



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Industry, Science and Technology

INDU • NUMBER 021 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, June 16, 2016

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Chair

Mr. Dan Ruimy

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• (1550)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Our apologies, everybody. We had votes in the House. We're always housecleaning.

Welcome to the 21st meeting of the Standing Committee on Industry, Science and Technology.

Today we have with us, from Futurpreneur Canada, Ms. Julia Deans, chief executive officer; from Startup Canada, Ms. Victoria Lennox, co-founder and chief executive officer; and finally, from Communitech, Ms. Avvey Peters, vice-president, external relations.

We're going to start. Normally we would have about 10 minutes per witness, but because we're a little behind, maybe you could keep it towards eight minutes. That would be great.

We're going to start with Ms. Deans.

Ms. Julia Deans (Chief Executive Officer, Futurpreneur Canada): Thank you very much, Mr. Chair, and all of you.

My name is Julia Deans. We were created in 1996 as the Canadian Youth Business Foundation, now Futurpreneur Canada. We're the only national non-profit organization that does the heavy lifting to give 18- to 39-year-olds the business coaching, collateral-free financing, mentors, networks, and the other key resources they need to launch and sustain successful businesses. We have a strong record of advancing economic growth. We've invested in 9,000 young entrepreneurs, who've created 36,000 jobs, over \$224 million in tax revenue, and they have a better-than-average business survival rate. Last year alone, we helped launch over 1,000 new businesses, and demand for our offering continues to grow.

We're a leader in advancing youth entrepreneurship, and we help young Canadian entrepreneurs connect with the world through the G20 Young Entrepreneurs' Alliance, Global Entrepreneurship Week, and Youth Business International.

We have regional hubs in Toronto, Vancouver, and Montreal, and representatives in 12 other locations, and we work with 350 community partners across Canada. The federal government has been a partner of ours since 2002, and the federal funding we receive helps us leverage a great deal of other government and corporate funding.

We have access to more than 9,000 young entrepreneurs, and our goal is to help them grow through increased trade and innovation. We support businesses in virtually every sector, and I'm really

thrilled to have a chance to discuss youth entrepreneurship in manufacturing today.

As you know, SMEs employ more than 60% of the people working in manufacturing, and in many smaller communities, from Newfoundland to Quebec, it's responsible for over 50% of total employment.

We're proud to have supported 182 young entrepreneurs who launched manufacturing businesses in the last five years, including 46 last year. They're making everything from machinery and equipment to food, apparel, fabricated metal, electronics, and complicated medical technologies. It's people like Erin and Joshua Bradshaw of Vital Manufacturing in Surrey, BC. They provide turnkey, innovative manufacturing solutions, and every product they make is designed and manufactured in Canada. They also source most of their components here. We also help Futurpreneurs Alexis Martel and Julien Couture, owners of Lunetterie Générale. They produce wooden glasses entirely in Asbestos, Quebec. Manufacturing is a very capital-intensive business. They needed over \$1 million to launch, and we were the first to finance them. They're now distributing in 30 locations and will create seven jobs this year in Asbestos.

We loan young entrepreneurs up to \$15,000, and, based on our record, BDC piggybacks another \$30,000, so a young entrepreneur can get \$45,000 without collateral. We also match them with a network of more than 2,700 volunteer networks across the country. This makes a big difference. Our young entrepreneurs become a preferred risk for banks and other funders. They have a better-than-average five-year survival rate, and 80% to 90% repay their loans.

Based on our experience in cross-country consultations, we see three opportunities for the government to champion and expand youth entrepreneurship in manufacturing. It won't surprise you then that our first recommendation is to support Futurpreneur Canada's proven start-up program with predictable long-term funding. Federal funding is one of the legs in our three-legged stool. With it we can leverage tremendous contributions from the corporate sector as well as other governments. Our new five-year strategy is to continue helping young people to launch, but to add more growth promotion and support from both us and other organizations that can help them.

Our second recommendation is to promote manufacturing entrepreneurship as a viable career path. Does this work? We recently targeted young entrepreneurs going into food processing, which has the second-highest sales of any manufacturing sector in Canada. Our three-year target was to help 13 new businesses launch. In just two years we've helped 26 young entrepreneurs launch food processing businesses. We did a targeted video and social media campaign featuring young entrepreneurs, like the Quebec-based founders of Bec Cola. They make organic maple syrup soda. They're already in markets, including Ontario and European countries, and they're now going to go into the U.S. and Japan. Two weeks ago they won our Beyond Borders Award. Young people are thinking about entrepreneurship more than ever, and we absolutely need to encourage them to bring their energy and ideas to manufacturing.

Manufacturing has the highest percentage of innovating firms, but it also has a lot of aging owners. We have to encourage young people to take over their businesses and make them better. What gives me hope is people like Alex Drysdale, of Stony Mountain, Manitoba. His company, Crik Nutrition, manufactures a cricket-based protein powder produced with a fraction of the space and emissions of animal-based blends. He's part of our spin master innovation fund that provides financing, mentoring, and networking with business leaders from across the country. Last year he was named one of the world's hottest 20 start-ups by CNBC.

Manufacturing accounts for 61% of our exports, and finding new markets is critical for an emerging manufacturer. This is why our third recommendation is that the federal government help young entrepreneurs grow their businesses within Canada and abroad. Promoting avenues to sell to government is a big example, and another is to support international market awareness and access.

If including young entrepreneurs in trade missions proves tricky, then other options exist. For example, Global Affairs offers information and strategic advice to the Canadian delegation we bring to the G20 Young Entrepreneurs' Alliance Summit each year. This year, the 35-member delegation heading to China includes manufacturing entrepreneurs like Adam Camenzuli from Bowmanville. His company, KARIBU Solar Power, designs, manufactures, and distributes a solar pay-as-you-go business in a box kit for Tanzania to make energy available for the price of kerosene.

If we want to create jobs, grow our economy, and strengthen our communities, we must continue to invest in youth entrepreneurship. We must help young people see manufacturing as a path of great promise, and we must help them grow and succeed once they choose that path.

We're pleased that we have partnered with the Government of Canada for some time, and we look forward to working together to help more young people launch and grow businesses across the country, both in manufacturing and across all sectors.

Thank you very much.

• (1555)

The Chair: That was really under time.

Ms. Julia Deans: How long was it?

The Chair: Six minutes and 30 seconds. Very good. Thank you very much.

We are going to move to one of my favourites, Startup Canada, and Ms. Lennox.

Ms. Victoria Lennox (Co-Founder and Chief Executive Officer, Startup Canada): Goodness, that's a lot of pressure.

I'd like to thank the members of the standing committee for inviting me to appear as a witness for you today on recommendations for Canada's small, medium, and large manufacturers. My name is Victoria Lennox. I'm the co-founder and CEO of Startup Canada, a leading national social enterprise connecting and supporting entrepreneurs across Canada.

Our flagship program, Startup Communities, connects entrepreneurs to their local support partners and to education, mentorship, training, and finance opportunities, and provides advocacy nationally and internationally for Canada's entrepreneurship community. We have 25 Startup communities across Canada and 150,000 members across the country, a number that continues to scale as we expand this program to an additional 25 communities this year.

Of our members, 44% are start-up companies, 27% are growing companies, 15% are mature companies, and 13% are in the pre-incorporation stage. Fifty per cent of these companies sell globally, and 75% are optimistic about their yearly growth in the next three years. As we know, small businesses account for 93% of all manufacturing companies and 17,000 of those small businesses have just one to four employees. Generally, the Canadian business ecosystem is not receptive to risk. It's slow to innovate, and study after study shows that we lag behind competitors in many respects.

The manufacturing sector is no exception and is perhaps one of the greatest examples of this. According to KPMG's 2015 global outlook report, Canada trails the global average by 28% when it comes to the adoption of new manufacturing technologies, and 31% when it comes to R and D spending. The report calls Canadian manufacturers doers rather innovators due to our risk-averse culture.

Too often, Canadian economic policy levers tend to favour already-established companies while dismissing the actions of national leadership needed to grow young companies and support them to reach stages of high growth. Every large manufacturer was once a start-up company, and we need to take action to support manufacturers at every stage of growth. Manufacturers must innovate to succeed, and we must charge the national leadership with encouraging this innovation. The grassroots community is there. The government has to play a leadership role up front, and I believe that this consultation is an excellent step.

