



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **SMALL AND MEDIUM ENTERPRISES IN CANADA: CHARTING A COMPETITIVE FUTURE**

**Report of the Standing Committee on Industry and  
Technology**

**Joël Lightbound, Chair**

**MARCH 2023  
44th PARLIAMENT, 1st SESSION**

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Chair**

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## **NOTICE TO READER**

### **Reports from committees presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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# **THE STANDING COMMITTEE ON INDUSTRY AND TECHNOLOGY**

has the honour to present its

## **TENTH REPORT**

Pursuant to its mandate under Standing Order 108(2), the committee has studied small and medium-sized enterprises and has agreed to report the following:





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## SUMMARY

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Small and medium enterprises (SMEs) are the cornerstone of the Canadian economy, employing most private-sector employees and producing the majority of private-sector gross domestic product. In April 2022, the House of Commons Standing Committee on Industry and Technology, therefore, decided to undertake a study of these critical businesses with a particular focus on challenges they face related to inflation, supply chain disruptions, regulatory burdens, competition-related obstacles and labour shortages.

After hearing from 65 witnesses during 10 meetings, the Committee found that SMEs in Canada are at an inflection point. Having weathered the dislocation caused by the COVID-19 pandemic, many businesses are now trying to chart a future within a still poorly defined “new normal.” At the same time, SMEs are also having to contend with long-term trends within the Canadian economy, including an aging workforce and increasing digitalization.

Given this complex environment, SMEs need governments, more than ever, to be a partner, providing support where necessary and clarity where possible. In some cases, this may mean government creating new programs for a new reality, in many cases it means addressing persistent issues with greater urgency. In particular, the Committee believes that the Government of Canada can do more to reduce the cost of regulations and provide relief to persistent labour shortages. The Committee also believes that reform to the *Competition Act* can provide the Competition Bureau with improved tools to address anti-competitive behaviour, especially in digital markets, in support of the SME’s competitiveness.



# LIST OF RECOMMENDATIONS

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*As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.*

## **Recommendation 1**

**That the Government of Canada empower small and medium enterprises to participate in new supply chains created by the transition to a low-carbon economy, including as part of the government’s strategies in important sectors. This should be done in cooperation with Canada’s traditional economic partners as part of efforts to promote more resilient and sustainable supply chains for all Canadian businesses. .... 48**

## **Recommendation 2**

**That the Government of Canada consider introducing targeted supports for small and medium enterprises facing persistent supply chain disruptions. .... 48**

## **Recommendation 3**

**That the Government of Canada engage in broad consultations when proposing amendments to the *Competition Act*. This consultation should include:**

- a re-evaluation of the policy objectives underlying competition law and possible amendments to the purpose clause;
- technical aspects of the Act, such as the efficiencies defence; and
- consideration of making the Competition Bureau a stand-alone office separate from Innovation, Science and Economic Development Canada. .... 49

## **Recommendation 4**

**That the Government of Canada look to address the power imbalance faced by small and medium enterprises when participating in digital markets as a priority in its reform of the *Competition Act* and as part of legislative initiatives in related fields. .... 49**

**Recommendation 5**

**That the Government of Canada prioritize efficiency in its ongoing efforts at regulatory modernization, as well as when it introduces new regulations, to reduce the regulatory burden placed on small and medium enterprises. The government should ensure in all cases that regulations serve a genuine public interest, promote competition, and do not unnecessarily hinder the development of new markets..... 50**

**Recommendation 6**

**That the Government of Canada renew its efforts to reduce internal barriers to trade and improve labour mobility, including through renegotiating the *Canadian Free Trade Agreement*. ..... 50**

**Recommendation 7**

**That the Government of Canada undertake as soon as possible a full review of the Temporary Foreign Worker Program to adapt it to better meet the needs of small and medium enterprises, while eliminating any negative impact on the wages and conditions of Canadian workers. The federal government must consult other levels of government to ensure better cooperation and less duplication of effort. The government must also expand the opportunities for temporary foreign workers to immigrate permanently to Canada..... 51**

**Recommendation 8**

**That the Government of Canada simplify the process for employers hiring temporary foreign workers by agreeing to expand certain categories of workers whose tasks and skills are similar, particularly for staff working in food services, agriculture and construction..... 52**

**Recommendation 9**

**Taking into account the priorities of educational institutions for foreign students and given the evolving strategic context, particularly the needs of educational institutions in rural and remote regions, that the Government of Canada:**

- **examine and clarify the rationale of the International Student Program, particularly its expected outcomes;**

- undertake efforts to encourage foreign students to settle permanently in Canada, particularly in rural and remote regions;
- review, as needed, the International Student Program’s criteria for study permits to ensure that more students from francophone countries can be accepted;
- change the conditions for study permits to ensure that foreign students can participate in co-op programs through their education programs without having to obtain a separate work permit. .... 52

**Recommendation 10**

That the Government of Canada add service standards for all its immigration programs, as it does for citizenship applications, by making greater use of the *Service Fees Act* and *Financial Administration Act* to make the department more accountable to those from whom they collect service fees..... 52

**Recommendation 11**

That the Government of Canada present its plan with clear timelines to modernize and improve its economic immigration programs to better match immigrants to labour markets needs and attract workers with the most in-demand skills. Modernization should include consideration of innovative proposals from the private sector, such as high-potential technology visas that would allow highly skilled workers access to the Canadian labour market without a job offer. .... 53

**Recommendation 12**

That the Government of Canada present its plan with clear timelines to return to processing time service standards, and reduce processing times overall, with a particular focus on economic-stream immigrants..... 53

**Recommendation 13**

That the Government of Canada work with provincial governments to identify meaningful and timely solutions to persistent problems regarding the recognition of foreign credentials and barriers to the inter-provincial mobility of skilled labour as a means of unlocking under-utilized skilled labour to address labour shortages..... 53

**Recommendation 14**

**That the Government of Canada encourage labour market participation among workers who are approaching retirement age, or who have reached it, by introducing new tax or other incentives..... 54**

**Recommendation 15**

**That the Minister of innovation, Science and Industry explore measures to ease the burden experienced disproportionately by small and medium enterprises of excessive credit card transaction fees, including putting a cap on such fees. .... 54**

**Recommendation 16**

**That the Government of Canada examine the difficulties that small and medium enterprises experience in protecting their intellectual property. .... 55**





# SMALL AND MEDIUM ENTERPRISES IN CANADA: CHARTING A COMPETITIVE FUTURE

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## INTRODUCTION

On 8 April 2022, the Standing Committee on Industry and Technology (the Committee) passed a motion to

undertake a study on the labour shortage and the productivity of our small and medium-sized enterprises (SME), focusing on (1) labour shortage; (2) regulatory requirements and bureaucracy; (3) supply chain constraints; (4) inflation; (5) competitiveness; (6) the reform of the Competition Act and any other competition-related matters, and that the evidence and documentation received by the committee during the 43rd Parliament on the subject be taken into consideration by the committee in the current session.<sup>1</sup>

Over the course of the study, the Committee held 10 meetings during which it heard from 65 witnesses. The Committee also received 3 briefs.

The Committee heard from witnesses about a wide range of issues affecting the competitiveness of small and medium enterprises (SMEs) in Canada. Some issues, such as labour shortages and the regulatory burden facing SMEs, affect businesses across sectors and regions. In other cases, witnesses spoke about specific issues facing their industries. The Committee also heard from competition experts about how competition law, and reforms to the *Competition Act*, could support the competitiveness of SMEs.

## THE SITUATION FACING SMALL AND MEDIUM ENTERPRISES

### Background

Innovation, Science and Economic Development Canada (ISED) defines a SME as a business with between 1 and 499 paid employees, and further differentiates between small (1 to 99 employees) and medium (100 to 499) businesses. Together, SMEs made up 99.8% of all businesses in Canada in 2020, or more than 1.2 million in total, and

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<sup>1</sup> House of Commons, Standing Committee on Industry and Technology [INDU], *Minutes*, Meeting No. 17, 8 April 2022



produced a majority of Canada’s private-sector-generated gross domestic product (GDP), as well as more than 40% of the total value of Canada’s exports. In 2021, approximately 98.1% of businesses were considered small. These firms employed a total of 10.3 million people, or 63.8% of the Canadian workforce. There is no doubt that SMEs play a key role in job creation, improving local communities and innovation.<sup>2</sup>

While most of these businesses are small, 55% of them have between one and four employees, their accumulative influence on the Canadian economy is huge. As Etienne-René Massie, Director General, Small Business Branch, ISED testified:

Small businesses are key to our communities and main streets. They employ millions of Canadians and help drive economic growth. At the heart of all small businesses are entrepreneurs who work day in and day out to offer services and goods to Canadians and international markets.<sup>3</sup>

Yet, the Committee heard over the course of its study that SMEs across industries are facing serious challenges to their competitiveness. As the Canadian economy exits the COVID-19 pandemic, many SMEs are struggling to remain competitive in the new, post-pandemic, economic environment. Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business (CFIB), shared the results of her organization’s polling of SMEs, which found “rising prices, supply chain challenges, increasing government costs and labour shortages” as “the biggest impacts” SMEs report facing in staying competitive.<sup>4</sup>

## Lingering Effects of the Pandemic and the Current Challenges of SMEs

Small businesses continue to suffer from the impacts of the pandemic and continue to face challenges such as the lack of predictability of the economic recovery, debt, issues related to supply chain disruptions, and the sudden rise in input costs partially triggered by the war in Ukraine.

Several witnesses were generous in proposing possible solutions and invited Committee members to take a fresh look at the role of the federal government, including a

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2 Innovation, Science and Economic Development Canada, *Key Small Business Statistics 2021*, 2021; Bank of Canada, *Small and smaller: How the economic outlook of small firms relates to size*, July 2021.

3 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1530 (Etienne-René Massie, Director General, Small Business Branch, Department of Industry).

4 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

substantive review of the *Competition Act*, and opportunities to reduce regulatory burden and regulatory fragmentation at the provincial and municipal levels.

Hiring issues have increased, and the report devotes a chapter to areas that the government could address, as well as other challenges SMEs have faced.

## Lack of Predictability of the Post-COVID-19 Recovery

Several witnesses referred to the “financial long COVID-19” facing SMEs in Canada as they try to recover from the economic shocks of the pandemic.<sup>5</sup> Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce, described SMEs as being in “a very challenging period,” that “stem[s] from both the direct impacts of the pandemic and pre-existing structural challenges.”<sup>6</sup>

Ms. Pohlmann stated that “[f]or many smaller businesses, the pandemic is far from over” as “just 18%” of SMEs “feel that they’ve recovered from pandemic stress.”<sup>7</sup> Ms. Pohlmann also said that many SMEs that “pivoted and shifted” during the pandemic were now at “a point of deciding” on whether to revert to “their old ways,” stick with the changes they have made or “go in a different direction.”<sup>8</sup> Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development (ESDC), noted that SMEs were “severely impacted by the pandemic,” suffering the “largest decline” in employment of all employers in spring 2020.<sup>9</sup> While Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada, emphasized that much of this impact was concentrated in specific industries, like food service: “our industry lost more jobs in the first six weeks of the pandemic than the entire Canadian economy lost during the 2008–09 recession.

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5 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1540, (Alla Drigola Birk, Senior Director, Parliamentary Affairs and Small and Medium Enterprises Policy, Canadian Chamber of Commerce); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1320 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade).

6 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1540 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce).

7 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

8 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1725 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

9 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).



... There are still more than 195,000 fewer jobs in the Canadian food service sector than there were in February 2020.”<sup>10</sup>

Witnesses highlighted the debt taken on during the pandemic as contributing to the challenges faced by SMEs as they adapt to the post-pandemic economic environment.<sup>11</sup> Ms. Pohlmann predicted that SME bankruptcies would increase as businesses struggle to repay loans and government pandemic support programs are wound down.<sup>12</sup> While David MacDonald, Senior Economist, Canadian Centre for Policy Alternatives, warned that rising interest rates were likely to “put further pressure” on SMEs repaying debt incurred during the pandemic.<sup>13</sup> In contrast, Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada (BDC), stated that BDC was “not too concerned about the impact of the interest rate increase” as “the percentage of companies saying they have the ability to take on more debt has really increased over the last 12 months.”<sup>14</sup>

Ms. van den Berg spoke about the “mountain of debt” facing many SMEs in the food services sector, while Ms. Pohlman estimated that “[a]bout two-thirds” of CFIB members took on pandemic-related debt, at an average of \$160,000 per business.<sup>15</sup> Both witnesses, among others, called on the Government of Canada to extend pandemic

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10 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1325 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

11 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1320 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1540 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1610 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1335 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1625 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

12 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1610 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

13 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1625 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

14 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1655 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).

15 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1335 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

business support programs or provide SMEs with assistance in managing debt loads.<sup>16</sup> Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers, testified that “if the current supports are not maintained longer for these key, but more fragile, industries, the consequences could be catastrophic.”<sup>17</sup>

Mr. MacDonald provided an alternative perspective. Noting that “[b]usiness supports ... represented the largest government spending category during the pandemic,” he cautioned against the government continuing to support businesses that are “no longer viable” and instead recommended that such businesses be provided with “an off-ramp” to “wrap... up” their affairs.<sup>18</sup> Meanwhile, Aaron Wudrick, Director, Domestic Policy Program, MacDonald-Laurier Institute, noted the generally higher productivity among larger firms and warned that “putting too many eggs in the small business basket to address [productivity growth] is not a great idea.”<sup>19</sup>

## The Outlook for SMEs in 2022

In early 2022, a Statistics Canada survey found that small businesses were less likely to have a positive outlook over the next 12 months compared to large businesses. In terms of profitability and sales, 35.6% of businesses with 1 to 19 employees and 28.9% of businesses with 20 to 99 employees expected profitability to decline in the first quarter of 2022.<sup>20</sup> Given these figures, some sectors may continue to face difficulties in the short term.

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16 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545, (Alla Drigola Birk, Senior Director, Parliamentary Affairs and Small and Medium Enterprises Policy, Canadian Chamber of Commerce); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1410 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1335 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

17 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1705 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

18 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1705 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1705 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

19 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1200 (Aaron Wudrick, Director, Domestic Policy Program, Macdonald-Laurier Institute).

