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The Honourable Mark Eyking

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• (1530)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everybody. Welcome to our Standing Committee on International Trade. Today is the first day of our study on progressive Canadian enterprises and small and medium-sized enterprises through electronic commerce. We have four witnesses presenting today.

First, I would like to thank all of you for coming today on short notice. This study came forward only a week or so ago, and we appreciate that you were able to come here so soon. For anybody who has not presented before a committee before, we usually try to keep it to five minutes or under. We appreciate that. That gives us lots of time to have dialogue with the MPs afterwards. If for some reason you don't get all your thoughts forward, you can incorporate them as the dialogue goes on.

Without further ado, we're going to start with the Canadian Freelance Union, Unifor, with Ethan Clarke, vice-president.

Go ahead, sir, you have the floor.

Mr. Ethan Clarke (Vice-President, Canadian Freelance Union-Unifor): My name is Ethan Clarke. I am the vice-president of the Canadian Freelance Union.

We are a union of communications workers who have a freelance relationship with our employers or clients. Our union started as a response to the downsizing of newsrooms across the country about a decade ago. We are a community chapter of Unifor, the union. Unifor represents 310,000 workers across Canada, and specifically 12,000 journalists and media workers.

The composition of our community chapter is very diverse, including journalists, writers, editors, videographers, photographers, web designer developers, graphic designers, and translators. I, for example, run a company that builds websites. Our members are younger than the Canadian average, with more than 35% under the age of 44. Despite more than a half of our members having a higher education degree, a half of our membership earns less than \$35,000 a year.

Our union has three main roles. First, we offer a break from the isolation inherent in the nature of our work.

Second, we offer services that would be hard for freelancers to access on their own. Health plans, contract dispute resolution, and contract templates are all services that we offer. Buying these

services together means that we can do so at a much lower rate than if we were to try to access these services as individuals.

Finally, our union serves as a political voice for our members. We speak to those such as you, who have the ability to improve the lives of freelancers, about the changes that we need.

Working in the digital field means that our members are on the front lines of the transformations of many different industries. We're affected by the lack of regulation of the Canadian digital and online media sector leading to underfunding and an absence of good, stable jobs. We're affected by the fact that work in Canada is becoming more precarious. While some of our membership are freelancers by choice, the reality remains that many of them are freelancers because of the lack of good media jobs in Canada.

Our union, Unifor, has played a leading role in defining the new vision of NAFTA that works for Canadians. Just like trade more generally, e-commerce is not an end in itself. Trade is a means to a higher end, namely sustenance, economic security, and material prosperity.

From a labour perspective, the problem with Canada's current free trade regime is that it elevates capital above labour, privileges proprietors at the expense of workers, and strengthens the social position of business to the detriment of the public. Accordingly, any attempt to update our approach to e-commerce and trade should take account of the following principles, especially from a freelance worker's perspective.

There should be special attention to the production of local cultural content. Canada and the provinces must be free to regulate to ensure there is space for Canadian artists, creative professionals, and cultural producers. There should be extra care given to workers' rights and working conditions even for workers in freelance positions. Fair compensation, a safe work environment, paid time off, sick leave, overtime, secure retirement, these are some of the things that many Canadian workers enjoy as a consequence of generations of workplace struggle.

By freeing capital to move over national borders and by enhancing the power of investors generally, investor rights agreements like NAFTA pit workers in Canada with workers in the United States and Mexico. Any changes to e-commerce rules should not exert downward pressure on the quality of work life that Canadians enjoy. An improvement in the conditions and compensation of work should be understood as the goal to be pursued, not a threat to be neutralized.

There is a range of regulatory tools that can be used by the federal government to help grow, strengthen, and sustain Canadian content in the digital age. The first is to maintain and improve the current mix of tax and regulatory tools designed to promote and support Canadian content and ensure there are no more exceptions given to either foreign or Canadian online media services.

The second is Canadian content obligations for both foreign and domestic over-the-top television service providers. Streaming video companies like Netflix and Google are capturing a growing share of audiences and should deliver a commitment to Canadian content comparable to other existing services.

The third is a revenue levy on domestic ISP providers. A 5% levy on monthly Internet bills above \$25 could inject more than \$118 million annually to support the production of Canadian news and entertainment.

● (1535)

In conclusion, we hope that the committee will look at e-commerce as a way to elevate working conditions for freelancers and creative workers here in Canada. We believe that in e-commerce, and in trade agreements generally, our governments should maintain the ability to take action in support of Canadian culture and content. The absence of proper rules regulating the ability of companies in Canada to outsource work internationally would be detrimental to freelance workers, whose livelihoods depend on a strong, vibrant Canadian media, digital, and cultural sector.

I thank you for the opportunity to present here today, and I look forward to your questions.

The Chair: Thank you, sir.

We're going to move over to the Canadian Manufacturers & Exporters. We have Mathew Wilson, senior vice-president; and Michael Holden, chief economist.

Thank you for coming, gentlemen. You have the floor.

Mr. Mathew Wilson (Senior Vice-President, Canadian Manufacturers & Exporters): Good afternoon, Mr. Chair and members of the committee.

Thank you for inviting us here today to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to discuss e-commerce and its impact and opportunities for Canadian SMEs.

Canadian Manufacturers & Exporters is Canada's largest industry and trade association, with offices in every province, and is the chair of the Canadian Manufacturing Coalition, which represents 55 sectoral manufacturing associations. More than 85% of our members are SMEs representing every industrial sector, every export sector, and all regions of the country.

Manufacturing is the single largest business sector in Canada. In Canada, manufacturing sales surpassed \$600 billion in 2016 for the third consecutive year, directly accounting for over 11% of Canada's economic output, while employing more than 1.7 million Canadians directly in highly productive, value-added, high-paying jobs. Manufacturers are also directly responsible for the majority of Canada's exports. In 2015 and 2016 manufactured goods exports

accounted for almost 70% of total Canadian exports. Nearly 80% of those exports go to our NAFTA partners.

While the sector is critical to Canada's current and future prosperity, manufacturing in Canada and around the world is going through tremendous changes, including major shifts in economic and market conditions, acceleration in the creation and adoption of new technologies, and changing political and policy priorities. In addition to these shifts, manufacturing itself has become much more globalized for production and customer bases, and the lines between manufacturing, services, and technologies are rapidly blurring. This is the challenge for manufacturers, as the production processes they use, the goods they produce, and the skills of their workforce are undergoing constant change.

However, these technologies are also providing new and significant opportunities. We see four core areas that are changing in manufacturing as a result of technology and e-commerce: retail consumer sales, B2B transactions, product design and commercialization, and production.

Retail consumer sales often get the most headlines and attention. Canadians are buying more and more of their goods online—everything from groceries to music to computers. From an SME business perspective, this provides great opportunities as well as challenges. Obviously it means that there is much more competition at home from retailers based all around the world and selling products through websites such as Amazon or eBay. But it also means that Canadian SMEs have access to billions of consumers around the world and the opportunity to dramatically increase sales and exports.

B2B transactions are not as well covered but are very similar to the retail environment. Companies today have access to a world of business partners who can provide them highly specialized services, technology, and equipment to help them grow. They are also faced with increased competition at home and abroad to sell similar services. Companies like Amazon are now looking at setting up exclusive B2B portals to mirror the consumer retail sales sites. Leveraging e-commerce sales, including through platforms like these, is becoming a requirement for participating in global value chains.

The third area where e-commerce is having a potential impact is around product design and commercialization. Companies today are leveraging technologies to create new innovative products and processes through real-time, multi-location research and design and testing. These technologies are rapidly speeding up time for product development and time to market for new products. Access to e-commerce platforms makes it cheaper and easier to learn about and purchase these technologies from both domestic and overseas suppliers.