I therefore wish to put forward a few recommendations for discussion here today. The first one has to do with procurement. Procurement is one of the most powerful policy levers that the Government of Canada has in order to support and scale early-stage companies to become high-growth companies, particularly in the manufacturing sector. From unbundling large RFPs, to encouraging supplier diversity to include indigenous entrepreneurs and women, to investing in diversity through our procurement strategies by ensuring that large companies that receive bids have diverse boards and that they're investing in our small business community, and by playing with procurement sandboxes across the country, we have the opportunity to create a procurement framework across Canada that supports Canada's entrepreneurs to go global and to innovate.

The second recommendation that we have is to have a clear focus on attracting and retaining talent. We must ensure, as we bring in our entrepreneurs and students across Canada, that we expedite their permanent residency and that we aggressively review the temporary foreign worker program and express entry so that we can bring executives who have the experience in growing manufacturing sector companies in to actually do so.

Allen Lau, co-founder of Wattpad in Toronto, summarized it well on stage at a panel at Startup Canada Day on the Hill. He said that six to eight months is a non-starter in a competitive environment. People have 10 job offers per day, and two weeks is just too long. So we must really look at how we can support attracting and retaining talent, particularly for high-growth entrepreneurs in the manufacturing sector.

The third recommendation has to do with education. We encourage the Government of Canada to work with the provinces to update education policies to align with the rapidly changing demands of the 21st century workforce. We need support in the development of STEM amongst Canadian students, but also business skills including financial management and customer-facing skills. These are essential to the competitive viability of any company. While education is, of course, a provincially mandated policy, Startup Canada encourages the federal government to work in collaboration with the provinces and territories to educate students, teachers, and parents on the skills and their necessity in the workplace.

- (1600)

Of course, I wouldn't be an entrepreneur if I weren't to speak about funding. We need to leverage innovative financing models to increase investment in small business manufacturing. I note that the B.C. angel tax credit would be something to consider across Canada

Lastly, we need to ensure that our entrepreneurs are thinking globally and growing globally. We need to incentivize small manufacturers to access international markets by connecting them to support and training, and training in their communities. In 2015, Startup Canada partnered with EDC to launch the Adam Chowniec Memorial Fund for Global Entrepreneurship, which invests in high-impact initiatives that advance the prospects of globally oriented companies. In 2016 we launched the global podium initiative, a strategy to propel Canadian entrepreneurs and start-ups onto the

global stage. We invite the Government of Canada to join these initiatives.

As the Government of Canada looks to improve the conditions for Canada's manufacturers to succeed and create jobs in communities across Canada, it must look at the strategies that will support start-ups and small business manufacturers not only to start up but to scale up and become job-creating anchors in Canada. Too often Canada's economic policy levers tend to favour already-established companies while dismissing the actions in national leadership needed to grow young companies and support them to reach high stages of growth. Every large manufacturer was once a start-up company, and we need to take the actions to support manufacturers at every stage of growth.

Thank you.

The Chair: You guys are super good. That was about six minutes again. Thank you very much.

Finally, we are going to go to Communitech, with Ms. Peters.

Ms. Avvey Peters (Vice-President, External Relations, Communitech): Good afternoon members of the committee. Thank you all for the invitation to appear before you today.

My name is Avvey Peters. I'm the vice-president of external relations for Communitech, located in the Waterloo region, Ontario.

We're an innovation hub with a mandate to help technology companies start, grow, and succeed. We serve more than 1,100 client companies in southwestern Ontario. We run an 80,000 square foot innovation centre, which is where we deliver programs for technology companies. We work with companies at every stage of growth and development, including early-stage start-ups, small and mid-sized companies, and large enterprises.

While I lead the external relations team at Communitech, I also have the privilege of leading a national effort to connect Waterloo region's tech ecosystem with 26 others across the country. It's called the Canadian Digital Media Network and it was founded thanks to an investment from the Government of Canada in 2009 when we launched it as a federal centre of excellence for commercialization and research.

Our network ties together innovation hubs from Whitehorse to Vancouver to St. John's. There are 27 innovation organizations. They're all dedicated to supporting the growth and success of Canada's technology companies.

Because the committee is focused today on Canada's manufacturing sector, I want to share some examples not only of how we see the manufacturing sector being disrupted today, but also how we're seeing technology firms helping large manufacturing enterprises, in particular, to navigate those forces of disruption.

We all know that manufacturing is critical to the health and growth of Canada's economy. We also know that the life expectancy of big companies is dropping quickly as ever more disruptive technologies and processes emerge. In the 1920s, a company on the S&P 500 Index could expect to be in business for about 65 years. Today, that number is closer to 15 years. I would suggest that manufacturing companies shouldn't worry about being disrupted in the near future; the fact is that many are already being disrupted and may not know it.

Students and new graduates at the University of Waterloo's Velocity incubator are creating more and more hardware-focused companies every year. They're pushing the edges of material science, 3D printing, and business model development on a daily basis. However, therein lies the opportunity, at that intersection between technology and manufacturing. Our job is to help firms leverage that opportunity and manage rapid change.

At Communitech we've spent the last three years trying to understand the needs and challenges of large enterprises and helping those large enterprises connect with and benefit from tech firms and the innovation ecosystem. We call this our corporate innovation model. We use it to lead large enterprises through the uncomfortable process of getting comfortable with risk.

Take General Motors of Canada as an example. GM is one of the oldest car manufacturers on earth. It was founded in 1908 when there were fewer than 8,000 cars in the United States. A historic company like GM isn't always known for being forward looking. However, GM Canada understands that for it to thrive in a fast-paced world powered by technology, disrupting its own business model before someone else does is the best path to success.

Last year, GM joined Communitech's corporate innovation program and opened its 2908 lab at Communitech lab. Communitech is working with GM Canada to support its ability to hire top talent, refresh its employer brand, strengthen the company's innovation culture, and test new products, services, and business models. The 2908 lab is a place for GM to envision the future of its business, and in 1,000 years from its 1908 inception they plan to be solving problems in a world that's radically different from the one we have today.

GM Canada's CEO calls his lab the place to knock down old approaches, experiment, find new partners, and boldly go where future mobility is headed. Only last week, GM announced its intention to create 750 new jobs in Oshawa to help chart its future direction. The GM Canada CEO, Stephen Carlisle, calls the lab a big part of that overall puzzle that they're trying to solve.

What are the lab's priorities?

They're exploring and experimenting with advanced smart-phone applications, autonomous driving technology, and new sharing services and approaches. They're starting to think of themselves as a personal transportation company. They're using a multi-modal approach that deploys other modes of transportation in addition to the automobile, like e-bikes, public transit, and ride-sharing that keep people moving efficiently through the world.

•(1605)

GM is one of 12 large enterprises that Communitech supports through its corporate innovation model. While the model is relatively new—just three years old—here's what we've learnt.

Large companies and the people who run them aren't typically rewarded for taking risks. They need a little help to do that. There are simple and productive ways that big companies can engage with smaller and more agile firms, things like innovation contests, strategic partnerships, and problem-solving sessions convened by a neutral, trusted partner. Perhaps most importantly, there's a real value exchange at play in this model. Start-ups and mid-sized technology companies provide value to large firms like GM through new technology, talented team members, and a culture of experimentation and risk. Large enterprises like GM provide understanding of and access to global markets, which many small companies really struggle to gain. These partnerships can help to accelerate small Canadian companies on their path to export globally.

The question I will leave you with is this: what can government do to facilitate a better connection between Canada's manufacturing firms and the technology sector? I have three suggestions for you.

First, recognize that there is a promising model of corporate innovation that's already being explored by Canadian manufacturing companies, and I would invite each of you and your colleagues to come to tour the Communitech hub, talk with the folks at the GM lab and the other labs, and learn more about this corporate innovation model.

Second, I would urge you to support the ecosystem, as it helps manufacturing companies that are in transition. Organizations like ours, Canada's existing incubators and accelerators, are all working to convene and encourage interactions between start-ups, SMEs, and some larger firms. These interactions lead to really important partnerships. You can leverage the existing assets, like our national network, to replicate and deepen corporate innovation activities in regions across the country. We've already begun to share this model with our colleagues across the network.