20 Stephanie Tam, Shivani Sood and Chris Johnston, [Analysis on small businesses in Canada, first quarter of 2022](#), 3 March 2022.



## Supply Chain Disruptions

Issues related to global supply chains, including delivery delays or the inability to procure sufficient goods or materials, were also highlighted by witnesses as adding to the challenging environment facing SMEs. Mr. Massie from ISED noted that some of the challenges existed prior to the pandemic, but that Canadian SMEs now face “a myriad of risks,” including from the effects of the war in Ukraine and natural disasters around the world.<sup>21</sup> Mr. Cl  roux cited BDC surveys that found that 63% of SMEs have experienced longer delivery times, and he predicted that disruptions would continue for “at least another 12 months.”<sup>22</sup> Ms. Pohlmann relayed similar polling results from the CFIB, where 79% of SMEs reported delays in receiving shipments and 20% said they “had to turn down sales or contracts due to a supply chain issue.”<sup>23</sup>

According to Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters, while 90% of all manufacturers reported supply chain issues, “the smaller your company is, the more pain you feel,” as SMEs are generally lower “in the pecking order for critical components.”<sup>24</sup> Mr. Poirier went on to note that this dynamic affected Canada’s competitiveness internationally, as Canadian SMEs are often competing against larger foreign firms.<sup>25</sup>

Mr. McPherson and Eleonore Hamm, President, Recreation Vehicle Dealers Association of Canada, linked supply disruptions to issues at Canada’s border with the United States (U.S.), including restrictions put in place during the pandemic.<sup>26</sup> Greg Peterson, Assistant Chief Statistician, Economic Statistics, Statistics Canada, noted a shift in the second quarter of 2022 whereby more businesses now expect supply chains disruptions

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21 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1535 (Etienne-Ren   Massie, Director General, Small Business Branch, Department of Industry).

22 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1640 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).

23 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1720 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

24 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1315 (Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters).

25 Ibid.

26 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1340 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1555 (Eleonore Hamm, President, Recreation Vehicle Dealers Association of Canada).

for goods and materials sourced from within Canada than internationally (40% vs. 39.3%).<sup>27</sup>

Speaking for ISED, Mr. Massie testified that the government is working with the U.S. and other partners to “enhance supply chain security for key commodities,” including in “industries such as critical minerals, batteries and semiconductors, as well as life sciences, manufacturing, transportation and the defence sectors.”<sup>28</sup>

## The Rising Cost of Inputs

Many witnesses linked supply chain disruptions to the significantly increased prices being paid for goods and materials. As Mr. Agnew testified: “If you look at what’s driving inflationary pressures right now, ... certainly supply chain disruptions come to the top of the in-tray.”<sup>29</sup> Furthermore, Mr. MacDonald claimed that rising input prices had “everything to do with the war in Ukraine.”<sup>30</sup>

According to Ms. Pohlmann, 90% of SMEs “report that their costs have increased substantially since the pandemic began” and 75% believe it will be more than a temporary issue.<sup>31</sup> In addition, Mr. Peterson stated that “[f]rom Q1 2021 to Q1 2022, there has been a steady increase across almost all industries such that the rising costs of inputs are being identified as an obstacle to business.”<sup>32</sup>

Other witnesses were less reserved in their estimation of the consequences of rising prices. Ms. van den Berg said inflation was “skyrocketing” and an “increasingly worrisome trend,” while Luke Chapman, Vice-President, Federal Affairs, Beer Canada, described how a “perfect storm” of input price increases was forcing producers to

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27 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1310 (Greg Peterson, Assistant Chief Statistician, Economic Statistics, Statistics Canada).

28 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1535 (Etienne-René Massie, Director General, Small Business Branch, Department of Industry).

29 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1720 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce).

30 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1655 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

31 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

32 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1310 (Greg Peterson, Assistant Chief Statistician, Economic Statistics, Statistics Canada).



increase their prices in turn.<sup>33</sup> Martin Caron, General President, Union des producteurs agricoles, made similar comments regarding the agricultural sector, stating that the “major production inputs” for farmers were “up by about 50%” since the fall of 2021, adding \$10 billion in expenses to the sector.<sup>34</sup> Mr. Blackburn described the current situation as an “inflationary spiral” and attributed it to a combination of factors including supply chain disruptions and labour shortages.<sup>35</sup>

Several witnesses recommended that the government provide SMEs with temporary support to counteract the negative effects of inflation. Mr. Caron said that “the government must step in” with “[s]pecial assistance ... to help ... farming enterprises escape financial catastrophe.”<sup>36</sup> Mr. Chapman called on the government to reconsider increasing excise duties on beer given the “far from normal circumstances” caused by inflation.<sup>37</sup> Ms. Pohlmann suggested that the government place “a moratorium on any costs to small businesses,” including a temporary “freeze on [Canada Pension Plan] or [Employment Insurance] or carbon tax” for SMEs.<sup>38</sup> Mr. Blackburn agreed that a temporary freeze “could help minimize the current pressure” causing inflation.<sup>39</sup>

## **COMPETITION ACT REFORM**

A number of witnesses identified the *Competition Act*, and reforms to the Act, as a means of promoting the competitiveness of SMEs and protecting them from anti-competitive behaviour by larger firms.<sup>40</sup> Under the *Competition Act*, the Commissioner of Competition is charged with enforcing both criminal and civil prohibitions intended to

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33 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1325 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1600 (Luke Chapman, Vice-President, Federal Affairs, Beer Canada).

34 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1335 (Martin Caron, General President, Union des producteurs agricoles).

35 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1705 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

36 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1335 (Martin Caron, General President, Union des producteurs agricoles).

37 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1600 (Luke Chapman, Vice-President, Federal Affairs, Beer Canada).

38 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

39 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1705 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

40 [Competition Act](#), R.S.C., 1985, c. C-34.



promote competitive markets and protect consumers. The Competition Bureau, which the Commissioner oversees, is an independent law enforcement agency, housed within ISED.<sup>41</sup>

As Robin Shaban, Senior Economist, Vivic Research, explained: “Competition law should aim to promote fair commerce in the Canadian economy by acknowledging and balancing the needs of all stakeholders, including SMEs, large businesses, consumers, workers, government and citizens in general.”<sup>42</sup> According to Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, promoting competition encourages social benefits as it “compels firms to provide consumers with quality products at competitive prices.”<sup>43</sup>

In his testimony, Anthony Durocher, Deputy Commissioner, Competition Promotion Branch, Competition Bureau, gave practical examples of how competition law enforcement by the Competition Bureau can serve SMEs:

We work hard to support SMEs. For example, we stop any anti-competitive business practices that seek to limit SMEs from challenging bigger players. We require businesses to tell the truth about their products and services, so that consumers aren't misled away from using the products and services of SMEs. We prevent any competitive mergers and punish price-fixing and other forms of collusion to ensure that SMEs can access inputs at competitive prices. We advocate for government rules that ensure a level playing field for SMEs.<sup>44</sup>

Other witnesses had varied opinions of competition law’s ability to protect SMEs’ competitiveness. Ms. Shaban noted that the “threat of enforcement” and its “deterrence effect” are “pretty inexpensive” compared to other government policies for SMEs, like transfers or tax incentives.<sup>45</sup> Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, however, thought that the *Competition Act* was “poorly suited to SMEs” as it is “very easy” for firms to defend against enforcement

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41 Competition Bureau of Canada, *Building a More Competitive Canada: Competition Bureau of Canada – 2021–22 Annual Report*, 12 October 2022.

42 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1600 (Robin Shaban, Senior Economist, Vivic Research).

43 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1535 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual).

44 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1300 (Anthony Durocher, Deputy Commissioner, Competition Promotion Branch, Competition Bureau).

45 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1655 (Robin Shaban, Senior Economist, Vivic Research).



actions.<sup>46</sup> Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, stated that “competition law hasn’t necessarily always had as a vocation to make a level playing field among all sizes of enterprise.”<sup>47</sup> Mr. Iacobucci made a similar comment, saying competition law seeks to protect competition and does not “seek to promote the welfare of SMEs ... as a goal unto itself,” especially where SMEs face “vigorous competition” from larger firms.<sup>48</sup>

Mr. Larouche pointed out that decades of “too lax” oversight of mergers under the *Competition Act* has led to “fairly concentrated” markets in Canada, where a small number of firms have amassed sufficient “market power... to raise prices.”<sup>49</sup>

Yelena Larkin, Associate Professor of Finance, Schulich School of Business, York University, also highlighted how increasingly concentrated markets in Canada “end up being more profitable,” but do not led to greater investments in “either tangible capital or [research and development].”<sup>50</sup> Ms. Larkin further stated that concentrated markets are “consistent with an increase in barriers to entry and potentially a decline in product market competition,” which “in turn hurts smaller firms, and SMEs in particular.”<sup>51</sup>

Other witnesses emphasized that competition law must be considered within the context of the government’s broader economic policies for SMEs. Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, said that “significantly improving competition outcomes in Canada for small and medium-sized businesses ... demands an all-of-government approach ... We can’t and shouldn’t rely on the Competition Act alone.”<sup>52</sup> Ms. Quaid testified that while competition law “has developed largely as a distinct field,” it is “a part of economic policy and as such should operate in tandem with other policies across departments and agencies in the

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46 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1440 (Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, As an Individual).

47 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1345 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

48 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1535 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual).

49 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1410 (Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, As an Individual).

50 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1605 (Yelena Larkin, Associate Professor of Finance, Schulich School of Business, York University, As an Individual).

51 Ibid.

52 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1305 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual).

service of Canadian society as a whole.”<sup>53</sup> Jon Pecman, consultant and former Commissioner of Competition, called competition law a “huge macroeconomic policy lever” that “has been neglected.”<sup>54</sup>

## Digital Markets

Underpinning much of the testimony regarding the relevance of competition law to the competitiveness of SMEs was the increasing importance, and evolving nature, of digital markets to the Canadian economy. According to Ms. Quaid, “SMEs are experiencing the digital transformation in a different way than large businesses,” as there is “an imbalance between SMEs and global-scale businesses, particularly those that control online platforms and develop information technologies that are necessary to access e-commerce and digital markets.”<sup>55</sup>

Ms. Shaban described digital markets, which exhibit strong “network effects,” as “really unique,” as the collection of data by large incumbents in the market provides a “competitive advantage” which allows them to “essentially hibernate themselves off from competition or protect themselves from new entrants that might come in and challenge their dominant position.”<sup>56</sup> Denise Hearn, Senior Fellow and Co-Lead, Access to Markets Initiative, American Economic Liberties Project, explained how “digital gatekeepers” act like “de facto private regulators” and “dictate terms and impose tolls as middlemen,” requiring SMEs to “navigate a series of expensive and near-invisible competition issues” in order to participate in digital markets.<sup>57</sup> Ms. Hearn also stated that SMEs “cannot access markets on fair and equal terms” due to “inherent power imbalances” between them and “dominant gatekeepers.”<sup>58</sup>

Ms. Hearn, Ms. Bednar and Mr. Larouche also highlighted the risk SMEs face of what Mr. Larouche called “the confiscation of innovations” when participating in digital

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53 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1325 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

54 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1145 (John Pecman, Consultant, As an Individual).

55 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1330 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

56 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1655 (Robin Shaban, Senior Economist, Vivac Research).

57 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1305 (Denise Hearn, Senior Fellow and Co-Lead, Access to Markets Initiative, American Economic Liberties Project).

58 Ibid.



markets.<sup>59</sup> Mr. Larouche said such practices are “particularly associated with, but not limited to, Amazon,” as platforms use data to “to see what works and what does not work.”<sup>60</sup> Ms. Bednar pointed out how some “online marketplaces such as Amazon also compete directly with their third party sellers” through the platform’s in-house brands, meaning the “price of [SMEs] competing in that marketplace is making them vulnerable to being ripped off and kicked out of that marketplace.”<sup>61</sup>

Ms. Hearn said SMEs risk having their “product copycatted or their [intellectual property] stolen,” while Ms. Bednar noted, as a demonstration of SMEs’ limited negotiating power with large platforms, that “in 2014, sellers handed Amazon \$19 out of \$100 in sales that they made. Today, that’s \$34.”<sup>62</sup> Ms. Bednar also stated that while “Canadian competition law may view this as an abuse of dominance,” to date “we haven’t seen a case brought forward on this.”<sup>63</sup>

While witnesses pointed to competition law as a means of addressing issues raised for SMEs in digital markets, they also emphasized the need for broader policy action. Ms. Bednar highlighted the importance of “intersections between competition and intellectual property,” as well as “intersections between competition law and privacy and data management” in addressing concerns raised in digital markets.<sup>64</sup> For her part, Ms. Quaid emphasized how “significant deficiencies” in the regulatory framework that governs digital markets, including “privacy law, data protection law, interoperability

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59 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1310 (Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, As an Individual).

60 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1310 (Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, As an Individual).

61 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1305 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1425 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual).

62 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1305 (Denise Hearn, Senior Fellow and Co-Lead, Access to Markets Initiative, American Economic Liberties Project); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1425 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual).

63 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1425 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual).

64 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1305 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1425 (Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University, As an Individual).

issues, the use of artificial intelligence in a growing number of fields and the impact of social media,” creates “conditions that are onerous and even exclusionary for SMEs.”<sup>65</sup>

Witnesses further noted that Canada is behind other jurisdictions, specifically the European Union (EU) and the U.S., in adapting its competition law to address concerns related to digital markets. As Ms. Shaban stated, “[t]he difference that we’re seeing in Canada versus other major jurisdictions is that our competition law is not keeping pace with what competition laws elsewhere are able to do.”<sup>66</sup> Mr. Larouche highlighted the *Digital Markets Act* and regulations concerning data in the EU, as well as efforts in both the EU and U.S. to “prevent large platforms from acquiring SMEs solely to get rid of them because they could be a threat to them.”<sup>67</sup> Ms. Hearn pointed to a July 2021 executive order by U.S. President Biden which “tasked different agencies ... to really take a critical look at how anti-competitive behaviour was affecting their industry.”<sup>68</sup> Ms. Quaid emphasized both the need for international cooperation on this issue and how Canada’s lack of policies means that “if we sit to the table with the Americans, Australians, Europeans and British, who are all ahead of us ... [w]e’ll be there, but will have nothing to put on the table.”<sup>69</sup>

## Amendments to the *Competition Act*

While some witnesses stated Canada had fallen behind other jurisdictions, government witnesses stressed current efforts to reform the *Competition Act*. As Mr. Massie explained, Budget 2022

announced the government’s intention to introduce legislative amendments to the Competition Act as a preliminary phase in modernizing the competition regime. This will include fixing loopholes, tackling practices harmful to workers and consumers, modernizing access to justice and penalties, and adapting the law to today’s digital

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65 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1330 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

66 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1625 (Robin Shaban, Senior Economist, Vivic Research).

