEs like ourselves, in a lot of cases, are competing with GE and Phillips, large global companies. We're nothing compared to them. There's always a concern about how long the company is going to be around and that kind of thing. To me, CCC represents the biggest opportunity for growth-oriented SMEs and the biggest challenge as well. I think if you can help CCC get into the SME business, it will be one of the best things you could do.

• (1550)

With BDC, the Business Development Bank of Canada, I have had limited success, and most business people I've talked to have had limited success with them. They have an extensive network of offices across the country and they do consulting work. But they're known as the lender of last resort, and they do a good job of earning that reputation. You have to be pretty well desperate to deal with them and to get a deal out of them.

I own a 55,000 square foot building in Amherst, which we're in. When we did this deal in Maldonado, it required us to finance the entire deal out of our line of credit. For an SME to try to manage \$4 million to \$5 million out of a line of credit is exceptional. We were lucky that EDC managed to come up with a deal and guarantee the bank 90% because the deal is going to see us get into a balloon payment at the end of the contract, which is roughly 10 or 12 months.

Without EDC doing that, we would never have been able to participate in this business. I think CCC could have played a very big role in there, and BDC also.

The Chair: The time has expired for the member's question period. Sorry there, Charles.

We'll move on to Ms. Freeland, please.

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

I want to start with Mr. Williams.

I was interested in your comment about the harmonization of duties. That's a very big task. Are there any sort of pieces to it, first steps, that would be helpful for you and that you could see as feasible?

• (1555)

Mr. John Williams: Thank you.

We're working right now with the federal government. There are really two initiatives. There is one from the World Trade Organization, the green goods initiative, and I think 14 or 15 countries have signed onto this initiative. Any products that are considered good for the environment would have duties eliminated on them. If tariffs were eliminated on products coming into Canada in our sector, that would certainly be helpful.

The other initiative that the federal government has is what they provided a couple of years ago to the sporting goods industry for hockey, and I think golf, where they eliminated tariffs. They reduced tariffs to zero for these goods, and I think that was to increase participation within those sporting sectors.

Those would be two areas right now. One is the WTO, and that initiative is making its rounds. The second one is a program that's already available, I think for hockey, and I believe golf.

Ms. Chrystia Freeland: Okay, thank you very much.

I have a question, again for you, Mr. Williams, and also for Mr. Cartmill. I think it probably doesn't apply to Ms. Malo so much.

This is on your comments about credit for your export work and how hard it is to get from Canadian banks and also Canadian government institutions. Based on your practical experience, what could we do to make that a little easier?

Mr. Williams, you could maybe go first.

Mr. John Williams: I echo what Charles said about EDC when it comes to financing trade receivables, as they do a very good job. Like his company, we do not make any sales outside of Canada unless we have insurance through EDC or the funds are wired to us before we release the product.

On the financing of inventory, if programs could be established to provide some sort of financing on inventory to support the growth outside of Canada.... Again, Canadian banks don't like using inventory that's not held in Canada as margin.

Ms. Chrystia Freeland: Mr. Cartmill, do you have any comments on that?

Mr. Charles Cartmill: Yes.

I think if your regional development groups like ACOA could offer loan guarantees, it would be a tremendous help to SMEs.

Ms. Chrystia Freeland: Okay, thank you very much.

[Translation]

My next question is for the three witnesses.

Last Monday, we heard other witnesses say that there was a problem, since Canadians can have only one passport. That is a challenge for entrepreneurs who have to travel a lot for their work.

Would it help you to have two Canadian passports?

[English]

We heard from some of our witnesses on Monday that it's a real barrier to business to only be able to have one passport. They know that if people in other jurisdictions, for example in Britain, need to have two passports because of travel, they can get a second one.

Would that be useful?

Ms. Martyne Malo: Not for me. I've been travelling a lot and have only one passport. I didn't have any issue with that. I am wondering why I would need a second passport.

Ms. Chrystia Freeland: I think the comment from our witnesses was that they travel to countries where it takes a long time to get a visa. If one of your passports is in the embassy, you are blocked from travelling during that period.

I wonder if Mr. Williams and Mr. Cartmill encounter that.

Mr. Charles Cartmill: I know some of our staff at LED have experienced this problem. They've been couriering their passport, having to go on another trip, and waiting for it to come back. I could see that could be a help.

Ms. Chrystia Freeland: Mr. Williams, do you have any comment on that?

