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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, April 27, 2015**

**Chair**

**Mr. Randy Hoback**



## Standing Committee on International Trade

Monday, April 27, 2015

• (1530)

[English]

**The Vice-Chair (Mr. Don Davies (Vancouver Kingsway, NDP)):** Colleagues, I'd like to call this meeting to order. This is meeting number 55 of the Standing Committee on International Trade. We are continuing, under Standing Order 108(2), our study on small and medium-sized enterprises.

I would like to welcome all the witnesses who are with us today.

We have with us, from Emovi Inc., Michelle Laflamme, president and chief executive officer, and from Fumoir La Fée des Grèves, Mr. Nicolas Letenneur, vice-president. Écotech Québec is not here yet, but we understand that we will be joined by them shortly. By video conference from Saskatoon, Saskatchewan, we have Prairie Machine and Parts, with Mr. Brandon Hall, operations manager, electric vehicle division.

In deference to technology, and in some fear of technology, we will begin with the video conference from Saskatoon.

**Voices:** Oh, oh!

**The Vice-Chair (Mr. Don Davies):** Mr. Hall, you have eight minutes, please.

**Mr. Brandon Hall (Operations Manager, Electric Vehicle Division, Prairie Machine and Parts):** Thank you, Mr. Chair and committee members, for letting me speak here today on behalf of small businesses. I appreciate the opportunity to share my experience and observations surrounding the interaction of SMEs and the federal and provincial governments.

I'll start off just briefly by letting you know who I am and where I come from, and why I'm sitting here today. My name's Brandon Hall. I'm the operations manager of Prairie Machine and Parts in Saskatoon. We were a young start-up company started in 2010. We've just recently, as of January, been acquired.

For the background of the company, we started PapaBravo in 2010 to design an electric vehicle for underground mining to replace a traditional diesel truck underground. We started with basically just a few of us in a back-shop garage with a \$35,000 contract, running on credit cards and lines of credit.

After our first vehicle delivery and successful deployment in 2010, we began to gain some attraction, both locally and internationally. We were approached by a local industrial technology adviser from NRC, and we were granted a project to further develop our product. This initial input is where we really started to gain some momentum. It afforded us to move to the next level with our

company without a high level of financial risk. After this project was successful, we received a large contract from one of the local mines. We actually couldn't afford to deliver on it, as we couldn't afford the parts to manufacture it. This is where the federal government came in. Through BDC, we were able to factor our purchase orders, and by factoring them we were able to access some working capital and deliver on that contract.

Over the next few years, we had some exponential growth. We went from about four employees and \$50,000 in sales in 2010 to 45 employees and about \$6 million in sales in three years. None of this would have been possible without the support of both the provincial and federal governments.

In terms of trade and export development, both governments, federal and provincial, have afforded us the opportunity to expand faster and smarter than we ever could have without their help, namely the Saskatchewan Trade and Export Partnership and the trade commissioner service.

When I was starting to investigate new markets and how I should go about expanding into new markets and what markets to expand into, the TCS was a really good resource for me in vetting potential customers for a dealer network. Angela Dark out of Saskatoon, the trade commissioner here for the mining sector, would talk to embassies and other trade commissioners and give me a background on the people, so I didn't have to fly there to meet them face to face to see if they were a reasonable fit for our company. As a young start-up with limited cash, this was definitely a big benefit.

Also, the Saskatchewan Trade and Export Partnership, without whom we would never be where we are today, their services, advice, and market research were immeasurable in terms of export success. I would also like to acknowledge the success of the BIAP program through NRC, the business innovation access program. We were able to get a fully funded market research project done through this so we could enter some new markets and have some good, strong intel before entering these markets.

With the success of all these programs and how much they've helped me over the last three or four years, I have noticed some areas that I personally feel could use some improvement or maybe some change. In my experience, the hardest part about expansion, both locally and internationally, is juggling risk with available cashflow. As with any business, cashflow is important.

Expansion plans and new markets can demolish a company's available cash in a hurry. What I would recommend to this committee to investigate would be to develop a program similar to the NRC IRAP program.

•(1535)

It would be more focused and strategic program that would target promising young companies looking to expand and looking to grow into new markets rather than the broad approach, which is all these big programs and everybody has access to them. This would target specific companies through a specific project. I want to expand to this market and the government would afford them some financing, some advisers, some market research, and things like that.

It would not be for every company, which is similar to how the NRC IRAP program is not for everyone. In my experience this more targeted approach would offer a greater return for Canadian taxpayers' dollars.

The second portion that I would recommend to the committee is the marketing of products and services. Starting up a new company basically swallows your life up, 80 hours a week, seven days a week. That was normal for me for the last four years and I know there are dozens of programs and financial aids and services available, but the average Canadian business owner is completely unaware.

While you're working these 80 hour weeks, you don't have time to dedicate to looking up these services. If you could get these products and services into the eyes of Canadian business owners, that could really have a lot more momentum and have a lot more success.

I'm very excited by the level and depth of resources that both the federal and provincial governments are putting into trade and export development. I'm glad to see that the federal government has plans in the budget released last week to expand the trade commissioner service and has earmarked some funding for trade and export.

Thank you for the opportunity to bring my experience and my recommendations. I welcome your questions.

**The Vice-Chair (Mr. Don Davies):** Thank you, Mr. Hall, and we did in fact hear your entire presentation.

Next we have from Emovi Inc., Madam Laflamme.

•(1540)

[*Translation*]

**Ms. Michelle Laflamme (President and Chief Executive Officer, Emovi Inc.):** Thank you, Mr. Chair.

I'd like to extend my sincere thanks to the committee for the opportunity to discuss my company and our journey.

I started Emovi, which stands for emotion, movement and vision, in 2007. When you start a business, all three of those elements come into play. Emovi emerged from university research and technology. In fact, three Canadian universities—CHUM, École de technologie supérieure and École Polytechnique—jointly developed a tool to observe and assess a knee in motion.

People can experience knee pain when they move, play golf, ski or go down a flight of stairs. And the only knee assessment tools doctors have right now are their hands, eyes, x-rays and MRIs. Imaging produces static pictures that provide little or no information on what is causing the patient's symptoms. It's akin to assessing a patient's heart just by listening to the heartbeat, as was the practice years ago.

The same goes for the knee, so doctors don't necessarily have all the tools they need to understand why the patient is experiencing pain. And patients end up in a vicious cycle. They see a doctor, who prescribes them pain medication or something else. If the patient goes back to the doctor, they will undergo an x-ray or MRI before being seen by an orthopedist. And many of the patients waiting to see an orthopedist aren't candidates for surgery. When they finally see the orthopedist—if they do—some six or eight months later, if not a year or two later in Canada, the orthopedist sends them right back to their doctor. So patients suffering from knee pain have a very hard time.

In the early 1990s, the three Canadian universities I mentioned set about examining the issue. Only a few university research teams in the world have studied the problem and been able to acquire a solid understanding of knee joint function. They researched all the symptoms related to knee injury, osteoarthritis of the knee in the aging population and femoral-patellar syndrome, which is common in soldiers and those between the ages of 20 and 40.

I acquired the technology, and together with four hospitals, we started to gather conclusive data in order to obtain approval for the system and the ability to sell it. From 2007 to 2010, clinical trials were conducted, and the technology was tested in a real healthcare setting. In 2010-11, we received regulatory approval from the FDA and Health Canada, as well as CE marking in Europe.

Given that the technology is a medical innovation that represents a new practice for the medical community, it means that doctors have to change their approach to knee assessment. In order to build credibility in the medical community, we had to engage opinion leaders so that they would publish data on the technology and endorse it.

So, not only did we face regulatory barriers, but we also had to overcome credibility issues and the difficulty around integrating the technology into the care continuum, with respect to front-line healthcare providers. After receiving the necessary regulatory approvals, we began marketing the technology in 2011. We called it KneeKG—a nod to EKG, the heart assessment tool.

Our first buyers were opinion leaders from around the world. That process was largely facilitated by Canadian trade commissioners, who introduced us to David Hunter, an opinion leader from Australia in the field of knee osteoarthritis. In 2011, he did a literature review on the subject that appeared in the journal *Nature*.

Having his support is important for us, knee osteoarthritis being our main market. But the fact of the matter is that, for a Canadian start-up, knocking on the doors of opinion leaders isn't exactly easy, and the trade commissioner service did a lot for us in that regard. Today, we have 20 sales under our belt, including in Australia, thanks to Mr. Hunter, who introduced us to an Australian distributor. So now we have a distribution company in Australia. And we've also made one sale to China. We've sold the technology to buyers in the U.S., France and Canada, as well. Opinion leaders have helped with our initial sales, and that's largely thanks to the help we received.

We have a small team, but what we do requires a lot of funding and investment. In our first few years, until 2012, I provided a significant part of the funding, myself. In 2012, the process of marketing the technology for export became very cost-intensive, so we sought out venture capital.