67 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1315 (Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal, As an Individual); European Commission, [The Digital Markets Act: ensuring fair and open digital markets](#).

68 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1455 (Denise Hearn, Senior Fellow and Co-Lead, Access to Markets Initiative, American Economic Liberties Project); The White House, [“FACT SHEET: Executive Order on Promoting Competition in the American Economy,” Statements and Releases](#), 9 July 2021.

69 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1425 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).



reality. The government will continue to consult broadly on the role and functioning of the Competition Act and its enforcement regime.<sup>70</sup>

Martin Simard, Senior Director, Corporate, Insolvency and Competition Policy, Marketplace Framework Policy Branch, Department of Industry, described the government's "comprehensive review of competition policy" as a "two-step process," beginning with a "down payment of legislative amendments ... followed by a broader and more comprehensive review of the act."<sup>71</sup>

A number of witnesses commented on amendments to the *Competition Act* that were introduced and passed during the Committee's study, which were included in *Budget Implementation Act, 2022, No. 1*.<sup>72</sup> In general, witnesses highlighted the need for broad consultation on future amendments as part of a re-evaluation of the role of competition law in economic policy, and several witnesses questioned the process of making substantive changes to the Act through omnibus legislation.<sup>73</sup>

Speaking for the Competition Bureau, Mr. Durocher described the amendments as "an important step, but ... just the beginning."<sup>74</sup> Mr. Pecman called the amendments "not perfect" but "a good start," and commended the government "for taking some baby steps towards strengthening competition laws."<sup>75</sup> Stating they would "effect substantive changes" and "have a major impact on SMEs," Ms. Quaid divided the amendments into two groups, amendments which were "widely expected" and amendments that "are not

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- 70 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1535 (Etienne-René Massie, Director General, Small Business Branch, Department of Industry).
- 71 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1555 (Martin Simard, Senior Director, Corporate, Insolvency and Competition Policy, Marketplace Framework Policy Branch, Department of Industry).
- 72 [Budget Implementation Act, 2022, No. 1](#), S.C. 2022, c. 10, Part 5, Division 15.
- 73 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1540 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1335 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1635 (Robin Shaban, Senior Economist, Vivic Research); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1630 (Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1705 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1100 (John Pecman, Consultant, As an Individual).
- 74 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1300 (Anthony Durocher, Deputy Commissioner, Competition Promotion Branch, Competition Bureau).
- 75 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1100 (John Pecman, Consultant, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1145 (John Pecman, Consultant, As an Individual).

entirely surprising” but “we didn’t necessarily expect to see ... immediately.”<sup>76</sup> Ms. Quaid disagreed with public statements made by the government claiming “consensus on most of the proposed amendments,” and expressed concern over amendments for “the creation of the wage-fixing offence ... and the use of scalable penalties but in a very limited fashion.”<sup>77</sup>

Mr. Agnew shared Canadian Chamber of Commerce members’ concerns over the possibility of the expanded private right of action leading to a “proliferation of frivolous cases,” and what he described as “a quantum leap in [the] severity” of administrative monetary penalties, which could have a “chilling impact on business investment.”<sup>78</sup> Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute, also questioned increases to the administrative monetary penalties, suggesting they are “potentially unconstitutional” and recommended that penalties be paid to firms that were injured by the anti-competitive conduct as opposed to the government.<sup>79</sup>

## Possible Areas of Further Reform

Witnesses identified several areas of possible further reform to the *Competition Act*. Ms. Shaban advocated for a broad shift toward a “more rules-based approach that would be more predictable to implement and would potentially allow the bureau to block anti-competitive behaviours more successfully” compared with the “very effects-

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76 Ms. Quaid described the first group of amendments as: “the addition of a provision creating an employment-related conspiracy offence; an amendment of the maximum amount of certain fines and administrative monetary penalties; the addition of a clause providing that the use of drip pricing constitutes a false and misleading representation that could result in criminal or civil prosecution; and the creation of a right of private access to the Competition Tribunal to remedy an abuse of dominance” and the second group of amendments as: “amendments to sections 78 and 79 respecting abuse of dominance, particularly what constitutes conduct that may result in a proceeding instituted by the Commissioner; the addition of factors to be considered in determining the prevention or appreciable reduction of competition simultaneously affecting the provisions on abuse of dominance, amalgamation and civil collaboration; the addition of a general anti-avoidance provision in the notice of amalgamation process, ... and amendments to the power to order production of documents under section 11.” INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1330 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

77 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1335 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

78 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1540 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce).

79 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1630 (Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute).



based approach” to competition law today.<sup>80</sup> Ms. Shaban also pointed to the purpose clause as an aspect of the *Competition Act* that should be re-evaluated as part of the reform process, as it “articulates the guiding rationale for the [Act]” and “shapes how the Competition Tribunal and courts adjudicate competition cases.”<sup>81</sup> Ms. Quaid also recommended taking “a hard look at the purpose clause” at this “critical juncture in the digital transformation of society.”<sup>82</sup>

Witnesses cited the efficiencies defence for contested mergers under the *Competition Act* – which allows mergers to proceed where the efficiencies gained from the merger are greater than, and offset, the negative effects on competition – as a possible area of further reform.<sup>83</sup> Mr. Pecman described the defence as “antiquated” and in need of revision.<sup>84</sup> Ms. Quaid called it “an extremely divisive issue,” saying while “everyone agrees” the defence’s interpretation “has gone to a place it shouldn’t be,” turning it into a “trump card” for merging firms, “there is profound disagreement on whether we abandon it completely.”<sup>85</sup> Ms. Larkin described the “trade-off between efficiency gains and potential losses that increases market power” required by the defence as “problematic,” because “efficiency gains typically are the ones that are easy to quantify ... as opposed to its being much more difficult to quantify the long-term implications for consumers, to the labour force, and so on.”<sup>86</sup> Mr. Iacobucci defended the efficiencies defence, given the “economic basis for the *Competition Act*,” but said there were “some

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80 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1555 (Robin Shaban, Senior Economist, Vivic Research); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1625 (Robin Shaban, Senior Economist, Vivic Research).

81 [Competition Act](#), R.S.C., 1985, c. C-34, s. 1.1; INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1555 (Robin Shaban, Senior Economist, Vivic Research).

82 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1325 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

83 [Competition Act](#), R.S.C., 1985, c. C-34, s. 96.

84 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1145 (John Pecman, Consultant, As an Individual).

85 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1435 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

86 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1725 (Yelena Larkin, Associate Professor of Finance, Schulich School of Business, York University, As an Individual).



problems with the way the law has been interpreted” that has created an “unnecessary enforcement burden on the [Competition Bureau].”<sup>87</sup>

Witnesses also spoke about the need to address what witnesses called “killer acquisitions” or the “nascent competitor problem,” where large firms acquire small firms that have the potential to grow into competitors in the future as a means of preventing competition. Ms. Shaban recommended “[e]xtending the timeline the [Competition Bureau] has to review mergers after they have closed” as a means of addressing the issue.<sup>88</sup> Mr. Iacobucci also expressed concern about the issue but believed amendments to the abuse of dominance provisions introduced by the government would provide the Competition Bureau with the authority to conduct an “*ex post* review” of such mergers after they have been completed.<sup>89</sup>

Citing research from his C.D. Howe Institute colleagues, Mr. Dachis argued for a further expansion of the private right of action for abuse of dominance litigation by removing “the competition tribunal’s exclusive jurisdiction to hear cases on abuse of dominance.”<sup>90</sup> Mr. Dachis also called the “absence of oversight, accountability and transparency with respect to the use of resources provided to the [Competition Bureau]” a “major unaddressed legislative gap.”<sup>91</sup> Similarly, Mr. Pecman recommended the establishment of a “competitiveness council” to oversee government policy on competition and productivity.<sup>92</sup> Both Mr. Pecman and Ms. Quaid also encouraged amendments to allow the Competition Bureau to compel information from firms as part of market studies that

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87 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1635 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1705 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual).

88 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1555 (Robin Shaban, Senior Economist, Vivic Research).

89 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1705 (Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual).

90 Julie Rosenthal and David Rosner, “[Four Reasons to Abolish the Competition Tribunal](#),” *Intelligence Memo*, C.D. Howe Institute, 28 March 2022; INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1630 (Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute).

91 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1630 (Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute).

92 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1205 (John Pecman, Consultant, As an Individual).



examine the competitiveness of specific markets and can potentially identify anti-competitive behaviour.<sup>93</sup>

In reference to the Competition Bureau, Ms. Quaid said the agency “has neither the weight nor the funding required to achieve the broad objectives we are aiming at,” and recommended increased funding and authority.<sup>94</sup> Mr. Pecman believed more resources were necessary and emphasized the need to make the Competition Bureau “truly” independent by removing it from the oversight of ISED and having it report directly to Parliament.<sup>95</sup> Ms. Shaban believed increased resources could be “part of the solution,” but did not see it as an alternative to providing the “right tools for addressing ... anti-competitive conduct” through changes to the Act.<sup>96</sup>

## EASING REGULATORY BURDENS

The burden of complying with government regulation was another obstacle to the competitiveness of SMEs identified by witnesses. According to Ms. Pohlmann, CFIB estimates that government regulations cost Canadian businesses \$40 billion per year, \$11.3 billion of which Ms. Pohlmann described as “unnecessary, duplicative or redundant regulations.”<sup>97</sup> Ms. Pohlmann stated that “almost 90%” of business owners “said that excessive regulations add significant stress to their lives, and almost two-thirds would not advise their children to start a business given the burden of regulations.”<sup>98</sup> Mr. Peterson reported Statistics Canada survey results that found that

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93 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1435 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1105 (John Pecman, Consultant, As an Individual).

94 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1435 (Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa, As an Individual).

95 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1100 (John Pecman, Consultant, As an Individual); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1200 (John Pecman, Consultant, As an Individual).

96 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1625 (Robin Shaban, Senior Economist, Vivac Research).

97 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

98 Ibid.

nearly 20% of businesses “felt that government regulations would be an obstacle for them over the next three months.”<sup>99</sup>

As Ms. Pohlmann explained, concerns over regulatory burden do not question the need for government regulation but focus on the effects regulatory compliance has on SMEs:

[W]e need the rules. We need to protect the environment, we need to protect health, and we need to protect safety. There’s no doubt about that. There also needs to be a bit more clarity for the people who create the rules to understand that you can’t just keep creating, creating, creating; you also have to think about managing what’s already in place.<sup>100</sup>

Mr. Agnew agreed, stating “it’s not about excluding environmental, social or public safety concerns; it’s about ensuring that [regulators] think about economic competitiveness.”<sup>101</sup>

Numerous witnesses gave examples of government regulations hampering SMEs’ competitiveness in their industries. Leslie Ewing, Executive Director, Plant-Based Foods of Canada, testified that “legislative requirements impacting plant-based foods ... are outdated and not keeping pace with innovation and technology, consumer demands and a global marketplace.”<sup>102</sup> Aaron Skelton, President and Chief Executive Officer, Canadian Health Food Association, accused the government of “inexplicably stalling on CBD policy, resulting in a missed opportunity to create jobs and growth,” and criticized the government’s approach to the regulation of self-care products as “piecemeal” and resulting in “extensive financial costs and disruption to the entire supply chain.”<sup>103</sup> Anne Kothawala, President and Chief Executive Officer, Convenience Industry Council of Canada, gave the example of forthcoming regulations on energy drinks as having “a direct impact” on convenience retailers and called on the government to involve her

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99 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1410 (Greg Peterson, Assistant Chief Statistician, Economic Statistics, Statistics Canada).

100 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1610 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

101 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1725 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce).

102 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1325 (Leslie Ewing, Executive Director, Plant-Based Foods of Canada).

103 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1310 (Aaron Skelton, President and Chief Executive Officer, Canadian Health Food Association).



industry “in the development of these regulations, rather than consulting them after they’ve been developed.”<sup>104</sup>

James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat, testified about the steps the government is taking to reduce the regulatory burden on SMEs and “how Canada’s federal regulatory policy and modernization agenda responds to the needs and concerns of Canadian [SMEs].”<sup>105</sup> Mr. van Raalte spoke about how the *Cabinet Directive on Regulation* includes a “small business lens” that requires that “impacts on small businesses” be “factored into the regulatory design,” and that options be considered to reduce this impact, including “in the form of delaying implementation, offering exemptions, [or] reducing reporting frequency.”<sup>106</sup>

Mr. van Raalte also referred to the “one-for-one rule” under the *Red Tape Reduction Act*, which requires that “for every new dollar of administrative burden imposed on businesses, a dollar must be removed.”<sup>107</sup> Mr. van Raalte said that as of 31 March 2021, the rule had resulted in “\$60.5 million in net annualized reductions” for businesses and that the government is in full compliance with the legal obligations under the Act.<sup>108</sup> Mr. van Raalte further highlighted the impact of Treasury Board’s “external advisory committee,” whose recommendations continue to guide the department’s regulatory modernization agenda.

Ms. Pohlmann noted that Treasury Board’s external advisory committee had been “dissolved,” but she believed that the department was “looking at reinstating the

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104 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1545 (Anne Kothawala, President and Chief Executive Officer, Convenience Industry Council of Canada).

105 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1315 (James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat).

106 Ibid.; Treasury Board of Canada Secretariat, [Cabinet Directive on Regulation](#).

107 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1315 (James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat); [Red Tape Reduction Act](#), S.C. 2015, c. 12.

