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Chair

The Honourable Mark Eyking

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• (1105)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Welcome, committee members and minister.

I'm sorry for a bit of confusion on times, but we have it back on track.

This is the start of our study on how small and medium-sized businesses can take advantage of the trade agreements we have in place.

Welcome, Minister. As you may know, not only are we the most hard-working committee on the Hill, but...

Hon. Mary Ng (Minister of Small Business and Export Promotion): I'm not sure. The ones I worked on before were pretty hard-working too.

The Chair: The last few years we've gone through quite a few trade agreements. Of course, you know about them: the European, the CPTTP, and of course, the new NAFTA. We've been also working on Mercosur, the ASEAN countries, and right now we're also involved with the Pacific Alliance.

As many of you know, the House voted yesterday on the Canada-Israel bill. I think it's Bill C-85, which is going to be coming to us very shortly. I don't know if you'd call what our committee is doing "taking a breather", but as all of these agreements have come forth and we've studied them, many times we find that a lot of small and medium-sized enterprises out there are wanting to take advantage of these agreements. That's what our study is all about.

We're going to listen to many small and medium-sized enterprises and stakeholders out there, the chambers of commerce, etc., to find out what they need to take advantage of those agreements.

Welcome, and the timing for you to come is very good because we're just kick-starting our study. You know the drill. You have the floor and then we'll have dialogue with the MPs.

Go ahead, Minister.

Hon. Mary Ng: Mr. Chair and committee members, thank you so much. It really is a pleasure to be here.

Before I begin the official remarks, I want to thank the committee for the work that you're going to be doing. As the chair says, there are many trade agreements that have been negotiated and many that are to be negotiated, and others that have proceeded. It really is a good piece of work that your committee is going to be doing. I'm

really looking forward to understanding and learning what you will find in the committee. I just want to thank the committee before we start for the great work that I know you will be doing.

[Translation]

I want to begin by thanking this committee for inviting me here, and for the study you will be doing. I look forward to seeing the results of your work.

[English]

Canada is a country built on trade. In our early years it was based on the raw materials that powered other nation's economies. Today, we provide value-added exports that increase prosperity for Canada and for our trading partners.

Exporting remains crucial to Canada's economic prosperity. It provides a future for Canadian businesses and for workers by creating great opportunities for Canadian companies abroad. I have a mandate from the Prime Minister to help small businesses in Canada start up, scale up and access new markets.

[Translation]

I am also responsible for the Business Development Bank of Canada, the only bank in Canada devoted solely to entrepreneurs.

[English]

As the Minister of Small Business and Export Promotion, I am focused on making it easier for businesses across the country to access government services and programs.

In partnership with the Honourable Jim Carr, the Minister of International Trade Diversification, who has the responsibility for Export Development Canada, we will work together to enable Canadian export success by helping Canadian SMEs become more productive, more innovative, more export-oriented and more export ready.

I often say that Minister Carr opens the doors for Canadian businesses with the trade agreements with other countries, and I help those Canadian companies, especially the small and medium-sized companies, walk through that door, or those doors.

Why the emphasis on small and medium-sized enterprises? The vast majority of exporters are large companies with 500 or more employees, but small and medium-sized enterprises make up 99% of all companies in Canada. They make up 90% of our private sector workforce and they employ close to 11 million Canadians.

[Translation]

And yet, only 12% of SMEs export. We want to significantly increase that number.

[English]

On average, firms that export invest more in R and D, pay 14% higher wages and enjoy up to 15% higher productivity.

There are opportunities to do more. Let me give you some examples.

There is the recently negotiated trade agreement between Canada, the U.S. and Mexico, which will preserve Canada's preferential access to the U.S. market, our largest trading partner, and will ensure most trade between these three countries remains duty-free. This translates into economic stability, future job growth and opportunities for Canadian small and medium-sized companies.

However, we also know that in order to create even greater success for Canadian companies, we must look beyond the traditional North American markets.

The comprehensive and progressive agreement for trans-Pacific partnership, also known as the CPTPP, will come into effect on December 30, giving us preferential access to markets in the Asia-Pacific countries, including Japan, Australia, Singapore, New Zealand, Vietnam and others. These markets account for about 18% of the global GDP and nearly 500 million new customers for our Canadian businesses.

In September, we celebrated the one-year anniversary of the European Union-Canada Comprehensive Economic and Trade Agreement, otherwise known as CETA. In the 11 months before CETA came into effect, Canada's trade with the EU totalled \$38.4 billion. In the first 11 months after CETA, trade with the EU increased to \$41.1 billion, which is up 4.3%.

Altogether, CETA, the CPTPP and the USMCA are going to provide access to up to 1.5 billion customers for our Canadian SMEs.

Canada is also the only G7 country to have trade deals with all other G7 nations. Through our comprehensive and progressive trade deals, Canadian SMEs have preferential access to 60% of the world economy.

We're looking to always work on new ones, from modernizing the agreement with Israel, which is currently before Parliament, to the early-stage talks with the Mercosur member countries.

While Minister Carr is opening the doors for Canadian SMEs with these trade deals, how do we help grow exports for our small and medium-sized businesses? When a Canadian business owner first considers exporting, we need them to know that the Government of Canada is here to support them. That means better marketing and more innovative offerings.

I want to share with you the top five areas in which SMEs have told us that more needs to be done.

The first is knowledge. We hear that SMEs don't know where to go, in order to access the support they need to go global. We have the tools, but there's also a thriving ecosystem of third party programs

that support the work for these SMEs across Canada. What are these? Where are they?

The second is time, which is something that SMEs don't have. Innovation Canada is a step in the right direction. It brings together hundreds of programs—everything the government does for businesses—in a single portal. What more can we do to improve ease of access, ease of use and additional support to help them be successful?

The third is coordination. Small and medium-sized firms tell us that Canada lacks a coordinated value-chain or sectoral approach towards exports. We're looking very carefully at the advice from our economic strategy tables, which is an industry-government partnership that examines six areas where Canada is positioned for growth. These tables call for a national export promotion effort, where successful Canadian firms abroad enable further success for their value chains and sectors.

• (1110)

[Translation]

How can we enable a strategic and support approach such as this?

[English]

The fourth area is in infrastructure, improving our trade corridors as well as the availability of broadband to enable companies to become export ready and to grow the economy. "Trade corridors to global markets" is one of the pillars of transportation 2030, led by Minister Garneau. The goal of this pillar is to improve our transportation system to get products to market and grow our economy. What are the critical pieces that will have the most immediate impact on export readiness for our Canadian SMEs?

Last but not least is local knowledge. SMEs need more help to understand how businesses work in countries outside of North America. This is where the trade commissioner service—Canada's best sales force, as I often call them—has and continues to have a role to play in providing market intelligence and in making the right connections for our Canadian companies. It's also why we launched CanExport, where already more than \$37 million has been provided to Canadian SMEs looking for new export opportunities and to grow abroad. How can we best support companies as they look for market intelligence, introductions, financing options and more?

These five focus areas require efforts that are greater than one minister or one government. They require all of us to pull together and to work horizontally to make a difference. We know that Canada is one of the best places in the world for starting a business, and has been ranked in the top 20 in terms of ease of doing business, according to the World Bank. We're committed to doing even better, creating the right environment so that entrepreneurs and business owners can succeed internationally and create middle-class jobs here in Canada.

I look forward to working with you to encourage more Canadian SMEs to market themselves to the world, to diversify Canada's export portfolio and to open up new opportunities through additional trade deals. I'm looking forward to your advice as a committee as we work to continue to support the success of our Canadian small businesses.

[*Translation*]

I look forward to your advice and to working with all of you as we continue to support the success of Canadian small businesses.

[*English*]

Thank you very much. I would be happy to take questions.

The Chair: Thank you, Minister.

Before we start the dialogue with MPs, I'd like to welcome MP Jeneroux from the Edmonton Riverbend riding in Alberta.

Welcome to the committee.

We'll start off with Mr. Allison from the Conservatives.

Go ahead, sir. You have five minutes.

Mr. Dean Allison (Niagara West, CPC): Thank you, Mr. Chair.

Thank you, Minister, for being here today.

Mr. Thompson, it's good to see you again. I've seen you over the years at various committees.

I appreciate some of the things you guys are trying to work on. I think small business is critical. I guess one of the concerns I have is the elephant in the room, which is the lack of competitiveness that we have as a country. I think that has to be part of every discussion.