• (1545)

We applied for BDC funding, but we didn't get it. We did get funding from Fonds Bio-Innovation, which is mainly supported by Quebec's Fonds de solidarité FTQ and the Royal Bank of Canada. We didn't meet the BDC's criteria, but we did meet the Royal Bank's requirements, with a guarantee provided by EDC. That was a major boost for us.

At the same time, we continued our R and D work to keep innovating. We worked on our technology, a product to diagnose the causes of knee symptoms. We took the technology to the diagnostic level. Our system makes it possible to diagnose whether a patient has osteoarthritis and a partial tear, patellar syndrome or another problem. From a regulatory standpoint, diagnosis is a more refined step. We received a lot of support from the NRC through IRAP. That gave us the momentum to obtain a critical mass and to introduce our product to frontline health providers. Market demand exists for this kind of diagnostic tool.

So that gives you an overview of what Emovi does. Our team continues to innovate and engage in R and D, but our primary focus is commercializing our system. Commercializing a medical innovation requires a change in medical practices, and that's a big challenge for us. We have to work with medical associations to incorporate information about the new technology into continuing education activities. The Quebec government gave us funding for a major clinical trial involving 2,000 patients. The trial has merely confirmed all the evidence gathered to date. It's being done in a more formal context so that we can incorporate the technology into Quebec's public health system.

In the U.S., we've been able to have Medicare cover the cost of the assessment. That's been a problem in Canada, given that each province has its own plan for reimbursing expenses. In Quebec, it's RAMQ. The U.S. health insurance plan is universal, so we have access to the entire market.

Something that could go a long way towards helping medical companies like ours would be an initiative to harmonize the integration of medical innovations in the public healthcare system. That could be covered under interprovincial agreements, for example. It would make our job easier, because we wouldn't have to duplicate the same process in every province. Right now, we are putting a lot of focus on the U.S. and European markets because, in Canada, we have to follow the same process ten times. It's a tremendous burden that requires a significant amount of time and money.

As far as companies like mine go, I have a hard time wrapping my head around the BDC's criteria and what it's looking for. Traditional banks gave us funding, but not the BDC. The BDC's view was that our company represented too great of a risk. That's an area that may require some clarification.

I have a recommendation. We have a lot of support for R and D and a number of funding opportunities, but when it comes to—

[*English*]

**The Vice-Chair (Mr. Don Davies):** Madam Laflamme, I am sorry, but you are out of time. I am going to have to ask you to stop. You will have a chance to expand when questions are asked.

**Ms. Michelle Laflamme:** Thank you.

**The Vice-Chair (Mr. Don Davies):** Thank you very much.

Next, from Fumoir La Fée des Grèves, we have Mr. Letenneur. You have eight minutes.

[*Translation*]

**Mr. Nicolas Letenneur (Vice-President, Fumoir la Fée Des Grèves):** Good afternoon everyone.

Fumoir La Fée des Grèves is a seafood processing plant located in the Quebec City area. The smokehouse was established in 1994 by my brother and I, Marin and Nicolas Letenneur. We are French immigrants trained in the preparation of high-quality food.

We went into business as soon as we arrived in Canada. While we had few resources, we had a lot of potential. Since our company was created in 1994, we have taken part in a number of international fairs, and each time our products are recognized as among the best smoked salmon in the world. Their subtle maple flavour—distinctively Canadian—wins universal acclaim every time. Our smokehouse methods have attracted a great deal of interest from investors. Quality control is the cornerstone of this Canadian technique.

Smoked salmon is consumed worldwide, but also produced in nearly every country. In most countries, import duties are very high, preventing us from being competitive and selling our products in large quantities there. We have been making high-quality products at our Quebec City plant for 20 years now using our unique recipes and techniques, which are recognized throughout the province.

We are also becoming increasingly known internationally and in various food, restaurant, retail and industrial markets. We always intended to bring our company into the international market. To prepare ourselves, we've learned and invested a lot to meet the industry's highest standards. Since cold-smoked salmon is everywhere, in both industrialized and developing countries, we quickly identified numerous business opportunities for our company.

Given the challenges we faced in exporting our products, we thought about practical ways of establishing ourselves internationally. This strategic thinking led us to the opportunities for technology transfers. Thanks to federal government assistance under the industrial cooperation program and with the help of a specialized company, we created a marketable product in the form of an industrial franchise.

We were invited to Latin America, Asia and the Middle East, where the franchise idea was very well-received, and we worked on technology transfer projects with potentially serious partners.

The first technology transfer we undertook through the industrial cooperation program was on the island of Bali. Once the initial steps were taken, we began implementing the minimum standards required for the local market, with the goal of ultimately meeting the hazard analysis and critical control points—or HACCP—and global food safety initiative—or GFSI—the highest food production standards that allow for exporting. The Bali plant was on the brink of bankruptcy at the time, but today, thanks to this project, it is doing much better and is producing several dozen tons of smoked salmon for the Indonesian market. We subsequently hired additional staff at our Quebec City plant to monitor the progress in Bali.

At the same time, we visited Japan to evaluate the idea of supplying that country from Bali. Given the customs benefits of free trade between these two nations, we immediately saw a terrific opportunity to expand.

Right before the final phase of the technology transfer in Bali, the third in a three-part program, the industrial cooperation program was suddenly shut down, breaking our momentum. Our file had been on hold for several months and was about to be approved. Without government support, we could not take the risk of investing so much money, even though we knew the Asian market was worth hundreds of millions of dollars.

Economically speaking, technology transfer is a very good way for small and medium-sized businesses to expand internationally. It is financially viable, the risks are limited and the difficulties that arise are manageable. We are evidence of that. In addition to Indonesia and Japan, we had requests from Singapore and South Korea, assuring us of a favourable market.

Currently, we are doing a technology transfer in the Middle East. We will not be receiving a share of the profits, other than through royalties.

The industrial cooperation program is an indispensable engine for prosperity for small and medium-sized businesses on the international market. Support from federal and provincial governments is also essential for us to operate internationally. Today's small and medium-sized businesses are tomorrow's multinationals, but they cannot get there without government support. That is why we would love to see the industrial cooperation program reinstated or a similar new program launched. This would enable us to complete our project in Indonesia and start others. Our business strategy is to set up on every continent and compete with major suppliers Norway and Chile, enabling Canada to take its rightful place in this rapidly growing market.

● (1550)

With each foreign project, we hire 5 to 10 more people—depending on project size—at our headquarters in Quebec City to monitor the technology transfer and ensure it is successful. Therefore, this kind of program is also terrific for job creation here in Canada.

[English]

**The Vice-Chair (Mr. Don Davies):** Thank you very much.

Colleagues, I understand that our witnesses from Écotech Québec are on their way, but they're not here yet. What I propose to do is to start our questions now, and when they do come we'll interrupt at the appropriate time and get their testimony.

[Translation]

Mr. Morin, you have the floor for seven minutes.

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** Mr. Letenneur, could you describe for us the challenges you have when it comes to transportation costs?

● (1555)

**Mr. Nicolas Letenneur:** We have transportation challenges and tax-related challenges. Even though Canada is obviously a salmon-producing country, some of our competitors are much better-positioned than we are. As I was saying earlier, governments such as Norway's and Chile's subsidize their producers and, therefore, their processors.

In Dubai, for instance, the product is in high demand by everyone because of its tremendous quality. When it comes time to negotiate prices, they are 30% to 40% more expensive than those of our competitors. And yet salmon production costs in Chile and Norway are the same as Canada's. So something's not right.

**Mr. Marc-André Morin:** Chilean producers aren't subject to overly stringent environmental standards.

**Mr. Nicolas Letenneur:** Technically, in order to export products to Canada, producers have to comply with international HACCP and GFSI standards. But it's fairly easy for products to come in. Indeed, it's more difficult to sell and export our products than it is to import foreign products into Canada.

**Mr. Marc-André Morin:** I know that Norway has a very robust aquaculture industry.

**Mr. Nicolas Letenneur:** Precisely.

**Mr. Marc-André Morin:** In fact, Norwegian producers use technologies developed in Canada.

**Mr. Nicolas Letenneur:** That's true.

**Mr. Marc-André Morin:** In your view, are Norwegian producers unduly subsidized by their government?

**Mr. Nicolas Letenneur:** I have heard about transportation support. When they ship to a foreign country by air, the government covers the transportation costs.

**Mr. Marc-André Morin:** And that's a big chunk of your costs. What percentage would you say that represents?

**Mr. Nicolas Letenneur:** It's huge. It's quite straightforward, actually. We can only afford to ship our products by boat, in containers. That's the only way to ship salmon at an affordable cost. Selling a 20-foot or 40-foot container's worth of product is very tough. When you're trying to penetrate a market, people usually only want to buy small quantities. And the only way to do that is to ship by air. In other words, most of the time, we aren't able to deliver the first order. We have to convince the customer to buy a full container. Unfortunately, that's where we lose 90% of our potential customers; no one wants to commit to buying a full container in one shot. A buyer will often want just a pallet or two. So of course, it makes a difference. At the end of the day, it closes a lot of doors to us.