The final area of note for manufacturers and exporters is on process control. Today technology allows a company, or a service provider, to operate an entire plant and all the machinery and equipment within it from anywhere in the world. Some companies are working toward complete automation of production in this manner to reduce the cost of production labour to shift those resources to higher skill, higher value-added activities, such as R and D.

Overarching all these issues is Canada's ongoing challenge with productivity and competitiveness. Because of declining business investment, skills shortages, a poor record on innovation and commercialization, and a range of other issues, Canadian manufacturers are struggling to compete globally.

E-commerce and online trade offer a potential solution. Studies show that companies that shift toward greater online sales enjoy significant production gains as a result. But there is a catch-22 here. To be successful at leveraging e-commerce opportunities, our businesses will have to be as competitive as possible. In other words, we need to improve our productivity in order to realize potential gains from e-commerce.

With all these changes and challenges, companies are, frankly, struggling to keep up and remain globally competitive. At the same time, these changes are providing massive new opportunities, but they cannot take advantage of them without a better, more modern framework. Some of the most critical issues are as follows.

First, companies need to invest in more advanced technologies to take advantage of the e-commerce opportunities, yet in Canada our investment levels in new technologies continue to fall behind those of international competitors. U.S. manufacturers, for example, invest more than eight times the amount of a similar size Canadian manufacturer. The government must do more to help companies invest in technologies and software, including through enhanced depreciation rates through the ACCA program.

• (1540)

Second, Canada needs to have better digital infrastructure. It is often too expensive and not up to necessary speeds for modern manufacturing to operate in a digital e-commerce world. We cannot stress this issue enough. Internet data and mobile phone fees are among the very highest in the industrialized world. Our businesses cannot hope to be competitive for as long as that remains true.

Third, free trade agreements must be modernized to include digital trade and e-commerce protocols. The TPP, which is being relaunched without the U.S., has a chapter on these issues that is supported broadly by industry. This chapter should be made part of the modernized NAFTA and other FTAs moving forward to provide stronger trade protections for SMEs and secure flow of data.

Fourth, SMEs need help in understanding the opportunities that e-commerce provides both at home and abroad, and should be encouraged to participate both in B2B and B2C activities.

Finally, Canada should do a better job in promoting goods that are designed, engineered, and made in Canada. Our products and technologies are world class, and consumers around the world will buy them if they know about them. We need a "made in Canada" branding program that can be used to promote Canadian-made goods to consumers both at home and abroad.

Thank you again for inviting us here today. I look forward to the discussion.

The Chair: Thank you, gentlemen.

We're going to move on to the Canadian Union of Public Employees. We have two people with us today. We have Toby

Sanger, senior economist; and Nathalie Blais, the research representative.

Welcome, and you have the floor.

Mr. Toby Sanger (Senior Economist, Canadian Union of Public Employees): Thanks very much for the opportunity to discuss this very important issue.

We've been concerned about the taxation of e-commerce for many years because of its impact on our members with significant job loss in the media industry, and its impact on the broader economy, our social and culture life, and also on our democracy.

Foreign producers are not required to collect sales taxes on digital products or services imported into Canada if they aren't considered to be carrying on business here. This creates a very significant bias against Canadian producers. Not only are our governments losing out on significant revenues, but we're suffering economically and culturally, with a loss of jobs, main street businesses, and a weakening of our media. As e-commerce becomes more pervasive in many different sectors and results in greater concentration and monopolization, these problems are growing exponentially.

The OECD highlighted taxation of the digital economy as action number one in its major 2015 base erosion and profit shifting, or BEPS, plan. Canada is now one of a few major countries around the world that hasn't introduced changes to require foreign-based digital businesses to collect and remit sales taxes.

There's no reason why we can't move forward on this. We should also strongly resist pressure to increase the NAFTA de minimis threshold for imports from \$20 to \$200 or \$800. I know you've discussed this issue.

In my 25 years of involvement in tax policy, this issue of taxation of e-commerce or foreign digital services is one of the clearest no-brainers, in my opinion. It involves removing a tax bias against domestic producers, who are also often small and medium-sized enterprises. If the federal government really wants to do something positive on taxation for small business, which has been such an issue in the news recently, this should be its top priority. I hope we'll see some action on this in the fall economic statement tomorrow.

Nathalie Blais, my colleague, is now going to talk a little more about this issue in French.

• (1545)

[*Translation*]

Ms. Nathalie Blais (Research Representative, Canadian Union of Public Employees): The Canadian Union of Public Employees, or CUPE for short, represents 7,500 members in the media and telecommunications industry, which has been going through constant upheaval for more than 20 years, with the dematerialization of content, the advent of the Internet and e-commerce, and changing consumer habits. All of these phenomena have thrown the country's culture and communications ecosystem profoundly off balance, and legislation ill adapted to today's digital landscape has only exacerbated that imbalance.

To support Canadian businesses who do business on the web, the government needs to make foreign companies selling products and services on the Internet in Canada pay their fair share in taxes. The current legislation must therefore be adapted to reflect the new digital reality, so that it no longer puts foreign multinationals such as Google, Facebook, Netflix, and Spotify at an advantage.

The Standing Committee on Canadian Heritage recognized that lack of fairness in its June report on media and local communities, recommending that the government level the playing field among industries on all platforms. The culture and communications industry is unanimous on the need for legislative change so that Canadian companies can compete on a level playing field in a global marketplace made possible by the Internet.

CUPE is part of the Coalition for Culture and Media, whose 40 member organizations, endorsed by over 4,000 citizens and groups, are calling on the government to restore tax fairness. Time is of the essence: some of our locals have already lost jobs, and more losses are on the way if immediate action isn't taken.

Thank you.

We'd be happy to answer any questions you may have.

[English]

The Chair: Thank you.

We're going to move to Startup Canada, with Victoria Lennox.

Thank you for coming. Go ahead.

Ms. Victoria Lennox (Co-Founder and Chief Executive Officer, Startup Canada): Thank you for having me.

My name's Victoria Lennox. I'm the co-founder and CEO of Startup Canada. Startup Canada started in 2012 to unite Canada's entrepreneurship community. We now have over 200,000 entrepreneurs in our network, covering more than 50 start-up communities in 100 towns, cities, and villages across Canada. Our whole goal is to create a Canada for entrepreneurs to build an environment and culture for entrepreneurial success and to connect entrepreneurs to decision-makers so that, together, we can build an innovation nation and make Canada a beacon for entrepreneurship globally.

We're very excited to be here today and to begin to contribute to this conversation. I see it as just the beginning. Thank you to those of you who participated during Small Business Week last week with Startup Canada down on the Hill, where we had 2,000 entrepreneurs come to the capital. Thank you for hearing their voices.

This is a really exciting topic. It's all about e-commerce and Canadian businesses online, and when you connect it with trade, there's huge opportunity for Canada's entrepreneurship community. More than anything, Startup Canada is here for every entrepreneur—2.3 million entrepreneurs in Canada. We know that we're investing in superclusters as a nation, but we also know that e-commerce is a great equalizer for every entrepreneur, particularly when we have high-speed broadband access so that every entrepreneur in the north and rural and remote communities and indigenous communities can have access to a global market. Startup Canada and our entrepreneurs believe e-commerce is a fantastic equalizer and creates a more accessible economy for every entrepreneur.

In terms of Startup Canada and what our entrepreneurs are looking for when we start to look at e-commerce as well as its interconnection with trade, it is how it connects with culture, and how, when we're bidding for Amazon and Facebook and working with our Shopify colleagues, we're empowering our entrepreneurs through e-commerce to access global markets.