I mean, deals are important, absolutely. All those things are important, but I think you need to convey a message back to the finance minister that we are one of the worst countries. We're struggling with competitiveness. If our firms cannot compete locally, I don't know how they can compete globally.

I can give you just a few stats. The World Economic Forum has us ranked at 12th overall for competitiveness. The U.S. is number one, and that's our major competition. Canada came in 34th in the adoption of information and communications technology, 53rd in regulatory burden, and 96th in tariff complexity. When you put all these things together, it puts us at a tremendous competitive disadvantage. I could talk about Bill C-69, about the regulatory framework in terms of the energy sector, and I could go on and on.

I guess the challenge we have is this. I love some of the stuff we're doing. I love what the EDC does, and the BDC and CCC and all these things. I love CanExport. I think that's great, but what are you guys doing, as you mentioned in your opening remarks, to help SMEs understand that these programs exist? I mean, I'll bet a number of MPs don't know about half the programs we provide. Because of the committee we sit on, we've been exposed to them over the years.

What are some of the things you guys could do to help SMEs understand some of the things we have going on that could help them leverage what they are doing?

• (1115)

Hon. Mary Ng: Maybe I'll start there and then work back to your other questions.

It's precisely why I have the portfolio of small business and export promotion. I put a bit of an emphasis on promotion.

In the three and a half months that I've been minister, I've met with about 1,200 small and medium-sized companies across the country. I know all of my colleagues, and all of my parliamentary colleagues, have met businesses. You're quite right. There is work that we need to do in order to do a better job at providing information to our SMEs so that they understand the various programs and services the government has available to them.

I talked a little earlier about Innovation Canada.

Innovation Canada is our effort and it's phenomenal, because in about two minutes, as an individual business owner or an entrepreneur, you can go in and answer a number of questions about your company: Are you a small business? How many employees do you have? What are you looking for? Are you looking for talent, export resources and advice or are you looking for networks?

There's a series of questions, but the point is recognizing that small and medium-sized businesses need to know about the programs we have, along with programs offered in other jurisdictions, know where to get them and have an ease of use.

In that period of time, it's been up for about eight months—off the top of my head, and the officials can give me the exact number—over 150,000 unique businesses have entered into that portal. The whole point about that is, as you said, if we have these great programs how do we make sure that Canadian SMEs know that they exist for them? How do they access it, and when do they access it, is it easy for them to use?

We've certainly put that in place solely with the objective of letting them know about the programs, services and resources available at the different levels of government—not only federally—and making a tool that is easy for them to use. In two minutes, you're going to get a very tailored set of supports or answers to the questions you're looking for.

Mr. Dean Allison: Thank you, minister.

I don't have much time. As a matter of fact, I think I only have time for a comment now because of the time left.

I would encourage you to continue to—I spoke to 150 businesses this summer myself, on tariffs, particularly—pass back to the finance minister how important it is that we deal with regulatory burden and competitiveness in this country. I know we're having an update soon so we'll just have to wait and see what's going to happen.

I really hope that those are some of the issues that are addressed: what's going on in the States around regulatory reform, taxation reform and all those things. Like it or don't like it, it doesn't matter. It's making us less competitive and we're seeing dollars leave this country.

I encourage you to speak to the minister and continue to work on this whole issue of competitiveness for our country.

• (1120)

The Chair: Okay.

We're going to have to leave it at that comment.

We'll move over to the Liberals now.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

Thank you so much, minister, and team, for joining us this morning.

My husband and I are small business owners. Over the decades, we certainly understand the commitment and requirements involved in running a small business, as well as running a family and working full time outside of those small businesses.

The awareness piece is something that I heard consistently in terms of the program. EDC and BDC have often come before our committee and presented and done a phenomenal job. As you've mentioned in your great work there, minister, 99% of our businesses are small businesses. In rural areas, getting access to the services becomes a little trickier, as well as the distance to go to the regional offices.

Within your strategy, are you considering reaching out to the regional chambers of commerce, the CBDCs, maybe Startup Canada, the regional development corporations and even the Canadian banks? Many small businesses will go to a bank first. As you well know, banks are typically risk-adverse, so even if the banks have an option to send them someplace else....

The other piece I would encourage, and I hope is part of your strategy, is talking to post-secondary institutions, the business programs, either undergraduate or graduate programs, and making the students more aware but also explaining how they might be able to partner through a program like the export partnership program with small businesses. Thank you.

Hon. Mary Ng: Thank you so much for that.

You're absolutely right. Again, that's why I have export promotion. I think the promotion part is key. We have to let our small and medium-sized businesses across the country know where the resources are.

You're absolutely right in terms of the organizations, the small and medium-sized businesses but also the networks and the ecosystems that exist across the country. We have to let them know where those supports might be, whether it is access to capital, talent or mentorship.

Whether it's the banks, the chambers or the start-ups, I'm very pleased to say that within the first week of my appointment, I talked to all of them. It really wasn't to dig in, it was to simply say that I have this portfolio and I'm so excited to be working with you.

I do see that it isn't just government, and even within the government, we must work horizontally. We also need to engage with the stakeholders and with others who are working to help support the growth of our Canadian small and medium-sized businesses.

I think this is where there's an opportunity for you, as the committee, to actually study this and perhaps take the time to hear more, in greater depth. I look forward to the work that the committee is going to do, so that I can benefit from some more specific types of recommendations, or some prioritized recommendations from those organizations that would then help me do our work.

With respect to post-secondary...absolutely. There are five super-cluster initiatives across the country. They see academia as integral to the growth of small and medium-sized businesses. There are companies that are growing that research—where you're taking from research to commercialization—who use the services of IRAP, the industrial research assistance program, for example, out of the NRC. These are programs that the federal government has that are working with academia.

Academia also sits closely with many of the incubators and accelerators across the country. Those are also supports that the federal government—along with provincial partners and others—has collaborated on. There we are seeing wonderful growth and opportunities of small companies, young entrepreneurs who are developing their business plan and ideas out of post-secondary. Through that effort, through the attached incubators and then the accelerators, they are getting the access to advice, mentorship networks and financing.

Whether it is financing through the BDC or through our venture capital catalyst initiative....

Ms. Karen Ludwig: Can I squeeze in one more question?

Hon. Mary Ng: Yes, please.

Ms. Karen Ludwig: Thank you.

On the importing side—

The Chair: You'll have to be quick. You only have 20 seconds.

Ms. Karen Ludwig: Is there any consideration for working with small businesses to let them know about the importing opportunities?

Companies already have their own supply chains established. There may be an opportunity, when someone's looking to export to Canada, to partner with them.

• (1125)

Hon. Mary Ng: Indeed. I think that this is something that you can look at.

Trade goes both ways.

Ms. Karen Ludwig: Great, thank you.

The Chair: We're going to go to the NDP now.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): Thank you, Minister.

It's very important that you're here. Yes, a lot of trade agreements are being signed, but what we're seeing is that the exports are going down once we're signing these agreements. Yesterday the media reported that the National Bank of Canada is saying the Canada-E.U. trade deal is a disappointment, as deficit with Europe soars 46% over the last nine months, in comparison to the previous year.

Yes, we are signing these agreements but we're not seeing their benefits in the way that SMEs desperately need to be seeing them.

I have two questions for you. The first one is around the steel and aluminum.

We have had a lot of SMEs coming before the committee to present to us the desperate situation they are in, because the programs are not working. We heard from several of them that they just don't apply because it's too difficult to navigate the system of supports that are available.

I'm going to read you this quote. This is from Mr. Chris Wharin, from Bohne Spring Industries, who came here on October 23:

No small business owner in Canada should have to be subjected to this type of pressure. Business is stressful enough without having to deal with government intervention of this scope and magnitude. How much time and effort should I have to devote to fighting these tariffs and trying to pass the price increases along to increasingly hostile customers? Does our government care if small businesses such as ours survive? How can I grow and run my business effectively when I have to deal with the consequences of these tariffs and material increases? Shouldn't small businesses be focused on growth instead of fighting the government and fighting with customers on price increases?

I give you that quote for thought. The question I have for you is, what role are you playing in trying to help the SMEs impacted by the steel and aluminum tariffs?

Hon. Mary Ng: Thank you so much for your question.

I'm going to begin with a general answer, which is that absolutely we care. We care about all of the small and medium-sized businesses. They are 99% and, therefore, they absolutely are the backbone of our economy. They're the job creators. Their success is indeed our success.