Finally, I would urge you to lead by example. Government, by its nature, is a large enterprise, and the Government of Canada can engage itself in corporate innovation and become a case example for other large companies that are seeking to be more innovative. As Victoria mentioned, procurement's a powerful lever with which to do that.

I thank you for the invitation to come to speak with you this afternoon. I look forward to the discussion.

•(1610)

The Chair: Thank you very much. Again, well done in seven minutes. I'm impressed.

We're going to jump right into it with Mr. Longfield. You have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks to you folks for coming. I see a lot of the future of Canada sitting in front of us here.

It's great to see Avvey on a different side of the table from me. We've worked together on the innovation network in Ontario a lot. I want to just start with that, if I could.

You mentioned that you're tying in with 26 digital centres across Canada, and I wonder whether that model could be used in leveraging other sectors like manufacturing. Is there any kind of tie you've seen between what you're doing digitally and what could be done to support manufacturing across Canada?

Ms. Avvey Peters: Absolutely. I think networks are powerful things. Canada is a large country but also a small country in a sense. We're very spread out, and so each of our organizations follows the network model. We are in regional ecosystems from Vancouver to St. John's. In the case of our 27 centres on our network, most are focused on supporting the start-up and small to mid-sized enterprises in their regions.

They're also really powerful catalysts for entrepreneurial activity, not just in the technology sector but also as the folks who are building great partnerships. Many of our partners are starting to explore this kind of corporate innovation model where they can connect with manufacturing firms. I know that Venn innovation in Moncton is one example. Invest Ottawa is another.

Mr. Lloyd Longfield: I will ask you—not right now, but you could give it to the clerk—to provide a high level of where you could see some centres. If we were to tie a network together, where could we start?

Ms. Avvey Peters: Yes.

Mr. Lloyd Longfield: Over to Futurpreneurs, I'm almost talking to you guys at the same time because you are already working nationally in a network that's very effective. One part of our federal budget, page 110, that we've been referring to a lot in this manufacturing study talks about a more innovative Canada. It summarizes in tabular form the innovation agenda that we're trying to put forward or to put some action around.

In looking at generate creative and entrepreneurial citizens, which both of you are involved in doing, could each one of you comment on the use of mentors and people who might have exited, or are in the process of exiting, the workforce? Is there a role we can play through Employment and Social Development Canada? I don't want you to tell us how to do the government business, but is there a role that government could play in expanding your use of mentorship?

Ms. Julia Deans: I am happy to kick it off and then turn it over.

We know that businesses that are mentored survive at twice the rate of businesses that are not mentored. Mentoring is absolutely incredible. We make it a core part of our offering. You don't get your loan until you have met with your mentor and kicked that off. You have a mentor for two years, because it is often in the second year that things start to go south. Our mentors are amazing. I would have any one of them as my own mentor.

We know it is very powerful. I think that, for sure, getting the message out to large employers with networks that this is an opportunity and that everybody should be stepping forward to mentor, whether it is with us or through other organizations, is something that any responsible employer can do.

For us, about 70% of our mentors are entrepreneurs themselves, but there are often people who need skills that anybody would have. We have increasingly entrepreneurial organizations anyway. I think mentoring is probably the key to life in lots of things, but particularly for young entrepreneurs.

Mr. Lloyd Longfield: Thank you.

Victoria, how do you see mentors?

Ms. Victoria Lennox: Just to build on that, I absolutely agree with everything Julia is saying.

Mentors are the glue of Canada's entrepreneurship community. They move fluidly between organizations and start-ups. They are investors. They give back. One of the mantras of the start-up community is "Give, give, get, give". You pay it forward, and you support others with no expectation of any return. That benefits you in the long run. That is part of the mantra of the start-up community, as well as at I See You, Communitech, and everywhere else.

We also see a lot of entrepreneurs-in-residence. While entrepreneurs-in-residence are actually entrepreneurs, it can be very transformative. We are seeing the rise of coaches across Canada. Just as you would go to a personal trainer, coaches help you get your business right. We are seeing a lot of that.

In terms of the exciting point around the creative economy, we loved that at Startup Canada. We jumped up and down when we saw that announcement yesterday, because it is about culture and it brings in a conversation around social impact. A lot of the new manufacturing companies are starting to create a social impact, starting to engage those....

We have leveraged specialist mentors through our programs. We do the start-up finance boot camps across Canada, and 4,000 entrepreneurs go through them every year. Our mentors are certified professional accountants. They are not entrepreneurs, because we are focusing on finance there.

Mentorship is critical, especially if we think about women entrepreneurs and engaging those communities where we want to create increased inclusivity.

● (1615)

Mr. Lloyd Longfield: Super.

We have limited time. I just have a minute and 20 seconds left.

The use of SMEs to help, not only to mentor but to provide business opportunities.... On General Motors and large companies, I hear what you are saying there, Avvey, but in trying to get SMEs aware of the innovation network and using the network have you seen any success that could help our report, or any challenges that we should be looking at?

Ms. Julia Deans: I think you have an opportunity to stitch things together. I suspect we would all agree that the stitching is a bit loose right now, but the opportunity is there, and we all have something to offer in doing that.

Mr. Lloyd Longfield: You could help us stitch. You have the needle.

Ms. Julia Deans: Exactly. You have the thread.

Ms. Victoria Lennox: It is stitching, and it is the microphone. It is communicating everything that is available to the entrepreneurs so they can leverage it.

Mr. Lloyd Longfield: For the last 30 seconds, it is over to you, Avvey.

Ms. Avvey Peters: Mentors save time. They save me from making the mistakes that somebody else could avoid. They are hugely important. The small and mid-sized enterprise companies do struggle a little, because their heads are down trying to build and scale their business, but increasingly I see the ecosystem starting to build supports to help those companies scale.

Mr. Lloyd Longfield: Thank you.

The Chair: Excellent. Thank you very much.

Mr. Nuttall, you have seven minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Right off the bat, I will table the motion that has been circulated to the committee and ask for unanimous consent to move on it immediately, rather than having to go through subcommittee, which I believe I need to do, because it is not on the current subject at hand.

The Chair: Right.

Just to clarify, we have a notice of motion. Mr. Nuttall would like to move the motion so that we could debate it now.

Is there unanimous consent?

No.

Mr. Alexander Nuttall: Just for the record, we moved another motion to request a meeting with Bombardier, which is being blocked again. I will get back to witnesses.

Ms. Peters, you mentioned something that stuck with me, the first being technological advancement versus manufacturing. I've had conversations recently with GM and others, and one of the things that's starting to stick out fairly bluntly is that while some of the larger corporate entities are investing heavily in innovation and areas where they believe the economy is going, I'm starting to question whether they are investing in the manufacturing arms of those places that will remain in this country?

Can you comment on that? I understand that we have manufacturers investing heavily in innovation, but what about the thousands of workers?

Ms. Avvey Peters: That's a great question.

I am by no means an expert in the manufacturing sector. What I can say is that where we are dealing with manufacturing firms, or food processing firms, or what have you—those that are creating physical goods—the advantage they are finding to strengthen their business and to gain more customers is to do things more quickly, more efficiently, with fewer errors. Part of what the technology businesses are trying to add is value to other industries, whether it's manufacturing, agriculture, or health care. It's a matter of helping a particular business solve a problem or meet a challenge. I really can't speak to the labour question.

• (1620)

Mr. Alexander Nuttall: Further to that, a recent study found that 40% of Canadian employees will be replaced by automation in the next 20 years. We are really seeing that starting to transpire in some of the heavy areas of services. For example, GM has invested heavily in their autonomous vehicle, and in Lyft. These innovations will essentially replace taxi drivers, Uber drivers, the horse and carriage, whatever. Do you have a comment on that? Did you see the study?

Ms. Avvey Peters: I did not.

Mr. Alexander Nuttall: Maybe I should send it to you. I'd love to hear your comments on it.

Victoria and Julia, the organizations you work with deal directly with new entrepreneurs. One of the conversations that Victoria and I have had, along with others from Startup Canada, especially with Rona Ambrose, is about access to capital. Do you think there is sufficient access to capital for new businesses or start-ups, especially in the manufacturing field?

Ms. Victoria Lennox: The question of access to capital is complex. Not everybody has the same access to capital, particularly as shown by the stats on women entrepreneurs. That is something I want to highlight. There are opportunities—and not just in the manufacturing sector, which is only part of it—around crowdfunding and how we regulate it and make it accessible and standardized across the country, so that our entrepreneurs can raise capital from friends, family, and others, both equity and non-equity based crowdfunding.