Mr. John Williams: You know it hasn't been a real issue for us at our company, but I could see how it could be if someone is on the road a lot, because it does take a bit of time to get your visas from certain countries.

The other issue with respect to passports is travel back and forth to and from the United States. When we have our employees going down there and making calls, sometimes there's concern about crossing the border and if there's any personal exposure or personal liability to them.

• (1600)

The Chair: I have to stop you there. I'm sorry, but your time is up.

We'll move on to Mr. Shory, please.

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

Mr. Cartmill, I was looking at the brief that you presented to the senate committee. Towards the end you commented that governments need to be entrepreneurial in policy creation and support of companies for export growth.

Trade is at the forefront of our government's agenda, and lately it's been to make the SMEs aware of all of the services available to them—TCS, BDC, EDC, CCC—to support them to find and create new markets for exporting their goods and services to and to create good jobs here back home. Specifically when we talk about Go Global seminars, which is a major part of our awareness campaign, what more do you think the government should do to encourage and support the SMEs?

Mr. Charles Cartmill: I think what we have to keep in mind is that for companies to be strong in export markets, most of the time they have to be strong at home. I think some of the programs that the federal government has are fantastic, like the BCIP, which helps launch new technologies. The next phase of that program has not been implemented—I don't know if there is a second phase—but if you could take BCIPs, these leading-edge technologies that have been proven by the demonstration program with DPW, and make those standing offers so that other government departments across the country could have access to them at those prices, that would be phenomenal in building a solid base here in Canada. I think most SMEs have a lot of trouble dealing with groups like SDTC. You don't have the manpower to manage the kind of applications and time-consuming effort that's required for an SDTC.

There was another comment earlier about product development. NRC-IRAP is the best program for obtaining financial support for new product development, but I think they have limited funds. When it comes to SMEs it's a gruelling experience. I think it should be expanded.

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

Mr. Williams, I have a quick question for you.

I see in the briefing material that Norco Bicycles have become popular throughout the world. When expanding into the international market for bicycles and related equipment, did your company make use of any of the Government of Canada programs like TCS and EDC? If yes, then can you comment on the quality of service you received?

Mr. John Williams: The government program that we use on a regular basis is EDC, and that's to insure our receivables. I think they do an excellent job.

Mr. Devinder Shory: Good.

Have you faced any barriers to exporting your business, and are there any barriers on the Canadian side?

Mr. John Williams: From the Canadian government? No. There are no barriers. The only barrier, really, is the level of risk tolerance we're willing to accept to grow outside of Canada. We will hit a level where, if we can't get additional financing from either Canadian banks or banks outside of Canada, that will limit our growth, but to date we haven't hit that ceiling.

• (1605)

Mr. Devinder Shory: Okay.

Ms. Malo, I have the same question for you. Do you face any barriers from the Canadian side?

Ms. Martyne Malo: Yes.

[*Translation*]

We ourselves do not export products; we export services. Our biggest obstacle is with Citizenship and Immigration Canada. Among the services we offer are linguistic services in more than 39 languages. For AAA projects, some clients will ask for language testers in their native language, and they cannot be found in Canada because we are sometimes dealing with second- and third-generation games. Because of the level of employment, people from Scandinavian countries do not come to Canada.

Since June, Citizenship and Immigration Canada has tightened its policy because some companies were abusing the department's policies. Because of that policy, we have not been able to get temporary work permits for linguistic staff. We would have appreciated being informed before the policy was tightened. It would have allowed us to react by writing a letter explaining how the tightening of the policy was going to affect us.

From 1973 to 2013, a labour market impact assessment (LMIA) was free. After 2013, a fee of \$215 was required. Since June 2014, that amount has been increased to \$1,000, plus \$155 for the permit and an amount of \$346 for Quebec. If my need is for, say, 15% of my workforce to be foreign and if they must have a temporary work permit in order to work on the projects, it is going to cost me about \$80,000 to get 52 employees, which is 15% of 350 employees.

[English]

The Chair: Sorry. We're just running out of time for his question period.

We'll move now to Mr. Morin.

[Translation]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Can you tell us briefly about your company's experience with export promotion agencies? What has been your experience with all the government agencies that are supposed to help you export your services?

Ms. Martyne Malo: We have met with trade commissioners in Japan, France, the United Kingdom and Italy. They are accessible and their advice is good. They know the business culture in their respective territories well. They can advise us on the approach to take in each of those cultures, which could help us even more. We are already established in a number of places, with a number of clients, including potential ones.