With respect to the steel and aluminum tariffs, we believe they are unacceptable. The tariffs are harming workers not only in Canada but—

Ms. Tracey Ramsey: I'm sorry, but I have limited time.

Can you speak specifically to the work you're doing on this file to help the SMEs? I know these things and we agree on the situation, I think, but how are we helping them? How is your ministry and department helping?

Hon. Mary Ng: Part of the reason I'm here and part of the reason I'm looking forward to the study that you're going to be doing is that I hope that what I will be able to get back from the committee are some recommendations about how we actually help our small and medium-sized businesses grow through exporting.

We have signed many trade agreements. The export figures you quoted don't always capture the supply chains. The statistic I quoted

earlier was that in the 11 months since CETA came into force, we have seen 4.3% growth for companies.

We know that it's a billion and a half new customers and only 12% of our SMEs export. If only 12% export, there is a real opportunity.

Ms. Tracey Ramsey: Of course. I agree with that.

Hon. Mary Ng: There is a real opportunity for our SMEs to grow, so I'm really looking forward to the work you are going to do to help me with some of those concrete recommendations on how to help our SMEs become more export ready so that they can take advantage of the new customers.

Ms. Tracey Ramsey: I'd be happy to share the study with you. It's from the economist at the National Bank.

The Canadian Horticultural Council is on the Hill. I have agriculture and manufacturing pretty equally in my riding, and I think that's pretty representative of Canada. They brought to us that they feel there's a lack of trade commissioners. They don't have the ability to understand or access funding. They're looking for the support of farmers in terms of exports. The U.S. just announced it's going to put up \$200 million over the next three months to promote their agricultural exports.

SMEs are farmers. In my region, we have the greenhouse industry, which is a massive SME industry.

Again, I want to ask, what is your department doing to ensure that farmers are receiving, hopefully, similar support in order to export as well?

Hon. Mary Ng: To your question about the trade commissioners, I call them the greatest sales force for Canada. There are 1,000 of them around the world in 161 offices. We added \$75 million to modernize and increase that capacity so there is in-country support for farmers, for all of our SMEs, looking to grow into export markets. That support is there. We have made that investment.

With respect to manufacturers and other SMEs who are looking to grow, in particular, into those countries, as I said earlier, we've heard from small and medium-sized businesses about understanding an in-country market and where they might be able to get those resources to help them understand that context a little bit better, to help them sharpen and grow. That's exactly what we want to do.

• (1130)

Ms. Tracey Ramsey: They're not feeling that's the case. They're saying that there's a lack.

The Chair: Sorry, we have to cut you off there. We're way over the time.

We're going to go back to the Liberals.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Welcome, Minister.

As part of the 1,200 conversations that you had with the small businesses, I want to thank you for coming to Surrey and having a conversation with the Surrey Board of Trade and its members. That was very helpful.

Ninety-eight per cent of the businesses in Surrey are small or medium-sized businesses. They have difficulty accessing those programs that you are talking about. They're complaining that they don't have the time and the resources to do the research you're mentioning.

Is there a proactive approach that your department is taking to help educate those businesses about having trade overseas?

Hon. Mary Ng: Thank you for that question.

It was great to be in Surrey, to be with the board of trade and to meet so many of the great businesses in Surrey. I think it was just a few weeks ago.

I'll draw people back to Innovation Canada. I often say that it is a portal that's intended to help businesses that don't have a lot of time, which is why it really only takes you two minutes, literally, to go through it. It will then give you a list of the programs, services or supports in your area that will help you.

For those who need additional support, we have innovation officers or advisers who can help small and medium-sized business owners. They might say, "You should get in touch with the trade commissioner service in this area because it looks like this is where your business has growth potential", and then guide you through the support that your business would need.

I know that I keep plugging this, but Innovation Canada is built specifically to be sensitive to the fact that SMEs don't have time, and to give them robust information so that they can get access to capital, to networks, etc.

I would also say—and I'm going to plug this a little bit—that just over the last couple of weeks I announced some funding for the women's entrepreneurship strategy. One is an ecosystem fund of \$85 million, and another is a \$20-million fund specifically to help individual women entrepreneurs grow and scale their businesses.

Why is the ecosystem important for women entrepreneurs? While I say that 99% of our businesses in Canada are SMEs, only 16% are women-owned and women-led. I have a mandate to double that by 2025. Studies, including that by McKinsey, will tell us that if we do that, if we improve and grow the number of women entrepreneurs, by 2026 we can add \$150 billion of incremental GDP to the Canadian economy. An ecosystem fund really is to fund those organizations across the country that will provide the kind of support that women entrepreneurs need to start and grow their businesses.

Again, it's what we hear a lot from SMEs, whether it's about financing capital, getting the advice that they need, or getting the right expert advice as networks to help them scale, grow and hopefully do a whole lot of exports.

Mr. Sukh Dhaliwal: You mentioned women and entrepreneurship. When we look over the last decade and a half, we see that the manufacturing industry is almost dead in British Columbia, where I come from. Now we see that more and more women are getting involved in the knowledge-based economy, in the sciences.

If we have to compete in the coming years, it'll be hard to compete with China and India when it comes to labour-intensive jobs. Are there particular programs available to help women be competitive in the knowledge-based economy?

• (1135)

Hon. Mary Ng: Yes, indeed. It's not a program. It's a series of investments in.... It's a growth approach. It's the supercluster based out of Vancouver. There is expertise there in academia, along with some very robust digital companies that actually provide and offer a supply chain for the emerging SMEs that are growing exactly in the digital industries right there in B.C.

There are four more of them across the country in different clusters where Canada really has an expertise, whether it's advanced manufacturing in Ontario, oceans in the Maritimes, or agri-food and proteins in the Prairies. There is a real ability for the emergence of these great Canadian SMEs. It's these very companies that we want to be able to help support in their efforts to become more export ready so that they can grow, not only here in Canada but abroad.

This is the work that I would love to learn more about. In B.C. there's a great export navigator program. If an SME wants to look at growing and exporting, then there's an export navigator program that's offered by the province.

The Chair: Thank you, Minister. I'm sorry, Mr. Dhaliwal, I know you're on a roll, but maybe the next Liberal can pick up where you left off.

We're going to go to the Liberals now.

Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair, and thank you, Minister. Welcome, it's great to have you here.

I know you took us through a little bit of what the ministry is doing to offset those mental and physical steps—as well as the risks—that small and medium-sized enterprises have to take before they can think about the reward of getting into exporting.

You talked about knowledge, time, coordination, infrastructure, local knowledge. You've had the opportunity to go coast to coast. There are 1,200-plus businesses you've heard from. I'm sure you heard a lot of success stories and you also heard from those businesses about some of the challenges they have. I'm sure they talked about the risk level.

With the five barriers you outlined for us, was there any particular one that stood out among the others—the knowledge, time, coordination, infrastructure, local knowledge—that came up in your town halls and your meetings with chambers of commerce?

Hon. Mary Ng: I would say it's probably fairly consistent. It's important to know where the resources are, to know where there may already be something that might be done locally to help companies understand what they need to do to get ready for export. I've talked about the export navigator program. I would love for this committee to look at others that might exist across the country. That's one that I know from having made a trip out to B.C. There are other comparable programs.

There's one in the Atlantic region. It's not quite called "export navigator", but essentially these are programs offered by either the local board of trade or an economic development organization in the province or even in the municipality. They're doing some really good work to provide tools and supports to help companies think about what they need to do.

They have to determine, first, if they're ready, and then, if they are ready, they have to look at what is out there and learn how to get on the road to exporting and growth. If you're not ready, you need to know how to find out what kinds of tools or support you need to get yourself competitive so that you can start growing your SME, growing your business, and finding customers that are beyond the Canadian marketplace.

I would love to hear about the work and the study that this committee is doing so that I can know what stage some of these businesses are at. We want to look at how we might collaborate with these SMEs, to let them know about some of the tools and supports that are already in place at the federal level. We want to give these SMEs access to the resources they need to grow.

• (1140)

Mr. Peter Fonseca: We can look at the opportunities with CETA, where 98% of tariff line items came off on product services. One in particular that we heard about at the committee, which I also read about, had to do with the lobster fishermen. I think it was a 20% price advantage that was there and it put us in a great competitive position over the United States with our exports to Europe. We've seen some great growth.

Is there something through your ministry that you're able to highlight? Do you know of some really tremendous opportunities that we can take off with?