I would say that funding is available, but that there could be more. It's about removing barriers to funding and equalizing opportunities for funding. It's also about creating incentives for people to invest, so that Canadians can be investors in this space. I would say that looking at crowdfunding could be interesting, particularly for new-stage makers and early-stage start-up manufacturers.

Mr. Alexander Nuttall: Absolutely.

Thank you.

Ms. Julia Deans: I think it depends on the entrepreneur and their endeavour, and probably where they live in the country as well. We have an offering that allows them to get \$45,000 in non-collateral financing. They can leverage that up and get more money. Can they get enough, depending on what the nature of the capital is? Maybe not. We do our best to help them and bring in other funders. It's not a black-and-white thing.

Mr. Alexander Nuttall: Tell us about BDC and whether it is meeting the demands? Do they need to be more free-flowing with capital? Do they need to get out of the boxes or products that they create?

Ms. Julia Deans: BDC has an obligation to make money. Like other financial institutions, they're not a not-for-profit institution. It takes a lot of time spent with, and hand holding of, young entrepreneurs to bring them along and to get their business plans along to a place where they're not going to crash and burn in the first two years. That is a big thing. Our financial institutions aren't terribly well set up for that. BDC piggybacks on our loans, so they are lending through that, and that's going up. I think last year they were co-funding 60% of our loans, and that's a lot, and it's rising. When entrepreneurs need more money, we are also looking at how we facilitate, grab hold of them, and give them more money.

It's a work in progress.

Mr. Alexander Nuttall: Victoria?

Ms. Victoria Lennox: On the topic of inclusivity, and looking at BDC's loan rates to women entrepreneurs and indigenous entrepreneurs, it's not reciprocal. It's not at the same level that we're seeing with other types of companies, founded by males, for instance—and it's blatant. It needs to be fixed now and yesterday. I think that looking at the opportunities there is really important.

• (1625)

The Chair: Thank you very much.

We're going to move to Mr. Masse.

You have seven minutes.

Mr. Brian Masse (Windsor West, NDP): I'm going to carry on the questioning with regard to the BDC. I've been a Member of Parliament for 14 years and have met with the BDC a few times. They can't really provide you with a lot of information. They claim it's corporate entitlement in terms of disembarkment of agreements, and I get that to a certain degree. You could sign a confidentiality agreement, though, or you could even get some generalities. The meetings have been cordial, but I can't say much of what they do in my community, to be frank. All I can tell you is that I don't have anybody saying how wonderful it's been to have had BDC in the community.

We've had them testifying here and saying that they're going to be more open and more accessible. I see their commercials on TV and I get angry because they now focus on how they're going to be spending money on start-ups and so forth. The reason I get angry is that I'd like to know how much money they spend on commercials versus access. I have done some research, and I'm glad to hear there are other acknowledgements that BDC is at least somewhat representative of the Canadian mosaic with regard to its participation in start-ups.

I recognize that a role they should be playing when we have gaps in the system right now in financing from traditional lenders is that they should be more assertive and have a heightened response to risk, to a certain degree, given that they have these advantages. It does fall within the national spectrum of some of the things we're trying to accomplish in general in Parliament.

I'll turn it over for comment.

What would you do to help to bring accountability, which in my opinion is necessary? It's interesting. I see their big, shiny buildings, but I've basically been a social worker in the past on the streets helping people with disabilities to find work and training them on site. I don't see the same things happening from the big towers they have. I'm sure that after making these comments I will get calls from the BDC, which is fine, because this is how I feel.

I'm just looking for a model, or at least an accountability or measurement about how they can actually change this and do what, in my opinion, is necessary. I think they finally recognize it, many years and the many times I've had them in front of this committee.

Ms. Avvey Peters: May I respond?

Ms. Victoria Lennox: Sure.

Ms. Avvey Peters: On the ground, in the facility day-to-day with BDC, we've been seeing more of them in the last four-or-five months. I find that encouraging. I understand the concern and frustration. I think there really has been a shift in the intention to be more accessible and to have their feet on the ground in local ecosystems. Certainly, and this is anecdotal from our perspective, we are seeing more of the BDC folks.

One of the critical pieces for them is partnership, because when they are a follow-on investment to a program like Futurpreneur, then they're adding their weight and their finances to a set of founders and small business owners that Julia's team has already done due diligence on, is coaching, and is mentoring. I think those partnership mechanisms are one good way to get more dollars into companies more quickly.

Mr. Brian Masse: I like that, but on that, just briefly, is that, "Yes, I want to see them more in those partnerships than just lurking about"?

Ms. Avvey Peters: Yes.

Mr. Brian Masse: Thank you.

Victoria.

Ms. Victoria Lennox: Those are great comments, Avvey. Agreed.

Accountability also comes from representation, I think. If we look at the BDC board of directors, we might think about making sure it reflects Canada's mosaic. We were talking with Mr. Longfield about connecting the dots and communications, and I think that's exactly what it is. BDC has the potential to be a transformative institution in Canada if we can just connect the dots and leverage them effectively—in the ecosystem even more so.

It's contentious, but I would suggest looking at EDC and BDC. I did work for Industry Canada, and I was responsible for the BDC legislative review. Taking a look at their roles and responsibilities, particularly as BDC goes global, with EDC being global, is really looking at how we're duplicating, and maybe creating some complementary alliances in looking at why there are these two crown corporations and so on.

As well, when you talk about entrepreneurs, you might be thinking of the hipster guy with his laptop, but remember, there are people who choose to be entrepreneurs and there are people who have to be entrepreneurs. If BDC is the bank for entrepreneurs, we need to think about how they're working with every entrepreneur.

I'll just leave it there.

• (1630)

Mr. Brian Masse: Thank you.

Ms. Deans.

Ms. Julia Deans: I'm probably the bright spot, because I think they're doing the right thing through us. They're co-funding with our entrepreneurs. Forty percent of them are women. That's not an issue. They're doing more and more each year.

Hopefully that's a proof point that can encourage more things of that sort. I think they're doing the right thing by our young entrepreneurs. They're looking to be more active in helping them grow. That's, I think, a good-news story.

Mr. Brian Masse: Yes. It's not that they don't do anything. I'm sure there are a lot of good-news stories in there. I'm just looking at the resources and how a crown corporation touches the citizens you represent.

Let's say this: their resources and their capabilities far exceed their performance on the ground floor in communities. Their continuation of the old ways I think is sunsetting in many respects, because it wouldn't come to this degree without basically a unified voice from a lot of people that this incredible asset is wasting away in ivory towers—

The Chair: I hate to cut you off there, Mr. Masse—

Mr. Brian Masse: Oh, thank you, Mr. Chair. Your doing that is probably a public service for me.

Voices: Oh, oh!

The Chair: Sure, okay: whatever works for you.

We'll move over to Mr. Baylis for seven minutes.

I think he was just waiting for me to cut him off.

Voices: Oh, oh!

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): I'd like to start off by understanding how you're owned—or not owned—or funded. Perhaps you could give me a very quick overview. Do you have a physical space?

Ms. Julia Deans: We were started by two banks, RBC and CIBC. We started getting some government funding in 2002. We received a combination of federal, provincial, and corporate funding.

As of last October, we are borrowing all of our capital on a line of credit from a major bank, which means we're leveraging our balance sheet and not having to raise that money in any kind of fundraising. So that's the funding.

Mr. Frank Baylis: Are RBC and CIBC still funding you, or did they just get you started?

Ms. Julia Deans: They got us started. RBC is still a funder.

Mr. Frank Baylis: So RBC is a funder. What's the percentage for the federal and the provincial?

Ms. Julia Deans: This is testing my math, but the federal is about 40% of our annual budget.

Mr. Frank Baylis: That's federal.

Ms. Julia Deans: Yes. It's 35% to 40%.

Mr. Frank Baylis: And provincial?

Ms. Julia Deans: It's probably 25% to 30%.

Mr. Frank Baylis: So 30% is RBC?

Ms. Julia Deans: No, then we also have loan repayments, so we're benefiting from the repayments of our young entrepreneurs. We have interest and fees.

Mr. Frank Baylis: The young entrepreneurs, when they take that \$15,000 or \$30,000, have to pay it back, is that it?