We're starting to see a bit of a skills gap, and I'll speak to a number of studies that we've recently conducted and launched. In addition, we're having a difficult time with digital adoption, particularly amongst our senior entrepreneurs, and the opportunity for cross-mentorship when connecting with trade commissioner services to see what resources are available, particularly for online companies, and really creating those growth opportunities that we can build into our bids for major multinationals as they look to position themselves in our cities.

Ultimately, our entrepreneurs are looking for Canada to have a culture of entrepreneurship, to be connected to the support that they're looking for, and to have supportive communities, but they're also looking for customers. How can we build our entrepreneurs and e-commerce start-ups into the global supply chain?

At Startup Canada, our stats on the topic are a little different from those of other organizations. Our entrepreneurs are predisposed to start up online. The majority—93%—of our entrepreneurs at Startup Canada have an online presence. As the world's economy moves to digital first, Canada needs to ensure that all enterprises, regardless of size, industry, or sector, are supported with the tools, resources, and policy environment to benefit from electronic international trade. We need to be thinking beyond looking at our trade infrastructure for large companies. Our start-ups are starting globally from day one. They're competing with some of the best of the best. Therefore, how is our infrastructure set up to help accelerate entrepreneurs?

A lot of my comments are related to the trade commissioner services. I'll make a few key notes. SAAS, or software as a service, companies in Canada are the high-growth companies that are disproportionately creating the jobs in Canada. What we're starting to see, which is really cool, is that 64% of our SAAS companies at Startup Canada have actually begun.... They're socializing it to create global expansion officer roles in their C-suite executive suite. If we're seeing that our SAAS companies are looking globally and starting global, scalable companies, and they're starting to increasingly employ chief global officers, that's a really exciting sign.

Seventy-four per cent of our SBOs use digital technology, including software programs and mobile applications; however, women are 20% less likely to adopt new technologies than men in the Startup Canada network. Immigrant entrepreneurs are twice as likely to integrate digital technologies into their companies than those born in Canada.

Forty-four per cent of small business owners at Startup Canada say that the high cost associated with researching, integrating, and maintaining digital technologies is the main barrier to technology adoption. Seventy-three per cent of small business owners list digital skills amongst their top three priorities. Twenty-nine per cent of Canadian small business owners do not believe the current workforce possesses the right digital skills to start and grow their companies.

What can we do together? First, we have to get every business in Canada online, and we need them to see the opportunity in building up their e-commerce presence. The tools exist. They are free and they are available, so it's about education and connecting entrepreneurs with the resources they need.

• (1550)

We need to invest in digital skills and in supporting every entrepreneur, not just those based in the major cities in Canada but across Canada. What's really cool is that we can do this digitally with just-in-time training.

We also need to bridge the gap between the services available through the trade commissioner service and Export Development Canada to the entrepreneurs and meet them where they are at so that we can take entrepreneurs on that journey from starting up their e-commerce company to scaling to global markets with a seamless pipeline that can help to accelerate Canada's entrepreneurial success.

The Canadian trade accelerators across the world are some of the best models in the world at how to do it right and how Canada can lead. As we continue to scale our Canadian tech accelerators, both in the U.S. and globally, there's an opportunity to look at e-commerce and specialize one of the key pillars to help our companies in that area.

Ultimately, we need to make sure that Canada stays competitive. We need to reduce the internal trade barriers we have as a nation. We need to make sure our tax, other infrastructure, and regulatory systems are conducive to scaling great entrepreneurs. Remember, the Government of Canada can be one of the best buyers of new business products and services, so we need to get behind our companies.

Just in closing and echoing my colleagues' remarks, we really need to brand Canada as an innovation nation. We need to make Canada best in class as it relates to entrepreneurship. We need to attract the best entrepreneurs, investors, and multinationals to our country, and we need to do it now. Our regulatory and tax systems will be important to attracting the best and brightest to Canada.

Thank you for the opportunity.

The Chair: Thank you, Ms. Lennox.

That's a good segue into our dialogue with the MPs here. Without further ado, we're going to get going right off the bat.

We have the Conservatives up first.

Mr. Carrie, you have the floor for five minutes.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

Thank you to the witnesses for being here today on such short notice on such an important topic.

I thought I would start with Mr. Wilson.

As you know, I'm the Oshawa MP, and we have a lot of manufacturing. You mentioned some things about how we really have to look at how this affects competition. I think you said B2B portals, product design, and plant operations.

One of the things you said that concerned me was about the investment in advanced technologies. The U.S.A. invests eight times more than Canada. What I'm hearing from our manufacturers is that government policies, especially in Ontario with, as you know, the high cost of electricity and the uncertainty of carbon taxes and how these are going to play out, are really affecting our international competitiveness, especially with the United States.

Can you expand on whether e-commerce will help or hinder Canada's domestic and global competitiveness? How do you see that rolling out? It seems to be the future.

• (1555)

Mr. Mathew Wilson: E-commerce is just another tool to sell things. I believe this is what Ethan said as well. In and of itself, it won't help or hinder. I guess a big part of our point was that, if other things aren't aligned, it doesn't really matter. You're going to miss out on the opportunities that e-commerce does provide.

The real opportunity is that you have access to consumers and business partners from all around the world that 15 years ago you would have had a hard time finding. Today the online community is massive and you have the ability to access it, but without the government policies in place....

You mentioned electricity rates, but it's not just electricity rates in Ontario. It ranges from bad regulatory policy or red tape that adds cost to municipal tax rates and levies that go on at that level, up to international tariffs. A bit of everything combines into that kind of business environment that impacts the business investment decisions that companies are making.

It's a wide-ranging problem, and it's a major problem. When we talk to our members about what their number one issue is, it is skills followed almost immediately by bad government policy. It's not a political thing at all. It's across the board everywhere in the country and with every type of government imaginable.

They have a problem with the way governments tend to treat business. It's as an afterthought rather than as a contributor, and something we try to get across to all governments at all levels is that industry is there as a contributor, a supporter, a partner of government to grow the economy and create new jobs. It's not there to do other things that sometimes you get blamed for doing.

Mr. Colin Carrie: What advice can you give the government in terms of what needs to align? You mentioned the red tape. I think Ms. Lennox talked along the lines of regulations and taxes.

What advice can you give us here at our committee about action that needs to be taken fairly promptly, or else we may miss out on this great opportunity?

Mr. Mathew Wilson: I think there are a number of things. You mentioned taxes and regulations. Just from a regulatory perspective in Canada, we seem to do everything imaginable to make regulations as complex as possible. Bureaucrats are excellent at creating new regulations that everyone has to follow, in our individual personal lives as well as our businesses. Some of them are helpful and can be constructive. A lot of other ones are restrictive and not pro-growth. We have put forward, for example, a regulatory bill of rights that we're pushing for government to adopt. It creates more transparency and more openness in the regulatory process. It looks at outcomes and not just the steps to get to those outcomes, which regulations often focus on.

I think a number of things could be done from a cost input perspective. We need to look at things like electricity costs. I saw a study—from an automotive producer in your riding—that had a comparison chart of automotive assembly plants across North America in terms of electricity prices. In Ontario they're four times those of their U.S. competitors. That is going to drive investment out of the country.

It's not just one thing. My colleague Mike likes to call it “death by a million paper cuts”, and that's really what it is. It's a whole bunch of really small things that add up to a really big problem. It's not one government or one political party. It's a cumulative effort over time that's having this effect.