It would be helpful if some of them could operate on the ground more. They could act as a link between us as Canadian suppliers and the needs of customers, or others, in a given territory.

They do not go that far. If we want to make contact with Nintendo representatives in Japan, they leave us to fend for ourselves. The credibility of Canada's embassies and trade commissioners could make things more worthwhile, and quicker, for us, especially in Asia. One of the witnesses spoke about that earlier.

In China, it is a long process. In Japan too. Three years can go by before the capital you invest begins to pay off. Earning enough of their trust to be able to provide them with our services requires a lot of steps, a lot of meetings, a lot of contacts. Markets there are still closed. Staying in a place for three years hoping for some return really takes some doing. Certainly, the situation would become more interesting if we could take advantage of the embassies' credibility and contacts.

Programs and grants should be treated differently, I feel. For the trade missions in the United States, Europe or Asia, bigger grants for export assistance should be considered. When we go to Japan, for example, there is no question of a quick in-and-out trip. We are there for at least two weeks. Trade missions take more time. The same goes for Europe.

For the trade missions that Canada organizes, it would also be a good idea to provide something a little more flexible for those who already have clients there, as we do. It would mean, for example, that we could stay a week longer and meet with our own clients, while still taking advantage of a hand with the arrangements.

• (1610)

Mr. Marc-André Morin: Do you think it would be useful to set up a one-stop shop where you could go for information that is more

Ms. Martyne Malo: Are you referring to all the programs?

Mr. Marc-André Morin: Yes.

Ms. Martyne Malo: As an SME, we have few resources, but a lot of work to do. We can easily get lost in the multitude of programs

being offered, both at the federal and provincial levels. We can't always spend days researching each of the programs to see how they complement each other and to identify those that would be most beneficial for us.

If there were a one-stop shop and we could call someone to ask about a very specific need, that might help us and save us time. For an SME, doing things fast is quite important.

Mr. Marc-André Morin: Quebec is probably very worried about keeping its own institutions. I don't think the communications between federal and provincial organizations are very smooth. It must be difficult for an SME to be in that situation.

Ms. Martyne Malo: Yes. When we participate in fairs and exhibitions, there are trade commissioners from Quebec and Canada. We meet with both, and it is clear that they don't work together. That can create confusion. In addition, the attitude of some of them can be biased, in the sense that they sometimes talk more about their programs and play down the benefits of those provided by the other level of government. In some cases, the climate is competitive. The fact remains that our goal, as entrepreneurs, is to find the program that works best for us.

[English]

The Chair: I'm going to have to stop you there; your time's up.

We're going on to Ms. Grewal.

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

Thank you to the witnesses for your time and your presentations.

Doing business internationally brings a lot of challenges, particularly while dealing with a new culture and a new language. How have you managed to navigate the language and the cultural barriers in foreign markets?

Could each one of you please tell us?

Mr. Charles Cartmill: I can tell you that we're very fortunate to have several universities in Halifax, and we have people attending university from all over the world. We've been careful to select employees from Africa who speak Swahili, from Brazil for Portuguese, Colombia for Spanish, and so on. We also have someone from the Philippines.

I think there's a great opportunity to hire people with a language skill, perhaps by allowing a little more immigration. I think we have some pretty strict immigration limits here in the region. We have a shrinking population, and we could use more immigration to help us out in this area.

Mrs. Nina Grewal: Mr. Williams, do you have anything to say?

Mr. John Williams: Thank you. Yes.

I alluded to this earlier too. As Chuck just said, when we hire employees we first look to Canada. If we can't find the employees with the local knowledge we want in the market we're expanding to, we're forced to hire within that market. Sometimes it's an arduous process to get the immigration papers and to get a working visa for Canada.

With respect to cultural norms and values, again, we haven't looked to the Canadian government for any assistance on this front. Usually it's just through our network, our suppliers, or other partners we're working with at the time.

Mrs. Nina Grewal: Ms. Malo.

[Translation]

Ms. Martyne Malo: The same goes for us. In terms of Japan, the advantage is that we are established there.

•(1615)

[English]

We have a studio in Japan. The advantage is that we have people there who are Japanese, so it helps a lot.

You have to do your homework. You have to go through each culture you want to visit, and then you have to know more about the business you're in, the way they do business. Likewise, we didn't go through any Canadian agency to do that.