Ms. Julia Deans: Yes. It's a loan. It's slightly lower than bank rates, and 80% to 90% repay.

Mr. Frank Baylis: So 80% to 90% repay.

Ms. Julia Deans: Yes. I think that's a good-news story, because even if they're not in business anymore, they're still good.

Mr. Frank Baylis: Is that the \$15,000 or \$30,000 of the BDC, or the combination?

Ms. Julia Deans: Futurpreneur Canada is for \$15,000 and \$30,000 is for BDC. There's one application, as BDC manages its own loan.

Mr. Frank Baylis: Okay. So they owe you and they owe BDC.

Are they paying you back? Are they paying the BDC?

Ms. Julia Deans: Yes. It's pretty much the same. BDC coordinated its rates with ours, so that's another thing. They actually made their conditions more like ours to help.

• (1635)

Mr. Frank Baylis: In your case you would be happy with the BDC, which is not the case for a lot of other people who come before us.

Ms. Julia Deans: I'm happy in respect to what they're doing. I think it's moving in a positive direction.

Mr. Frank Baylis: Do you have physical space or not?

Ms. Julia Deans: We have office locations, some of which are co-shared. We're in the new space that Mr. Arya opened yesterday in Ottawa. We co-locate with a lot of our partners across the country. We have major offices in Vancouver, Montreal and Toronto, just to centralize things.

Mr. Frank Baylis: How many people work there?

Ms. Julia Deans: Ninety-three.

Mr. Frank Baylis: Ninety-three.

There's not an incubator accelerator, where companies move in?

Ms. Julia Deans: No. We often are partnering. Communitech would be a great strategic partner of ours and we would have shared clients and would offer them different things.

Mr. Frank Baylis: Okay.

I'll move on.

Ms. Victoria Lennox: I started Startup Canada with savings from my savings account when I decided to leave government. It's fully private sector funded. We earn—

Mr. Frank Baylis: You started it? I didn't know that.

Ms. Victoria Lennox: Yes, with my co-founder.

We're fully sustainable. We earn every dollar we make. We're not funded by the Government of Canada. We are funded through services that we provide to anchor companies like Intuit Canada, UPS, Google, Microsoft, and companies that want to strengthen Canada's entrepreneurship environment through Startup Canada.

We've set ourselves up as non-profit, but we operate as a social enterprise. We have an office on Sparks Street. We just moved there. We're very proud of this, that we have our first office. We have eight full-time and two part-time people. Our staff is in Ottawa and Toronto, but it is supported by 300 volunteers who run start-up communities across Canada. A number of them have their own spaces and some of them do receive government funding, particularly Startup Edmonton and what is now North Forge, which is in Winnipeg. It used to be Startup Winnipeg.

That's how we're funded.

Mr. Frank Baylis: They were part of you, and then they became....

Ms. Victoria Lennox: They just rebranded in order to access new opportunities for the community.

We have 25 start-up communities. They're usually called things like Startup Fredericton, Startup Whitehorse, Startup Victoria, Startup Nanaimo.

Mr. Frank Baylis: Do they actually have physical space for entrepreneurs, or are they just an office?

Ms. Victoria Lennox: About half of them have their own physical space and co-working spaces.

Mr. Frank Baylis: When you say there are 25 centres, they're not staffed by your people if you only have eight full-time people, are they?

Ms. Victoria Lennox: No. It's about connecting the ecosystem and leveraging what already exists in the start-up community and enhancing it by bringing it together.

Mr. Frank Baylis: Are they full-time people in these 25 centres?

Ms. Victoria Lennox: No, we're all entrepreneur led. It's entrepreneurs who are building businesses, creating jobs, but also spending their evenings and weekends building their start-up community.

Mr. Frank Baylis: So for Startup Fredericton, there would be some person there and he would be in his regular business?

Ms. Victoria Lennox: There's a group. Startup Fredericton is led by Rivers Corbett, who's the founder of reLiSH Gourmet Burgers, an awesome franchise chain across Canada. He's one of a team of entrepreneurs that is building Startup Fredericton. They provide mentorship, support, connectivity to resources at the Pond-Deshpande Centre, and with the chambers of commerce.

Mr. Frank Baylis: Okay, but there's not necessarily a physical location. It's a group that might meet in someone's offices, things like that.

Ms. Victoria Lennox: That's right, because most of it already exists. It just needs to come together.

Mr. Frank Baylis: If I was to compare it to, say, Futurpreneur, how would you be the same or different, or do you work together?

Ms. Victoria Lennox: We totally work together. So when people are saying, where do I start, or I'm thinking of starting up, and they have no idea where to start, they'll find Startup Canada. Let's say they're an entrepreneur in Medicine Hat. There's a great program at Medicine Hat College, and we'll connect them with Startup Medicine Hat, in order to access support and resources.

As well, as I mentioned earlier, only a small per cent are actually start-up companies with us. Many of them are mentors who are giving back, or folks who have retired and are looking to invest in the next generation. What we're about is the 2.7 million entrepreneurs in Canada who want to create a better future for the country. We're giving them a platform to do that.

Mr. Frank Baylis: What are exactly are you doing to sell to UPS or these companies to get money?

Ms. Victoria Lennox: Ultimately, they have the exact same problem that the Government of Canada has, which is that nobody knows about the services they provide to the start-up community. We run digital events like start-up chats on Twitter, and webinars. We run podcasts. The Startup podcast is one of the top podcasts in the world in iTunes, right here in Canada. It really is about increasing the reach and awareness of the resources available across Canada, and including their offerings.

Mr. Frank Baylis: I've heard the statistics. Someone has talked about knowledge of programs, and more than half the companies knew about SR and ED. In the majority of the companies virtually nobody knows about all these little grants or opportunities.

•(1640)

Ms. Victoria Lennox: That's right.

Mr. Frank Baylis: So you're trying to collect that information and share it?

Ms. Victoria Lennox: We have the information and we promote it. Let's say, for instance, right now there's a trade group in Atlanta.

The Chair: Thank you.

Mr. Frank Baylis: That's seven minutes already?

The Chair: You talk too much.

Mr. Frank Baylis: Thank you.

The Chair: Mr. Dreeshen, you've got five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): I'll probably allow you to go on to some of the interesting things you're speaking of, Victoria. You spoke of recommendations for procurement, attracting and retaining talent, and education. These are some of the first three key components you spoke about, but you also spoke about funding and the angel tax credits, the different things that businesses need, such a low business tax rate, and so on. These are important things, especially for start-up businesses.

I am impressed, and we've spoken before on mentorship and how significant it is. I'm wondering if you have enough people within your organization who are able to look at the disruptive technologies and are helping some of these new start-up companies prepare themselves for the possibility of quick change within the industries they're working with. Perhaps all three of you could speak to that.

Ms. Victoria Lennox: Do we have enough people in our community who can support the development or the quick pivoting of disruptive technologies? What's really great about accelerators and incubators and what can be leveraged further with them is just that, to be the place where these high-growth companies can anchor and get access to those talents.

I don't know if you've come across it in your discussions, but the work of the C100 organization in bringing that talent from Silicon Valley and connecting it with Canadian start-ups is absolutely crucial. I don't know if I can answer that question, do we have the right people? I've always found the right people. I haven't found the lack of right people. I find a lack of speed and access to these people.

Mr. Earl Dreeshen: Again, I suppose one of the key components is education. You have to make sure that the education system understands what is happening. Do you have people who are engaged in that area as well?

Ms. Victoria Lennox: As you can tell, Startup Canada is really scrappy. We work with the education ecosystem through our work with Mitacs in the community, but we also work with student clubs; that's how we do it. We have the Startup Campus network with student clubs across Canada that are connected to the Startup communities. The way we prepare the students to take their own initiative and to ensure that they have the skills is to have them participate in online courses and things like that, and to engage with the Startup community and attend events at places like Commu-

nitech. We find it's really effective to engage directly with the end-user rather than with the institution, because that takes time.

Ms. Julia Deans: We partner with Enactus Canada, which has business clubs on college and university campuses across the country, and through them we reach younger students who are maybe in high school. We have something called Unleash Your Inner Entrepreneur, and we do it right across the country to reach students in school.

We also do a lot of advocacy to get schools to adopt financial management skills and entrepreneurship training, sales training, and communications into the curriculum.