Hon. Mary Ng: I have an expert on that here with me, and I'm going to let Chris take it, because we're doing some really great things and she'll be able to give some advice to the members.

Ms. Chris Moran (Director General, Trade Portfolio Strategy and Coordination, Department of Foreign Affairs, Trade and Development): Thank you.

To answer your question directly, yes, we are engaging. We work very closely with ISED, with the regional development agencies and with a number of those parties that you raised earlier to cover off the promotion of those opportunities.

We know that it's very difficult for SMEs to access the information that they need. We're taking steps now to increase our promotion so that SMEs know where those trade agreements are and what benefits we can bring to them. Also, the Canadian trade commissioner service abroad is able to bring those opportunities back to us through our network here.

We're disseminating that information to our partners along the ecosystem—ISED, through RDAs; with BDC and EDC; with provinces and territories; and with chambers of commerce—to make sure we're promoting the opportunities that exist. We want to make sure that we're well-equipped to take up those opportunities and that Canadians can find ways to export.

They know the environment, that local knowledge piece, for example. We're gathering intelligence about the environment that they need to know beforehand, those regulatory issues. All of those issues we're helping them navigate through the trade commissioner service.

The Chair: Thank you, and that wraps up the time, Mr. Fonseca.

We're going to move over to the Conservatives now.

Mr. Carrie, you have the floor.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Mr. Chair, and thank you, Minister, for being here.

I'm glad to hear that you've met with about 1,200 different companies since you've been minister. What is confusing for me, though, is that you brought five things they brought to your attention: knowledge, time, coordination, infrastructure and local knowledge. We're hearing a little bit different. We're hearing from companies that are saying your government is not listening. There seems to be a focus on program development, but what we're hearing about is the lack of competitiveness. Canadian companies are great quality companies, but they're finding it hard to compete around the world.

I don't think I have to tell you, Minister, that 76% of our trade is with the United States, but we're at a distinct disadvantage on personal and corporate tax rates, resource development, labour productivity, regulatory burdens, internal trade barriers, access to capital, size of the market, incentives to invest and encouragement for entrepreneurship. Some of these companies, as my colleague said, are in a very dire situation right now and they're waiting for Minister Morneau, who was here in front of committee, to come up with his economic update on November 21.

I was wondering. With all the different companies that you have listened to, what recommendations have you made to Mr. Morneau to address the competitive disadvantages that Canada has, especially with the United States?

Hon. Mary Ng: The five areas we talked about, that I illustrated, are actually with respect to exports, but of course when you talk to companies they talk to you about more than exports. Because the work here and this committee is about your work ahead and helping provide some recommendations about how we can help companies become more export ready, I highlighted those five—

Mr. Colin Carrie: Minister, my apologies for interrupting, but some of these companies are at the precipice right now. They've been talking for months. We had emergency meetings in the summer and their complaint was that you're not listening. In two weeks Minister Morneau is coming up with an economic update with a plan to move forward, and it needs to address the competitive disadvantages we have. As you said, Minister Carr can open the doors, but you can't help him through the doors if the doors keep getting slammed shut because we can't even compete in that international market.

What I'm asking specifically is.... Obviously you've listened to 1,200 companies, what recommendations have you made to Minister Morneau to address the competitiveness crisis that we have in this country right now?

• (1145)

Hon. Mary Ng: With respect to competitiveness and the sensitivity of costs, absolutely we're listening. We had six economic tables that have worked solely with the private sector so that we are understanding their issues and their needs. I would say with respect to regulatory changes, we're making inroads on that. We have repealed 108 regulatory titles, and the previous government had 23, so competitiveness is important—

Mr. Colin Carrie: Minister, excuse me, but the question is, have you made recommendations to Minister Morneau yet? You've talked to 1,200 companies. The number one issue we're hearing about is this competitiveness disadvantage, particularly with the United States, where 76% of our business goes. Have you made those recommendations yet?

Hon. Mary Ng: I, like you, listen to companies. I'll continue to listen to companies. I will continue to work to help companies start and to help them grow. I am the person who has the responsibility around the cabinet table to be sensitive and to advocate for small and medium-sized businesses.

Mr. Colin Carrie: Minister, respectfully, the situation is dire. We have a capital bleed of \$70 billion. In other words, like my colleague was saying, \$70 billion more left Canada than came in. This is unprecedented. Right now we have good quality Canadian businesses, who want to stay in Canada and love doing business in Canada, but the competitiveness issue is huge. It's dire. It's an emergency.

What recommendations have you made to Minister Morneau to address the competitiveness issue, and have you made...? I'm not getting from your answers that you even made any recommendations. This is the emergency that we're hearing about. This is dire. You're here. Could you please explain to us what recommendations you're making?

Hon. Mary Ng: Small businesses are as important to me, just as they are to you. We've created 600,000 jobs in this country. We have a plan for skills to help those companies grow.

Mr. Colin Carrie: They don't want programs, Minister. They've been here. They don't want loans.

Hon. Mary Ng: They're not programs. These are jobs. There are 600,000 jobs that have been created.

Mr. Colin Carrie: But 600,000 jobs, respectfully—

Hon. Mary Ng: We have reduced—

Mr. Colin Carrie: That wasn't the question.

The Chair: The time has wrapped up.

We're going to move over to the Liberals now.

Mr. Sheehan, you have the floor.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Minister, for appearing.

I just have a few questions. As you know, I used to work for the Sault Ste. Marie Economic Development Corporation in small business entrepreneurship. I was the general manager there, and we were also responsible for inbound and outbound trade missions. We really haven't seen a whole lot of support over the last 10 years for trade missions in the regions, in rural and northern areas. We used to receive funding. We were in China, Portugal, Ireland, but there really hasn't been any funding in the last 10 years. There has been a little bit of a lack of initiative in that matter.

Do you foresee in your new portfolio—I know you've been there for three months—more support, more resources for economic development agencies and regional ones to put together and coordinate both inbound and outbound trade missions?

Hon. Mary Ng: That's a really good question. In fact, that's a question that I would actually love to hear about from the work that this committee will be doing and understanding from the businesses and the stakeholders that you're going to be hearing from ultimately about whether that would actually be one of those things that would help companies become more export ready.

I talked earlier about the CanExport program. It is helping Canadian companies that want to access and grow into a new market. In fact, it is direct funding to help them travel into a global market to attend a trade mission, so it's certainly there. But I think this is one area where you could certainly help us and let us know if that's a key ingredient that would be helpful to small and medium-sized businesses to become.... Is that an export readiness promoter that they see to be very valuable for their growth?

I would love the committee's perspective on that as you do your work.

• (1150)

Mr. Terry Sheehan: One of the other questions I have is whether you could speak to the importance of the small business tax cuts, because we've already had a very competitive rate. How would that be helping small businesses as they prepare to be export ready or to get back in the game?

Hon. Mary Ng: Thank you.

I guess I'll answer this as a way of answering your colleague's question around competitiveness.

We've lowered the taxes for small businesses. They were at 11%, and in January, in just a couple of short months, they're going to be lowered again to 9%. It's the lowest tax rate. It's one of the lowest in the G7 countries. It is going to help competitiveness, and the reason it's going to help competitiveness is that the business people who I've met have said that having extra capital, the extra capital they save as a result of the tax cuts, helps them reinvest into their business. It is very helpful. There hasn't been a business person I've met yet who says they don't like the tax cut.

Mr. Terry Sheehan: That's good.

You also served with me on the industry committee. You and I had some conversations about the Asian market and the untapped potential. Could you please just share some of your personal beliefs about the opportunities there?

Hon. Mary Ng: Yes. The CPTPP that I talked about a little earlier, the comprehensive and progressive trade agreement.... Before I go there, I would also like to say that actually comprehensive and progressive means that the trade agreements that are being negotiated have provisions in them in structure that actually provide preferential access for small and medium-sized enterprises. They have preferential access in a way that they didn't before, because of what we negotiated into these trade agreements, and they also provide access for women-owned, women-led and indigenous-led companies. I would say that as a macro in terms of the way in which we are negotiating treaty agreements so that they are actually inclusive and allow for greater participation. As for the Asia-Pacific countries, whether they're emerging countries like Vietnam or Malaysia or economies like Japan or Australia, CPTPP gives us access to more than 500 million new customers in that Asia-Pacific region.