Still, immigration is a burden for us. As I explained, we have to hire a lot of people. When we have to go to these markets, for example the employment market, we use our people inside the company from other countries to post jobs, for example, in their local newspapers, and so on. Again, we need to have them, or a small number of people. We do the same. We hire from Canada first, Quebec, Canada, and then we have to go out for 15% of our employees.

It would help a lot if we had a fast track for immigration, even more so in the high season when it can take up to six months before we get someone. The average is three months. But you already must have your business volume in December, let's say. If you want to have your people for June 2015, you need to start the process in December of the previous year. You have to post for three months to show that you've done your homework and that you have no one to hire from Canada. Then you have to go through the whole process again, and it could take an additional three months. That's a huge amount of time during the high season, from June to, let's say, September.

It would help a lot if you opened up these policies to ease the process, and had fast tracks for businesses like ours.

Mrs. Nina Grewal: Could you also comment on the positive impacts that small and medium-sized businesses have on their local communities?

Ms. Martyne Malo: Our communities in Saint-Jérôme?

Mrs. Nina Grewal: Yes.

Ms. Martyne Malo: We moved from Sainte-Adèle to Saint-Jérôme last May. We do have, I would say, a fair impact on homeowners, and so on, as our foreign employees who come to Saint-Jérôme rent houses. The homeowners are very happy about

that. Retailers around the company have also seen an increase in their business.

The Chair: I'm going to have to cut in there and move on.

Ms. Liu, you have five minutes.

[Translation]

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

Thank you very much for that, because it is important to keep the jobs in the Laurentians. *La Presse* has recently published an article on the demographic boom in the Laurentians. I was told that half of the people who lived in the Lower Laurentians were working there as well. That is great news.

Another article in *La Presse* talked about an entrepreneur at the helm of Absolutnet in Boisbriand. He said that, when he was hiring people, some asked him which metro station Boisbriand was at. I found that funny. That being said, I think it is very important to develop the Lower Laurentians region, because it is experiencing a significant demographic increase.

Based on what you said, SMEs need quick answers because they must act very quickly. Do you think tax credits are useful for your business? Do the tax credits for research and development in technology apply to your business?

Ms. Martyne Malo: They do not apply in their current form because we don't develop software. However, it would be useful to expand this grant, especially if we want to compete with countries whose economy is emerging—Eastern European countries or India, for instance—and where the salaries are much lower. We would then look at productivity gains by introducing a first test with a computer application, for instance. That might help us stay competitive or bring us closer to the prices of those countries. The prices are lower because the salaries are lower there.

The business model would then change completely. If we change the service production chain with a new approach—no one is actually doing tests online—and if we need to test the approach, those credits would be useful.

•(1620)

Ms. Laurin Liu: And your company's office in Japan—

[English]

Mr. Charles Cartmill: Can I respond to that tax credit question?

The Chair: Go ahead, Mr. Cartmill.

Mr. Charles Cartmill: Tax credits are a value when you're profitable and your business is up and running, but many SMEs are operating on the line as they grow their businesses, especially start-ups. It would be a long time before they start to see the benefit of tax credits, so you're far better off.... A program like SR and ED, the scientific research and experimental development credit, is really only a rebate, and it's good, but it's a rebate to companies that are already profitable.

I started all three businesses I'm talking about today from the ground floor, from concept to completion, and I can tell you, it's a long time and quite a battle. I've never taken a penny of profit out of those businesses, and as they make profit, I put it back in to grow the business. I'm fortunate to have had a career where I was able to make enough money to finance this, but this is where I've obtained my experience with financing and venture capital and BDC and EDC. I think the tax credits are good for the big companies or companies that are already making money. Many companies don't fight for them

Ms. Laurin Liu: Yes, and what you said about SR and ED is interesting because I've been hearing from a lot of SMEs that the capital cost allowance has been eliminated from SR and ED. Then the changes that were made in 2012-13 have dissuaded a lot of SMEs from taking advantage of it, so certainly that merits being explored further.

[Translation]

I would also like to talk about venture capital. We briefly touched on the topic at our last meeting.

Ms. Malo, does that apply to your company? You have never had to use venture capital?

Ms. Martyne Malo: No.

[English]

Ms. Laurin Liu: Is that true for LTP Sports Group as well?

Mr. John Williams: No. Only if we're looking for a way for the shareholders to divest their interest.

Ms. Laurin Liu: And LED Roadway Lighting, you wouldn't have any comments on that?