**Mr. Marc-André Morin:** I'm intrigued by another aspect.

Like all Quebec entrepreneurs, the Quebec government is very proactive when it comes to promoting exports. Would you say there's any coordination between federal and provincial services?

**Mr. Nicolas Letenneur:** We're not always well-received. I've gone to Paris a number of times, for instance. And most of the time, I was discouraged. In fact, once, it ended up being a waste of time, even though a huge consumer market for specialty foods was taking place there. I had the opportunity to go on a mission to Japan, organized by Quebec's general delegation. That was an extraordinary experience. It even resulted in a sale. We were able to gain access to a very big customer in Japan. It's as though the market was more available to us. It's possible to export Canadian salmon to Japan.

In Paris, it was obvious that I didn't have a place, and I don't know why. If ever there were somewhere where I should have a place, it's at France's consumer market, which draws major customers. Every time I go, I meet with distributors who I bring products to. We really stand out from the crowd given our unique Canadian production technique. It's the traditional method that really sets us apart from Norway and Chile, particularly because we don't use nitrites. Our use of maple is the best selling point.

Maple, by the way, is a key component of one of our technology projects. Quality control and technology transfer are also important. Our partner absolutely has to use maple wood. We export it to Indonesia for the smoking process. In Bali, they now serve maple-smoked salmon in restaurants and hotels. So it's doable.

**Mr. Marc-André Morin:** Is your franchise system quite developed, or is it still in the early stages?

• (1600)

**Mr. Nicolas Letenneur:** We've been learning about technology transfer for seven years now. We've built up a lot of tangible and meaningful knowledge. What we're missing is the financing. As a SME, we put our financial focus on the local market, above all. We need support. We are completing a very big project in the Middle East.

**Mr. Marc-André Morin:** Maple water exporters in my riding told me that finding export capital is one of the challenges they face. They have to maintain a huge inventory. They met with their first Japanese customer. They would've needed \$25 million to maintain the inventory and meet the demand.

Do you have the same problem?

**Mr. Nicolas Letenneur:** For any business or SME, inventory is always a problem, certainly, because it's idle money, especially when you're talking about such a large amount. When you get an order for one or more containers, it's definitely a big burden.

**Mr. Marc-André Morin:** It's also harder to finance. Your product is being held hostage, so to speak, in another country until you receive payment.

**Mr. Nicolas Letenneur:** Exactly. And since we're dealing in food, it's always a risk for us. It's even risky for a business that doesn't have a solid grasp—

[English]

**The Vice-Chair (Mr. Don Davies):** Thank you.

We are now joined by Écotech Québec.

Thank you for being here, Monsieur Leclerc and Monsieur Drouin. I'll interrupt the questioning so we can get your testimony in. You have eight minutes, please, to make your initial statement.

[Translation]

**Mr. Denis Leclerc (President and Chief Executive Officer, Écotech Québec):** Thank you kindly, Mr. Chair.

My name is Denis Leclerc, and I am the president and CEO of Écotech Québec, a cleantech cluster in Quebec. Unfortunately, ours is the only such company in Canada. I say "unfortunately" because it would be great to have other Écotechs in provinces across the country.

Our goal is to help the environment and businesses by accelerating the development of clean technologies, facilitating technology financing and, above all, commercializing these innovations.

In Quebec, Écotech Québec brings together more than 500 innovative and exporting companies and SMEs. According to the Institut de la statistique du Québec, they accounted for \$10.7 billion in total revenues and 30,000 jobs in 2011. Some 70% of these businesses are already exporting products outside Canada. As far as the ecosystem is concerned, Quebec is home to 200 research centres and clusters that are directly involved in environmental or energy-related innovation.

Clean technologies do two things. First, they allow companies to be more competitive while reducing costs, and second, they reduce waste production, particularly in processing plants. Of course, they also benefit the environment, enabling companies to reduce their eco-footprint.

We are here today to discuss international trade. And one of the problems cleantech companies face is that commercializing an innovation is significantly more expensive than developing it. How can we help Canadian companies export their know-how and technology?

Currently, the government offers an R and D tax credit. We suggest expanding that tax credit to include commercialization, which would go a long way towards speeding up the process of marketing clean technologies abroad.

Guy Drouin, our taxation committee president, will tell you more about this proposal.

•(1605)

**Mr. Guy Drouin (Co-President, Taxation Committee, Écotech Québec):** Thank you.

I am also the president and CEO of Biothermica carbone. We've been around for 27 years. We export technology. We are an integrated developer. We just completed a major carbon transaction in the California market thanks to a facility entirely paid for by us to reduce the quantity of methane emitted by an underground coal mine in Alabama. These carbon credits are recognized by both California and Quebec, since the two share a market.

Why have a commercialization tax credit? As the president of a tech company, as well as the president of Écotech Québec's taxation committee, I'm the right person to explain that.

We have long-term R and D tax measures, lasting measures. Canada's SR&ED program was put in place 30 years ago, in 1985, paving the way for a number of innovative high-tech companies in Canada.

The measure hasn't been rounded out, however. As far as developing a technology is concerned, Canadians are very inventive. There's no question that we are a population of inventors when you compare us with other countries around the world. The real challenge isn't coming up with a technology but, instead, marketing it to the world. For a tech company, Canada's market is small, and Quebec's even smaller.

So longevity is key. Numerous government programs exist to help with tech missions abroad. These are one-shot deals, however. Commercialization doesn't work that way. In order to market your technology successfully, you have to make a sustained long-term effort.

That calls for a sustainable measure, and we're proposing a very simple one. Under our proposal, a company would have to meet three requirements: have received the federal R and D tax credit, have intellectual property covered by a patent or other form of protection, and have a structured commercialization plan, similar to an R and D program. The company itself would need to have a credible commercialization program, one that it had developed or that had been designed by an external consultant or expert. A company that met those three conditions would then qualify for the commercialization tax credit we are proposing.

Which expenses would be eligible? Only the salary paid to the individual within the company responsible for commercializing the technology. Few people in Quebec have that expertise, so they are very expensive, earning between \$150,000 and \$200,000 a year. Usually, they are engineers with MBAs or international trade experience. SMEs should benefit from the same rate they have access to under the R and D tax credit. At the provincial level, it's 30% and about the same at the federal level. Such a measure would enable companies to make genuine long-term investments in commercialization in target markets, further to a sustainable marketing strategy, instead of accessing ad hoc measures that don't work.

We examined what amendments would need to be made to the federal legislation and how businesses would qualify for the tax credit. We hired Deloitte Touche Tohmatsu to that end, and the work

was done. We have a comprehensive document produced by Écotech Québec.

Together with the Institut de recherche économique du Québec, we also evaluated what the fiscal cost of such a measure, applicable solely to SMEs, would be for Quebec. Under federal legislation, a SME is defined as having less than \$50 million in investments. The Bombardier's and Bell Canada's don't need a commercialization tax credit, but SMEs do. On the second-last slide, you'll find the fiscal cost associated with the measure, as well as the increase in revenues that the measure will generate as a result of additional sales. The net fiscal cost for Quebec cleantech SMEs is \$7.5 million annually. The gross fiscal cost is \$17.8 million, and the fiscal and para-fiscal revenues total \$10.3 million.

At the federal level, those figures would be four times more, representing \$30 million to \$40 million a year. Rest assured that this will truly secure the growth of cleantech SMEs.

•(1610)

This is an important element of Canada's economic growth going forward, given the interest many companies have in clean technology.

In conclusion, I would just like to point out that this measure is cross-cutting. A clean technology can be developed by a company like mine or one that manufactures recycled furniture. It's a matter of how you define it. We had that same discussion with the Institut de la statistique du Québec. It's important to clarify the area to which the fiscal measure applies.

[English]

**The Vice-Chair (Mr. Don Davies):** Mr. Drouin, you're out of time. I'll have to ask you to stop there, but I'm sure we'll have a chance to expand further when we have questions.

Mr. Gill, you have the floor for seven minutes.

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

I want to thank the witnesses for appearing before our committee and helping us with this study. Let me also congratulate all of you for all the success everyone has achieved so far, and for your hard work. You're definitely very deserving.

I'm going to start with Mr. Hall, but I would like all of you to answer this question. Can you tell us if you had any dealings with any of the government agencies, such as the trade commissioner service, EDC, or BDC? Share your experience with us in terms of the help you might have received and the interaction you had. Do you have any suggestions on how it could be improved?

We'll get started with Mr. Hall, please.