China, of course, is our second largest trading partner, and we will continue to work with trading, as we do with our second largest trading partner, along with all of the countries as part of the CPTPP. This is about having competitive trade agreements that open the door for our small and medium-sized businesses to access those customers and to grow and to create good middle-class jobs right here in Canada.

The Chair: Thank you, Minister.

That wraps up your time, Mr. Sheehan.

We're going to go to the Conservatives. Mr. Jeneroux, you have the floor for five minutes.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Mr. Chair.

Minister, it's good to see you here. Congratulations on your post. We did a lot of good work together on the industry committee. However, that doesn't mean I'm going to go easy on you.

Hon. Mary Ng: Thank you.

That's okay. I wouldn't expect that.

Mr. Matt Jeneroux: That's good.

I want to ask you something very point-blank. Have you had discussions with the environment minister on Bill C-69, the tanker moratorium and the carbon tax, and how detrimental they've been, particularly to western Canada?

Hon. Mary Ng: I've had conversations with the Minister of Environment. You know that we sit on cabinet together. This government believes that the economy and the environment go hand in hand.

Mr. Matt Jeneroux: Have you suggested to her how detrimental these have been to western Canada? Have you made that comment to her?

Hon. Mary Ng: I have not made that comment to her, but I have talked to the Minister of Environment about small to medium-sized businesses I've heard from, particularly those that are in the green economy.

I just met with a wonderful company this morning as part of Futurpreneur. This was an entrepreneur who's under 40 years old and has a great company that is helping other companies reduce their pollution and reduce costs at the same time. There are many companies that I've—

Mr. Matt Jeneroux: There's an 8% unemployment rate in Alberta, particularly in Calgary, in the oil and gas sector. Bill C-69, the tanker moratorium and the carbon tax are drastically impacting the competitiveness of those companies. Every day, companies are indicating that they're moving south of the border. These are small businesses.

I would encourage you to have conversations with the environment minister, but to indicate how detrimental Bill C-69, the tanker moratorium and the carbon tax are to these companies. Quite frankly, they can't survive. We've lost enough already and we can't afford to lose any more.

• (1155)

Hon. Mary Ng: I was in Calgary a couple of weeks ago at the end of Small Business Week. It was great. I didn't get to meet every single one of them individually, but there were about 400 businesses in the room, celebrating entrepreneurship and the growth of these wonderful SMEs. There was this new company that is touting the best barley in the world and growing as a result of what they are creating, and there were many clean-tech companies. I met several of them who told me they appreciate the investments this government is making, particularly around the growth of clean tech, and that it is going to help—

Mr. Matt Jeneroux: Minister, I'll tell you who wasn't in the room: the small businesses that have been absolutely destroyed. The provincial level has been equally detrimental to these companies. Cumulatively, with the federal government's regulations, more red tape, and particularly Bill C-69, that has led a lot of these companies to move south. They don't have time to come to see you in a banquet hall somewhere to celebrate everything you think is great. These are companies that have lost employees. They're laying off people. The unemployment rate, again, is at 8%. I think that's the highest it's ever been in Alberta, and it's largely because of initiatives your government has introduced.

You now sit at the cabinet table and have a tremendous opportunity to stand up for these small businesses. Quite frankly, if you're not prepared to do that, the repercussions are going to be that you're not going to have members from Alberta next time around.

It's also detrimental to the entire economy. Alberta's a major driver of the Canadian economy. To continually put on these initiatives is just attack after attack on these small businesses. You didn't hear from them, Minister, while you were there, because they're not there anymore. They've moved. They've left the country. They've found somewhere else to do business, which has a lot less red tape and fewer regulations than what this government has put on them.

I encourage you again, Minister, to have those conversations with the environment minister and with the finance minister on how detrimental this government's policies have been for small businesses. Thank you.

Hon. Mary Ng: Let me just say that it was great to be with a whole bunch of businesses that the chamber put together, because they're recognizing how important and dynamic their growth is. I'm always very pleased to attend something hosted by businesses and hosted by chambers, where they actually get an opportunity to then sell—

Mr. Matt Jeneroux: But you've lost a lot of companies, Minister.

Hon. Mary Ng: With respect to regulatory changes, we repealed 108 and the previous government repealed 23 in the same amount of time. We take regulatory competitiveness seriously. I certainly do.

The Chair: Thank you. We're quite over time. I think we have time enough for Ms. Ramsey for three minutes.

Ms. Tracey Ramsey: Thank you so much.

The one thing we have heard about here, which I would encourage you, again, to have a conversation with Minister Morneau—and I think Minister Bains, to be fair—about is the lowering of the CIF threshold. It's currently at \$10 million. This does not serve small and medium-sized enterprises at all. We have heard the call here to have that threshold lower so that they can access that program.

The same, I think, is very true of BDC and EDC. The threshold on these programs is largely out of reach for SMEs. There needs to be more strategic funding that is specific for SMEs. Hopefully, we can see those things possibly reflected in the economic update or coming soon for small and medium-sized businesses.

I want to tell you that we've had the opportunity to travel in our committee. We went to a lot of countries in Asia and we visited Thailand. They had a unique program there called Thailand 4.0. They were talking to us about all of the incredible programs that they have to increase the participation of their SMEs in exporting.

I'm wondering if you've done any analysis on what we're doing here in Canada compared with other countries that are quite successful at having SMEs export, and on where we can fill in the gaps in services to our SMEs.

• (1200)

Hon. Mary Ng: I don't know what the scope of the committee is in terms of how far and wide the committee will reach with respect to others who might be doing some work that is enabling successful exports. If there are others in addition to Thailand, I would encourage you to look at those, because we can certainly—

Ms. Tracey Ramsey: Are you doing any analysis out of the department on that?

Hon. Mary Ng: Yes.

Ms. Tracey Ramsey: I think we need to look globally at what is happening in other countries and at ways in which we can improve the programs we have here and potentially mirror some. I would just leave that with you.

Hon. Mary Ng: Sure.

Ms. Tracey Ramsey: The last thing I have is really about value-added trade. I have a quote from Mathew Wilson who is a vice-president of the Canadian Manufacturers and Exporters. He says that:

...simply signing an FTA is not the solution. We must sign FTAs that actually grow exports, not just increase imports....

Free trade agreements are only as beneficial as the amount of new value-added trade they create.

I wonder if you can speak specifically about your work to encourage new value-added trade for SMEs.

Hon. Mary Ng: It's interesting; I actually met with the Canadian Manufacturers and Exporters yesterday and spoke to the 100 or 200 members who were in the room. The challenge I put out is the same thing that I know this committee is going to undertake in its work.

They know their members. They understand. Some of their members were doing some really good work around exporting. I have asked them very specifically if they could give me some advice about what it is they would be looking for that could genuinely be helpful in their growth.

Ms. Tracey Ramsey: Can you speak specifically to value-added trade, though?

The Chair: I'm sorry, Ms. Ramsey, but that wraps up the time. That wraps up the round, and it wraps up our time with the minister.

Before I suspend and we bring in the officials, there was a comment Ms. Ramsey made. I think you can look it up from our study. It was about what the Thai government is doing, that connection between their federal government and small business. It was really interesting. It's probably in our report, our ASEAN report, so I think it would do well for you, Minister, to just look at that report. There is some pretty good stuff in there. It could be helpful to you.

Again, thank you for coming. Do you have any quick closing comments?

Hon. Mary Ng: Sure.

I appreciate all the questions and the thoughtfulness. Yes, I will definitely look at that and get the department officials.... I'm really looking forward to the study and the work that you're going to be doing. No doubt we are going to benefit from the findings and the recommendations in there, because I think we all share a common objective, which is to help our SMEs access those markets beyond. We could do a whole lot better than 12%.

Thank you.

The Chair: Thank you.

That wraps up the time. We're going to suspend for about 10 minutes and then we're going to have the officials. We'll do one round with them.

•(1200) _____ (Pause) _____

•(1210)

The Chair: We're going to resume our meeting and continue our study. We had the minister here this morning. We're glad the officials have come for the second portion.

We could do it two different ways. Either we can go right into questions or you may want to do some opening statements. It's up to the officials.

Mr. Paul Halucha (Senior Assistant Deputy Minister, Industry Sector, Department of Industry): I think we're open to questions.

The Chair: You're ready to go. Good. That makes it easier.

Mr. Allison, are you good to go?

Mr. Dean Allison: Absolutely.

The Chair: Go ahead. You have the floor, sir.