Mr. Charles Cartmill: I have a lot to tell you about that. It's the business where I obtained equity to help finance the growth of the business and new product development, and it's an absolute nightmare. I'd never do it again. I'd shoot myself before doing it. I can tell you—

The Chair: Thank you, Mr. Cartmill. I'm sorry, your time has expired. I know you'd like to say more.

I'm going to proceed with Mr. Allen.

We're expecting votes any minute now. So, Mr. Allen, we'll give you the floor until we see the lights flash.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair. I'll probably hardly be able to get started with the time I have left.

Ms. Malo, I just wanted to ask a quick question about the technology nature of your business, your experience, your profile of outsourcing, and those types of things. You hit on it a little bit when you were answering Ms. Liu's question. Regarding your capability of using testing when you're hiring employees to actually grow your business, is the capability there for you to actually be able to outsource this to other countries, as other businesses are doing, so that you avoid all the challenges you might have in bringing people in and you can actually source people to do the work in that country and in that language?

Ms. Martyne Malo: Yes, do you mean if I would have kind of a platform to do testing online, for example? Yes, if I could have this technology, of course it would help.

The other thing is that it could help some clients who don't have any issue about security, because when it comes to AAA titles, for example, you have to have very secure facilities because they're investing a lot of money. We're talking about millions of dollars, so they wouldn't go for that. So mobile testing, for example, or indies, they would go for that, but not for the AAA.

The other possibility to avoid immigration or having people come in would be to open offices in different places, which would give the employment outside the country, so you don't want to do that.

Mr. Mike Allen: No, I just wondered about the possibility. Thank you.

Mr. Cartmill, one of the things you mentioned was the regional development agencies like ACOA giving loan guarantees. I just would like to refer you back to the tremendous history we've had in New Brunswick with loan guarantees for companies. You know the Atcon debacle we had and the situation with the provincial government trying to set up with caisses populaires to be a loan guarantor for businesses at the same time. That was a real challenge. From what I understood from businesses, they were having a hard time actually getting this even set up so that this could actually happen. Is that really practical for that to happen, given the climate that governments seem to overly subsidize business?

• (1625)

Mr. Charles Cartmill: I'll tell you, it wouldn't be a problem if you could eliminate the politics from it, because generally the staff are excellent. I find that I work with the staff, not with the politicians, and they're looking long-term at their jobs and want to make good decisions.

If you want to help SMEs, the biggest problem they have is financing growth and financing exports. There is nothing better than a line of credit. It ties into equity. When you get equity, some of that looks like debt, and it also completely transforms an entrepreneurial business into a behemoth. You have to have a board of directors. BDC and EDC will not invest directly in an SME. They insist on having a venture capitalist in to value the enterprise and the venture capitalist's total goal is to take over control of the board—

The Chair: Thank you, Mr. Cartmill. I'm sorry, but we have the bells going off here now.

We have to stop now, unless I have consent for Mr. Allen to just finish his minute of questions, if you want to Mr. Allen.

Do I have consent to do that?

So finish your questions.

Mr. Mike Allen: Okay.

The Chair: I think what we'll do then is adjourn this meeting and let the witnesses leave, because by the time we vote and get back, we may have time for another five to ten minutes, maximum, so it's just not worth holding witnesses for that period of time.

Mr. Allen, you've got about a minute and a half, and then we will adjourn.

Mr. Mike Allen: I just want to pick up with Mr. Williams. Just on the question of inventory outside of Canada, it's a good point because as you're financing growth and locating that, you indicated that you're having some challenges with the banks wanting to take the risk to cash-flow and fund that. Given your background, what do you see? Even if another entity were actually financing that, would that change the actual reporting that you would have for that on your balance sheet? Would it actually change very much? Have you seen any movement in that regard in the past few years?

Mr. John Williams: Honestly, I don't have a solution for how you would finance outside of Canada right now. I think it just slows down the pace of growth as you build up equity in those countries and you establish banking relationships in those countries.

Philosophically I'm kind of opposed against guarantees from the government. I would like less government involvement, not more. So I really don't have an answer for how we provide financing to Canadian companies for working capital outside of Canada.

I will give thumbs up to EDC. It does an outstanding job on the receivables side of the business.

The Chair: Thank you very much.

Thank you, colleagues.

We will adjourn, and I trust you will all have a good time. Thank you very much.

This meeting is adjourned.

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