**Mr. Brandon Hall:** As I said, most of my interaction was either at the provincial level with STEP, or with the TCS in Saskatoon.

I have never once had a bad experience in my interaction with the trade commissioner service. They're always really helpful and on time. Angela out of Saskatoon is fairly overworked. She's all by herself here, so she's getting pulled in a lot of different directions. That makes it difficult to access her all the time, or to get really fast responses, as is typical with the trade commissioner service.



We haven't interacted with BDC for several years. Again, as somebody stated earlier, we were stated as being "high risk", so we went elsewhere for funding.

I have not used EDC, but I have heard nothing but good things about it.

**Mr. Parm Gill:** Thank you.

[Translation]

**Ms. Michelle Laflamme:** As far as my company, Emovi, is concerned, we have dealt with the trade commissioner service. A trade commissioner based in Montreal introduced us to commissioners in the U.S., China and Australia. We also had the opportunity to meet those commissioners in person. Just this morning, in fact, I met with the Beijing trade commissioner. For us, the service they provide is one-of-a-kind. They understand our needs and are part of our team. I've been working with them for a number of years, since we began the commercialization process.

Like Mr. Hall, we sought the help of the BDC, but the bank viewed us as too high risk, so we used venture capital, and the Royal Bank of Canada gave us a line of credit with EDC providing the guarantee.

I don't know if they're like that everywhere, but the people we've dealt with at the trade commissioner service and EDC are enthusiastic and understand business owners and their needs. They take the time to do things properly and respond quickly. They've done a lot to help us.

[English]

**Mr. Parm Gill:** That's perfect.

[Translation]

**Mr. Nicolas Letenneur:** I can speak to my trade commissioner experience in Paris.

It felt as though I wasn't a valuable enough player for the European market. It's too bad because I should have been treated differently. I wish I had been given the opportunity to develop that market. As for how to improve that experience, I would recommend more knowledge and a better attitude towards products like ours, which do have a place in a market of 700 million people.

•(1615)

**Mr. Guy Drouin:** We undertake build, own and operate projects. We are infrastructure owners. We've owned a plant in El Salvador. We have a methane capture facility in Alabama, which we are in the midst of refinancing to increase its capacity. In fact, we're talking to the people at the EDC, which also provides real project financing. It's very helpful. They really know what they're doing. They have in-depth financial expertise and are very sensible. I'll have to get back to you in terms of whether we were able to complete the deal and whether we were satisfied.

As far as the trade commissioner service is concerned, we did receive support when we did work in China. Canada's ambassador in Beijing at the time and his head of trade helped us in a very specific set of circumstances. When necessary, the service can be useful.

[English]

**Mr. Parm Gill:** Thank you.

I have a second question. The lack of access to capital can be a major obstacle for SMEs that wish to start exporting to expand into new markets. How difficult is it for Canadian SMEs to obtain affordable financing, and how does this situation compare to that of other countries?

Can we start with Mr. Hall?

**Mr. Brandon Hall:** Okay.

As I said, the pillar of any young start-up company is cash and access to financing. I'm sitting here as the operations manager of Prairie Machine and Parts, whereas four months ago I was PapaBravo Innovations. We had to sell our company in order to expand. We couldn't access financing. This company had some financing there—they've been in business a long time—and we needed financing.

We tried the federal government, the provincial government, banks. We looked at some angel investors. Finally we just outright sold our company and our intellectual property so that we could expand. Ownership of the company came second to ensuring that the company was thriving and growing—growing the Canadian economy as well.

I would say that it's fairly difficult to get financing. It's been said a couple of times here that it's difficult to get through BDC. I can go to a traditional bank and get financing before I can go to BDC. There's something wrong if BDC is classifying me as high risk and a stand-alone bank is not.

**The Vice-Chair (Mr. Don Davies):** Thank you.

Ms. Freeland, you have five minutes.

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

I would like to thank all of the witnesses for your testimony. I think it's very inspiring for all of us to hear from people who are working so hard to start businesses and employ people.

I also want to comment that it was great for me to hear all of this testimony about the hard work of Canadian diplomats and how they're helping you. We sometimes malign people who work for the Government of Canada as bureaucrats, but we hear from your stories that they're really helping our economy grow.

I want to start with Mr. Hall.

Your story about having to sell out to expand, I think is an all-too-frequent and sad story of what happens to Canadian businesses. We're really smart. We're entrepreneurial. We're hard-working. However, we seem to get to this point in our businesses where as soon as they're really succeeding, we have to sell out.

I'd be interested in your view—and from other witnesses—on what we need to do to create conditions for companies like yours so that you can grow to be the giants and the world-beaters who are acquiring rather than being acquired.

**Mr. Brandon Hall:** Again, it's access to capital, access to advice, and for me it would have been more mentors and financing advice. I talked about a targeted program that would pick up on small companies, similar to PapaBravo. They are right on the cusp of expanding and need that extra big bump in order to expand at a growth rate that's going to allow them to survive in a new market and penetrate that new market. With a targeted program like that, you could target the specific companies that were high growth and on the verge of either selling or succeeding.

I think that access to capital is the biggest thing.

• (1620)

[Translation]

**Ms. Chrystia Freeland:** Would anyone else like to comment?

**Mr. Denis Leclerc:** When it comes to cleantech companies, access to capital is definitely important, but so is access to markets. Cleantech start-ups want to know how they can find a testing ground in order to trial their innovation in a real-life setting. That's why we, at Écotech Québec, really push for public contracts to fulfil that role as well. By that, I mean contracts with government and public organizations, as well as semi-public government bodies. That includes a multitude of corporations and organizations, dealing with outdoor recreation and cottages all the way up to conference facilities. They are all public or semi-public organizations and they can play a role when it comes to accommodating new technology and testing it.

Post-testing, these organizations become technology showcases, which tech companies need in order to market their technology to potential customers. When trying to sell their technology abroad, companies are often asked where the technology is being used in their home country, in Canada. And when that technology isn't being used here, at home, it cuts them off at the knees. So it's important to have a testing ground, a technology showcase and, certainly, support for commercialization both here and abroad.

[English]

**Ms. Chrystia Freeland:** Can I ask one more question, or am I out of time?

[Translation]

As I still have a bit of time left, I have a question for Mr. Letenneur.

You are active in Asia. Is the Trans-Pacific Partnership, or TPP, an important element for you?

**Mr. Nicolas Letenneur:** Yes, but as I explained earlier, transportation costs are still an issue. Having some transportation support may help open up the market to us. The other option is technology transfers. That's the only method I've been able to find so far. It's definitely a step in the right direction, as far as opening up the Asian market and promoting our products are concerned.

**Ms. Chrystia Freeland:** How would Canada's non-participation in the TPP agreement affect you? Would it be a problem?

**Mr. Nicolas Letenneur:** It would be unfortunate. I think it's important for us to be involved.

**Mr. Denis Leclerc:** What we want is access to the markets.

[English]

It's access to market and access to capital.

[Translation]

So how do we gain market access? How can we be at the table when decisions are being made?

Increasingly, we are going to see tariff barriers, as well as efforts to counter competition. There is movement right now in the technology sphere and with respect to resources. The whole circular economy could impede commercialization. It's truly in our best interest to be at the table and to sign agreements with a variety of markets to help Canadian businesses so they can export their products to other countries.

[English]

**The Vice-Chair (Mr. Don Davies):** Thank you.

Mr. Cannan, you have seven minutes.

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

Thank you too, lady and gentlemen, for being here and sharing your stories.

The committee has been hearing from a variety of small and medium-sized enterprises from coast to coast. It's very interesting to hear the stories. I'm a former small business owner myself, an operator. I can see sometimes, especially the start-ups.... Mr. Hall, you might have thought there was more month than money sometimes.

There's that saying that first your three or four sources of funding are your family, friends, and fools. Once you get after that, you start to second-guess yourself. But I applaud each one of you for your entrepreneurial innovative drive.

Mr. Hall, I was reading online the story about how you acquired this company. It's an idea that you've taken now to the mining industry. Did you attend the PDAC conference in Toronto earlier this year, or any trade shows?

• (1625)

**Mr. Brandon Hall:** We did not attend PDAC. That's more for development and exploration than it is for operators. I will be attending the CIM in two weeks in Montreal. But last year was a tough year in mining in Saskatchewan; it was a tough year in everything in Saskatchewan. Cash was pretty tight, and we didn't have money to be going to trade shows last year.

**Hon. Ron Cannan:** Moving forward, now you have 45 employees and \$6 million in growth, exponential numbers. It is an incredible record in rapid growth. What do you see as a projection here? What are you looking at in the future, and what can we do as a government to help continue that growth?