108 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1315 (James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1325 (James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat).

committee with potentially new members.”<sup>109</sup> Ms. Pohlmann also said that “the *Red Tape Reduction Act* ha[s] been very effective at helping to fix the entire system, by putting some constraints on regulators,” but recommended that it be amended to apply “not only to regulations but to legislation and policies as well,” and questioned whether all government departments were meeting their regulatory reporting obligations.<sup>110</sup>

## Regulatory Fragmentation

Regulatory fragmentation – how the regulatory requirements across federal, provincial and municipal levels in a given industry are often inconsistent or create unnecessary complexity – was cited by several witnesses as a challenge facing SMEs. According to Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating, regulatory fragmentation “across provinces and municipalities” was the “most problematic” supply chain challenge in the plumbing and heating industry and limited SMEs’ “ability to deliver goods to markets in an efficient and cost-effective manner.”<sup>111</sup> Kevin Lee, Chief Executive Officer, Canadian Home Builders’ Association, cited the regulatory process at the municipal level, including regulatory inconsistencies across municipalities, as the “number one issue” facing the residential construction industry, which limited the industry’s ability to increase the supply of housing.<sup>112</sup> Both Mr. Lee and Mr. Suppa supported efforts to, as Mr. Suppa described, “encourage alignment between provinces on adopting a national building code and model codes at the same time, not on alternating cycles.”<sup>113</sup>

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109 The original committee’s term expired in March 2021. In October 2022, the Treasury Board of Canada Secretariat announced the re-establishment of the committee. Treasury Board of Canada Secretariat, “[Minister announces renewed External Advisory Committee on Regulatory Competitiveness](#),” *News Release*, 3 October 2022. INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1605 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

110 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1610 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1605 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

111 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1415 (Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating).

112 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1540 (Kevin Lee, Chief Executive Officer, Canadian Home Builders’ Association).

113 *Ibid.*; INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1315 (Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating).



Mr. Chapman said he was “fully supportive of the elimination of barriers that make it difficult to move [beer] from province to province,” while Mr. Agnew testified that the *Canadian Free Trade Agreement* (CFTA), which seeks to reduce interprovincial trade barriers, “doesn’t seem to be going anywhere fast.”<sup>114</sup> Mr. Dachis suggested litigation as a means of forcing provinces to comply with the CFTA, as they have “no incentive to remove barriers that protect [their] constituents.”<sup>115</sup> Mr. Dachis recommended “that the federal government introduce a fund that enables private litigants, small businesses from across the country, to have a low-risk way of suing governments that are in contravention of the CFTA.”<sup>116</sup>

## LABOUR SHORTAGES

Of all the challenges facing SMEs, labour shortages were the most commonly identified by witnesses. Diane-Gabrielle Tremblay, Professor, School of Business Administration, Université TÉLUQ, echoed the sentiment of many witnesses when she testified that “[i]n the present context throughout Canada, the main challenge for small and medium-sized businesses ... is the labour shortage.”<sup>117</sup>

To provide context, in June 2022 Statistics Canada released analysis that highlighted the tightening labour market, with record numbers of job vacancies – exceeding 1 million positions in some months – coming at a time of record low unemployment rates. The report further noted that while wages have increased significantly during the period (4.3%), the increase fell short of inflation (6.7%).<sup>118</sup>

This view was supported by other statistic and polling information provided by witnesses. According to Mr. Peterson, “[t]he number of businesses that express labour shortages to be an obstacle has almost doubled in the last 15 months to 37%.”<sup>119</sup>

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114 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1605 (Luke Chapman, Vice-President, Federal Affairs, Beer Canada); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1720 (Mark Agnew, Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce).

115 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1715 (Benjamin Dachis, Associate Vice-President, Public Affairs, C.D. Howe Institute).

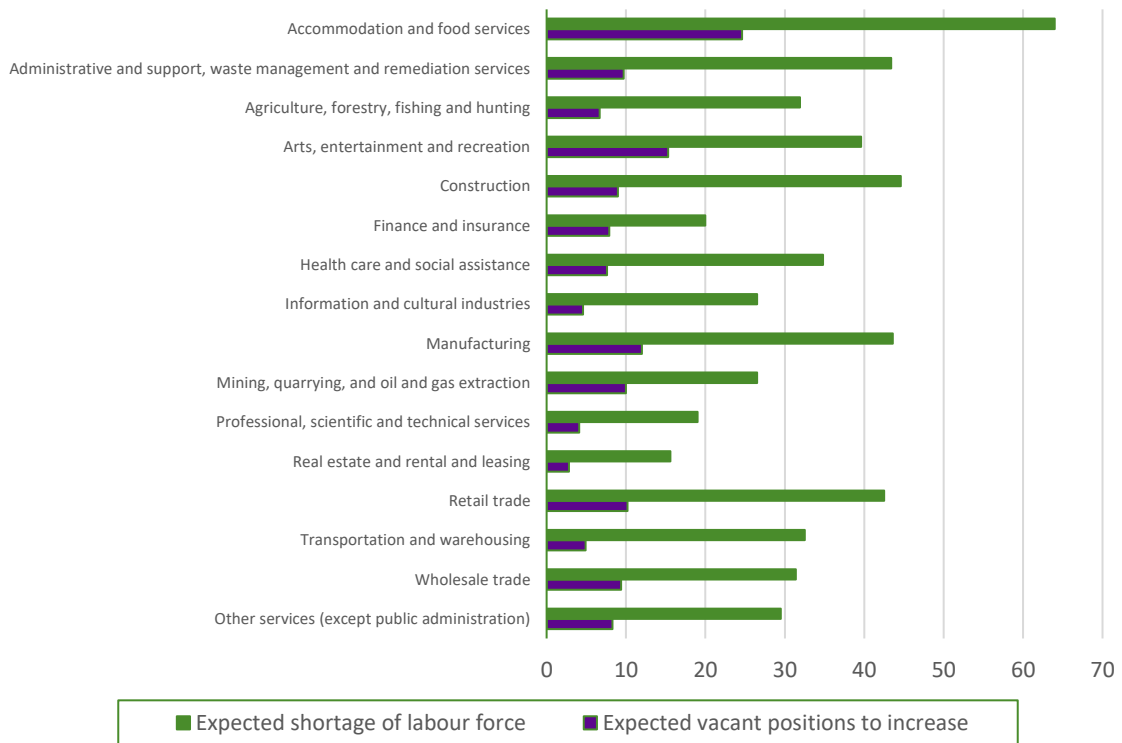
116 Ibid.

117 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1305 (Diane-Gabrielle Tremblay, Professor, School of Business Administration, Université TÉLUQ, As an Individual).

118 Robert Fair et al. “[Analysis on labour challenges in Canada, second quarter of 2022](#),” *Analysis in Brief*, 23 June 2022.

119 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1310 (Greg Peterson, Assistant Chief Statistician, Economic Statistics, Statistics Canada).

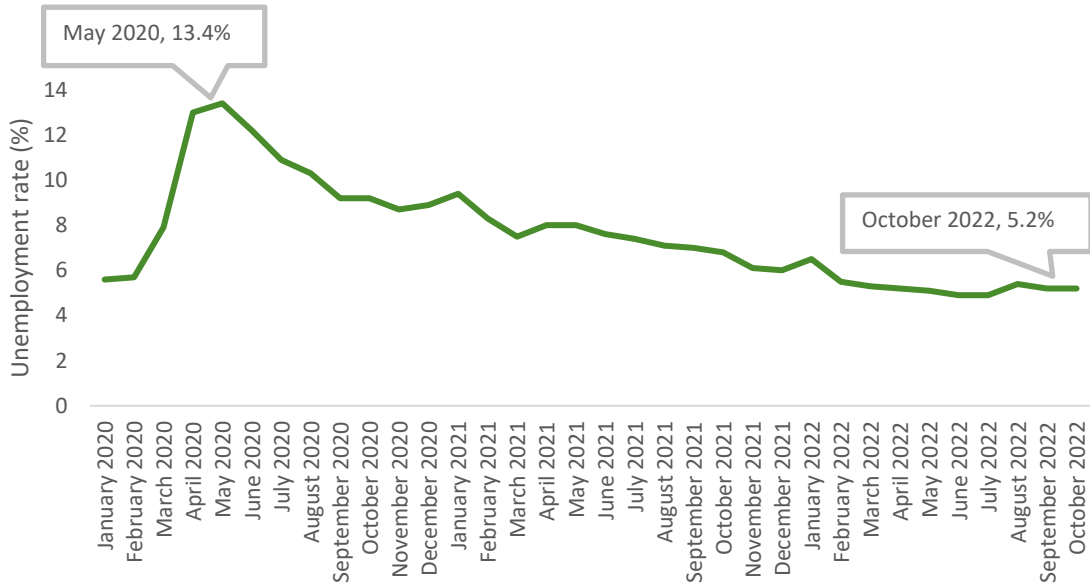
**Figure 1—Businesses Expecting Shortage of Labour to be an Obstacle and Vacant Positions to Increase over the Next Three Months Between April and May 2022, by Industry (%)**



Source: Figure prepared by the Library of Parliament based on data from Statistics Canada, [Canadian Survey on Business Conditions, second quarter of 2022](#), (Tables 33-10-0503-01 and 33-10-0504-01).

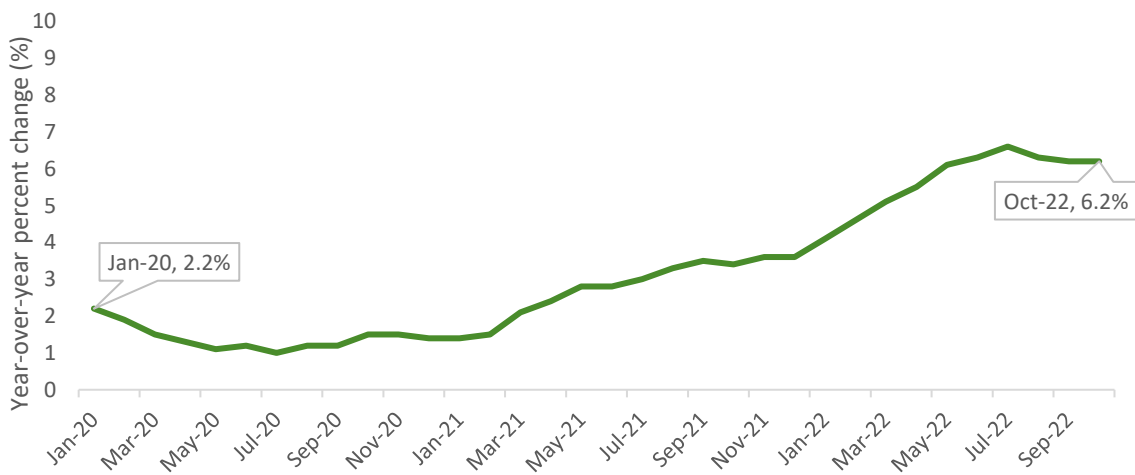


**Figure 2—Unemployment Rate in Canada  
Between January 2020 and October 2022**



Source: Figure prepared by the Library of Parliament based on data from Statistics Canada, *Labour Force Survey (3701)*, Table [14-10-0287-01](#).

**Figure 3—Measure of Core Inflation Based on a Factor Model,  
Consumer Price Index-Common (year-over-year percent change (%))**



Source: Figure prepared by the Library of Parliament based on data from Statistics Canada. [Table 18-10-0256-01 Consumer Price Index \(CPI\) statistics, measures of core inflation and other related statistics - Bank of Canada definitions.](#)



Other witnesses highlighted that labour shortages disproportionately affected certain industries, for example construction, or regions, such as the province of Quebec.<sup>120</sup> Mr. Blackburn stated that 94% of the Quebec Council of Employers' members reported hiring issues in a recent survey, and he estimated the cost of labour shortages to Quebec's manufacturing sector at \$18 billion over the last two years.<sup>121</sup> Speaking to the situation faced in smaller population centres, Vincent Rousson, Rector, Université du Québec en Abitibi-Témiscamingue, said his region faces a historically low unemployment rate that is "two points below the national average," while job vacancies had more than doubled since 2019. He noted that this is occurring in the context of a declining working-age population in the region, which he estimated will result in the loss of 8,000 workers over the next decade.<sup>122</sup>

Providing a different perspective, Tony Bonen, Acting Executive Director, Labour Market Information Council, cautioned against equating labour shortages with skill shortages. Mr. Bonen described a labour shortage as "a lack of applicants," while skill shortages were situations where there are applicants but none "with the sufficient experience, skills, [or] education." He further said the two shortages may appear "the same in the data" but "the policy challenges and potential solutions are markedly different."<sup>123</sup>

## LONG- AND SHORT-TERM TRENDS

In discussing the causes of the labour shortages faced by SMEs, witnesses spoke about both the short-term dislocation created by the pandemic and the long-term economic and demographic changes occurring in Canada. According to Mr. Bates, a significant percentage of current job vacancies, particularly jobs with low-skill requirements, are "expected to be cyclical and filled in a post-COVID economy;" however, other vacancies

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120 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1550 (Tony Bonen, Acting Executive Director, Labour Market Information Council).

121 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

122 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1620 (Vincent Rousson, Rector, Université du Québec en Abitibi-Témiscamingue, As an Individual).

123 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1550 (Tony Bonen, Acting Executive Director, Labour Market Information Council).



are “a result of structural factors, such as an aging population and rising skill requirements,” and “will take longer to fill.”<sup>124</sup>

Mr. MacDonald discussed how the pandemic has led to labour storages as “workers in hard-hit sectors ... weren’t idle;” instead they moved “into other sectors that remained open and needed workers,” with the result that “those workers were no longer available to fill previous positions, because they were already employed elsewhere, likely for higher wages.”<sup>125</sup> Ms. van den Berg recalled how pandemic closures in the restaurant industry meant that employees, and the institutional memory they represented, had to “find other places to go,” and that “a great majority” of those that did not return “have been lost to other sectors.”<sup>126</sup> Michael J. Ballingall, Senior Vice-President, Big White Ski Resort, Thompson Okanagan Tourism Association, highlighted how disruptions to temporary immigration programs, including working holiday visas, have led to thousands of vacancies in the tourism industry that employers have struggled to fill with domestic workers, leading some businesses to operate significantly below capacity.<sup>127</sup>

Other witnesses emphasized how long-term trends, unrelated to the pandemic, were creating ongoing labour shortages. Canada’s aging population, and the increasing number of older workers reaching retirement, was a trend highlighted by various witnesses.<sup>128</sup> According to Mr. Cl  roux, “[t]he proportion of people in Canada aged 65 or more has increased from 13% in 2000 to 19% in 2021” and “21% of Canadian workers

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124 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).