Mr. Colin Carrie: How do you see this with the discussions we're having on NAFTA right now, in terms of the importance of it for...? To my understanding, for example, your organization is very supportive of NAFTA. With some of the challenges that are coming forward, how do you think we—

The Chair: I'm sorry, Mr. Carrie, but we have a problem. You have five seconds left.

It sounds like a really good question, and I think they're ready to go, but maybe your colleague could....

Mr. Colin Carrie: It was brilliant.

Voices: Oh, oh!

The Chair: I wouldn't want to cut them off on a good answer, so we'll just move on to the Liberals.

Ms. Ludwig, you have the floor.

• (1600)

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

I'll jump right in there. Certainly, regarding NAFTA, we've heard President Trump stress the wish to increase the limit that a Canadian can bring in through e-commerce, from \$20 to \$800 Canadian, which is well over \$1,000 U.S.

I'm wondering, Mr. Wilson, what impact that might have on Canadian businesses.

Then I'd like to follow up with Ms. Lennox in terms of small businesses as well.

Thank you.

Mr. Mathew Wilson: We didn't mention it in our statements today, but we have in the past pushed for higher limits. I mean, \$800 is.... I don't really know what the number is, but \$20 is just ridiculously low, in our opinion.

Ms. Karen Ludwig: But you had a number, did you?

Mr. Mathew Wilson: We had put \$200 because that's the personal exemption. If you or I travel across the border for 48 hours, that's what we can bring back. We think it's a reasonable number and in line with what an individual can do but a business can't do.

Nothing is bought for \$20 today. It was set in the 1980s. I think in the early 1990s it was changed to \$20. We're just out of step globally. I think an increase is merited. As to unlimited numbers like \$1,000 or \$800, I actually don't know what the impact would be. It just shouldn't be.... Even if it were kept up to inflation, I think it would be \$45 today, which would be a lot better than the \$20 that it is.

We have pushed \$200 in the past to align it with personal exemptions.

Ms. Karen Ludwig: Thank you.

Ms. Lennox.

Ms. Victoria Lennox: Similarly, I don't have any numbers on it, but I have some examples. I think increasing the threshold will definitely increase the competitiveness of our companies, but the entrepreneurs right now are finding ways around it. They work with some of the UPS stores and Amazon warehouses in order to go across the border and have everything shipped to the U.S. Then they drive over with their families and their colleagues or whatever they need to do.

Even so, I'm not sure what the impact will be, but certainly anything we can do to open up our borders and make it easier to do commerce with the United States would certainly help our small businesses to scale.

Ms. Karen Ludwig: Coming from a small business family—and certainly we're directly involved with small business even today—there is the e-commerce threat. If it's \$800 Canadian, those are sales that may not be taking place in Canada. How do we maintain our competitiveness if the limit is increased to \$800?

I appreciate the broader aspect of competitiveness, it would be a very difficult environment for so many, particularly small businesses, to compete with that. It doesn't matter where that small business is located, the Canadian consumer is going to have a lot more options.

On the flip side if you're in business today and you're importing, regardless of where you're located in Canada, you must stop at customs and report. I live in an area where the borders are not as busy as they are in the west. The threshold for bringing merchandise across is very low, so they're more likely to get pulled over if they're over the \$100 limit, or whatever it is for the day. If they're in British Columbia or southern Ontario where the border crossings are very busy, the threshold is much higher. It does cause concern for those locally in terms of competitiveness.

Mr. Clarke, do you think Canadian businesses are prepared to take advantage of e-commerce? How do we better connect Canadian businesses to knowing what services are available and how to access those services when so many businesses are so small? We're talking one to four employees.

Mr. Ethan Clarke: One of the services we offer for our members is how to write a template contract. Many of our members, being younger and being individuals, are just doing this as they lose a regular job and find themselves at a total loss as to how to run that kind of business. That's where these services come from. The average citizen doesn't know about those sorts of things.

Ms. Karen Ludwig: Have you ever spoken with Startup Canada? Ms. Lennox talked about having older business owners. You talked about having a younger demographic. There's a marriage there.

Mr. Ethan Clarke: Yes, we'll talk more.

Ms. Karen Ludwig: That's great. Thank you.

The Chair: That pretty well wraps it up, Madam Cupid. That's good.

We're going to move on to the NDP. Madam Ramsey, you have the floor.

• (1605)

Ms. Tracey Ramsey (Essex, NDP): Thank you so much for being here today.

I think across all your presentations today we're hearing about a level playing field. Whether that's culturally or economically in tax fairness, this is critical, I think, to the success of the companies that Ms. Lennox is here representing to ensure they can grow and stay in Canada and not leave because the global market is more enticing. It's really important to grow that.

Other countries have made moves to implement some laws and regulations around taxation of e-commerce. New Zealand, Australia, Japan, and the EU have all begun this way to close this loophole. We're losing an incredible amount of tax base in our country, having foreign companies that are not paying the same amount because they are only in the e-commerce space.

Mr. Sanger, I wonder if you could speak to how important it is to close that loophole? What the impact of that could be and the growth we could potentially see here in Canada from doing so?

Mr. Toby Sanger: I think it's really important to close that loophole, and it's not something that would necessarily be that difficult. Some have said you wouldn't even need a legislative change, but I think it's better to have that, in terms of the excise tax. As you mentioned, a lot of different countries—I have a list of over 40 here including Albania, India, the EU, Russia, South Africa, Norway, Switzerland, Australia, New Zealand, and Japan—have all taken steps to close this loophole.

What I found interesting is that they're increasingly moving to not having a minimum threshold. I think it's because that creates complications in terms of the amount of business that they sell. We understand why there might be a *de minimis* in some areas, but I think it can complicate the issue if you're dealing with the issue of imports of digital services and you're relying on the producer in that way.

There's a very good report that came out, from the C.D. Howe Institute. I don't know if you've had a chance to read it. It's called "Bits, Bytes, and Taxes: VAT and the Digital Economy in Canada" and shows the different ways that businesses can avoid that. It's very important in terms of revenue, but I would say it's more important in terms of the jobs and the economic impact.

I think it's having a pretty serious effect on our main streets and main-street businesses, as well as on our cultural industry and its workers. It's extremely important. We've also seen a major shift of advertising dollars to digital platforms. That's another issue. The rules that are in place right now are very biased, and I just see it as a no-brainer to move on that.

I don't know if you had anything to add, Nathalie.

Ms. Nathalie Blais: I just wanted to say that if we had a threshold in the communications sector, let's say for a subscription to Netflix, then there's no tax applicable. Usually what you pay for those services is quite a small amount, so it wouldn't apply to have a level playing field.

I also wanted to add to what Toby said that Canada is one of the three countries of the OECD, with Mexico and Turkey, that haven't moved forward yet. I read that this morning.

Ms. Tracey Ramsey: Thank you so much.

Mr. Wilson, you touched on the secure flow of data. We've had a lot of conversations here about that around NAFTA, autonomous vehicles coming in, and the type of data that will be shared across that border. USTR actually came forward and said that they wanted to lift restrictions on measures that regulate cross-border data flows and do not require the use of installations or local computing facilities. Again, I think that this would have an impact on what we're doing here in Canada, and on the health and growth of businesses that are engaged in that type of data collection and storage.

I wonder if anyone has any thoughts on that or ways that we have to prepare ourselves regulatory-wise and legislatively for this space that we're going to be occupying and the technologies that are coming forward.

The Chair: That's a big question for 20 seconds. You're going to have to be quick, whoever is going to—

• (1610)

Ms. Tracey Ramsey: It is a big question.