**Mr. Brandon Hall:** I guess I could have put a little bit more detail in there. In 2013, I went from 5,000 square feet to 45,000 square feet and from four employees to 45 employees, with \$6 million in sales. Then, with the downturn in the economy last year, I laid off roughly half of my employees. I was down to 26 people. Then, as of December 31, I was officially acquired by Prairie Machine and Parts. Now we are 150 strong and have 300,000 square feet.

**Hon. Ron Cannan:** Is labour an issue?

**Mr. Brandon Hall:** Typically, labour has not been an issue. No, I wouldn't say labour is an issue. There have been some targeted, specific skill sets that I haven't been able to find, but just general labour, no.

**Hon. Ron Cannan:** I am going to throw this open to all the witnesses. I will start with you. We have something called GMAP, the global markets action plan. That's the broad framework of our government's aggressive trade agenda. When we started in 2006, we had five trade agreements. I have been on the trade committee for just over nine years, and now we have 38 additional trade agreements.

Are you aware of what's called global workshops, which have taken place across the country and are available to help small business owners such as you?

**Mr. Brandon Hall:** Yes. I have been to a few of the global workshops in Saskatoon here. The Go Global event was maybe a month ago. Last year, there was another global export workshop through the chamber of commerce here.

Yes, I am aware and I do attend when I can.

**Hon. Ron Cannan:** Have they been helpful?

**Mr. Brandon Hall:** Yes, definitely. They are good networking. As I said in my introduction, it is things like this that the Canadian business owners need to attend. If they can't attend, maybe some form of small blurb and outline, a kind of bulletin of what was presented, what was talked about, and what the programs are would be very beneficial for those who were invited but could not attend.

**Hon. Ron Cannan:** It could be something like a YouTube recap video of some sort that you could watch at home.

**Mr. Brandon Hall:** Yes, or it could even be a letter in the mail that says, "Sorry you couldn't attend. This is what we talked about. These are some of the programs and services that are available."

**Hon. Ron Cannan:** I appreciate it.

Ms. Laflamme, I appreciate your innovative master of laws degree, and now you are studying anatomy. You have very diverse education and expertise. Can you explain a little bit about Go Global? First of all, are you aware of these workshops, and have you had any assistance from the federal government?

[Translation]

**Ms. Michelle Laflamme:** About a month ago, I attended a Go Global event. From an information and networking standpoint, it was very insightful. But it's the only event I've been to.

[English]

**Hon. Ron Cannan:** As far as the opportunities for your innovation are concerned, sharing that knowledge not only with Canada but around the world, what is your plan? Have you worked on a business plan or a model with any assistance from our trade commissioners to try to export that intelligence, that innovative knowledge that you have?

[Translation]

**Ms. Michelle Laflamme:** We are currently looking for foreign distributors. I have met with a number of trade commissioners, and I am working with them to establish the profiles of the distributors we

are looking for. We have been working on that together since the beginning of the year. We have meetings and discussions on the topic fairly often.

My second challenge is the financing of that part. We have been funded by Fonds Bio-Innovation, which receives its money mainly from Quebec's Fonds de solidarité FTQ. The problem is similar to what was just discussed. In 2012, I went to the United States to obtain funding with the help of the Trade Commissioner Service. They helped me participate in a competition, which I won. I had an opportunity to make a presentation to some 325 U.S. investors. That fostered interest in investing in Emovi Inc.

I was facing two challenges. First, for a U.S. investor, venture capital must come from my province, Quebec, or at least from somewhere in Canada. But very little venture capital is available in Canada or Quebec.

Second, there were test beds or technology showcases in Quebec. We also had some sales in France and Australia, but the test bed had to be in the United States. They encouraged us to set up free systems in the United States. That is very expensive for us. It's a vicious cycle. We need money to do that.

The funding was being discussed and could have come to pass, but not a lot of money is available in Quebec. Two funds were interested. There was a disagreement in the—

• (1630)

[English]

**The Vice-Chair (Mr. Don Davies):** I'm sorry, Madam Laflamme, I have to cut you off there because we're approaching well over the time.

Madam Liu, you have five minutes.

[Translation]

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you for your testimony, Mr. Drouin and Mr. Leclerc.

I remember that, in 2012, the committee discussed your idea of a tax credit for the commercialization of natural resources. I know you have been putting the same solution forward for a long time. It's just as relevant today as it was in 2012. So we will continue to look into that recommendation.

Before I discuss the tax credit for commercialization, I would like to address Ms. Laflamme. You mentioned you were facing some challenges in terms of commercialization. Could a tax credit help you out with that?

**Ms. Michelle Laflamme:** Although we have not talked to each other, I share their views. Some sort of assistance should be provided for setting up technology showcases outside the country. We had a technology showcase with the Quebec government's support, but it was for Quebec only. However, to sell in the United States, we must have a presence in that country. We invested in exporting our products to the U.S., but some sort of support would help those following in our footsteps a lot.

I think a Canadian study was carried out on the matter a few years ago. For each dollar invested in research and development involving a patent, at least \$8 or \$9 are spent on commercialization. It's difficult for us to achieve profitability.

**Ms. Laurin Liu:** Duly noted.

Regarding the tax credit you are suggesting, why is it important for it to be part of the scientific research and experimental development tax credit?

**Ms. Michelle Laflamme:** I cannot speak to the format. I don't know whether the R and D tax credit is the best method. I assume people have studied that.

The important thing is to provide support for commercialization. It's too early for venture capital once the R and D work is finished. Even if we embrace risk, it's still too risky. There is a stage in innovation marketing referred to as "the valley of death". The valley of death is painful, long and difficult. Very few companies make it to the other side.

There are not many of us in Quebec. There is no critical mass of successful people, so the experience is being lost. It's rare for us to be able to find a mentor who has gone through what we are going through. We are always alone in the process. Those who can help us don't really have first-hand experience. It's difficult. In order for good mentors to be available and for us to want to keep going, some companies have to succeed and pave the way for the rest. In my field, the medical industry, almost all successful companies have been sold. People gave up and changed sectors.

• (1635)

**Ms. Laurin Liu:** Mr. Leclerc or Mr. Drouin, what do you think?

**Mr. Guy Drouin:** I can answer the question.

I walked through the valley of death myself. I nearly died of thirst. I am convinced that the tax credit for commercialization is simply an extension of an existing program. The idea is to make commercialization expenses eligible. We limit them only to the workforce involved in commercialization. Plane tickets are not included. It should not become a free for all.

Something in particular helped my company develop technologies. We knew that one program, regardless of the political party in power, would endure. A market cannot be developed in a year. The process can take 10 years. An initial unit that works must be created. After that, people will get involved. It's expensive.

As my friend Denis Leclerc said, it's more expensive to maintain a good invention than to create it. So many programs have been created in Canada to support innovation. There are grants and loans, such as SDTC's follow-on funding program. There are also tax credits, as well as federal, provincial and municipal grants in some cases. But nothing is available for commercialization. Our work is not done. Our knowledge economy must be created. A permanent tool is missing.

**Mr. Denis Leclerc:** That is why—

[English]

**The Vice-Chair (Mr. Don Davies):** I'm sorry...very quickly, sir.

[Translation]

**Mr. Denis Leclerc:** It's a way to keep things simple. That method would help simplify matters.

[English]

**The Vice-Chair (Mr. Don Davies):** *Merci.*

Mr. Shory, you have five minutes.

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

Mr. Hall, when you were talking about 80 hours, you reminded me of my early days in my law practice when I was called to the bar. I don't know if it was a wise decision or not, but I started my own firm and I did put in as many hours as you said. I guess working hard works out for everyone. Working hard pays off, so good job.

When the budget was tabled last week there were two things for small businesses. There is a reduction of 2% tax for small business over a few years, and there is also an increased maximum earning before a business counts as a large corporation for tax purposes.

I'll start my question to Mr. Hall, and everybody can comment. Do you think that this reduction in taxes would make you put in more than the 80 hours now? Would that encourage you to work harder and make some more money for yourself in your pocket? Would it help all businesses basically here today to expand their businesses and create more jobs?

**Mr. Brandon Hall:** I guess the enticement for me to be working the 80 hours is the success of the product and the company, not so much the tax breaks. But a tax break definitely is an added bonus. In times like last year, it wouldn't have mattered much. But now, moving into this year, as the economy is starting to pick up I'm looking at even small tax reductions like that, and increase in earnings before taxability. I will be pushing harder this year to increase sales and expand into new markets as a result of that. So, yes.

**Mr. Devinder Shory:** We'll go around the table.

**Mr. Guy Drouin:** Yes. Of course, we cannot say no to such a measure. But again, we think that the tax break on the commercialization effort over the long term, as we proposed, the tax commercialization tax credit is a perennial measure that will be more helpful than a tax break of 2%.

[Translation]

**Mr. Nicolas Letenneur:** I will also talk about the tax credit. Exporting is extremely expensive. So we do need the support. It would be preferable to a tax break.