We're not going to do all that, but they need to know that without those skills our young people are not going to succeed as entrepreneurs. They're probably not going to succeed within any organization in the future. So we completely agree that's a huge topic.

Mr. Earl Dreeshen: Avvey, could you perhaps add a little on the global aspect of this, because some of these businesses we're looking at need to have that as we advance, as far as trade is concerned.

Ms. Avvey Peters: Talent is probably the number one challenge faced by all the companies we would work with—the shortage of the right kind of talent to fill their needs. Whether it's sales and marketing talent or technical talent, companies can only grow if they can get the right people. Our partners are working really closely with the colleges and universities in their communities to try to make sure there's that intersection between what industry needs and what those institutions are producing in terms of new grads.

Often if technology companies are seeking a very specialized type of technology talent, they look across Canada, and if they can't find it, the next challenge is how can they find that talent very quickly and bring it to Canada. Right now immigration is a huge barrier to that, meaning the length of time it takes to have a highly specialized set of skills come to Canada to help a business grow. Often those are individuals around whom a company can build an entire team of people, which means they're likely global experts in their field, implying as well that they've probably got job offers from all over the place.

One of the things our companies are telling us is that this ability to bring the right skills to bear on a business very quickly is of great significance to them.

•(1645)

The Chair: Thank you very much.

Mr. Arya, you have five minutes.

Mr. Chandra Arya (Nepean, Lib.): Every time I get a chance, I like to point out that the national capital region has 1,700 knowledge-based companies. It's much bigger than any other part of Canada.

An hon. member: Still, Ottawa is a logic-free zone.

Voices: Oh, oh!

Mr. Chandra Arya: Victoria, I think the first public event I attended as a member was one by Startup Canada. I remember meeting an entrepreneur who asked me a question, and I also bumped into her again later. She was having problems with financing.

Julia, yesterday I heard very good things from a young entrepreneur about the support he got from your organization.

However, I am quite surprised because I don't know how many of you are actually dealing with manufacturing start-ups.

I'll come to BDC. Manufacturing start-ups are usually capital intensive. They require a huge amount of capital. We heard several witnesses on this. One was from Winnipeg, who was involved with additive manufacturing, in 3D printing for very advanced...dealing with aerospace. He was so critical of BDC not funding his requirements. We also heard from an electrical vehicle manufacturer from Vancouver.

I have just a quick question. How many manufacturing start-ups have you dealt with?

Ms. Avvey Peters: For hardware-focused, device-enabled, manufacturing-focused start-ups, I would say they are probably 15% to 20% of our client base.

Mr. Chandra Arya: Good.

Julia, I know that your limit is around \$45,000 to \$50,000 maximum per venture, if I'm not wrong. Typically, what percentage of your clients or companies you help are in manufacturing?

Ms. Julia Deans: There have been close to 200 in the last five years.

You're challenging my math.

Mr. Chandra Arya: That's okay.

Ms. Julia Deans: It's 200 over.... It's about 5% to 10%.

Mr. Chandra Arya: The point I'm trying to make is that BDC has an unsecured loan portfolio alone of around \$2 billion, and it has hundreds of millions of dollars available in this venture capital group investing in equity. However, this big organization has lent only \$23 million in the last year to about 200 manufacturing start-ups, which is tiny compared to the capital-intensive nature of these small manufacturers.

Ms. Julia Deans: Can I just say that sometimes people are ready to go at a bigger amount and they fund them directly. They wouldn't have to come through our program, so I just don't—

Mr. Chandra Arya: So you don't actually have personal experience with manufacturing companies that require, say, \$1 million or \$2 million, and their experience with BDC.

Ms. Victoria Lennox: No, they would go directly to their banks or to a bigger.... I didn't want to be unclear, excuse me.

• (1650)

Mr. Chandra Arya: Trust me, no bank would like to fund a new manufacturing set-up.

To come back to one of the recommendations Victoria made about attracting and retaining talent, the president and CEO of Invest Ottawa has stated that there is 0% unemployment in the high-tech sector and that if you find any unemployed engineers, there is only one question you need to ask him: what additional skills did you gain during the last five years? He says that the answer will usually be "none" if the person is unemployed.

Where do you think we are lacking? Some people say that the entire ecosystem or entire structure of manufacturing is strained and that companies don't want to invest in taking in people and training them on the job. They want people who are ready and who can come and start being productive from day one. What is your experience in that respect?

Both of you can answer.

Ms. Victoria Lennox: We're fortunate in Ottawa, but not every community is so fortunate. Especially in Atlantic Canada and the north to a certain extent, the kids are just not staying, so that's depleting their economies, which means that we can't maximize opportunities to grow our country.

The area that I want to see has already been mentioned. It's sales and marketing, which is absolutely critical if we're—

Mr. Chandra Arya: Thanks.

I have very limited time, but Avvey and Julia, would you pitch in on the talent side as well?

Ms. Avvey Peters: I think your assessment is absolutely right. The talent market is really tight in the technology industry all across the country, not just here in Ottawa. I think this is where we need to start creating more of that workforce-ready talent, by working with the universities and colleges to make sure they are producing the kinds of skills that companies need.

Also, we need to import that talent from other parts of the world.

Mr. Chandra Arya: Julia.

Ms. Julia Deans: The only thing I would add is that there's also an issue with people recognizing when they need talent. We're talking of people who know, but not all of them do, and we have to help them recognize when they need talent, when they're ready to take it to the next level.

Mr. Chandra Arya: Yes.

The Chair: Thank you very much.

Mr. Lobb, for five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): To Avvey, a number of years ago I worked at Desire2Learn. That Lang Tannery building was just a jiu-jitsu studio when I was working in Kitchener, so it's come a long way in eight years.

This study is mainly about innovation and manufacturing. I know that you know that, but you did mention that 15% or 20% of the people you deal with are in some form of manufacturing. The one example I'm thinking about that came through your Communitel office was a robotic arm. Do you know about that one, where you can control things on your arm?

Ms. Avvey Peters: Yes, the Myo armband by Thalmic Labs.

Mr. Ben Lobb: I wanted you to talk about an example like that and how a concept like that can work its way through and, where a government, for example, could help that individual either speed that up into commercialization or provide the person with needed assistance.

Ms. Avvey Peters: Thalmic Labs is a great example of that kind of wearable device, or smart manufacturing, or advanced manufacturing type of start-up. They came through a program at the University of Waterloo called Velocity, which is focused on helping students and new grads start their companies. Velocity has a couple of different streams of programming. They have a set of companies that are software and apps development focused, but a growing number of companies that they're seeing now are hardware and device-enabled companies like Thalmic—but Thalmic is one of the earliest.

I know they've grown from a founding team of three or four new grads. There are about 80 or 90 people now producing these devices in Waterloo region. The big challenge they face, which goes to some of the discussion we've already had, has really been around getting that technical talent, that highly specialized device-enabled kind of talent.

One of the interesting things that we're seeing, though, among some of those smaller hardware companies is that they're starting to band together. There's a project at the very early stages that was started by Kurtis McBride, the CEO of Miovision Technologies. They make traffic monitoring cameras and gear for automobile intersections. They're going to start a version of the Lang Tannery for hardware-based device-enabled companies to take advantage of the notion of co-location, the coaching, and the putting of resources right next to the companies. It gives them a place where they can manufacture stuff, where they don't have to bear the cost of their own production. They can share production and testing facilities.

Mr. Ben Lobb: Not to be critical of the universities, but my observation is that the University of Waterloo is probably the best, or one of the best universities, and everything happening there wouldn't happen without them—which is not to knock Wilfrid Laurier and Conestoga College because they're certainly doing their part as well. But my point is that those three institutions can't produce enough people to fuel that region.

Again, I don't want you to feel as if you're criticizing other universities, but do you feel as though they're producing enough graduates in those needed fields at this point in time, to keep things moving so that we don't have to recruit people from San Francisco, Palo Alto, and all of those areas?

Ms. Avvey Peters: I think by and large our client companies would say that they're not producing enough. The quality of the grads they do produce is certainly very good, but to be a systems design engineering student at the University of Waterloo, you need

to have an entrance average of well over 93% or 94%. For those students who have 90% to 93%, there's another great set of talent that perhaps we could be trying to train to join some of these companies. There simply isn't enough.