Mr. Mathew Wilson: Since I was the one who raised that, I'll just say that what we were talking about wasn't so much the storage. It was more that companies are already moving massive amounts of data around the world intra-company. On product design, for example, a car may be designed in five or six locations around the world, and it's necessary to ensure that the IP protection is maintained throughout that trail so that the company itself is secure and new products or other things aren't being stolen from those companies. That was really what our point was on that one.

The Chair: Thank you.

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

Mr. Dhaliwal, you have the floor for five minutes.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): No, it's Mr. Fonseca.

The Chair: Sorry.

Mr. Fonseca, go ahead.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): I want to thank our presenters for coming here in such short order.

I thank you very much for your presentations. They were very enlightening. Many of the presenters who come here enlighten us as a government. I feel that the government is always behind where business is. We move at a snail's pace here, and that's where my questioning is going.

When we look at the services that we're able to provide through our trade commissioner service, through CanExport, and through EDC, are they keeping pace with the change that you're seeing? What I feel is that many of the presenters who come in enlighten us, as I said, and tell us about what's happening out there, and then we try to bring it back to the government so that we can provide those services.

I am going to start with Ms. Lennox because you brought up our trade commissioner service. I would like to hear from your end where they are. Are they doing well? Can they do better? Do you have some recommendations?

Ms. Victoria Lennox: Every entrepreneur who's used our trade commissioner services says they're our best kept secret as a nation. They're super-useful at a certain stage, generally when they're a lot bigger than they need to be. It's disproportionately white guys who are leveraging those services. The feedback we're getting is that they're great for the manufacturing sector, for pharmaceuticals, for resource-based sectors, but they're not doing what they could be doing for our ideas economy, our innovation economy, and this is where the world is going.

I think we need to reboot our trade commissioner services to make sure they're serving women and every entrepreneur. We have to realize that our businesses in Canada are small, and they can scale very fast. There is an opportunity in the mid-stage to equip our trade commissioner services with what they need to connect our digital economy.

Other countries like Israel and Switzerland are very good at making these connections. I think it comes down to information and equipping the trade commissioners with the insights they need. Startup Canada would be happy to be of service. We work with our global counterparts in the trade commissioner services quite a lot. There's a lot of work to be done in that area.

I would say as well, in response to previous comments, that we work with the start-up nations. We're part of a network of 50 nations across the world. Canada, we're a non-profit, but the other members are all the other governments in the world. Canada needs to move faster when it comes to opening it up.

We keep hearing a lot about protectionism, which is very important for our culture, but why not unleash an entrepreneurial culture in Canada and work in that way? Our entrepreneurs are

choosing jurisdictions that are more competitive and more open. We should be moving towards being more open and competitive.

Mr. Peter Fonseca: Let's follow that line of opening up Canada to the world, and opening up to more people in Canada.

Mr. Wilson, you brought up the "made in Canada" brand. Can you flesh that out for us? Is that straight branding? Is it "buy Canadian"? What are you saying?

Mr. Mathew Wilson: Look, we don't want to pull a "buy American" and have everyone just buy Canadian stuff. It's true, though, that we don't celebrate anything that's made in Canada anymore. There are a few things now that I think are starting to brand. The companies don't do it, and governments sure don't do it.

In Ontario, for decades we've had the slogan, "Good Things Grow in Ontario", a celebration of agricultural products. The government actively encourages the purchase of locally grown things. We've been asking the government of Ontario for decades why they don't do that for manufacturing goods.

Then we run into the Competition Bureau, which decided to change the definition of a made-in-Canada good without actually asking anyone who knew what they were talking about. Things that are made in Canada can't even be labelled as such anymore, just to make it more complicated.

They don't understand software, to reiterate Victoria's point. None of that stuff is ever considered in anything that they're doing. We need to start from the top and look at how we define a made-in-Canada good. It doesn't have to be screwed together in Canada. What about the software, the engineering, all the technology that goes into a Canadian product or service? Then we need to put some branding around it and sell it around the world as Team Canada.

If you want to talk about growing exports, we have a world-class brand image as a grower of healthy, affordable, high-quality food, yet we don't export it. One of the lowest export commodities we make is agricultural products. It's crazy. But if we branded these products as made in Canada, they would have a huge market around the world. Instead, Canadian producers often send stuff other places and then it comes back in as finished product and we buy it as Turkish or Israeli or something else, when it's all Canadian to begin with.

I think we have a problem in Canada with how we see ourselves.

• (1615)

Mr. Peter Fonseca: Let's look at the Canadian brand in light of products and services.

Mr. Clarke, would that help in stopping some of the offshoring, outsourcing, taking stuff outside? Would it encourage taking pride in Canadian products and services, and keeping jobs at home?

Mr. Ethan Clarke: I think so. In my industry of web-building, our biggest competitors are small design shops in India that work on something like a fiver platform where they do everything for five dollars. Everything done by my company for similar services is a couple of thousand dollars.

Acknowledging the better working conditions of the folks doing this work in Canada compared with places overseas is definitely something that Canadians should be proud of. Hopefully, we can encourage those countries to improve their working conditions as well.

The Chair: Thank you, sir.

That ends our first round. We're going to start our second round. We have one more round here. We're going to start off with the Liberals.

Mr. Peterson, you have the floor.

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

Thank you, everyone, for being with us this afternoon.

I want to briefly look at the European market. As you know, Canada just entered into a free trade deal with the European Union.

From your experience—anyone who has an opinion on this can answer—do we have the sort of e-commerce infrastructure in place to be able to tap into that new free trade zone? If not, what steps need to be taken for our exporters to be able to tap into that large market that would be beneficial to Canadian companies?

Ms. Victoria Lennox: I don't know if we have the infrastructure. I would assume it's the same infrastructure that we would need to compete globally.

Ever since CETA came to be—something we've rejoiced about at Startup Canada—the biggest challenge that we've faced is educating Canadian entrepreneurs about the European market and the opportunity that this agreement has. It's a landmark agreement, and there's a lot that we can do. It goes back to branding Canada. It's not just promoting Canada to world; it's promoting the world to Canada. We have a lot to do here to promote that.

I think we can work together around education. We can also look at Export Development Canada and how it serves early-stage entrepreneurs, not in terms of the services it provides but in terms of the education resources and skills that they need to navigate these awesome new trade agreements.

We can also look at how the Government of Canada shares what's included in the trade agreement. How do we market it? How do we sell it to Canada? There's a huge opportunity there to work with associations like ours to get the word out.

Mr. Mathew Wilson: I would say exactly what Victoria is saying, but maybe a little bit more.

A couple of years ago, we actually started an online platform of B2B matchmaking in advance of the CETA agreement coming in, and it tapped into a European connection. There's a European network called the Enterprise Europe Network that's paid for and funded by the European Commission. It's there to do B2B matchmaking for companies around the world in all sectors: manufacturing, food, technology start-ups—it doesn't matter what it is.

CME became the Canadian arm of that, and we were looking for some government money to allow us to get Canadian companies

access into this market where there are 50,000 B2B matchmaking opportunities. We couldn't get a cent out of the Canadian government. EDC did support us for a little while on it, but as you can imagine, running a B2B portal isn't exactly cheap. We're a non-profit, and we couldn't afford to do it on our own. We actually did have the framework in place, and we're in the process, basically, of pulling out of it because we can't afford to run it on our own without government support.

We actually thought it would have made sense for the trade commissioner service to do it, to run it out of there, as a B2B online tool, but it didn't want to do it for whatever reason.

• (1620)

Mr. Kyle Peterson: This can be open to anyone. Whether it's through the trade commissioner service or EDC, what suite of services do you think the government should provide or ought to provide that it isn't now? If there are gaps there, we probably would like to hear about them.