Mr. Dean Allison: It won't be as fun now that the minister is not here.

Thanks for coming.

I have a couple of questions about the USMCA. I realize this is not a trade deal specific to you, but there have been some concerns about data in terms of the new deal that says that no country should be able to keep their own data.

Do you have any thoughts about that? We understand we don't even have a Canadian text; we look at the U.S. text. We understand in talking to some people that the text is actually different from what they thought in the negotiations. I realize this is a bit of a vast area and you aren't specifically on trade. Under industry, I'm assuming data falls under your area, or close to it. Do you have any thoughts or concerns on that particular situation?

Then I have a question on IP.

•(1215)

Mr. Paul Halucha: Do you want to ask the question on IP first? I'll take them both.

Mr. Dean Allison: Sure. I could do that.

I had a chance to meet with the Council of Canadian Innovators. We've obviously been talking about a bunch of things, national cybersecurity.... I don't want to get into all that.

One thing in particular was a strategy about IP protection as it relates to.... We spend a lot of money through IRAP and all these programs that are government-funded to help with research in universities and colleges, etc., yet most of the time, at the end of the day, we have no way to protect the IP. IP gets ripped out and goes to the U.S. and other places where they make oodles and oodles and buckets and buckets of money, but we actually contribute through our many great programs on R and D on that stuff.

Do you have some thoughts on that, and then on the data protection piece as it relates to the new USMCA?

Thanks.

Mr. Paul Halucha: I'm not responsible for the USMCA data provisions in our department, but they come up significantly in discussions with companies.

At the heart of it, one of the challenges is that there's a perception that we can lock down data. I think this is something that occurs in discussions around privacy. It occurs in discussions around cybersecurity and intellectual property, as well. Data, we know, flows. There are some competitive advantages, certainly jurisdictional advantages, that you can gain from setting your data policy provisions to enable, for sure, Canadian companies to have access to data. We want to avoid data monopolies, and I think that is at the heart of a lot of the concerns that have been raised.

Potentially, you can do that through trade agreements. I'm not sure we would do it in a way that would be advantageous to Canada, given that we want data flows internationally. We want our companies to be able to take advantage of data available in other jurisdictions that they acquire through the legal environments of those jurisdictions, so I think that's a key consideration.

I know in the discussions I was involved with on the trade agreement discussions around data, it was quite clear that companies are not going to be compelled by any of the provisions in the USMCA to give up their data. If they acquire data, they're not required to keep it resident, and they're not required to move it out of the jurisdiction. That's the type of flexibility we want.

The point that you made earlier when the minister was here was around the importance of having competitive policies that are across the board and that enable the strongest competitive firms to take advantage of their competitive opportunities and win. You want to set the framework laws so that you can locate your data in a way that enables that type of behaviour by companies.

On intellectual property, we've heard this debate. I'm responsible for the foreign investment review act, the Investment Canada Act. I've been the senior administrator of it for a number of years. Often we come across this. I've done programs as well where we've made investments, and intellectual property is a key part of it.

There is a fallacy that you can lock down knowledge, know-how and IP through some legal agreement. I've never seen an agreement that allows you to do that. If you think about IP, yes there are patents. Patents are also available at the patent registries of whatever country they are located in, so there are disclosure requirements around patents. Know-how is not only on servers. Companies that I've seen who have IP are extraordinarily careful with it. They're more careful than any government agency could ever force them to be as a result of taking public money. That's their lifeblood; that's what's going to keep them in business long term.

We care about that. We certainly are knowledgeable as we structure the provisions and public support, because we want to make sure that.... Certainly you don't want to have a situation where flight of a company happens the day after. At the same time, you don't want to put such provisions in place that they're not able to make good business decisions the days after, because their competitors won't be facing those types of barriers going forward.

Mr. Dean Allison: I have more questions, but I know I'm out of time. We'll talk about this stuff later.

Thank you very much.

• (1220)

The Chair: We're going to over to the Liberals now.

Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

Thanks, everyone, for being with us today as we embark on our study on helping SMEs tap into the export world and some of these new trade deals that we have.

I want to ask a general question before I ask a couple of more specific ones, maybe. We look at numbers, and I think the number we had was 12% of small and medium-sized enterprises are currently exporting. I think that's a 2014 number.

I want to ask generally what metrics we are using. How do we deem success? These trade deals are obviously.... You can use whatever analogy you want. They swing the door open or they build the bridge to these markets, but we can't force people to go through the door or cross the bridge. The goal is to get as many Canadian companies to tap into these regimes as possible.

How are we measuring that? What does success look like? What is the goal here at the outset, as many of these new deals are just coming into fruition now?

Ms. Chris Moran: In terms of metrics, in the trade commissioner service, we were, I would call us, early adopters of results and delivery. We have been tracking our service offering. We've been tracking our economic outcomes facilitated for many years. I think the last time I asked the question, it was more than 10 years.

We know that we are reaching Canadian SMEs. We know that we serve approximately 15,000 every year. Using Stats Canada and our chief economist's office, we're able to track exports. We're using Stats Canada numbers on exports, and we're looking at growing them. We set targets for ourselves to grow them, depending on the market, and we measure them using Stats Canada numbers.

At any given time, we are looking at increasing the numbers that we're serving and looking at increasing the value of the exports to that market, depending on where we see the opportunities.

Mr. Kyle Peterson: Yes. Sure.

Mr. Paul Halucha: A couple of things on that. I think the trade data that often gets quoted.... In economic literature there are lots of discussions around how accurate trade data is anymore, given global value chains. Every time I see a number like what we saw yesterday where the growth rate was that slow, we need to remember that it

didn't take account of a lot of the interfirm movement of goods and also that what gets captured in trade flows is the point of final sale.

This is the famous example of the iPad, iPod or any of those products made in China that all get credited to China's export number because they do the final production there, but recognizing that a lot of the intellectual property, the software and the components are made in places like Germany and Scandinavia and, obviously, in the United States as well.

I think that's an area we need to get better at, moving away from those trade surpluses. Anybody who looked through the last year on trade data recognizes severe limitations in looking at the bottom number, and even a surplus and a deficit don't necessarily reflect good and bad at all times. I think that's a point on the data we need to get better on.

In government we often tend to look at how many clients we handled, how many people came into our offices for meetings or that we brokered meetings with others. I think that's a valid point because service to customers is critical, but in the end it's how many deals were closed as a result of those interactions. How many companies were able to land contracts? Those often don't happen that day. They may happen months later. I think we need to get better at tracking the economic performance indicators around that.

I was involved with the economic strategy tables. I led the sector at ISED that was responsible for running the secretariat. They pointed strongly to branding as another area that Canada needs to get stronger at. They noted we have great pockets on that, but the Canada brand remains an extraordinarily strong brand for companies. I have companies coming in all the time that have been able to benefit from that, but we use it inconsistently.

It's interesting because if you look at areas like regulations, companies are always coming in to raise regulatory issues, as was noted earlier. The regs are often the baseline for strong brands. If you look at health products, why do health products from Canada sell so well in markets in Asia, China and Africa, and why is a premium sometimes paid for them? It's because the Canada brand signifies the regulatory process, and the health and safety features of our system here that we take for granted, but it's an enormous benefit to firms.

That was one of the signature initiatives of the tables. I think that area, plus the increase in getting to the metrics around the effects we are actually having, are two areas I think we can do better at. I think in the spirit of what the minister was doing, like offering suggestions around where the committee could work, maybe identifying best practices of other countries that are reporting better on their interactions and their support, would be a really useful thing, and then strengthening the Canada brand.

• (1225)

The Chair: Thank you.

Thank you, Mr. Peterson.

We'll go to the NDP now, Ms. Ramsey.

Ms. Tracey Ramsey: Thank you.

I have a couple of specific things, but I want to make a comment, because I do agree with what Mr. Halucha is saying. Without the data, we can't reflect back to see how successful we're being in terms of our trade. This is something that I've brought forward and that I think we really need to implement as part of our trade agenda and trade policy going forward: that we actually have a report following trade so that we can have official studies that are capturing all the things you're mentioning.

Under that transparency, I think we really could understand the successes and the challenges and then look at policy ways to address those challenges. I had a chat with Ms. Moran. I said that the opportunity for trade exists almost solely within SMEs because the large players are doing quite well. They know how to do this. They know where the programs are. They have the resources to be able to go and acquire them and look at trends that are happening globally. SMEs have none of this.