•(1640)

**Ms. Michelle Laflamme:** For companies involved in innovation and in commercializing innovation, it takes time for those kinds of measures to become useful. I think some sort of assistance would be necessary. That is sort of how this was presented. Another criterion may be added, whereby another investor would join in the formula presented. It creates leverage.

That would be more useful than a tax break for us. We are people who are passionate and want to succeed. But we need programs that will put us on the road to success and recognize the fact that we are determined to make things work. I think that little tax measures are enough for high-volume, growth-oriented businesses. Those measures are more useful in such cases, but they may not be for companies like Emovi.

[*English*]

**Mr. Guy Drouin:** I may add that when we are making a good profit I'm happy to pay my income tax to the government, because if you make a profit it means you are successful. It's normal to pay tax to the government, so to have a tax break of 2%—

**Mr. Denis Leclerc:** So you have two kinds of companies, one paying tax and one hoping to pay tax one day.

**Mr. Devinder Shory:** We are talking about small companies and start-ups. Everything, I believe, for start-ups is good and helpful.

Mr. Letenneur, I believe you talked about foreign duties, trade barriers as I call them. As I mentioned, and as my colleague alluded, our government envisions free trade agreements and would like to have a level playing field. Our business is to go out of this country and sell products. I'm sure you should be happy with all kinds of free trade.

Besides the free trade agreements, do you think the government should do something else to lower these kinds of barriers or other barriers?

[*Translation*]

**Mr. Nicolas Letenneur:** For a company like mine, a small business from Quebec, the free trade market is more dangerous than enriching. The main reason is that, in my field, free trade will bring to the Quebec market some very large companies, specifically European ones—and that is already happening—that will replace small local businesses. In my context, the free trade market is more damaging than it is beneficial.

Imposing taxes on products similar to mine and complicating their entry through the Canadian Food Inspection Agency would help us much more. It seems to be much too easy for products to come into the country.

**The Vice-Chair (Mr. Don Davies):** Thank you.

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

**Mr. Marc-André Morin:** Mr. Drouin is from my riding, as is Mr. Leclerc. It's not every day we have green energy experts here.

Could you comment on Canada's position when it comes to the exporting of green technologies? How do we compare with other similar countries? What is our performance like?

It seems to me that we hardly exist compared with Japan, Norway or any other country you can name.

**Mr. Denis Leclerc:** In the clean technology sector, Canada has what I would refer to as “pockets of innovation” in some regions and provinces.

**Mr. Marc-André Morin:** Such as in Quebec?

**Mr. Denis Leclerc:** In Quebec, we have the benefit of a cluster that helps bring together the entire ecosystem—entrepreneurs, researchers and financiers. That gives an extra boost to the development and commercialization of clean technologies.

Last week, we were in Quebec City for a round table on the green economy. We met a number of stakeholders from western Canada and the Maritimes. At one of the workshops, we concluded by wondering why each province did not have an entity in charge of accelerating technology development and creation. We also concluded that the sector should become a strategic part of the Canadian economy. That is why the Écotech Québec model will be studied in other provinces.

However, other countries have clusters similar to Écotech Québec. Of course, Scandinavian countries are much more advanced than us when it comes to development and commercialization. You should focus specifically on Finland, which has decided to make the clean technology market a strategic sector. It has implemented a number of measures to enable not only development, but also commercialization.

Denmark also has a cluster similar to Écotech Québec in Copenhagen. It is much larger than what we have in Quebec and its results are much more significant. Just to be clear, our results are in line with our means.

We, at Écotech Québec, would eventually like to see clusters like ours in other provinces. Unfortunately, it is currently easier for our companies to do business with clusters outside Canada than with groups in other provinces. It is more difficult to do business in Canada. We think that's absurd.

How can we accelerate that partnership for sharing technologies and needs within Canada? I think that's a challenge we should come to grips with.

•(1645)

**Mr. Guy Drouin:** Something else is very important for clean technology development.

We have seen that some European countries have quickly developed clean technologies, especially France and Finland. They set a price on carbon. They have a carbon market.

Quebec just created a carbon market in cooperation with California. I will actually be in Los Angeles tomorrow to attend a major carbon expo. The Governor of California, Mr. Brown, will be there, as will the Quebec and Ontario environment ministers. Ontario actually just joined Quebec in carbon trading.

Setting a price on carbon helps so many green technologies become profitable. That helps create what we call “the 21st century economy”, the new economy. A green economy is more productive. The idea is to produce more with less. It has less of an impact on the environment so it benefits everyone. It also improves our economic system's effectiveness and our current production. At the same time, it protects the planet and makes sustainable development possible.

Finally, by setting a price on carbon, Quebec makes it possible for companies like Biothermica to sell \$1 million worth of carbon credits. We announced that in *La Presse* two weeks ago. It's all thanks to a new technology Biothermica invented. The technology was applied at a coal mine in Alabama to reduce methane emissions. That reduction had a price on the California market. We sold the application for \$1 million. That helped me recoup my investment. The \$1 million ended up in Biothermica's bank account and was used to pay for wages and for R and D in order to continue improving the company. Of course, it was also used to pay taxes, which is very important.

**Voices:** Oh, oh!

**The Vice-Chair (Mr. Don Davies):** Thank you very much  
[English]

Mr. Allen, you have five minutes.

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

Thank you to our witnesses for being here. I appreciate the good discussion we're having today.

Mr. Letenneur, I would like to start with you. Just to make sure I understand, do you source all your salmon from Canadian aquaculture operations?

**Mr. Nicolas Letenneur:** No. My salmon comes from Chile.

**Mr. Mike Allen:** From Chile?

**Mr. Nicolas Letenneur:** That's because our industry uses only frozen salmon.

[Translation]

I am going to continue in French, because my English is not good enough.

Processing requires purchasing frozen raw materials for reasons involving bacteria and quality control. Canada produces mostly fresh salmon that is sold in restaurants and groceries. However, industrially we almost all use frozen salmon only. Canada does not produce any but we would be very interested if the industry were to develop that niche.

They are two completely different markets. In the fresh product market, salmon is paid for immediately. Salmon is stored and sold much later in the frozen product market. Norway and Chile have

developed expertise in that area. We would like Canada to step up. Buying Canadian products would be preferable for us.

• (1650)

[English]

**Mr. Mike Allen:** So that would all come from Chilean aquaculture operations.

**Mr. Nicolas Letenneur:** Yes, Norwegian and Chilean.

**Mr. Mike Allen:** Okay. Thank you.

My next question is that it's interesting that you talk about exporting a process—

**Mr. Nicolas Letenneur:** Excuse me, I have problem with my audio.

**Mr. Mike Allen:** Is it okay now?

**Mr. Nicolas Letenneur:** Yes.

**Mr. Mike Allen:** There we go.

Economically speaking, you talked about technology transfer as a very good way for you to expand internationally. I have a couple of questions, which will take me to Ms. Laflamme after, because this a little bit of an offshoot of that as well. Do you see any issues with any of your processes being patented and any issues with exporting them as a good way to do technology transfer? Does it cause you problems because you're exporting that technology? Are there any issues from a patent process for you?

[Translation]

**Mr. Nicolas Letenneur:** No, there is no patent as such involved in our technology transfer process. We enter into a contract, through a lawyer who specializes in franchises. There is no patent involved. We transfer a series of recipes. Some equipment is made here. These are prototypes that are not necessarily patented. As far that goes, there is no real problem.

However, the financial side, and obtaining support, all of that is a greater problem at this time. The existing program was interrupted five years ago, which blocks us completely.

[English]

**Mr. Mike Allen:** Next, you mentioned that for every foreign project you do, that's five to ten more people in your headquarters in Quebec City. That's impressive. But once that technology transfer does take place, what happens to those people? Do they continue on supporting the technology transfer? How does that happen?

[Translation]

**Mr. Nicolas Letenneur:** The complexity of the technological transfer arises after the transfer as such. At this time, we have set up the plant and everything is going well. The management of a food processing enterprise is complex. There is support for the implementation of the HACCP plans. In fact, the whole thing evolves constantly.

In short, you need employees who will then transfer information to the foreign partners. Every time we add a plant, we need certified personnel for each project so that things go as smoothly as possible. I do not have 10 plants at this time, but we have a very serious project and I hope that it will soon become reality.

[English]

**Mr. Mike Allen:** Okay. Thank you.

Ms. Laflamme, I just want to pick up on one of the comments you made before. It seems to me, based on the use of the trade commissioner service, that expanding that in the budget is probably a good thing for us to do. You would agree with that?

**Ms. Michelle Laflamme:** Yes.

**Mr. Mike Allen:** You also talked about U.S. investors, the lack of venture capital, trials in the U.S., and that's what I picked up on. Do you find, when you look at trade deals and things like that, that we should be looking more at regulatory harmonization? I'm expecting, for what you're trying to sell, that you have to do these trials in all the countries you're bringing your product into. Would regulatory harmonization help with some of that?