125 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1625 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

126 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1430 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1335 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

127 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1620 (Michael J. Ballingall, Senior Vice-President, Big White Ski Resort, Thompson Okanagan Tourism Association).

128 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1640 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1540 (Kevin Lee, Chief Executive Officer, Canadian Home Builders’ Association); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1305 (Diane-Gabrielle Tremblay, Professor, School of Business Administration, Universit   T  LUQ, As an Individual).

are over 55, which means that about four million Canadians are going to retire in the next decade.”<sup>129</sup>

Other witnesses pointed to the changing demand for labour created by shifts in the Canadian economy.<sup>130</sup> As Mr. Bates described, “[a]utomation, digital innovation and a transition to a low-carbon economy are also driving key shifts that present opportunities for all Canadians. The need for skills, including digital skills, to support the changing economy has never been so strong.”<sup>131</sup> Citing a report by the Information and Communications Technology Council, Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators, estimated that the “digital economy” would “employ about 2.26 million Canadians,” or “11% of all employment in the country” by 2025, but only if 250,000 additional jobs could be filled.<sup>132</sup> Ms. O’Born further stated that “the shortage of skilled talent has been a driving concern” for years, but has been exacerbated by “the recent shift to remote work” as Canadian employers are now competing with international firms for domestic skilled workers.<sup>133</sup> Jean-François Champagne, President, Automotive Industries Association of Canada, said “new technology in vehicles is creating a skills shortage” as they are “serviced very differently” and “[s]kills training systems that exist today are not flexible and responsive enough to keep pace with emerging vehicle technology.”<sup>134</sup> Patrick Perreault, Chief Executive Officer, Table Métal Abitibi-Ouest, noted that the adoption of “automation and

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129 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1640 (Pierre Cléroux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).

130 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1610 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1305 (Jean-François Champagne (President, Automotive Industries Association of Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table Métal Abitibi-Ouest).

131 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).

132 The Information and Communications Technology Council, [Onwards and Upwards: Digital Talent Outlook 2025](#), August 2021; INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1610 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators).

133 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1610 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators).

134 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1305 (Jean-François Champagne, President, Automotive Industries Association of Canada).



robotics,” which can reduce the demand for labour generally, nonetheless “requires different, highly-skilled workers who have to adapt to change.”<sup>135</sup>

To address labour shortages, and skill shortages, witnesses identified three broad paths: increasing the size of the labour force through increased immigration and improved skills training and accreditation programs; increasing labour force participation by addressing barriers faced by groups with lower labour market participation rates; and increasing labour productivity through better use of technology and automation.

## IMMIGRATION

Many witnesses cited immigration as a means of addressing labour shortages. Immigration was put forward as part of a solution to both short-term shortages, mostly through temporary worker programs, and long-term challenges, through permanent immigration for skilled workers. In general, witnesses recommended that more foreign nationals be allowed to immigrate, that the process be less complicated and time-consuming for employers, and that immigrants’ integration into the labour market be better supported.

Several witnesses emphasized the importance of federal–provincial cooperation in immigration, especially in Quebec, where the provincial government exercises greater jurisdiction over immigration policy.<sup>136</sup> Denis Hamel, Vice President, Workforce Development Policies, Quebec Council of Employers, stated that “it is essential that governments work better together” as they are “often doing things in duplicate.”<sup>137</sup>

### Temporary Worker Programs

According to Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration, temporary residents in Canada, including workers and students, totalled 1.5 million in each of the last three years, and “address

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135 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table M tal Abitibi-Ouest).

136 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1320 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1305 (Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1315 (Richard Kurland, Lawyer and Policy Analyst, Lexbase); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1645 (Audrey Langlois, Advisor, Workforce and Economic Affairs, F d ration des chambres de commerce du Qu bec).

137 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1645 (Denis Hamel, Vice President, Workforce Development Policies, Quebec Council of Employers).

immediate workforce needs of diverse employers.”<sup>138</sup> Mr. Somogyvari described the temporary foreign worker program (TFWP) as “demand-driven, flexible and responsive to the changing labour market landscape,” allowing employers “to tap into global pools of labour and talent to fill vacancies in any occupation.”<sup>139</sup>

While acknowledging that the TFWP will “play a critical role in filling jobs,” Mr. Bates, speaking for ESDC, underscored the relatively small size of the program, reminding the Committee that temporary foreign workers make up only 0.4% of the labour force, with 80% working in the agricultural sector.<sup>140</sup> Mr. Caron highlighted the importance of the TFWP, testifying that temporary foreign workers make up one-third of all workers in the agricultural sector.<sup>141</sup> However, Mr. Poirier noted that manufacturers are becoming more reliant on the program “out of necessity,” as “there’s simply no other recourse to get the workers they need.”<sup>142</sup>

Mr. Perrault echoed the opinion of other witnesses when he stated that “[t]he process for temporary foreign workers is very cumbersome and onerous for SMEs.”<sup>143</sup> Mr. Hamel testified that the program “is outdated and absolutely needs to be modernized.”<sup>144</sup> Mr. Ballingall said that, largely because of limitations on the type of work a temporary foreign worker can be assigned, the TFWP is “not effective ... at all” for the ski industry.<sup>145</sup> While critical of the program, other witnesses supported recently announced changes to

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138 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1305 (Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration).

139 Ibid.

140 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).

141 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1405 (Martin Caron, General President, Union des producteurs agricoles).

142 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1355 (Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters).

143 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table Métal Abitibi-Ouest).

144 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1645 (Denis Hamel, Vice President, Workforce Development Policies, Quebec Council of Employers).

145 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1640 (Michael J. Ballingall, Senior Vice-President, Big White Ski Resort, Thompson Okanagan Tourism Association).



the TFWP.<sup>146</sup> Mr. Blackburn called the changes “a breath of fresh air for employers,” while Ms. van den Berg described them as “a great first step.”<sup>147</sup>

In contrast to other witnesses, Mr. MacDonald recommended that the focus be placed on permanent immigration and increasing domestic labour market participation instead of on temporary foreign workers. Stating that the expansion of the TFWP could “suppress workers’ wages,” Mr. McDonald cautioned against “importing workers who have been stripped of basic workplace rights.”<sup>148</sup>

A number of witnesses highlighted the requirement for labour market impact assessments (LMIA) as part of the TFWP application process as creating an unnecessary burden on SMEs seeking to hire temporary foreign workers. Concerns about the LMIA requirement were particularly prominent among witnesses from Quebec, as it was seen as a duplication of work already conducted by the provincial government and unnecessary in the context of widespread labour shortages in the province.<sup>149</sup> Ms. Audrey Langlois, Advisor, Workforce and Economic Affairs, Fédération des chambres de commerce du Québec, recommended that the LMIA requirement be suspended as it “hinders the situation and currently serves no purpose,” given that labour shortages “will continue to grow until 2030.”<sup>150</sup> Mr. Poirier similarly said that if the requirement could not be “abolished,” it should be “streamlined” to “expedite” the process as the manufacturing sector is “in desperate need of workers.”<sup>151</sup>

Several witnesses said that temporary foreign workers should have greater opportunities to immigrate permanently to Canada. Rakesh Naidu, President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce, characterized the “path to residency” as “very difficult,” with the result that “[w]e end up not retaining a lot of

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146 Employment and Social Development Canada, “[Government of Canada announces Workforce Solutions Road Map – further changes to the Temporary Foreign Worker Program to address labour shortages across Canada](#),” *News Release*, 4 April 2022.

147 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1620 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1325 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

148 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1625 (David Macdonald, Senior Economist, Canadian Centre for Policy Alternatives).

149 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1645 (Denis Hamel, Vice President, Workforce Development Policies, Quebec Council of Employers); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1315 (Richard Kurland, Lawyer and Policy Analyst, Lexbase).

150 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1700 (Audrey Langlois, Advisor, Workforce and Economic Affairs, Fédération des chambres de commerce du Québec).

151 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1415 (Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters).

them.”<sup>152</sup> Noting the interest among temporary foreign workers to immigrate permanently, Mr. Caron described them as “much more than employees. They are people who have great expertise and contribute enormously to our businesses. They are part of the family.”<sup>153</sup>

Witnesses also spoke about the role played by international students in addressing labour shortages. Mr. Naidu questioned the limitations on employment placed on international students, saying: “We make it very difficult for those who are here to find jobs. There are a limited number of hours that they can work. They have limited avenues to work. There are many other constraints.”<sup>154</sup> Mr. Rousson pointed to the “major gap between acceptance rates” of student visa applications from “francophone and anglophone students” as limiting the “real solution” that international students could provide to labour shortages in Quebec.<sup>155</sup>

To attract the “most in-demand professionals” in the technology sector, Ms. O’Born recommended that the government establish a “high-potential tech visa” that would offer “an open-ended work visa” to workers “without a job offer.”<sup>156</sup> Ms. O’Born also recommended “[e]asing pathways to permanent residency” and “enhancing the global skills strategy immigration program” as means of attracting technology sector talent to Canada.<sup>157</sup>

## Permanent Immigration Programs

Increasing permanent immigration, with a focus on highly skilled workers, was recommended by many witnesses as a means of countering the effects of Canada’s aging

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152 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1700 (Rakesh Naidu, President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce).

153 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1410 (Martin Caron, General President, Union des producteurs agricoles).

154 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1700 (Rakesh Naidu, President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce).

155 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1620 (Vincent Rousson, Rector, Université du Québec en Abitibi-Témiscamingue, As an Individual).

156 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1650 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators).

157 Ibid.



workforce.<sup>158</sup> Mr. Poirier called on the government to “aggressively increase” economic stream immigration targets to “500,000 per year.”<sup>159</sup> A significant increase from both the record 405,000 permanent residents across all streams Canada admitted in 2021, and the target of 447,000 set for 2023.<sup>160</sup>

Witnesses identified processing times, which some characterized as lengthy, as one barrier to increasing the supply of skilled foreign workers entering the Canadian labour force.<sup>161</sup> According to Richard Kurland, Lawyer and Policy Analyst, Lexbase, Canada is “missing key players ... because of ever-increasing permanent resident application processing times, and that’s not pandemic-caused. There’s no reason.”<sup>162</sup> Mr. Kurland was one of several witnesses to point out that processing times for permanent residency applications in Quebec were significantly longer than in other provinces.<sup>163</sup> Mr. Kurland stated that Immigration, Refugee and Citizenship Canada operated under “a corporate culture ... of control, secrecy and lack of transparency,” and recommended greater use of

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158 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1630 (Rakesh Naidu, President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1320 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1540 (Kevin Lee, Chief Executive Officer, Canadian Home Builders' Association); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1620 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

159 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1315 (Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters).

160 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1305 (Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration).

161 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table Métal Abitibi-Ouest); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1635 (Mathieu Lavigne, Director, Public and Economic Affairs, Fédération des chambres de commerce du Québec); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1645 (Audrey Langlois, Advisor, Workforce and Economic Affairs, Fédération des chambres de commerce du Québec).

162 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1345 (Richard Kurland, Lawyer and Policy Analyst, Lexbase).

163 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1315 (Richard Kurland, Lawyer and Policy Analyst, Lexbase); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table Métal Abitibi-Ouest); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1635 (Mathieu Lavigne, Director, Public and Economic Affairs, Fédération des chambres de commerce du Québec); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1645 (Audrey Langlois, Advisor, Workforce and Economic Affairs, Fédération des chambres de commerce du Québec).



the *Service Fees Act* and *Financial Administration Act* to make the department more accountable to the clients from whom they collect service fees.<sup>164</sup>

In response to this criticism, Mr. Somogyvari stated that the department “continues to digitize and modernize its processes” and is making “strides in how it engages and interacts with clients.”<sup>165</sup> Mr. Somogyvari gave the example of a “dedicated service channel” that helps “high-growth firms” seeking “top skilled foreign national talent ... navigate through the immigration process.”<sup>166</sup> Mr. Somogyvari also made reference to recent legislative changes to the Express Entry process for economic immigration classes, which will “provide more specificity in pinpointing and selecting those with particular attributes, including particular occupations.”<sup>167</sup> Sarah Hayward, Acting Senior Director, Immigration Program Guidance, Department of Citizenship and Immigration, acknowledged that the department was currently operating outside of processing time service standards, which she attributed to pandemic-related disruptions, but said the department is “working to improve” the situation.<sup>168</sup>

Witnesses acknowledged that meeting labour needs through immigration required more than increasing the inflow of skilled workers. As Mr. Bates pointed out, accessing the supply of labour created by immigration requires “addressing barriers many newcomers face to securing jobs, including English or French proficiency, difficulties in obtaining recognition of their credentials and a lack of Canadian work experience.”<sup>169</sup> Improving

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164 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1355 (Richard Kurland, Lawyer and Policy Analyst, Lexbase); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1345 (Richard Kurland, Lawyer and Policy Analyst, Lexbase); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1315 (Richard Kurland, Lawyer and Policy Analyst, Lexbase); *Service Fees Act*, S.C. 2017, c. 20, s. 451; *Financial Administration Act*, R.S.C., 1985, c. F-11.

165 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1330 (Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration).

166 Ibid.

167 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1335 (Philip Somogyvari, Director General, Strategic Policy and Planning, Department of Citizenship and Immigration).

168 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1425 (Sarah Hayward, Acting Senior Director, Immigration Program Guidance, Department of Citizenship and Immigration).