I remember an early stat that we heard from the CFIB. They came here and told us about the amount of people who try to trade with a country in year one. By year two, that has dropped by 50%, and then there's an even higher percentage drop-off after year two because it's too difficult. They just are not able to do it. That's something we've heard pretty consistently at this committee over the last three years.

I really feel that at this point we have to flip trade on its head when it comes to SMEs, start from the ground up and create something that works based on what people need. As my colleagues have alluded to, and as we've heard here consistently, the programs that exist and the kind of model we have aren't working. I'd like to hear about your efforts to address all of these concerns.

I have two specific examples of things that I think could be helpful. One of them comes from the Canadian Produce Marketing Association, the Canadian Horticultural Council and my colleague, the previous agriculture critic. It's a non-partisan issue, I believe, but we've yet to see it, and that's the U.S. Perishable Agricultural Commodities Act, which would really help SMEs in terms of the produce that they're shipping across the border. We need this program back in reciprocity so that we can secure their future and make sure that when they lose products when they're exporting there is some security measure for them, so that they don't end up losing their farms, essentially. I'll ask you about that.

On the other one, I come from a region in Essex that has over 22 wineries. I know that my other colleague from Niagara has a lot of wineries and certainly B.C. does as well. The vintners are quite an active group here. The excise exemption is critical for our vintners. This goes beyond the bricks and mortar or the fields of our vintners. This goes to our whole tourism sector and the whole ecosystem that exists around it. This is a simple measure that would really help them to reinvest in their businesses.

I'll leave that open for comment. I look forward to hearing from you.

Ms. Chris Moran: Thank you very much.

To address one of your first questions, the chief economist of Global Affairs Canada does issue an annual report on the state of trade. I will ensure that the clerk receives a copy of that, because it is actually a snapshot and it's consistent across time in terms of methodology, etc. It does provide a good baseline and we can look at it year over year.

With respect to your question about the point that CFIB raised with the problem that some SMEs export once and don't stay engaged, that's something that within the trade commissioner service we recognize as a problem. There are two problems that we try to help businesses address.

Number one is the risk of exporting. Through access to information, intelligence and preparation for that market so that they are going to succeed, so that they are going to have a better opportunity when they arrive and they're going to make better contacts, they're going to have greater success and we can help keep them re-engaged. That's one thing that we are actively looking at.

We also know that roughly 59% of our clients at any given time are exporting to only one market. These are SMEs that are already working with the trade commissioner service. They already understand what we can do for them. We're working with them to identify other opportunities as well so that we're expanding their markets. We're looking for new opportunities for them. We know that in turn that opportunity and the value they're going to bring back into Canada are going to contribute overall to a more innovative and successful company.

● (1230)

Mr. Paul Halucha: It has been a couple of years since I've been active on that file but it does have a long tail. I know that the government has announced that they are doing consultations on aspects of the bankruptcy system, but I believe that pertains only to the issues around pension claims in bankruptcies.

We studied PACA very carefully, because they are a very active stakeholder group that came in to meet with us over a couple of years, and what we found was that there were a significant number of regulatory changes that were made with full support from our department by the Department of Agriculture to put in place a regulatory regime for the conduct in the market. This was because what was happening was that there were a lot of players who were coming in and out of the marketplace in Canada, the fly-by-night operations, and they would effectively take money from farmers. They would take the produce. Then they would discount it when they got closer to market, and then maybe give them back their money and then they would vanish.

What was presented often as a bankruptcy problem was actually a fraud problem. It was not appropriately dealt with under the Bankruptcy Act, and I think the government did deal with it through the regulatory changes they made, which were on the licensing regime in that sector. Our data never showed that there was a high degree of losses as a result of bankruptcy in the sector. Almost every case we investigated, and we investigated a lot of them and we have a lot of data on this as a department—

Ms. Tracey Ramsey: I just have to ask you a question. What is the risk of having that? Is there a cost to the government?

The Chair: This topic is dear to my heart—

Ms. Tracey Ramsey: I know you love this topic. I know.

The Chair: —but as chair I have to go by the rules here, and we're going to go over to Madam Ludwig on the Liberal side.

Ms. Karen Ludwig: Thank you, Chair. Thank you, all, for your testimony and your responses this morning. I'm going to direct my first question to Ms. Moran.

As someone who taught international trade for over 20 years, I know that being involved with international trade requires an increased amount of time, an increased amount of risk and an increased amount of resources.

Certainly within an individual company, especially a small one, we need to have champions, and just bouncing off where Ms. Ramsey was going about the 50% not exporting in their second year, and probably less in their third year, I'm just wondering. If we look at the projections or the plan, does Global Affairs have a plan to work again with the post-secondary undergraduate and graduate students? For example, under DFAIT back in the day there was the export partnership program. We would actually partner students in groups with an individual business. They would do the research and the legwork that the business didn't have time for, didn't have the resources for and didn't know what to look for. We saw a great success rate with that.

I'm wondering if you could speak to that as well as the opportunities with the Forum for International Trade Training based here in Ottawa but offered nationally.

Ms. Chris Moran: I regret I'm not familiar with the export partnering program, but it does sound interesting.

Right now we've undertaken a review of the trade commissioner service. We're looking, through continuous improvement, to improve our service offerings and to look for opportunities to engage more companies so that we're working with more and more companies. That seems like an interesting place to start, and we should learn from what we did in the past.

With respect to the Forum for International Trade Training, it's something that we often refer our clients to. We know that SMEs who have the FITT training are more successful. We know that EDC is a key partner in that and that's one of the Crown corporations within our portfolio.

I would also note that there are a number of trade commissioners who have graduated from the forum, so it is absolutely a program that works and we want to see more of that success.

Ms. Karen Ludwig: Great.

Ms. McRae.

Ms. Frances McRae (Assistant Deputy Minister, Small Business, Tourism and Marketplace Services, Department of Industry): I would just add a couple of things to what Chris has said.

You talked about time, risk and resources, and I think the minister certainly talked a little bit about the time factor, where we know that this is a significant issue. To go back to the point about SMEs being the ones who don't have resources, I think that's really fundamental and core to what the minister wants to advance and what your mandate would really be focused on for small business, and I think that's why she has small business and export promotion in her title, as she said.

Just to add a little bit to what Chris is saying, the innovation and skills plan that we have had in the government for a few years now actually does put innovation and skills together. The point you're making about export skills is really important. As Paul noted, the economic strategy tables did talk about skills as a significant area of gap, not just in export but in a whole range of areas. We would love to hear some advice from the committee about the kinds of skills that are in most demand, particularly as related to exporting.

I would say one last thing on risk. It's interesting. We talked about EDC. I don't know if you've seen their recent advertisements that say, "We take on risk, so you can take on the world."

I think this is a significant area. That's what they really work on doing, de-risking, as does the Business Development Bank, and in fact, in both Minister Carr's and Minister Ng's mandate letters, there is a mandate for both of them to work with those two organizations as part of their mandate work.

• (1235)

Ms. Karen Ludwig: Thank you.

In terms of affordable access to financing, EDC certainly is an option, but in terms of the awareness side—I'm sure part of your national campaign will be on how to promote awareness—what advice would you give to us as individual MPs, when we're back in our ridings talking with businesses, on how to better prepare them in terms of the awareness and also the confidence to go beyond the United States and look at the opportunities among CETA as well as CPTPP?

Ms. Chris Moran: That's a very good question. In the trade commissioner service, we work across the ecosystem. We also do a rolling survey of SMEs that have been working with the trade commissioner service. One of the key pieces of information we're hearing back from them is that they felt they gained the information, insight and confidence to help them manage entering a new market. We have taken up that mantle to promote free trade agreements that are coming on board, especially the new opportunities, so that we are creating that enthusiasm and the awareness as well as the confidence in SMEs to move further afield.

We know that most exporters are looking first to the United States. Culturally and geographically, it's very similar to us. We are working with those who are already engaged in trade, who already have learned the ropes in that very proximate market, to help them navigate moving into those new markets that might be quite different and to understand what those opportunities are.

The Chair: That wraps up the time and that wraps up the round.

We have some more future business to deal with, so we can't do a full round, but I think I'll let each party ask one short question. Then we'll wrap it up.

Mr. Carrie.

Mr. Colin Carrie: Thank you very much.

It's always great to see colleagues from the Department of Industry. I remember working over there as a parliamentary secretary. I really appreciated the work you did, because it seemed to be very non-partisan.