[Translation]

**Ms. Michelle Laflamme:** I'm going to talk about our experience in the United States, because every country can be different.

Regarding regulations, I don't think that they will have an effect. I may be mistaken, but I do not think so.

In the United States I had the opportunity of speaking to other business leaders who were looking for funding, as I am. All of those businesses that were looking for funding had access to more venture capital than I do in Quebec.

Currently in Quebec, there are at most two or three funds that take an interest in businesses like mine. That is not very many. They do not conclude many agreements in the course of one year. The number is not very high.

Moreover, the amount that is invested is much lower in Quebec and in Canada than in the United States. In that country, businesses have access to much larger amounts for the same equity interest. A \$2 or \$3 funding level for a \$5-million investment here will in the United States be equal to about a \$10 or \$15-million investment.

[English]

**The Vice-Chair (Mr. Don Davies):** I'm sorry, Madam Laflamme. I have to cut you off there.

Ms. Davidson, you have five minutes.

• (1655)

**Mrs. Patricia Davidson (Sarnia—Lambton, CPC):** Thanks very much, Mr. Chair.

Thanks to all of our witnesses here today. It has certainly been interesting listening to you this afternoon. I commend each of you on your entrepreneurship. It's absolutely fabulous that we have this kind of talent and that it's being developed the way it is.

I want to start with our video conference witness, Mr. Hall.

You talked about the different programs you've used and the different areas of government that you have been able to access and that have been helpful to you. One thing that you talked about in particular is the NRC program, IRAP. I think one of your suggestions was that it would be worthwhile to develop a program similar to IRAP. Could you elaborate on that a little more and tell us

what particular targeted approach you might be looking at, what the size of the program would be, and how it would operate?

**Mr. Brandon Hall:** For those of you who are not familiar with the NRC's IRAP, you would have a technology adviser, or in this case, an expansion or export adviser. In the case of IRAP, you have this person who goes out to young start-ups, investigates the plethora of companies, and picks certain ones that are promising and show some good development. They approach a company to see if there's a project they can fund to help propel that company to the next level.

What I was thinking with regard to the trade and export is that right now it's just this big pie. Everybody is allowed to have access to all of these programs, but it's not targeted and specific. They don't say, "This person is your adviser and we're going to come in, help you expand your company, and pick a target market." For example, let's say that I wanted to go to Ohio and go into the salt mines there. Somebody could come in and help me investigate that market. We would set up a project and a business plan and they would help fund that through the government. Rather than this broad spectrum, it would be more targeted, similar to the R and D process.

Does that answer your question?

**Mrs. Patricia Davidson:** It does, and that's very helpful.

That leads me into my next question, which is about the export market development program that has been announced, with \$50 million over five years to share the cost of new export opportunities and exploring that with SMEs. That's \$10 million per year for the next five years.

How do you see that program rolling out and working well for your businesses? I'd like each of you to answer if you could. Maybe we'll start with Mr. Leclerc.

**Mr. Denis Leclerc:** Well, it's a good step. You said \$50 million...?

**Mrs. Patricia Davidson:** Yes.

**Mr. Denis Leclerc:** It's divided by five years. That's \$10 million.

**Mrs. Patricia Davidson:** Yes.

**Mr. Denis Leclerc:** For all of Canada's SMEs? Well, it's a good first step, but I think we need to see how we can optimize that first step. That's why we're promoting a tax credit for commercialization, which is indirect support to commercialize innovation from Canada and outside.

I think this type of money needs to be well invested, and as Mr. Hall was saying, maybe in some specific sectors where Canada thinks it has an advantage, where we have assets in Canada, and we have.... It's like the podium program for the Olympics. It was called "Own the Podium". Which podium do we want to own, in which sector, and how can we help those companies reach the podium? That would be a good step.

**Mrs. Patricia Davidson:** Mr. Letenneur.

[Translation]

**Mr. Nicolas Letenneur:** From what I understand, this is a program that will help countries to export, but what are the conditions to have access to it?

•(1700)

[English]

**Mrs. Patricia Davidson:** The criteria is being developed. That's what I'm saying, how could it best help?

[Translation]

**Mr. Nicolas Letenneur:** It would at least be a step in the right direction.

[English]

**Mrs. Patricia Davidson:** Okay, thank you.

**The Vice-Chair (Mr. Don Davies):** Thank you.

Madam Liu, you have five minutes.

[Translation]

**Ms. Laurin Liu:** If the help is available you will accept it, correct? Excellent.

Mr. Drouin, you talked about the carbon market in Quebec and how that is beneficial for your business. I think this allows us to balance the market, because as you said it makes it possible to make green companies more profitable.

Ontario recently announced its intention of joining the carbon market, as we know. We see that the provinces are playing a growing leadership role in this.

Do you think it is important that the federal government show leadership in reducing greenhouse gases? Is it sufficient for the provinces to act, or should we see action from Ottawa as well?

**Mr. Guy Drouin:** The market that includes Quebec, California and Ontario as well as the State of Washington, which is getting ready to join in, is extremely dynamic. It works, and takes advantage of certain mistakes that were made in the context of the Kyoto Protocol. For this market to continue to develop, it is important and even essential that the negotiations that are to take place in Paris in December 2015 be successful. Who has the responsibility of negotiating a climate treaty? Not the provinces, but the Canadian government.

It is important that the Canadian government and the provinces already in the carbon market sit down as soon as possible at the same table and define a common, strong and logical position so as to succeed in the climate treaty to be negotiated in December 2015, which is an extremely important undertaking.

We cannot wait till November or two weeks before; work has to begin today. We must not fail in Paris. The last time there was a conference when all of the parties were together was the one in Copenhagen. They did not succeed in extending the Kyoto Protocol, and it took six years to again mobilize the international community under the leadership of Mr. Hollande, the President of France. We must not fail this time, because if there is no very clear treaty, private capital will not be there.

We should not forget that following the ratification of the Kyoto Protocol in February 2005, businesses launched 8,000 clean development mechanism investment projects in developing countries. I made such an investment myself in Salvador. It was the only Canadian project registered under the clean development mechanism

of the Kyoto Protocol. These 8,000 projects led to private investments of \$152 billion. So there was a mobilization.

**Ms. Laurin Liu:** I must say that is impressive.

**Mr. Guy Drouin:** So there is a precedent in that regard.

I can tell you that I met people who invested because we believed that the Kyoto Protocol would be extended, and those people lost their shirt. This time we cannot fail. Since the provinces have already gotten on board and created a carbon market, I think that Canada could have a big influence.

**Ms. Laurin Liu:** That is true.

Mr. Letenneur, we talked about transport costs. Could you make a more specific recommendation on how the federal government could help you? Could this be done through a subsidy or tax credit? What would you recommend to the committee on that?

**Mr. Nicolas Letenneur:** Regarding the initial phase and the first exports, a subsidy would encourage exports.

You referred to marketing, and that is what costs us the most. It could allow us perhaps to penetrate markets that are not yet accessible. Selling a container is very difficult, but selling a pallet is easier. Airplane transportation is very costly, and the cost means that most of the time, deals fall apart. The most difficult thing is to convince the client to make a purchase. Once that is done, a little hand up would really help us, and this would put us on an equal footing with Norway and Chile who do this on a regular basis, even for regular transport.

•(1705)

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

[English]

**The Vice-Chair (Mr. Don Davies):** Thank you.

Colleagues, we're going to have one last round of five minutes per party. We'll start with Mr. Shory.

**Mr. Devinder Shory:** Thanks again, Chair. I'll start with Ms. Laflamme.

Ms. Laflamme, in marketing medical science and technology, do you find the Government of Canada program...? You made a comment on BDC. You have used TCS. Have you used EDC or CCEC? If you have used these other services, have they been helpful? If yes, then what do you consider to be their greatest strengths?

[Translation]

**Ms. Michelle Laflamme:** We did not receive any help from the BDC.



Before an investor gets interested in injecting venture capital in the commercialization of an innovation, we have to cross, as was said earlier, “the valley of death.” There is a phase where we do not receive assistance. The marketing of a product like the iPhone or other common consumer products is not the same as the marketing of a medical innovation which has an impact on the care process. This requires more than my personal funds, or those of friends and family. A time comes when you have to find financial support. Without subsidies necessarily, we need to have access to more venture capital, or the BDC criteria have to be reviewed so that it can really help businesses to get going at a point where no one is helping them.

[English]

**Mr. Devinder Shory:** Have you used EDC?

[Translation]

**Ms. Michelle Laflamme:** EDC guaranteed my credit margin with the RBC. I have a credit margin with RBC for inventory when we go abroad. My margin is guaranteed by EDC.