• (1655)

Mr. Ben Lobb: I agree. Unfortunately, my 73% average never cut it for systems design engineers. Maybe in another lifetime it will work out.

That's probably enough for today. Thank you for the answers.

The only thing I will close with is the question of access to capital. We've talked a lot about BDC, and I think it's almost a shame that we've written off the big banks for providing capital to business. They love to loan money to people who want to buy a house in a subdivision, but they really don't want to loan money to business unless you've already made it. I can speak from experience on that one.

With regard to BDC, I think that in the business community they feel like it's the lender of last resort, that if all has gone wrong you go to BDC, because there are not too many options then. If we have things like Communitel working, and the universities working, it doesn't work out so well if nobody can get access to significant capital. I think that's something else to consider.

The Chair: That's it.

Mr. Ben Lobb: I'll keep talking until you shut it off. No, I'm kidding.

The Chair: You're going to give me a hard time with this.

Mr. Baylis.

Mr. Frank Baylis: Let's finish up with you, Ms. Peters. You actually have a physical location. Is it 50,000 or 80,000 square feet?

Ms. Avvey Peters: As of about four weeks ago, it's now 80,000 square feet.

Mr. Frank Baylis: Okay. What do you do in that location? Do you have companies in there?

Ms. Avvey Peters: We do.

Mr. Frank Baylis: How many do you have?

Ms. Avvey Peters: It's a mixed-use space. There are about 120 companies that physically live in the space with us, and many more come to use the facilities and for training workshops, events, and programming.

The space is divided into three neighbourhoods, if you will. There's a start-up neighbourhood, in which both Wilfrid Laurier University and the University of Waterloo run a campus accelerator program. So there are many start-up companies there. Our start-up services team at Communitel runs a women-in-technology accelerator and a revenue-focused accelerator. We offer "Google for Entrepreneurs" programming. There's a lot of different stuff.

Mr. Frank Baylis: You expanded because...? Was there a need? Were you full?

Ms. Avvey Peters: Absolutely.

Mr. Frank Baylis: You expanded because more people wanted to come.

Ms. Avvey Peters: Yes.

Mr. Frank Baylis: Okay. Do you charge?

Ms. Avvey Peters: Yes, we do.

Mr. Frank Baylis: About how much?

Ms. Avvey Peters: It really varies. Communitech is a not-for-profit. Our funding comes from a lot of different sources. It's a mix of public sector and private sector funding, roughly equal in proportion.

Mr. Frank Baylis: You charge those 120 companies something.

Ms. Avvey Peters: We do. In the case of the companies that work out of the University of Waterloo Velocity space, the university pays for that space; the companies themselves are subsidized by the university. Other small companies pay rent. We also have these large corporate partners, like the GMs and the TD Banks, which rent corporate innovation labs, and they pay a premium on that so we can subsidize the start-ups.

Mr. Frank Baylis: They might be in line with one of your companies. Is that what I understand?

Ms. Julia Deans: One of 120.

Mr. Frank Baylis: Yes, it might come through Futurpreneur, and it might also come through Startup Canada.

Voices: Yes.

Mr. Frank Baylis: Is it fair to say that you, as an ecosystem, are working together? Or would you like to work together more or less?

Ms. Julia Deans: More.

Ms. Victoria Lennox: We should work together more.

Ms. Avvey Peters: We're strategic partners, so we—

Mr. Frank Baylis: How should you work together more?

Ms. Victoria Lennox: I think what's needed for the whole ecosystem, including the stakeholders here today, is a mapping of the ecosystem at the various stages of entrepreneurial growth, on a local, provincial, and national level, so that every stakeholder knows what role they play and we can have awesome hand-offs, so that every door is the right door for entrepreneurs. I think that's the next evolution of this organic ecosystem.

Mr. Frank Baylis: It's like you're all out there and bumping into each other and it's, "Hey, why don't you do this?" Or is it...?

Ms. Julia Deans: No. I think we're stitching together.... We're strategic partners. We work well.... We're not-for-profits. We work really, really hard. In an ideal world, we'd have weekly calls, and we don't have that, so we see that opportunity to strengthen the ties.

Mr. Frank Baylis: It's about some way for us to help that more together.... It has grown. You've started something, and that's been great and that's been needed, but now we need some way of forming it all together.

Ms. Avvey Peters: There are some existing networks and examples that can be leveraged. Lloyd Longfield and I worked in the early days of the Ontario Network of Entrepreneurs, and I would say that it's come a long way in the last 10 years. It's a series of regional innovation centres that offer a common programming, and the core notion is what Victoria just mentioned, which is that there's no wrong door.

If I'm an entrepreneur and I need help, I should be able to ask the nearest organization or the nearest mentor for help. If that's not the right door, then it's the responsibility of those who run these organizations to make the warm hand-off.

• (1700)

Mr. Frank Baylis: I'll come back to that, but before I do, I would like to ask you to possibly submit something in writing, as I've heard many times about issues with the temporary foreign workers. That was an open program. Previously, there were abuses in certain areas that were not even technical, and it was heavily clamped down on. People tend to think of that problem as only being in farming and that, but it's hurting our high-tech sector very badly.

I'd like to hear exactly what the problem is and what solution you perceive. You could put that in writing to us very succinctly. What's the problem? How is it hurting our high-tech companies? What should be the solution?

How much time do I have left, Mr. Chair?

The Chair: You have 30 seconds.

Mr. Frank Baylis: Coming back to this stitching together, you see an opportunity to somehow have it more cohesively done. Would that be the way...?

Ms. Julia Deans: It's part of the evolution, so it's happening. We're getting better at it every year.

Mr. Frank Baylis: Do you have venture capitalists stitched into your system?

Ms. Victoria Lennox: Yes.

Mr. Frank Baylis: I can see you there, but are they...?

Ms. Julia Deans: Yes, we do, and I think all of us, NACO and the others, are looking at how we formalize that. We now have the Hockeystick technology, made in Canada, for companies to describe themselves and pass them on—and NACO has the same thing. We're working at how we can make it really easy to facilitate the pathway of entrepreneurs. It's evolving, and it's getting better every year.

Ms. Victoria Lennox: It could be expedited, though.

Mr. Frank Baylis: How would you expedite it?

I'm sorry.

The Chair: Nice try. Everybody's testing me today.

Voices: Oh, oh!

The Chair: Thank you very much.

Mr. Masse, you have two minutes.

Mr. Brian Masse: It will be interesting with the foreign workers. I've toured a number of different video game organizations, and they can't get the key person—almost like the director of a movie—into Canada who would do another 100 jobs. There seems to be a clear misunderstanding, and this is prior to the big events of the last number of years. They've had a hard time explaining this through the system, so it would be interesting to see if that's still there.

I'll turn this over for a final question.

What I guess I'm concerned about, when we're studying manufacturing, is the role of the banks. Quickly to our researchers, it would be helpful to have an analysis of some of the banks that do loan to small and medium-sized businesses. I think we should invite some of the banks to this committee as well. I think Mr. Lobb's analysis of the BDC being the last resort is a good one, so why don't we hear from them?

I don't see, at the end of the day, from our entrepreneurs a similar porthole of manufacturers in Canada. Many times we have university-developed patents and entrepreneurs who take those patents and look to business plans, and then we have the manufacturing done elsewhere.

I see some bright things. In Windsor, we have bicycles, for example. Ironically, the automotive industry was centred around Windsor and Detroit, historically, because of bicycle manufacturing, and now it's re-emerging.

I'll leave it at that. How do we improve product manufacturing development in Canada from ideas that entrepreneurs create?

Ms. Julia Deans: For me, it's telling the stories. I think you have a huge opportunity to tell the stories of people who are doing it, doing well, making money, and expanding.

Ms. Victoria Lennox: For me, it's all about makerspaces that are giving entrepreneurs a playground to make things and connect with the software developers to create smart technologies, which are ultimately the manufacturing sector of the future.

Ms. Avvey Peters: I would agree. This ecosystem model works in multiple industries. We need to step back and look at the pieces that are most applicable and create those playground spaces or makerspaces and encourage young entrepreneurs to try things, make things, break things, and test them. Those are the things that lead to new firms, and that's an opportunity for us.

Ms. Julia Deans: Don't leave out rural Canada. There are a lot of our manufacturers, including people in Prince Rupert, B.C., who are not going to get to some makerspace in Vancouver.