I do want to ask you a question, though. I'm a little surprised by the fact that you're still the department of "industry", because when the government came in, they actually changed the name to, I think, "science and innovation". I remember joking that this was the first time Canada didn't have a minister of industry.

You're still over at the C.D. Howe Building. He was a great Liberal cabinet minister and a very big champion of industry. The government made a big issue about science and innovation. The C. D. Howe Institute came out with "Canada's 2018 Innovation Policy Report Card", which looked at 14 countries to see our standing. Canada is 14th. This was the C.D. Howe report card.

We know that the government really wants to focus on improving the innovation. We had this talk about competitiveness and how important it is for competitiveness to be really innovative. I tried to ask the minister what she's recommended to Minister Morneau to move forward to improve our competitiveness. I'm wondering if you have any specific recommendations we could maybe forward to the minister to help improve our ability to innovate.

Scoring number 14 on a report card just doesn't give me a lot of confidence. Are there some recommendations you could make to help improve that number?

• (1240)

Mr. Paul Halucha: I'm tempted to just go through what the economic strategy tables recommended.

I think, first off, Minister Morneau had an opportunity to actually be on a panel with one of his senior advisers in the summertime, and

I had lived through the economic strategy tables where we had 90 CEOs looking exactly at that issue. Minister Morneau had been out during the summer, meeting, as many members of Parliament do, with business heads, and there was almost a 1:1 alignment with what the areas of need were.

I think we can get negative, and I think a lot of our reporting does tend to focus on some of the challenging areas. Research and development is absolutely one of them. That was an assessment that we made to the new government when it came in: that the R and D indicators were trending downwards and had been for a number of years. Part of that is us losing ground, and part of it is competition in other jurisdictions, as other countries have done different things that have improved their outlooks. The innovation and skills plan that Minister Bains brought forward was very much based on that evidence and analysis and the same type of work that is showing up in C.D. Howe reports.

I think there's going to be a bit of a lag, probably, in terms of the results showing up in the data. There's always a data lag. However, I think the types of investments that we have done in things like superclusters—which are at the stage now where contribution agreements are getting done—will be live and will start to show results in the coming years. Then there's the strategic innovation fund that was put in place.

I'm just cherry-picking a few examples because I know that time is an important issue here.

The third one, I would say, is around talent and access to talent internationally. With regard to the changes that the government made with the two-week visa program, which is a pilot, I think there is a very strong consensus amongst stakeholders that it should get extended.

Those are three cherry-picked measures, but very significant ones, that I think will move that type of meter. I think they're very important, the points that were made around the economic framework: the baseline laws, the outlook on regulations. There's never been a point that I've been in government where we haven't been told that our regulatory system could be improved, and I don't expect to see that day. However, I think that is a very important message. I think some of the measures that have been put in place by the Treasury Board to strengthen the accountabilities among government agencies, like the 1:1 model, which was brought in by the previous government and continues, are important initiatives.

I think that, on regulations, we.... There is the burden side of it. I've heard enough strange examples of burdens that we've put on businesses to know that there is a real issue there and that we can never take our eyes off of it. The tables called for an agile regulatory framework, and I think it is absolutely critical that this be pushed through all of the government regulatory agencies.

At the same time, there is a public good that is served by regulations, and I found myself saying that often at the tables. If you look at history, there are cases where the private sector is the point where the buck stops, and it is government and taxpayers who end up holding the consequences, whether they're environmental, financial or people who are losing their jobs due to business decisions. At that point, we're exposed and we're criticized for not having sufficient accountability and regulatory systems in place. I really do believe that the balance is critical. We certainly can do better and we need to continue to do better to reduce the burden.

The Chair: Thank you, sir. It's a good question, but we—

Mr. Colin Carrie: Mr. Chair, Paul mentioned that they had these tables that are being reviewed with Minister Morneau. Could you give us a copy or send the report?

Mr. Paul Halucha: Yes, the economic strategy tables reported, so their reports are available. I can't remember offhand, but I'd be happy to, at any point, come back and go in depth.

Actually, the table members themselves are terrific advocates. Perhaps the committee could consider having one or two of them come in to just talk about the tables. They will do a better job than I will.

Mr. Colin Carrie: I think that's a really great idea, and knowing that Minister Morneau has heard about it is a really good thing.

The Chair: That's a good point because maybe we need you to come back. We encourage, of course, the many times you attend our meetings, so it would be good to just keep an eye on that.

I'm just trying to get quick questions and quick answers.

Ms. Ramsey, do you have a quick one?

Ms. Tracey Ramsey: It's tough to just pick one.

We appreciate you being here today and your frank conversations with us.

About the SMEs around the steel and aluminum, I know that you're aware of it, Mr. Halucha, but we really need to support our SMEs. In Ottawa last week, we had a company's shop close that had been here since 1975 with 160 workers. We really have to be able to address this. Otherwise, we're just going to continue to bleed jobs out of the country. It's an emergency situation.

I think that the skills gap is also something that we really need to address. I know that there are multiple ways that is being looked at, but we need to support our SMEs. There's a massive disconnect. They cannot find people to work, whether it's agriculture, manufacturing, rural or urban. Wherever you are, the skills gap exists across our country and the education system isn't matching the jobs of the future.

Last, to pick up on the thread of my colleague, there were 187 new MPs, of which I was one. Many of us on the committee were who were elected in 2015. I would like to see the trade commissioner service, and perhaps your departments, put on a training about trade because we are the front-line people out in our communities, with whom these businesses are speaking. They're coming for answers. We all represent very different makeups of what types of SMEs exist in our ridings. I believe that we're one of your greatest assets out there because we're on the ground. If you could provide some type of

training for us, I think that would be outstanding and I think a lot of MPs would take advantage of that opportunity.

• (1245)

The Chair: Okay. I guess that's a statement.

We're going to go over to Mr. Fonseca. You have the floor.

Mr. Peter Fonseca: Thank you, Chair.

Mr. Halucha, you brought up the importance of brand. I can't think of a sector where a brand is more important than tourism. Tourism hasn't really come to our committee that much, but it is one industry that would touch all our ridings. It doesn't matter which MP; they're touched by tourism. Tourism takes the model where they go under the.... I don't know if it's the Canadian Tourism Commission now and then everybody feeds into it, but it's about the brand and it's helping those SMEs as an umbrella, because you could leverage the Canadian brand and Canadian Tourism Commission to be able to get your tentacles into different markets, as well as coming back this way with familiarization tours, etc. from different countries. They come to visit Canada and they set up packages.

Is that model something that you would take to other industries, where they could ride on the Government of Canada and ride on a large player?

Mr. Paul Halucha: I'm going to defer to my colleague, who's responsible for tourism.

Ms. Frances McRae: Thank you very much.

On the tourism side, it absolutely touches communities all across the country. There isn't one community that does not have—

Mr. Peter Fonseca: Mostly SMEs.

Ms. Frances McRae: They're mostly SMEs. In fact, the minister talked about 99% of SMEs in Canada, in terms of companies, but in the tourism sector, it's even higher. It's actually very high, like 99.7%.

Mr. Peter Fonseca: I'll interject one more time. We can't forget that it's all export dollars, when people come to visit.

Ms. Frances McRae: That's exactly right, so building that sector is critical. I think that's why the Prime Minister asked Minister Joly, in her mandate letter, to develop a tourism strategy for Canada and I know she's taking that very seriously. The economic impact of this sector is not well understood and it has connections to different things like transport, parks and rural development. There are so many areas it touches. You're absolutely right.

Destination Canada, which is the new name of the Canadian Tourism Commission—officially, it's still in the legislation as Canadian Tourism Commission, like the Department of Industry, but it is Destination Canada—has a very comprehensive Team Canada approach where they bring all the partners under one umbrella. When you talked a little bit about whether we would do that for SMEs and exports, I think Chris would say we do.

Mr. Peter Fonseca: It just feels a little different with the others. I'm not sure if that's the case.

Ms. Chris Moran: We benchmark ourselves against other countries and what they're doing. We're trying to ensure that we're staying abreast and taking up the best practices, so I think there's always room for improvement and I take note of the comment.

The Chair: That wraps up the session with the officials.

Thank you very much.

We have a bit of future business that we're going to do now.

We appreciate that you've come and also that you're open to giving us some information and coming back, so thank you very much.

We're going to go in camera in two minutes.

[Proceedings continue in camera]

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