Mr. Mathew Wilson: I think the biggest problem we have—and Victoria mentioned this in her last comments—is getting companies to be aware of markets outside of Canada, so it's anything that can be done to educate companies. Overwhelmingly—and Michael can talk about the size of the companies—you're looking at very small companies, generally, in Canada, even in manufacturing. There are 90,000 manufacturers; 89,500 of them are tiny companies. They don't have internal expertise and resources to even understand what the markets are, let alone to actually take advantage of them. If we're going to start somewhere, it's with the education and resourcing of those companies.

One of the things we put, for example, in our pre-budget submissions in the past was to fund shared positions through organizations like CME, chambers of commerce, Startup Canada, and others. We could have trade experts inside our organization who could be lent out for a day a week to companies. These experts would specialize in an area or different areas that could help companies develop these global strategies, including e-commerce strategies. There's some funding at some provincial level for that type of thing. However, that type of an expansion—where it's not going directly to the government, but through an association that typically has better connections with the business community—could go a long way in addition to the increased education.

Mr. Kyle Peterson: Thank you.

The Chair: That pretty well wraps up your time.

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

Mr. Allison, you have the floor.

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

Mr. Holden, welcome back. I think the last time you were here, you were on this side of the table.

Mr. Michael Holden (Chief Economist, Canadian Manufacturers & Exporters): I was on that side of the table.

Mr. Dean Allison: I'm glad to see you. It's been a few years.

Wasn't it 11 or 12 years—?

Mr. Michael Holden: It was nine years.

Mr. Dean Allison: Excellent, that's good.

My question is to you, Ms. Lennox.

We talked about the competitiveness, which I think is the elephant in the room. If we don't have the proper policies in place, regardless of what we do, it's going to make it tough to compete.

My question to you is—and then I'll get the manufacturers to talk about this again—what are some of the policies that we, as governments, have to be mindful of as we compete? We talked about taxation, and sure that's one. We talked about infrastructure. We get that. Give us another suite of things that, as governments, we need to be mindful of to create the proper culture so that we can be an entrepreneurial nation.

Ms. Victoria Lennox: We all hear about this relentless red tape reduction. It never ends.

With regard to our tax policies, not just looking at less taxes for entrepreneurs but also tax incentives to invest in early-stage companies, there are so many ways that we can leverage the tax system, and best practices globally, where certain interventions with taxation actually lead to more Canadians getting involved in investing in early-stage companies so they're part of this ideas economy in really cool, new, and innovative ways. That also includes crowdfunding and how we look at the regulators, and how we open up crowdfunding and capital for entrepreneurs in Canada. There's all that capital stuff.

There's no more exciting policy tool than procurement, in terms of building entrepreneurs in early-stage companies into global supply chains in large RFPs, and how we innovate within the Government of Canada.

One of the biggest things we need to look at before, or even during.... It all has to happen in tandem. Good luck.

It's really the user interface. Canada has amazing support for entrepreneurs, but we need that one place where every entrepreneur can go. Concierge service tried to do it. The European Union has mandated that all of its member nations have a one-stop resource for small business owners.

Why isn't it that when an entrepreneur registers their company at Corporations Canada, they get an email from the Government of Canada saying thank you so much for starting a company? At that moment, why don't they say, "Thank you so much. You're in for a hell of a ride, but here's all the support of the Government of Canada. Here's all the support of the grassroots start-up community. We've got you. We want you to succeed." That's part of the culture that we need to create. It isn't just that they register and fall off the face of the planet and one of our organizations picks them up when they're lonely, but that we, as a nation, are rallying around them.

I think it's the user interface, it's the citizen-centric service, and it's how we all come together.

It's very difficult for government. You're so large. When we work with entrepreneurs in the start-up community, perhaps the entrepreneurs can be part of the solution in helping to create that one-stop resource. I think if we get tax right, we get red tape reduction right,

we get procurement, we get an incentive infrastructure.... SR and ED is awesome. There are certain things we have in Canada that the world just ogles at, but we're not coming together.

I think that's our opportunity, and if we miss it, it's ours to lose.

• (1625)

Mr. Dean Allison: Along these same lines, the CME talked about modernization. We agreed that with the two NAFTAs, modernization of e-commerce was one of the things we didn't have.

Give us some thoughts around what you think that chapter would look like or should look like?

Mr. Mathew Wilson: Specifically in trade agreements, do you mean?

Mr. Dean Allison: As it relates to NAFTA....

Mr. Mathew Wilson: Our recommendation was to copy over the TPP language, frankly. It's fairly generic, or general terms. It talks about the ability for companies to trade digitally and move goods, and the protections they would get around it. There's not a lot of detail.

Someone else had mentioned OECD studies and reports in this area. I think this is a growing area that needs more work. It's certainly not something we're experts in, by any stretch of the imagination. The brief TPP language that's in there that seems to be going forward under the NAFTA is something we've been supportive of, as a first framework anyway.

Mr. Dean Allison: I don't have much time left, so I'll take it on my next round.

The Chair: Okay. Thank you, sir.

Before I go further, I would like to welcome two visiting MPs to the most exciting and productive committee on the Hill.

We have Mr. Genuis and Ms. Shanahan. Welcome to our committee.

Without further ado, Ms. Shanahan, you have the floor.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much, Mr. Chair.

Actually, this is a very exciting meeting for me. One is never quite sure what one is going to get when one sits on a committee, but I actually—believe it or not—had been reading something about the blockchain technology. Normally I'm on a need-to-know basis with any kind of innovation, but I find it very exciting that, from what I understand—and I'm looking for your input on this—the blockchain technology will allow very small entrepreneurs to operate in the global marketplace and to ratchet up from there.

I'm not going to say any more, because I'm going to step all over my feet, but perhaps we could start with Mr. Clarke and move along.

Mr. Ethan Clarke: I wouldn't be able to comment on that. That's technology I am not familiar with.

Mr. Mathew Wilson: I am in the same boat. I apologize.

Mrs. Brenda Shanahan: Okay.

Mr. Toby Sanger: I know Don Tapscott and his son have written a book on it, but I haven't read that book. Maybe you have.

Mrs. Brenda Shanahan: That's the book I've read.

Mr. Toby Sanger: That's the Canadian expertise on the issue.

Mrs. Brenda Shanahan: I'm guessing Ms. Lennox can tell us something about it.

Ms. Victoria Lennox: What I can tell you is that we have a blockchain cluster developing in Montreal that everyone is looking at, and that's why Amazon is looking at that as one of their key destinations. It's all about networks and opening up the global market to these networks. I don't know the intricacies of blockchain, but what I do know is that it helps, through artificial intelligence, to predict and connect. I think that's very powerful.

As a nation, we have to become experts in this. One of our board directors is Eli Fathi, the founder of MindBridge AI, which uses blockchain in AI in order to solve all the world's problems, they are about to go IPO.

I would recommend there be an information session on just what blockchain is and its potential impact. I know Alex Benay and his group over at TBS are really interested in this and its potential for citizen service.

Mrs. Brenda Shanahan: Who and where are those people?

Ms. Victoria Lennox: They are CIO. It's really cool. Even start-ups think it's cool. They have developed this digital service organization within the Treasury Board Secretariat to look at how governments serve citizens through AI and blockchain. I think that group has the potential to transform how citizens interact with the government, starting with TBS and then, hopefully, moving outwards.

Mrs. Brenda Shanahan: I think that's the word I'm looking for: transform. It's not just "modernize", because we know that for businesses, say, 25 years ago, having a website was a big thing, and there are still some who are struggling in my own riding with having a website. It's so clunky. I even remember trying to put a website together myself, God love us, because it was your pamphlet, your poster, your office door. It's what you had.