169 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).



the recognition of foreign credentials was a common means of better integrating foreign workers identified by witnesses.<sup>170</sup>

## SKILLS TRAINING AND ACCREDITATION

Several witnesses also spoke about the need to reduce internal barriers to labour mobility to allow for a more efficient distribution of skilled labour.<sup>171</sup> As Mr. Lee testified, “[w]e need harmonization of skilled trade credentials, so that you can move throughout the country.”<sup>172</sup>

Other witnesses emphasized the need for more apprenticeship and training programs. Mr. Suppa described the current approach as piecemeal and recommended a “a national strategy solution” that brings together “industry and government, provincially and federally” to address the issue.<sup>173</sup> Both Mr. Champagne and Ms. Hamm spoke about the need to significantly increase the certification of apprentices to meet the demand for automotive and recreational vehicle technicians.<sup>174</sup> Yves Blanchet, Research Analyst, Institute for Research on Public Policy, recommended that the Government of Canada support the establishment of mutual training organizations, similar to those currently supported by the Government of Quebec. Such organization allow SMEs to “combine their resources to provide each other with training at a lower cost.”<sup>175</sup> Speaking for ESDC, Mr. Bates highlighted the \$470 million over three years announced by the government in the 2021 budget to support a “new apprenticeship service to help SMEs

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170 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545, (Alla Drigola Birk, Senior Director, Parliamentary Affairs and Small and Medium Enterprises Policy, Canadian Chamber of Commerce); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1650 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1320 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade).

171 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1415 (Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating).

172 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1640 (Kevin Lee, Chief Executive Officer, Canadian Home Builders’ Association).

173 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1440 (Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating).

174 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1305 (Jean-François Champagne (President, Automotive Industries Association of Canada); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1555 (Eleonore Hamm, President, Recreation Vehicle Dealers Association of Canada).

175 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1115 (Yves Blanchet, Research Analyst, Institute for Research on Public Policy).

onboard and hire first-year apprentices,” an initiative Mr. Lee called on the government to continue.<sup>176</sup>

Several witnesses also highlighted the need to better promote opportunities in the skilled trades to encourage more young people to pursue them as a career.<sup>177</sup>

Tania Johnston, Chief Executive Officer, Mechanical Contractors Association of Canada, believed that the “marketing around the skilled trades” must be addressed as “[r]ight now it has a negative impact... it looks like it’s a dirty job and not one that has a lot of potential, which is completely wrong.”<sup>178</sup>

## INCREASING LABOUR MARKET PARTICIPATION

Another means of addressing labour shortages identified by witnesses, which some witnesses suggested could offer greater returns than immigration, is the increased participation of under-represented groups in the labour market. According to Mr. Bates, increasing labour market participation for “women, indigenous people, persons with disabilities and visible minorities in the workforce could add over two million new workers to the labour market.”<sup>179</sup> According to Mr. Blackburn, increased participation from “members of first nations, people with criminal records, people with disabilities, women in some industries, [and] older individuals” could offset 25% of the workers expected to retire in Quebec, more than he estimated could come from immigration.<sup>180</sup>

### Women

To encourage increased participation among women, Ms. Tremblay highlighted the importance of access to childcare, especially for women in lower-paying sectors, and the

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176 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1615, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1540 (Kevin Lee, Chief Executive Officer, Canadian Home Builders' Association).

177 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1540 (Kevin Lee, Chief Executive Officer, Canadian Home Builders' Association); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1445 (Ralph Suppa, President and General Manager, Canadian Institute of Plumbing and Heating).

178 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1435 (Tania Johnston, Chief Executive Officer, Mechanical Contractors Association of Canada).

179 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1540, (Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development).

180 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1620 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).



elimination of “discrimination in the highly masculine sectors.”<sup>181</sup> While Mr. Cl  roux suggested SMEs implement “formal hiring processes” as a means of “expanding their hiring pool.”<sup>182</sup>

## Older Workers

Many witnesses focused on how SMEs can retain, or bring back, older workers as they reach retirement age.<sup>183</sup> Ms. Tremblay described “attracting and retaining aging workers” as “a huge challenge,” and asserted that “it is easier to retain aging workers than to get them back.”<sup>184</sup> Ms. Tremblay emphasized the importance of “work-life balance” to older workers and recommended that SMEs provide flexible work-time and retirement options that provide workers with more time for leisure.<sup>185</sup> Ms. Tremblay also mentioned discrimination against older workers as a factor inhibiting their participation in the labour market and pointed to a desire among older workers to mentor younger colleagues, suggesting such opportunities may encourage them to stay in their jobs.

Other witnesses highlighted how the taxation of seniors who collect a pension or are entitled to government transfers may be discouraging them from working.<sup>186</sup> According to Jean-Guy Couillard, 75% of retirees he polled “refused to return to the labour market because they would pay too much income tax.”<sup>187</sup>

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- 181 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1435 (Diane-Gabrielle Tremblay, Professor, School of Business Administration, Universit   T  LUQ, As an Individual).
- 182 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1640 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).
- 183 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1620 (Denis Hamel, Vice President, Workforce Development Policies, Quebec Council of Employers); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table M  tal Abitibi-Ouest); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1615 (Jean-Guy Couillard, as an Individual).
- 184 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1305 (Diane-Gabrielle Tremblay, Professor, School of Business Administration, Universit   T  LUQ, As an Individual).
- 185 Ibid.
- 186 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table M  tal Abitibi-Ouest); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1635 (Mathieu Lavigne, Director, Public and Economic Affairs, F  d  ration des chambres de commerce du Qu  bec).
- 187 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 21 June 2022, 1615 (Jean-Guy Couillard, as an Individual).

## IMPROVING PRODUCTIVITY WITH TECHNOLOGY

While most testimony focused on what can be done to increase the supply of labour, some witnesses also spoke about options to reduce the demand for labour, notably through the increased adoption of technology and automation.<sup>188</sup> According to Mr. Cl  roux, a BDC study found that investment in technology and automation was “the number one strategy” for businesses facing labour shortages and “businesses using automation are performing better and growing faster.”<sup>189</sup> Ms. Pohlmann reported similar findings from a CFIB poll, which found that 33% of SMEs reported investing in automation, of whom, 81% found it effective in addressing labour shortages.<sup>190</sup> Both Ms. Pohlmann and Mr. Poirier recommended that the government provide increased support for investment in automation by SMEs.<sup>191</sup>

Speaking for ISED and BDC respectively, Mr. Massie and Mr. Cl  roux highlighted the Digital Adoption Program as one means by which the government is already supporting SMEs’ investment in technology.<sup>192</sup> Mr. Cl  roux described how, under the program, BDC helps SMEs to develop “a strategic plan to invest in digital technology,” while also offering “a loan with a zero interest rate to help them to invest in the technology.”<sup>193</sup>

Opinions from other witnesses about the Digital Adoption Program were mixed. Mr. McPherson called the program “fabulous” and “necessary,” and Mr. Blackburn said, “there is no doubt that the program... could be a helpful tool to address the labour

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188 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1550 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1325 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1330 (Patrick Perreault (Chief Executive Officer, Table M  tal Abitibi-Ouest).

189 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1650 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1640 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).

190 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

191 Ibid.; INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1315 (Matt Poirier, Director, Trade Policy, Canadian Manufacturers and Exporters).

192 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1535 (Etienne-Ren   Massie, Director General, Small Business Branch, Department of Industry); INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1645 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).

193 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 April 2022, 1655 (Pierre Cl  roux, Vice-President, Research and Chief Economist, Business Development Bank of Canada).



shortage.”<sup>194</sup> Ms. Pohlmann, on the other hand, expressed reservations, saying it “came a little late in the game,” and Ms. van den Berg called the program “almost irrelevant to [the food service] sector.”<sup>195</sup>

## OTHER CHALLENGES FACING SMALL AND MEDIUM ENTERPRISES

Over the course of the Committee’s study, witnesses raised a number of important issues affecting the competitiveness of SMEs that were either outside the areas of focus identified by the Committee or were of concern to specific industries. For example, several witnesses cited the cost of credit card transaction fees as affecting the competitiveness of SMEs. Ms. Kothawala said, “Canada’s high credit card fees ... penalize [SMEs],” and represent the “third-highest cost of conducting business” after “real estate and payroll for convenience store owners.”<sup>196</sup> Ms. Kothawala also stated that these costs increased significantly during the pandemic with the growth of touchless payment options. Ms. Kothawala acknowledged that the *Code of Conduct for the Credit and Debit Card Industry in Canada* had “somewhat worked,” but said that firms had “found other ways to charge for transactions.”<sup>197</sup> Ms. Kothawala pointed to the cap on credit card fees imposed in other jurisdictions, but noted that even where caps are in place, “hidden fees” can still be passed on to retailers.<sup>198</sup> Ms. Pohlmann made similar remarks, testifying that the move away from cash to digital payments is “much more expensive from a merchant’s perspective.”<sup>199</sup> Krista McWhinnie, Deputy Commissioner, Monopolistic Practices Directorate, said that high credit card fees were an issue the

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194 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1405 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1635 (Karl Blackburn, President and Chief Executive Officer, Quebec Council of Employers).

195 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1710 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1450 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

196 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1545 (Anne Kothawala, President and Chief Executive Officer, Convenience Industry Council of Canada).

197 Financial Consumer Agency of Canada, [Code of Conduct for the Credit and Debit Card Industry in Canada](#); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1720 (Anne Kothawala, President and Chief Executive Officer, Convenience Industry Council of Canada).

198 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1655 (Anne Kothawala, President and Chief Executive Officer, Convenience Industry Council of Canada).

199 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1605 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).

Competition Bureau “has very much been live to for a quite a number of years now” and referred to a case the bureau had brought, and lost, against Visa and Mastercard.<sup>200</sup>

A number of witnesses also raised issues related to taxation. Ms. van den Berg spoke about how “miniscule taxes” can become “death by a thousand cuts” for SMEs operating on “razor-thin profit margins.”<sup>201</sup> Mr. Chapman, Ms. van den Berg and Mr. McPherson all raised concerns about the excise tax on beer and wine, which Mr. Chapman called “counterproductive and harmful.”<sup>202</sup> As Ms. van den Berg explained, “[t]he problem is that it’s an escalator tax, so every year it goes up without parliamentary approval, and it’s creating exponential ripple effects on our operational costs, on our bottom line.”<sup>203</sup>

Sara Anghel, President, National Marine Manufacturers Association Canada, opposed the luxury tax on boats announced in Budget 2021, citing estimates that the tax would “result in a minimum \$90-million decrease in revenues for boat dealers, and potential job losses of at least 900 full-time equivalent employees.”<sup>204</sup> Ms. Anghel also highlighted how boat owners can avoid the tax, to the detriment of Canadian SMEs, by storing their vessel in the U.S. and provided examples from other jurisdictions where similar measures resulted in net losses for tax revenue.<sup>205</sup> Ms. Pohlmann raised the issue of the carbon tax, estimating “that small businesses pay approximately 45% to 50% of the federal carbon backstop, and only 8% and 10% is returned to them in the form of programs that have never been accessible or available to smaller companies.”<sup>206</sup>

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200 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 June 2022, 1410 (Krista McWhinnie, Deputy Commissioner, Monopolistic Practices Directorate, Competition Bureau).

201 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1335 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

202 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1535 (Luke Chapman, Vice-President, Federal Affairs, Beer Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1330 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada); INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1405 (Trevor McPherson, President and Chief Executive Officer, Mississauga Board of Trade).

203 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 6 May 2022, 1330 (Lauren van den Berg, Executive Vice-President, Government Relations, Restaurants Canada).

204 Government of Canada, “[Chapter 10: Responsible Government](#),” *Budget 2021*; INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1320 (Sara Anghel, President, National Marine Manufacturers Association Canada).

205 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 June 2022, 1345 (Sara Anghel, President, National Marine Manufacturers Association Canada).

206 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 3 May 2022, 1545 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business).



Ms. O’Born underscored the importance of “intellectual property and other forms of intangible assets” to ensuring “that Canadian SMEs become leaders in the digital economy” and recommended that the scientific research and experimental development tax credit be expanded to “allow for costs associated with protecting, defending and prosecuting IP to be recognized as eligible expenses.”<sup>207</sup> According to Konstantinos Georgaras, Chief Executive Officer (interim), Canadian Intellectual Property Office, a survey of Canadian companies found that “18% held at least one form of IP” and “IP ownership is more present in high-growth firms and those that innovate and export.”<sup>208</sup>

Ms. Hamm highlighted “the lack of infrastructure and tourism investments in our national parks” as an obstacle for the recreation vehicle industry.<sup>209</sup> Mr. Ballingall spoke about how travel restrictions imposed during the pandemic affected the tourism industry.<sup>210</sup> Ritesh Kotak, Technology Entrepreneur and Strategist, emphasized the vulnerability of many SMEs to cyber-attacks and recommended the creation of “a small business hub, which is a one-stop shop for entrepreneurs who seek support and access to government entities.”<sup>211</sup> Steve Leal, Board of Directors, Automotive Industries Association of Canada, spoke about the need for right-to-repair legislation in the automotive sector to prevent manufacturers from acting as “gatekeepers” of the data produced by modern vehicles in a manner detrimental to the competitiveness of independent repair businesses.<sup>212</sup> Trevor Boquist, President and Chief Executive Officer, Driving Change Automotive Group, disagreed with this assessment, stating such legislation “makes little sense as a practical matter,” as “vehicle consumers in Canada have been protected by a national voluntary agreement on right to repair since 2009.”<sup>213</sup>

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207 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1610 (Dana O’Born, Vice-President, Strategy and Advocacy, Council of Canadian Innovators).

208 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 26 September 2022, 1110 (Konstantinos Georgaras, Chief Executive Officer (interim), Canadian Intellectual Property Office).

209 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 17 May 2022, 1555 (Eleonore Hamm, President, Recreation Vehicle Dealers Association of Canada).

210 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1640 (Michael J. Ballingall, Senior Vice-President, Big White Ski Resort, Thompson Okanagan Tourism Association).

211 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1600 (Ritesh Kotak, Technology Entrepreneur and Strategist, As an Individual).

212 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 13 May 2022, 1355 (Steve Leal, Board of Directors, Automotive Industries Association of Canada).

213 INDU, [Evidence](#), 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 10 May 2022, 1615 (Trevor Boquist, President and Chief Executive Officer, Driving Change Automotive Group).