Ms. Victoria Lennox: That's right.

Ms. Julia Deans: How do we solve the issues for those people too?

Mr. Brian Masse: Thank you.

The Chair: Leaving a few minutes to do a couple of housekeeping items, we have enough time to do three questions of three minutes each.

Mr. Longfield.

Mr. Lloyd Longfield: Reach for the top. This is the short—

The Chair: I'm cutting you off at three.

Mr. Lloyd Longfield: An idea that's been floating through this conversation is the embedded executive program that Communitech and others run. I'm thinking of the manufacturers having an embedded technology person working with ThreeFortyNine in Guelph, which is another start-up community. They looked at how they could embed technology people into manufacturing plants. Is that something that any of you have seen? Be real quick on that one—or am I coming out of left field?

• (1705)

Ms. Avvey Peters: I haven't seen it, but I think it's a great idea. Conversely, people who have global market experience from one industry can bring that to another industry. I think there's a great synergy there.

Mr. Lloyd Longfield: Thank you.

Ms. Avvey Peters: Absolutely.

Mr. Lloyd Longfield: It's like a talent library from some of our mentors that we could possibly look at as one of the solutions.

We're talking to entrepreneurs across the table here and people who have run not-for-profit organizations, and this is an entrepreneurial challenge. How do we stitch this together in a way that allows people to be creative, so that we are not creating another level of bureaucracy, but providing them with the support they need and then getting out of the way? How could we continue this type of a conversation? What format would this take?

Ms. Julia Deans: As to carrying on the conversation, I would point out it's not all government either. It's not a matter of connecting people to government programs, and most of them have no idea that there are any—

Mr. Lloyd Longfield: Absolutely.

Ms. Julia Deans: —but working with the people like Startup Canada, like Communitech, and like us, who are coming and talking to them—

Mr. Lloyd Longfield: And North Forge.

Ms. Julia Deans: —in person about what they're experiencing. We all have lots of venues. We'd love for you anytime to come and talk to the young people and hear it first hand.

Mr. Lloyd Longfield: Do you know of any other North Forges out there? I was blown away when I saw what they were doing in Winnipeg.

Ms. Avvey Peters: It's important not to over-complicate it. There are great assets and networks that already exist, so take advantage of what's there, the lessons learned, and the mistakes made. There are a bunch of organizations. Invest Ottawa has been doing this for over 20 years. There's a lot of memory that can be leveraged around this kind of ecosystem-building.

Mr. Lloyd Longfield: This is a complicated network for us to understand. Some of the partners out there are good at selling themselves and others are just quietly doing a good job. It's for us to find those people, if you can help us. Our report will be looking for that type of information.

Ms. Avvey Peters: Okay.

The Chair: On that note, we'll hear from Mr. Dreeschen.

Mr. Earl Dreesen: Julia, you mentioned not forgetting about manufacturers in rural Canada. Coming from the west, I know there's a lot of involvement with food production and that manufacturers are tying into that. One of the studies we did in the last Parliament was on interprovincial trade. The agriculture committee looked at that. No doubt you heard the "Free the Beer" thing that went through the House just a couple of days ago.

We have to look at all the new ways things are happening, and e-commerce is one of those. I'm wondering if any one of the three of you could speak to the way e-commerce is affecting start-up businesses. We know there's a difference between things that are happening in Canada and things that are happening in U.S. There's competition and there are barriers. Perhaps some of your start-up companies, or the people you've worked with, have seen some of those barriers. What are they doing to mitigate some of the potential damage?

Ms. Julia Deans: I think we all have a perspective. For us, it's a huge levelling of the playing field. I'm thinking of a young Inuit man who lives in the far reaches of Labrador. He's running a trading business right across North America, thanks to e-commerce. He can do that from this place that takes forever to get to. It's a bit of a leveller for any entrepreneur.

It's also an opportunity for people who are creating a business. One of our first people was Harry Chemko of Elastic Path. He has 350 staff in Vancouver. It's created opportunities, a level playing field and access to suppliers that people would never have been able to talk to before.

Ms. Avvey Peters: There's a great example in Shopify. Locally, he has created those opportunities for small businesses to be able to take advantage of e-commerce. There again, Shopify is on a growth path, but their strength is talent.

• (1710)

Ms. Victoria Lennox: I see two opportunities in addition to the accessibility. The first one is that those who are creating things can now sell them on sites like Etsy. Old-school manufacturing and the creative industries now have a platform to reach customers.

On the other side of it, it's also changing the whole industry in that entrepreneurs are creating e-commerce companies and ordering their products from China. They never see their products. They are held by Amazon and the American market, and then they go out.

There are new business models that are forming, and that means that the talent being created might not be in the manufacturing sector but in sales, branding, design, and global platform development.

What we see with Yona Shtern and Beyond the Rack is the best of e-commerce. What we see with Ethan's group, Frank and—

Ms. Avvey Peters: The Frank and Oak entrepreneurs....

Ms. Julia Deans: Yes.

Ms. Victoria Lennox: With them, it's the best we see when it comes to manufacturing and e-commerce. It is a creating a level playing field, and entrepreneurs can more easily leverage global markets and opportunities from Amazon.

The Chair: Excellent.

Thank you.

Mr. Masse, take it home.

Mr. Brian Masse: With regard to entrepreneurs and those entering the market at a younger age, how much is the cost of education affecting their capabilities once they complete their education and carry a student debt? I have a number of businesses in my riding and have heard the comments about skills shortages. I know some skill shortages exist because people are graduating with degrees in fields where the technology or everything has moved on, or the debt-to-repayment ratio for a job in that field is not consistent with the recovery of that investment.

It's interesting, because over the years we've allowed training to be moved into the educational system and to be put on the backs of students, for the most part, and the general public, and then there's a complaint by business that students are not qualified. All of a sudden it's up to people who are going to university at the age of 17 and who are going to graduate with \$30,000 to \$40,000 worth of debt to understand and know what the market value of their degree is going to be four and a half years from now, and they have that debt burden. It seems like a pretty unfair thing to ask a 17- to 18-year-old.

I just put that out there. I see this happening in the workforce I speak of, including among tool and die makers, mould-making, and other things. Is it also affecting start-up entrepreneurs with a heavy debt load from tuition?

Ms. Avvey Peters: Two notions there are important. If I'm a start-up founder, every dollar I'm using to pay down a student loan is a dollar I'm not investing in my business. That certainly can be a barrier.

To the question of whether new grads are coming out of school with precisely the right skill set to go into existing companies, there's a mismatch in speed and pace. Industry is changing much more quickly than an academic curriculum can change. Bridging those two becomes really important. I'm biased, having done a University of Waterloo co-op degree myself, but it's one of those great mechanisms to help students not only to make money while they're studying and to keep their debt levels down, but also to get industry experience that is up to the minute. It gives them a significant advantage when they graduate.

Ms. Julia Deans: Labour market predictions are dodgy because they're always based on retrospective data, and that makes it really hard for young people. When it comes to student debt, it's an issue for everything they do, from starting a family to buying a house. It's a problem all around. In terms of our work, we recognize that student debt is part of the deal. We don't ever turn somebody away because they have student debt. But, for sure, it affects their ability to get on with launching a business.

Ms. Victoria Lennox: But at the same time, they can launch a business while they're in school as well. It's never been easier to start a business. Many government employees are running businesses on the side. It's possible to have income streams while you're studying. I was president of Oxford Entrepreneurs in the U.K., and I have a charity in the U.K. that works only with young entrepreneurs. We encourage students to start businesses while in school just in case the labour market isn't ready for them.

A voice: Yes, it's a good point.

• (1715)

Mr. Brian Masse: That is a good point, but I also represent many people who have part-time jobs because the family can't afford an apartment.

The Chair: Thank you very much. That's all the time we have for today.

I want to thank our guests for coming and doing a marvellous job. I loved your answers, loved your composure, and I think you guys are doing an amazing job.

We're going to break for—

Mr. Majid Jowhari (Richmond Hill, Lib.): It's the first all-female panel.

The Chair: Did I need to recognize that? Yes, I'd like to recognize that this is our first all-female panel.

We're going to break for two minutes, and then we'll come back and finish our housekeeping.

Thank you.

[Proceedings continue in camera]

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