However, we're beyond that. We're not talking about just having a platform now. Even companies like eBay and so on are sort of traditional platforms. I come from a banking background. You have the trusted payment system. Are we dancing around here, when we really should be taking some revolutionary steps?

• (1630)

Ms. Victoria Lennox: I don't think we're dancing around. One of the biggest scares Canadians have is AI and how it's going to displace the workforce. If our businesses can't even get a website up and running, we have a huge problem as a nation. Then they have to go mobile first, so I think it's about both. I think we have to lead when it comes to the revolutionary technologies that will create the future of humanity, while we get everybody online and get them mobile first. Otherwise, they won't be able to compete or benefit from the economy we're creating.

It's a really exciting opportunity. There's a skills gap and an adoption gap, and that's disproportionately felt with marginalized and smaller communities. But I don't think we're dancing around it.

Mrs. Brenda Shanahan: There's a heck of an opportunity there, Victoria. You were talking about education, and certainly for women to pick this up. I've heard about the organization, Girls Who Code. That is very exciting. I know we had some initiative funding and I tried to get it out in my community.

[*Translation*]

We were far from understanding how it worked. It was really new and exciting. I think we'll be hearing from one of those groups at our next meeting.

Women and girls are very important, but so are the children in all communities, as you mentioned. Children need to know more than how to text; they need to understand how to do programming. Isn't that right?

[*English*]

The Chair: Sorry, Ms. Shanahan, but I'm a very—

Mrs. Brenda Shanahan: I lapsed into French there. I do that when I get excited.

The Chair: I'm a very punctual chair.

Your time is up, but there might be some time left, if you want to share it.

We're going to move over to the Conservatives. As I understand, they're splitting their time. I think Mr. Carrie and Mr. Allison are going.

Mr. Colin Carrie: Ms. Lennox, I want to talk to you a little bit. You brought up the idea of protectionism. Sometimes, culturally, we really are concerned about moving into a new way of doing things. We have a balance of wanting to protect the older jobs, but then in the new economy, some of these jobs, if we don't embrace them and get the policy right, we might lose.

You mentioned that you work with 50 nations. The concern we always have is government policy that puts our own Canadian companies at disadvantages, basically, our own policies putting companies at disadvantages. I was wondering if you're able to give this committee your top three recommendations that need to be put in place sooner rather than later.

I've heard you speak before. You have such enthusiasm and passion, and you really want to get things done. I understand the urgency of this, and I don't want to see Canada miss out. Are there three things we can do quite quickly to make a huge difference that you might be able to recommend to us as a committee?

Ms. Victoria Lennox: These suggestions are all low-hanging fruit. All of them are low-hanging fruit.

The first one is that we can connect Corporations Canada with the start-up community in order to make sure every entrepreneur knows about all of the resources that exist in the Government of Canada. We can go to the provinces and municipalities, but there are so many resources and supports they don't know about. We just need to plug it together and we can get it done. That's number one.

Number two is that we need to work together to create a tax environment for entrepreneurial success. This is a bit harder, but I believe that some of the announcements this week are moving in the right direction of lowering the tax rate for small businesses and so on, but that's nothing we can do together. Let's get the taxes right. I'll leave that to you; you're the experts.

The third thing that I think we can work together on is also low-hanging fruit. It's the brand Canada. I have a charity in the U.K. that works with young entrepreneurs and is fully government funded. The U.K. government—UKTI, which is their trade and investment group—created a campaign called “Britain is Great”. No matter what airport you went into at the time, even though their economy was hit so hard by the last recession, you saw Richard Branson there and “Britain is Great”. The amount of pride you would have as a British citizen would be incredible.

Canada can do the same thing. We have great entrepreneurs here, and there's no reason we can't create a campaign. If we just improved the user interface, and we created a big campaign.... I have no marketing budget, and we're huge on social media. The world's looking at Startup Canada. There's nothing we can't do with those two things, and then you can get the taxes right. That would be really helpful.

• (1635)

Mr. Colin Carrie: Mr. Wilson, maybe I could ask you for your three, or you could expand on those. We were all so happy last week that the government decided to unbreak the promise they broke to lower it to 9%. We're very happy that we're getting down to 9%.

What other things could we do there?

Mr. Mathew Wilson: I'll let my colleague....

Mr. Michael Holden: First of all, we agree. I agree completely with Victoria's list. There are some excellent suggestions in there.

One of the points she made that I'd like to elaborate on, or offer our own take on, is the tax policy issue. I think that it's important. We 100% agree that it's important to have the tax and the regulatory systems right. What we think that means is that it needs to encourage entrepreneurship, innovation, and growth. It's the growth part of it that's important here.

We don't want to get stuck having a tax system that simply rewards companies for being small and remaining small and that creates a large marginal tax gap wall that prevents companies from growing beyond a certain size. That's one of the issues we have in the manufacturing sector. If you look at our industry compared with the U.S., Germany, or other advanced countries, we skew to the small end. It's not exclusively because of tax policy, but it doesn't help.

Tax innovation that will encourage investment in new technologies, new machinery and equipment, new skills training, and will encourage growth rather than being small would be a huge step in the right direction.

The Chair: Thank you, Mr. Carrie. You never left any time for your buddy there.

Mr. Colin Carrie: What a shame.

The Chair: Anyway, that's the way it rolls. We're going to move on. The NDP has the floor for three minutes.

Go ahead, Ms. Ramsey.

Ms. Tracey Ramsey: Your members pay tax. They pay value-added tax. Everyone who is investing and working in Canada pays tax. We need to level that playing field.

You need online platforms where you can share your product, whether it's freelance journalism or products that you're marketing, but this has to be done in a way that doesn't skew foreign countries or foreign corporations into having a benefit.

My last question will go to you, Mr. Clarke. How can we level the digital space for freelancers in the media in Canada?

Mr. Ethan Clarke: I think there are a few ways that we could do that, which I spoke about in my statement: things like having a revenue levy on the domestic ISPs for injecting about \$118 million into the production of Canadian news and entertainment; things like making sure that Netflix and Google are paying the same sales taxes as others; and making sure there is enough protection for Canadian content so that Canadian producers have a chance to produce Canadian content. That will help level out the field for competing against other countries.

[Translation]

Ms. Nathalie Blais: We agree with those three objectives, which we support. I would add that we absolutely have to maintain the cultural exemptions in our international treaties. The Trans-Pacific Partnership came up earlier. Culturally, there was a loss of quality, and restoring that in the North American Free Trade Agreement, or NAFTA, is absolutely crucial.

[English]

Ms. Tracey Ramsey: All right, that's it.

The Chair: You have a minute left.

Ms. Tracey Ramsey: What can I do in a minute? I'll throw in de minimis, then, in a minute and we'll have a brief conversation on—

The Chair: When you're done, you're done. We can give that minute over to the Liberals if you want it.

Mrs. Brenda Shanahan: That's a tough chair there.

The Chair: Have you finished?

Ms. Tracey Ramsey: No one answered because of what you said.

The Chair: Go ahead, the clock is ticking.

Mr. Mathew Wilson: I've already said my piece on de minimis earlier.

[Translation]

Ms. Nathalie Blais: Might I suggest some reading? Tax expert Marwah Rizqy, at Université de Sherbrooke, published a study this summer on Australia's progress in the area of taxation, and she in fact talks about the de minimis threshold.

•(1640)

[English]

Ms. Tracey Ramsey: Our amazing Library of Parliament has done the same for me. I asked about that as well. We had an earlier witness, so we're looking at that model as well.

The Chair: Thank you.

Now we're going to move over to the Liberals.

We have Ms. Ludwig. You have the floor.