## **OBSERVATIONS AND RECOMMENDATIONS**

SMEs are a vital part of the Canadian economy. Yet, measuring the importance of SMEs by economic indicators alone underestimates their contribution to Canada’s social fabric. Over the course of its study, the Committee heard how many SMEs are at an inflection point. Having proven their adaptability and resilience through more than two years of pandemic dislocation, businesses are facing an uncertain post-pandemic economic environment. Some of this uncertainty is caused by the economic legacy of the pandemic, including inflation at levels not seen in decades and persistent supply chain disruptions. But uncertainty also exists because of the pandemic’s effects on the communities with which SMEs are intertwined. Some of the changes experienced by communities have been short-lived, while others appear to be long-term shifts in behaviour. Where the “new normal” ultimately lands remains hard to predict, especially for SMEs trying to chart their post-pandemic future.

This uncertainty means that SMEs need governments to be a partner in charting this future, providing support where necessary and clarity where possible. In some cases, that may mean government creating new programs for a new reality; in many cases, it means addressing persistent issues with greater urgency. As witnesses highlighted across issue areas during this study, the Government of Canada can and must show leadership, but cooperation with governments at the provincial, territorial, and municipal levels will be essential to success.

### **The Situation Facing Small and Medium Enterprises**

One change from the pandemic that is likely to prove lasting is the shift from focusing on the efficiency of supply chains to their resiliency. We have collectively learned the cost of supply chain disruptions and continue to feel their effects in many sectors. Witnesses highlighted that SMEs often face these costs disproportionately, as they lack the resources of larger firms to diversify away from existing suppliers or negotiate preferential access to limited inventories. As one witness noted, this not only affects SMEs’ competitiveness domestically, but Canada’s competitiveness internationally as Canadian SMEs often compete with larger foreign firms.

As the Committee noted in its recent study on the critical minerals sector, Canada and its traditional economic partners, particularly the U.S., have a generational opportunity to build resilient and sustainable supply chains from the ground up as part of our collective



transition to low-carbon economies.<sup>214</sup> It is critical to the success of this transition, and Canada's part in the global effort, that Canadian SMEs be included and offered equal opportunities to participate in these developing markets.

### **Recommendation 1**

**That the Government of Canada empower small and medium enterprises to participate in new supply chains created by the transition to a low-carbon economy, including as part of the government's strategies in important sectors. This should be done in cooperation with Canada's traditional economic partners as part of efforts to promote more resilient and sustainable supply chains for all Canadian businesses.**

### **Recommendation 2**

**That the Government of Canada consider introducing targeted supports for small and medium enterprises facing persistent supply chain disruptions.**

## ***Competition Act Reform***

During the Committee's study, the government introduced and passed the most significant changes to Canadian competition law in at least a decade as a first step in a broader review of the *Competition Act*. While the Committee heard differing opinions about the amendments enacted, including during a separate meeting dedicated to them, witnesses were unanimous in their support for the broader reform initiative and the government's commitment to consult meaningfully on future changes.<sup>215</sup> Expert witnesses presented, at times, contrasting views of what Canadian competition law can, and should, achieve. The Committee agrees with witnesses that a review of the fundamental policy objectives underlying the *Competition Act* should guide reforms of more technical aspects, such as the efficiencies defence. The Committee looks forward to continuing to participate in these discussions.

The Committee also heard compelling testimony that the Competition Bureau should be made truly independent, reporting directly to Parliament instead of ISED, as is currently the case. The Committee believes that this proposal has merit and should be considered within the government's consultations on competition law reform. Successful reform of

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214 House of Commons, Standing Committee on Industry and Technology, *Positioning Canada as a Leader in the Supply and Processing of Critical Minerals*, Fourth report, June 2022.

215 INDU, *Evidence*, 44<sup>th</sup> Parliament, 1<sup>st</sup> Session, 20 May 2022.

competition law requires a properly mandated and resourced Competition Bureau capable of meeting new challenges.

### **Recommendation 3**

**That the Government of Canada engage in broad consultations when proposing amendments to the *Competition Act*. This consultation should include:**

- **a re-evaluation of the policy objectives underlying competition law and possible amendments to the purpose clause;**
- **technical aspects of the Act, such as the efficiencies defence; and**
- **consideration of making the Competition Bureau a stand-alone office separate from Innovation, Science and Economic Development Canada.**

The Committee recognizes that this review, and renewed interest in competition law generally, is happening in the context of the increasing digitization of the Canadian economy. Jurisdictions around the world are coming to terms with the large, and growing, economic power exerted by a small group of technology firms and are seeking means of ensuring that digital markets operate in a socially beneficial manner. International cooperation will be critical to effectively addressing these concerns.

While protecting consumers is rightly the focus of much of the discussions, witnesses pointed to dynamics in digital markets that can have profound effects on SMEs. For many SMEs, participating in digital markets, or using specific digital platforms, is not a business decision but a necessity. In such situations, SMEs' power to negotiate terms is often no greater than that of consumers and, as witnesses testified, SMEs run the risk of having their ideas appropriated by the platforms with which they are engaging. Such imbalances are a clear demonstration of a dysfunctional market in need of government regulation, including through competition law.

### **Recommendation 4**

**That the Government of Canada look to address the power imbalance faced by small and medium enterprises when participating in digital markets as a priority in its reform of the *Competition Act* and as part of legislative initiatives in related fields.**



## Easing Regulatory Burdens

Estimates of the costs imposed on SMEs by government regulations characterized as unnecessary, what some call red tape, should give every regulator in Canada pause. While what may, or may not, be considered an unnecessary regulation is open for debate, the importance of regulatory efficiency should not be. Ensuring that regulation imposes the smallest burden possible is one of the most direct means by which government can promote the competitiveness of SMEs. During its study, the Committee heard about both the concrete steps being taken by the Government of Canada to minimize or reduce the regulatory burden placed on SMEs as well as from industry representatives who pointed to areas where more needs to be done. The Committee believes that communication between regulators and the industries they regulate is key, allowing SMEs to understand the objectives of regulation and regulators to determine how regulatory design decisions impact outcomes on the ground.

### Recommendation 5

**That the Government of Canada prioritize efficiency in its ongoing efforts at regulatory modernization, as well as when it introduces new regulations, to reduce the regulatory burden placed on small and medium enterprises. The government should ensure in all cases that regulations serve a genuine public interest, promote competition, and do not unnecessarily hinder the development of new markets.**

As with other issues raised over the course of this study, lightening the regulatory burden placed on SMEs requires the federal government to work with its counterparts at the provincial and municipal levels. The Committee was concerned to hear from witnesses about the continued issue of regulatory fragmentation, including the perceived lack of progress under the *Canadian Free Trade Agreement*. Internal barriers to trade not only hurt the competitiveness of SMEs, but they also deny SMEs the markets they need to grow into larger firms, making it more difficult for them to compete internationally.

### Recommendation 6

**That the Government of Canada renew its efforts to reduce internal barriers to trade and improve labour mobility, including through renegotiating the *Canadian Free Trade Agreement*.**

## Labour Shortages

Witnesses painted a complex picture of Canada's labour market, one where long-term trends have collided with short-term pandemic disruptions to create a situation of significant labour shortages. Employment and labour market participation rates have reached near record highs, while job vacancies have grown. This picture is complicated by regional and sectoral disparities that can make it difficult to differentiate short-term volatility from long-term labour concerns.

Nonetheless, the Committee believes that the long-term trends of an aging workforce and an increasingly digitalized economy, which requires an evolving mix of skilled workers, demands more concerted government action. Canada needs more workers, with the right skills, and governments need to help them enter the jobs for which they are trained, while facilitating their continued skills development in line with the needs of an evolving economy.

Witnesses identified immigration, both permanent and temporary, as a key means of addressing Canada's labour shortages, but were generally critical of existing immigration programs intended to meet this demand. The Temporary Foreign Worker Program was put forward by witnesses as a means of addressing immediate labour shortages and as a potential source of permanent immigration. But to achieve these goals, witnesses said the program must be made more flexible and focused on the needs of employers, including SMEs. The requirement for labour market impact assessments was highlighted as an obstacle for SMEs accessing the program, particularly in Quebec, where a similar process is undertaken by the provincial government. The Committee also heard about the important role that international students can play, both as a source of temporary labour while pursuing their studies and as permanent highly skilled workers following their graduation.

### Recommendation 7

**That the Government of Canada undertake as soon as possible a full review of the Temporary Foreign Worker Program to adapt it to better meet the needs of small and medium enterprises, while eliminating any negative impact on the wages and conditions of Canadian workers. The federal government must consult other levels of government to ensure better cooperation and less duplication of effort. The government must also expand the opportunities for temporary foreign workers to immigrate permanently to Canada.**



### **Recommendation 8**

**That the Government of Canada simplify the process for employers hiring temporary foreign workers by agreeing to expand certain categories of workers whose tasks and skills are similar, particularly for staff working in food services, agriculture and construction.**

### **Recommendation 9**

**Taking into account the priorities of educational institutions for foreign students and given the evolving strategic context, particularly the needs of educational institutions in rural and remote regions, that the Government of Canada:**

- **examine and clarify the rationale of the International Student Program, particularly its expected outcomes;**
- **undertake efforts to encourage foreign students to settle permanently in Canada, particularly in rural and remote regions;**
- **review, as needed, the International Student Program’s criteria for study permits to ensure that more students from francophone countries can be accepted;**
- **change the conditions for study permits to ensure that foreign students can participate in co-op programs through their education programs without having to obtain a separate work permit.**

### **Recommendation 10**

**That the Government of Canada add service standards for all its immigration programs, as it does for citizenship applications, by making greater use of the *Service Fees Act* and *Financial Administration Act* to make the department more accountable to those from whom they collect service fees.**

Regarding permanent immigration, the Committee heard from government witnesses about the significant strides that have been taken in modernizing and improving Canada’s economic immigration programs, as well as efforts to return to processing time service standards following pandemic disruptions. The Committee also heard from non-government witnesses that more needs to be done to better identify workers that meet labour market needs and get them to work faster. Several witnesses also emphasized the

disparity in processing times between Quebec and other provinces for permanent immigrants.

The Committee is concerned by these permanent immigration issues, as the long-term trends identified during the study are hardly unique to Canada. Many advanced economies are facing similar trends, in some cases to a greater extent than Canada, and are also looking to immigration from the rest of the world as a means of addressing them. Canada is, therefore, in real competition for the most in-demand skills and our immigration policies should be making Canada a more desirable destination for highly skilled workers, not less.

#### **Recommendation 11**

**That the Government of Canada present its plan with clear timelines to modernize and improve its economic immigration programs to better match immigrants to labour markets needs and attract workers with the most in-demand skills. Modernization should include consideration of innovative proposals from the private sector, such as high-potential technology visas that would allow highly skilled workers access to the Canadian labour market without a job offer.**

#### **Recommendation 12**

**That the Government of Canada present its plan with clear timelines to return to processing time service standards, and reduce processing times overall, with a particular focus on economic-stream immigrants.**

As witnesses pointed out, it is not enough to have workers with the necessary skills if barriers prevent them from working where they are most needed. The Committee was disappointed to hear from witnesses that persistent problems related to the recognition of foreign credentials and the inter-provincial mobility of skilled labour continue to prevent the efficient use of the skilled labour Canada already possesses. Both issues are longstanding, but their resolution takes on greater urgency in the context of the long-term labour shortages witnesses identified.

#### **Recommendation 13**

**That the Government of Canada work with provincial governments to identify meaningful and timely solutions to persistent problems regarding the recognition of foreign credentials and barriers to the inter-provincial mobility of skilled labour as a means of unlocking under-utilized skilled labour to address labour shortages.**



The lower labour market participation rates reported by witnesses among certain groups, including women, indigenous people and racialized groups, is a glaring example of the economic price of social inequality that must be addressed. If there is a silver-lining to what the Committee heard on this issue, it is that persistent labour shortages may finally force employers, including SMEs, to address barriers to labour market participation for these groups. SMEs, especially those owned by Indigenous or racialized people, are well placed to demonstrate the economic benefit of inclusive hiring practices. The Committee encourages such efforts and supports government programs targeted to minority-owned businesses.

The Committee agrees with witnesses who recommended that SMEs should provide older workers with flexible work and retirement options as a means of encouraging them to remain in the labour market, if only part-time, after they reach retirement age. The Committee recognizes that ageism exists in the labour market and all stakeholders should take steps to address it.

Several witnesses raised taxation and the claw back of government transfers as a deterrent to workers remaining in the labour market past retirement age. The Committee believes that measures could be taken to address this issue but is mindful that workers in this age-group are a large and growing segment of the Canadian population, and any measure must be fiscally sustainable to achieve its objective.

#### **Recommendation 14**

**That the Government of Canada encourage labour market participation among workers who are approaching retirement age, or who have reached it, by introducing new tax or other incentives.**

### **Other Challenges**

Witnesses raised a range of issues affecting the competitiveness of SMEs which either impacted specific industries or were outside the scope of the Committee's current study. The Committee took note of concerns raised by witnesses regarding high credit card transaction fees and SMEs' ability to protect their intellectual property.

