

October 10, 2017

Mr. Pat Kelly, M.P.
House of Commons
OTTAWA, Ontario K1A 0A6

Dear Sir,

Re: Since the majority of these revenues stem from outside of Canada

We wish to express our concern over the proposed changes in the corporate tax structure and the effect this may have on our company if implemented.

We were a small start-up company back in 1992 providing specialized high-tech combustion equipment for sulfur recovery units used to recover emissions from the processing of natural gas (Gas Plants) and oil (Refineries).

Market fluctuations and limited domestic capital investment in the oil and gas industry prompted us to generate work internationally in order to stay in business. Over the years we have retrofitted a significant number of facilities in Canada; initially in gas and more so in refineries as the Fort McMurray heavy oil recovery facilities evolved. However, the local market was and is still insufficient to sustain our business and today **export projects** now account for more than 90% of our annual sales (+/-5 % varying with the business cycle). Our annual sales have typically been around \$10M per year and we managed \$17M last year due to the impact of a large Saudi Aramco project. We expect to have sales in 2017 that are comparable to last year's sales. *Since the majority of these revenues stem from outside of Canada, they represent a clear influx of income into Canada, relative to internally generated revenues.*

We have grown from two employees (original owners) to 12 employees today. We regularly use three outside individual consultants through the year; which are also small businesses generating income from outside of Canada. Additionally, 95% of fabrication is conducted in shops in either Alberta or Ontario. For the most part we have resisted offshore fabrication. We have offices located in Calgary, Toronto and Edmonton. The partners in our company still put in 7 days a week and average 12-hour days; with both of us considering succession planning options at this point. Numerous times we have risked the life of our company in the process of contracting with large international corporations. We have put up company (same funds potentially affected by the tax changes) and personal equity for bonding and performance guarantees demanded in

today's contractual environment. Any one of these projects could put our company out of business overnight should something unforeseen go wrong.

Our business has grown from the early years through technological learning and advancement; calculated business risk assessment and substantial hard work. Our growth, evidenced by the increased employment opportunities generate internally and through our suppliers; our increase in sub-contractor utilization (which is presently 100% Canadian); and the increasing number of countries outside of Canada that we deal with; is indicative of what a business-friendly tax structure can attract.

Subsequent to the recent announcement of the changing tax structure, we investigated the income we could retain by incorporating outside of Canada. The savings are substantial and overall a viable consideration even without the upcoming tax structure changes under consideration.

Eight years ago we considered the offshore option from strictly a business perspective. It was recommended by our financial advisors and it made sense then. At that time, it would have required changes in the company operations and personal commitments that were difficult, however these are not the case today. At the time we decided to remain a Canadian based company, even though there were no tax incentives to stay.

Despite the rhetoric expressed in the media, made for 'general public consumption', it is not something we care to spend the time debating because currently our business focus is literally all consuming and as such can make much better use of our time and energy. We are sending this letter to express our considerable concern on where these new tax polices are headed and state that we would have to adopt the most logical business alternative should these truly become reality. This is despite our long held desire to see the company continue as a Canadian entity.

Via the grapevine we are hearing similar sentiments by others we know of in our sector of the industry. The long term ramifications of the currently proposed tax reform, we predict, will be substantially detrimental to the 'perceived' short term boost to the tax coffers of the Federal Government.

Yours sincerely,



Dave Sikorski
Products Manager / Partner
HEC Technologies

PS First time ever writing a letter to a government minister.