[English]

**Mr. Devinder Shory:** Earlier from some witnesses we got a mixed report regarding coordination between, let's say in your case, TCS and EDC, if it was required. Do you want to make a comment, from your experience, whether you find the advice and services complementary at all?

[Translation]

**Ms. Michelle Laflamme:** Are you referring to EDC services?

[English]

**Mr. Devinder Shory:** Yes, EDC and TCS.

[Translation]

**Ms. Michelle Laflamme:** In my opinion, there is a will to provide assistance at EDC. When a hospital purchases products, an insurance program can guarantee the payment. In general, hospitals often pay for their purchases, 8, 9, 10 or 12 months later. However, the EDC program lasts six months. So it is not a useful program for us. We don't even meet the insurance program criteria.

EDC wanted to adapt this program to our situation. The EDC people are not only dynamic, but they are also aware of our reality. They offered to make the program more flexible, one we would not have had access to because of our circumstances; the reality being that hospitals do not pay within 30 days.

The other program is the Export Guarantee Program. The person we met with took the time to discuss things with us. She went to meet with someone at my bank and a meeting took place there. There were discussions and things were firmed up rapidly within a one-month period. All of that happened quickly and in a dynamic manner.

The same thing applies to the Canadian Trade Commissioner Service. To date we have had good communication with the team based in Montreal and with Ms. Héloïse Côté, who is an energetic and professional individual. The key to having a good trade commissioner is to talk to that person. Ms. Côté is a part of my team and I communicate with her on a regular basis. In that way she can put us in contact with the right people in other countries and organize

meetings with good goals. I have to date dealt with exceptional people at the Canadian Trade Commissioner Service.

[English]

**Mr. Devinder Shory:** Thank you. I believe this will be my last question, looking at the time. I'd like you and Mr. Letenneur to respond to it. What program or action by the Government of Canada has been most helpful in facilitating your exports, or would be most helpful if you decided to increase exports? You can start, Mr. Letenneur.

● (1710)

[Translation]

**Mr. Nicolas Letenneur:** I spoke about a similar program.

Over the next few years, we are going to focus our international development through these technological transfers. If the Industrial Cooperation Program could be renewed or if another similar program could be set up, that would be ideal for us. There should also be support for sending samples, as we were saying earlier, and for the transport costs of sending the first orders from Canada.

[English]

**The Vice-Chair (Mr. Don Davies):** Thank you.

[Translation]

Mr. Morin, you have five minutes.

**Mr. Marc-André Morin:** Mr. Drouin, you spoke about carbon earlier. We are in a city where this word seems to have trouble getting to the ears of some people. However, many countries are talking steps to stimulate the development of green energy and all kinds of alternative forms of energy.

We are in a country that has done very little of this compared to others. In light of that factor, is your business suffering from a type of handicap that translates in particular into a lack of information on programs implemented by other countries to encourage the emergence of these technologies? Does this represent missed business opportunities for you?

**Mr. Guy Drouin:** You are talking about missed business opportunities.

In Quebec, where we are established, certain Hydro-Quebec calls for tender encouraged projects in wind energy and biogas. We own a power plant fuelled with biogas in the Miron quarry in Montreal. It is one of the biggest in Canada, thanks to a Hydro-Quebec call for tenders in 1993. The purpose was to choose renewable energy projects that could complement hydroelectricity. This power plant allowed us to export technology.

However, there were a lot of missed business opportunities when the Kyoto Protocol failed. We had a technological showcase in Salvador that worked very well. We were selling our carbon credits to Luxembourg. There was also the power plant. We had developed a large number of projects in other countries, in South America and China particularly. The Kyoto Protocol-related drop in the carbon market clearly made us miss business opportunities, and that is why we are placing so much hope in the possible Paris treaty.

That said, thanks to the Hydro-Quebec call for tenders program and the carbon market, Quebec has become a leader. It is the first Canadian province to have adopted a policy aimed at pricing carbon. Ontario has followed suit. That is really interesting and not only for us. A lot of companies in Quebec will also take advantage of that possibility.

I can also tell you that Quebec is going to adopt the Coal Mine Methane Project Protocol Development, sometime before summer, and this will allow us to develop projects similar to the ones we have, be it in Alabama, British Columbia, Alberta or Nova Scotia, where there are coal mines. In addition, the credits generated in the other provinces of Canada will be eligible on the Quebec carbon market, which is on the order of \$14 or \$15 a tonne. That is extremely positive.

**Mr. Marc-André Morin:** Does our status as environmental outsiders give rise to a somewhat negative perception in the world, when we present projects?

**Mr. Guy Drouin:** Yes, utterly.

As a businessman, I have to travel on a regular basis to various countries in the world. It is clear that we are not being cited as examples regarding our carbon market policies, and that is an area I know very well.

Canada terminated the agreement and it had the right to do so. It could indeed withdraw from the carbon market despite the fact that the treaty had been ratified by all of the stakeholders in February 2005, when Russia ratified it. By withdrawing, as did Russia and Japan later, Canada did not, of course, earn kudos from the international community, especially not from Europe, which did not withdraw from the Kyoto Protocol, and...

•(1715)

[English]

**The Vice-Chair (Mr. Don Davies):** I'm sorry. We're out of time, gentlemen.

The last round will go to Ms. Freeland, for five minutes.

**Ms. Chrystia Freeland:** Thank you very much.

I wanted to start with Mr. Hall and make a request of our analyst. I thought his point about having paired advisers was really interesting and may be a specific point that might be something we can agree on. I wanted to ask you to make a special note of that and to thank Mr. Hall for making that point.

Another really specific comment we've heard from other witnesses has been that businesspeople who are actively involved in trade find the fact that you can't get a second Canadian passport—which is something that businesspeople in other countries can do—to sometimes be a problem; and that when you're applying for a visa from a country where it takes a long time, it would be convenient to have a second passport. Is that an issue that any of you have encountered?

Mr. Hall?

**Mr. Brandon Hall:** No, I have not.

**Ms. Chrystia Freeland:** Okay. I guess you guys don't travel to the countries where it's really hard to get a visa.

I wanted to ask also about this issue of clean tech.

[Translation]

What you said about the carbon market and the importance of having an array of clean technologies was very interesting.

Will Ontario's participation in the carbon market be an opportunity to create an array of clean technologies with other provinces?

**Mr. Denis Leclerc:** Yes, when Ontario announced its participation, the department, the Minister of the Environment and the Premier of Ontario shared their interest in creating something like that.

In fact, this is not another organization. It is an umbrella under which we group together the innovation and technology market forces. The point is not to create an additional structure, but rather to do two things, ensure cohesion among the actors, and create synergy so as to grow domestic and international trade in the area of new technologies.

**Ms. Chrystia Freeland:** You referred to Scandinavia, Germany and China, where there is a lot of innovation in the area of clean technologies.

Is it too late for Canada? Will it be possible to do that here?

**Mr. Guy Drouin:** On the contrary, it is never too late.

Canada has a very good reputation when it comes to clean technology, starting with water. Internationally, Canada has a very good reputation regarding the quality of its clean water technologies, waste processing, and confining waste. Certain businesses in Quebec, such as the Solmax company, are experts in making geomembranes and liners. I know the president very well, and he has just opened a plant in Singapore in order to have access to the Southeast Asia market and China. He is opening another one in Chile. We have a very good reputation.

Canada is very well-regarded technologically speaking. However, it is important to put in place the tools we set out for you, to allow our clean technology business and the industry to accelerate its development.

You should read the report by Ms. Céline Bak, the CEO of Analytica Advisors Inc.; every year they publish a report that shows the evolution of the industry and of Canadian clean technologies. This is the highest growth sector. It is a very vibrant SME sector. Of course, this sector is going to continue to grow with environmental regulations and carbon pricing. We have everything we need in Canada, and as Mr. Leclerc was saying, we have to make it to the podium and win the gold medal in this area, I am convinced of that.

•(1720)

**Ms. Chrystia Freeland:** British Columbia and Alberta chose another system. Will it be possible to have an array of clean technologies with that approach?

**Mr. Guy Drouin:** Yes, British Columbia has a carbon tax, and I think the price is around \$30.

The Alberta market focuses on intensity, and there it is \$15 a tonne. Carbon pricing is beginning there. That is good. It is better than nothing and it is one approach.

Two weeks ago in Quebec, there was a convention where the topic was whether it is preferable to have a carbon market or a tax.

As an entrepreneur, I think that both can coexist. I don't have the time I would need to explain how that could be done, but both methods can in fact coexist.

[*English*]

**The Vice-Chair (Mr. Don Davies):** Thank you very much.

On behalf of the committee I would like to thank all of the witnesses for your very in-depth and helpful testimony that will, I'm sure, help all of the committee members and very greatly inform the report we will write on this important matter. Thank you once again for sharing your time here today.

Colleagues, there being no further business before the committee, I will adjourn the meeting now.

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