Ms. Karen Ludwig: Thank you again. I'm glad to be able to ask a few more questions.

One of the themes I've heard today and throughout our testimonies for the last two years is the opportunities around trade education. As someone who taught international trade both at colleges and universities, I will say that as much as 75% of first-time exporters are not exporting in their second year.

My question to you as a group is this. How much do you access the college and university business students, particularly international trade students, to work with businesses to co-operatively generate the research that needs to be done, because the line we often used was "people don't know what they don't know" in the international market. But we certainly found much higher rates of return and success rates of companies that were directly involved with colleges and universities where the student did the legwork and helped them out with their business planning and opportunities to help mitigate risk.

I'm wondering if each of you could speak to the challenges and opportunities that you can see with the colleges and the universities.

Mr. Ethan Clarke: Maybe I'll start, if no one else minds.

In our membership, the college students aren't coming to help someone else. They are turning to being freelancers because they graduate from college with a technical training in digital illustration or photography or some other technical communication trade—

Ms. Karen Ludwig: Maybe I could just clarify. Sorry, Mr. Clarke.

Is anyone accessing students while they are in post-secondary education, as part of their projects?

Mr. Ethan Clarke: My members are largely working independently, so probably not, but they are finding themselves caught in a situation coming out of school where they have these technical skills, but they don't have the verbose Canadian media to go and work with, so they strike out on their own and try it on their own.

The Chair: Ms. Ludwig, I think Ms. Lennox wants to jump in there.

Ms. Victoria Lennox: Yes. We have 50 start-up communities across Canada and we work a lot with Mitacs. Mitacs is a cool organization that helps our companies to access talent, primarily around commercialization and R and D. I would say there would be an opportunity to connect anyone who's specializing in trade with our entrepreneurs.

I like that program a lot because it's not directly in the institution. It's kind of on the side, so it's easier for the private sector to connect to it. We have found it useful.

Ms. Karen Ludwig: Just on that, Ms. Lennox, did you ever access or do your companies ever access the international students who are coming to Canada to study in particular international trade? Do you connect with them?

Ms. Victoria Lennox: We do at Startup Canada, but I wouldn't say that our members do.

Ms. Karen Ludwig: Okay. Thank you.

Mr. Wilson or Mr. Holden...?

Mr. Michael Holden: I think it would be fair to say that most of the companies we represent are small manufacturers, and just to generalize, they are too busy trying to do what it is they're doing on a day-to-day basis to compete. One of the challenges that we as an association have is trying to help match them up with untapped resources, whatever those might be. I have to say that the use of students in that capacity is not something that I think is taken up enough.

One of the other issues, if I might mention it, that is closely related to this, which your question made me think of, is that we did a survey last year of manufacturers asking about the trade resources that were available. Although we had a huge list of government resources from EDC to the trade commissioner service to the Canadian Commercial Corporation—the whole list—and we asked them whether they were aware of these programs and whether they used them, those who used them were quite happy, generally speaking, with them, but a disturbingly small number actually took advantage of these services, which begged the question of whether they didn't know about them or just didn't use them.

It's not a question of the value. It's a question of the accessibility.

Ms. Karen Ludwig: On that, Mr. Holden, do you think it would be of value for the committee to study, for a certain amount of time, the opportunities available for exporters and start-up companies as well as how we can better connect businesses to services?

•(1645)

Mr. Michael Holden: I think so. I think Victoria's idea about starting up your company and saying, "Welcome to the business world. Here are all the services that are available to you,".... In the past we've recommended using a concierge service from government. There are a lot of good government services, but if you're a small business, it's like looking for a needle in a haystack. The programs are all over the place. They tend not to last for more than a few years at a time in a lot of cases, and they're hidden within different departments. Then there are the federal and provincial governments with their own either competing or complementary programs at the same time. It can be a maze to navigate through those. I think that's why the uptake isn't as high as it could be.

Mr. Toby Sanger: If I may add to that, I think this is also connected to the broader issue of how we develop industry in this country. I think there used to be more collaboration among the different actors in the economy—the businesses, education institutes, and the labour unions—in terms of sectoral strategies. It's really important, in terms of trade and growing an industry, to get everybody to work together and to plan that with our educational institutions. We don't pick that up much anymore.

There would be mixed success in different areas, but if we're trying to grow our different industries and be proactive in these areas, we need to get together in more than an ad hoc way to do this. Higher education institutes are very much a part of that.

The Chair: Thank you.

That wraps up most of the MPs.

I have a question. We just finished our NAFTA study, on the future NAFTA or whatever it may be. We were at the Ambassador Bridge, and we could see how much volume was coming back and forth, but most of the volume was from big companies, with full tractor-trailer loads of wipers or whatever it was going back and forth.

We are looking at small and medium-size businesses. We often hear that we want the border to be more open and not more closed for small and medium-size businesses. If you look at Canada, we have unique products. We have our first nations. We have certain food products that small and medium-sized businesses see the United States as a home for. What should we be looking at as far as the border or things going across it go?

For the customs people, is it okay for small and medium-size businesses or should small and medium-sized potential exporters not even go there because it's too big a wall to climb to send stuff? What can be improved or what problems do you see there?

Mr. Mathew Wilson: I'll start. That's a great question.

First, most of what we export, as I mentioned, is manufactured goods, but a lot of the manufactured goods are production parts or subcomponents, whether in food, auto, aerospace, computer parts, machinery, you name it. It doesn't matter. That's the vast majority of what Canada imports and exports, production parts.

Mostly, what happens is that the small companies are a tier three shipping to a tier two. The tier two ships to a tier one, and the tier one to the OEM. The small companies aren't directly exporting. In fact, if you ask them if they are exporting, they would say, "No, I'm selling to Jimmy, down the street. That's who I sell to." They don't even know where their stuff ends up, in most cases. The big companies are the ones....

When we talk about border trade facilitation, it impacts the entire supply chain, from the GM in Oshawa right down to Linamar in Guelph, where I live, or to a smaller person in that automotive supply chain, which has crossed the Ambassador Bridge. It impacts them all, but it's mostly the larger companies, which know about the problems, that have responsibility.

I came before this committee in the spring to talk about NAFTA modernization. The number one priority we heard from our members—big or small, it didn't matter—was to simplify the border, get rid of the red tape, and make it easier. It's not about security. It's about making sure that people understand the processes and can submit information electronically.

Here we are, talking about electronic commerce. You can't submit information to the Government of Canada electronically if you are moving stuff across the border, in most cases. You can't do it. The government can't accept it, and if it can accept it, chances are it's backed up by a hard copy afterwards, on paper. With NAFTA rules of origin, you have to have an original signature on that certificate to prove that it is the right product.

There are a lot of things the Government of Canada could do to make it easier, and those are the things that we are talking to negotiators about, in terms of simplifying it and making it easier for a company of any size, because it is critical. It's the number one issue that companies face.

• (1650)

The Chair: Do the small and medium-sized American companies have it easier getting here than we do going down there?

Mr. Mathew Wilson: I would say it's the same. The difference is that most American companies don't realize they are shipping something out of their country, to be fair. It's the Canadian company that actually does the importing. Unlike their trade arrangements with almost anyone else around the world, Canada takes both the import and the export responsibility, so they don't actually know what their own problems are on the border, whereas we know both sides of the border very well from Canada.

The Chair: Thank you, sir.

That wraps up our dialogue. We are going to suspend now.

Thank you, again, to the witnesses for coming on short notice.

Michael, welcome back.

Mr. Michael Holden: Thank you.

The Chair: We are going to suspend only for a few minutes, and then we are going to do some future business.

[Proceedings continue in camera]

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