#### **Recommendation 15**

**That the Minister of innovation, Science and Industry explore measures to ease the burden experienced disproportionately by small and medium enterprises of excessive credit card transaction fees, including putting a cap on such fees.**



**Recommendation 16**

**That the Government of Canada examine the difficulties that small and medium enterprises experience in protecting their intellectual property.**



## **APPENDIX A**

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**Figure 1—Government of Canada Pandemic Support Programs Available to Small and Medium Enterprises  
– Expenditures as of 7 December 2022<sup>a</sup>**

Program	Date	Description	\$ millions
<a href="#"><u>Canada Emergency Wage Subsidy</u></a>	March 2020 to October 2021	The Canada Emergency Wage Subsidy (CEWS) provided a subsidy to employers who demonstrated specified reductions in revenue. The subsidy was calculated based on the remuneration employers paid to eligible employees during the relevant period. The program was renewed several times, often with changes to eligibility and subsidy entitlement criteria. Elements of the CEWS were incorporated into the Tourism and Hospitality Recovery Program and Hardest-Hit Business Recovery Program, which were implemented following the CEWS' closure.	100,590
<a href="#"><u>Canada Emergency Rent Subsidy and Lockdown Support</u></a>	September 2020 to October 2021	The Canada Emergency Rent Subsidy and Lockdown Support (CERS) provided direct support of up to 65% of eligible expenses to tenants and property owners for organizations who demonstrated specified reductions in revenue, plus an additional 25% of eligible expenses for qualifying organizations that were forced to close due to a lockdown. Elements of the CERS were incorporated into the Tourism and Hospitality Recovery Program and Hardest-Hit Business Recovery Program, which were implemented following the CERS' closure.	7,730
<a href="#"><u>Canada Emergency Business Account</u></a>	March 2020 to June 2021	The Canada Emergency Business Account (CEBA) offered interest-free loans through participating financial institutions of up to \$60,000 to small businesses and not-for-profits. Eligible borrowers who repay the balance of their loan on or before 31 December 2023 are entitled to loan forgiveness of up to 33% (\$20,000).	49,200 (value of loans approved)
<a href="#"><u>Canada Emergency Commercial Rent Assistance</u></a>	April 2020 to September 2020	The Canada Emergency Commercial Rent Assistance (CERCA) program, administered by the Canada Mortgage and Housing Corporation, provided funding to commercial property owners with small-business tenants who had experienced at least a 70% reduction in revenue. The CERCA provided a forgivable loan equal to 50% of the eligible tenant's rent subject to property owners agreeing to provide an additional 25% of rent relief to tenants.	2,125

Program	Date	Description	\$ millions
<a href="#">Canada Recovery Hiring Program</a>	June 2021 to May 2022	The Canada Recovery Hiring Program (CRHP) provided a subsidy based on the additional remuneration an employer paid to employees (new or existing) compared to the established base period. The CRHP included a requirement that employers demonstrate a reduction in revenues and was implemented as a complement to the CEWS, meaning eligible employers could not receive both subsidies.	1,340
<a href="#">Tourism and Hospitality Recovery Program</a>	October 2021 following the closure of the CEWS and CERS to May 2022	The Tourism and Hospitality Recovery Program (THRP) targeted organizations in the tourism and hospitality sectors which had experienced at least a 40% reduction in revenue and provided a subsidy for both eligible rent and wage expenses. In the initial phase of the THRP, subsidies were set at 75% of eligible expenses for the most affected organizations. The <a href="#">Local Lockdown Program</a> was incorporated into the THRP and provided THRP subsidies to organizations affected by public health lockdowns regardless of sector.	2,674 <sup>b</sup>
<a href="#">Hardest-Hit Business Recovery Program</a>	October 2021 following the closure of the CEWS and CERS to May 2022	The Hardest-Hit Business Recovery Program (HHBRP) targeted organizations which had experienced at least a 50% reduction in revenue and provided a subsidy for both eligible rent and wage expenses. In the initial phase of the HHBRP, subsidies were set at 75% of eligible expenses for the most affected organizations.	657 <sup>b</sup>
<a href="#">Credit Availability Program</a>	March 2020 to March 2022	The Business Development Bank of Canada (BDC), a federal Crown corporation, ran several programs to provide capital to SMEs affected by the pandemic as part of the Credit Availability Program. Programs under the CAP included: <ul style="list-style-type: none"> <li>The <a href="#">Co-Lending Program</a> which provided SMEs with credit up to \$6.25 million through loans which were 80% funded by BDC, with the remainder funded by private financial institutions.</li> <li>The <a href="#">Mid-Market Financing Program</a> which provided credit to medium-sized firms of up to \$60 million through loans which were 90% funded by BDC, with the remainder funded by private financial institutions.</li> <li>The <a href="#">Highly Affected Sectors Credit Availability Program</a> guaranteed 100% of private sector loans up to \$1 million for businesses affected by the pandemic.</li> </ul>	4,071 in loans 3,500 in loan guarantees <sup>c</sup>
<a href="#">Business Credit Availability Program</a>	March 2020 to December 2021	Through the Business Credit Availability Program (BCAP), Export Development Canada, a federal Crown corporation, provided partial guarantees of short-term private-sector loans to business affected by the pandemic. The BCAP guaranteed 2,038 loan.	1,400 in loan guarantees

Program	Date	Description	\$ millions
<a href="#">10% Temporary Wage Subsidy</a>	18 March 2020 to 19 June 2020	The 10% Temporary Wage Subsidy provided a subsidy equal to 10% of an employee's remuneration up to a maximum of \$1,375 per employee and \$25,000 per employer.	2,505
Regional Development Agency Programs	March 2020 to present	<p>A number of pandemic programs to support SMEs are administered through federal <a href="#">Regional Development Agencies</a>. Some programs are limited to specific agencies, others are available through agencies across the country. Pandemic-related programs include:</p> <ul style="list-style-type: none"> <li>• The <a href="#">Jobs and Growth Fund</a> provides \$700 million in subsidies over three years, to eligible organizations for expenses related to transitioning to a green economy, fostering an inclusive recovery, increasing digitalization, and sectoral-specific capacity strengthening.</li> <li>• The <a href="#">Tourism Relief Fund</a> provides \$500 million over two years, for non-repayable (up to \$100,000) and repayable (up to \$500,000) support for tourism organizations related to eligible product or destination development activities.</li> <li>• The <a href="#">Major Festivals and Events Support Initiative</a> provides \$200 million over two years, for events with annual revenues exceeding \$10 million to provide liquidity for continued operation and enhance product and experience offerings.</li> <li>• The <a href="#">Canadian Seafood Stabilization Fund</a> provided \$62.5 million in temporary funding to the fish and seafood processing sector for eligible expenses.</li> </ul>	N/A

- Notes:
- Programs listed below are limited to those open to SMEs directly and do not include programs which may have supported businesses indirectly, for example through transfers to their employees. Please note that most of the programs were not specific to SMEs and often included larger businesses and/or other types of organizations. As such, program spending values provided do not reflect government support provided to SMEs specifically.
  - Combined rent and wage subsidies.
  - As of March 2022.

Sources: Table prepared by the Library of Parliament using information from: Government of Canada, [Frequently asked questions – Canada emergency wage subsidy \(CEWS\)](#); Prime Minister of Canada, [Prime Minister announces partnerships with provinces and territories to deliver the Canada Emergency Commercial Rent Assistance for small businesses](#), 24 April 2020; Canada Mortgage and Housing Corporation, [The Sanctuary of a Home: Annual Report 2020](#); Department of Finance Canada, [Canada Emergency Rent Subsidy](#), Backgrounder, 5 November 2020; Department of Finance Canada, [Lockdown Support for Businesses Facing Significant Public Health Restrictions](#), Backgrounder, 5 November 2020; Government of Canada, [Canada Emergency Business Account](#); Government of

Canada, [Canada Recovery Hiring Program](#); Department of Finance Canada, [Targeting COVID-19 Support Measures](#), Backgrounder; Export Development Canada, [The EDC Business Credit Availability Program \(BCAP\) Guarantee](#); and Government of Canada, [10% Temporary Wage Subsidy](#).





## APPENDIX B LIST OF WITNESSES

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The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
<p><b>Business Development Bank of Canada</b></p> <p>Pierre Cl��roux, Vice-President, Research and Chief Economist</p> <p>Karen Kastner, Vice-President, Partnerships and Government Relations</p>	2022/04/26	18
<p><b>Department of Employment and Social Development</b></p> <p>Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate</p> <p>Helen Smiley, Director General, Strategic Integration and Corporate Affairs Directorate</p>	2022/04/26	18
<p><b>Department of Industry</b></p> <p>Sheryl Groeneweg, Director General, Advanced Manufacturing and Industrial Strategy Branch</p> <p>Etienne-Ren�� Massie, Director General, Small Business Branch</p> <p>Martin Simard, Senior Director, Corporate, Insolvency and Competition Policy, Marketplace Framework Policy Branch</p>	2022/04/26	18
<p><b>Beer Canada</b></p> <p>Luke Chapman, Vice-President, Federal Affairs</p>	2022/05/03	20
<p><b>Canadian Chamber of Commerce</b></p> <p>Mark Agnew, Senior Vice-President, Policy and Government Relations</p> <p>Alla Drigola Birk, Senior Director, Parliamentary Affairs and Small and Medium Enterprises Policy</p>	2022/05/03	20

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Canadian Federation of Independent Business</b> Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships	2022/05/03	20
<b>Quebec Council of Employers</b> Karl Blackburn, President and Chief Executive Officer Denis Hamel, Vice President, Workforce Development Policies	2022/05/03	20
<b>Vivic Research</b> Robin Shaban, Senior Economist	2022/05/03	20
<b>As an individual</b> Vass Bednar, Executive Director, Master of Public Policy in Digital Society Program, McMaster University Pierre Larouche, Professor, Law and Innovation, Faculty of Law, Université de Montréal	2022/05/06	21
<b>American Economic Liberties Project</b> Denise Hearn, Senior Fellow and Co-Lead, Access to Markets Initiative	2022/05/06	21
<b>Lexbase</b> Richard Kurland, Lawyer and Policy Analyst	2022/05/06	21
<b>Restaurants Canada</b> Lauren van den Berg, Executive Vice-President, Government Relations	2022/05/06	21
<b>As an individual</b> Ritesh Kotak, Technology Entrepreneur and Strategist Yelena Larkin, Associate Professor of Finance, Schulich School of Business, York University	2022/05/10	22
<b>Council of Canadian Innovators</b> Dana O'Born, Vice-President, Strategy and Advocacy	2022/05/10	22
<b>Driving Change Automotive Group</b> Trevor Boquist, President and Chief Executive Officer	2022/05/10	22
<b>Thompson Okanagan Tourism Association</b> Michael J. Ballingall, Senior Vice-President, Big White Ski Resort	2022/05/10	22

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Windsor-Essex Regional Chamber of Commerce</b> Rakesh Naidu, President and Chief Executive Officer	2022/05/10	22
<b>As an individual</b> Jennifer Quaid, Associate Professor and Vice-Dean Research, Civil Law Section, Faculty of Law, University of Ottawa	2022/05/13	23
<b>Automotive Industries Association of Canada</b> Jean-François Champagne, President Steve Leal, Board of Directors	2022/05/13	23
<b>Canadian Health Food Association</b> Aaron Skelton, President and Chief Executive Officer	2022/05/13	23
<b>Canadian Manufacturers and Exporters</b> Matt Poirier, Director, Trade Policy	2022/05/13	23
<b>Mississauga Board of Trade</b> Trevor McPherson, President and Chief Executive Officer	2022/05/13	23
<b>As an individual</b> Edward Iacobucci, Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto	2022/05/17	24
<b>Canadian Home Builders' Association</b> Kevin Lee, Chief Executive Officer	2022/05/17	24
<b>Convenience Industry Council of Canada</b> Anne Kothawala, President and Chief Executive Officer	2022/05/17	24
<b>Labour Market Information Council</b> Tony Bonen, Acting Executive Director	2022/05/17	24
<b>Recreation Vehicle Dealers Association of Canada</b> Eleonore Hamm, President	2022/05/17	24
<b>As an individual</b> Dr. Diane-Gabrielle Tremblay, Professor, School of Business Administration, Université TÉLUQ	2022/06/10	27
<b>Canadian Institute of Plumbing and Heating</b> Ralph Suppa, President and General Manager	2022/06/10	27

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Mechanical Contractors Association of Canada</b> Tania Johnston, Chief Executive Officer	2022/06/10	27
<b>National Marine Manufacturers Association Canada</b> Sara Anghel, President	2022/06/10	27
<b>Plant-Based Foods of Canada</b> Leslie Ewing, Executive Director	2022/06/10	27
<b>Table Métal Abitibi-Ouest</b> Patrick Perreault, Chief Executive Officer	2022/06/10	27
<b>Union des producteurs agricoles</b> Martin Caron, General President David Tougas, Coordinator, Business Economics	2022/06/10	27
<b>Competition Bureau</b> Anthony Durocher, Deputy Commissioner, Competition Promotion Branch Krista McWhinnie, Deputy Commissioner, Monopolistic Practices Directorate	2022/06/17	28
<b>Department of Citizenship and Immigration</b> Matthew Graham, Director, Levels Planning and Migration Analysis Sarah Hayward, Acting Senior Director, Immigration Program Guidance Philip Somogyvari, Director General, Strategic Policy and Planning	2022/06/17	28
<b>Statistics Canada</b> Josée Bégin, Director General, Labour Market, Education and Socio-Economic Well-Being Wulong Gu, Senior Advisor, . Analytical Studies and Modelling Branch Greg Peterson, Assistant Chief Statistician, Economic Statistics	2022/06/17	28
<b>Treasury Board Secretariat</b> James van Raalte, Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector	2022/06/17	28

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>As an individual</b> Jean-Guy Couillard Dr. Vincent Rousson, Rector, Université du Québec en Abitibi-Témiscamingue	2022/06/21	29
<b>Canadian Centre for Policy Alternatives</b> David Macdonald, Senior Economist	2022/06/21	29
<b>C.D. Howe Institute</b> Benjamin Dachis, Associate Vice-President, Public Affairs	2022/06/21	29
<b>Fédération des chambres de commerce du Québec</b> Audrey Langlois, Advisor, Workforce and Economic Affairs, Mathieu Lavigne, Director, Public and Economic Affairs	2022/06/21	29
<b>As an individual</b> John Pecman, Consultant	2022/09/26	34
<b>Canadian Intellectual Property Office</b> Konstantinos Georgaras, Chief Executive Officer (interim) Ilyana Goyette, Deputy Director, Policy and Legislation Mesmin Pierre, Director General, Trademarks and Industrial Designs Branch	2022/09/26	34
<b>Institute for Research on Public Policy</b> Dr. Yves Blanchet, Research Analyst	2022/09/26	34
<b>Macdonald-Laurier Institute</b> Aaron Wudrick, Director, Domestic Policy Program	2022/09/26	34



## APPENDIX C LIST OF BRIEFS

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The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's [webpage for this study](#).

### **Colleges and Institutes Canada**

**Hearn, Denise**

**Moneris**

**Bednar, Vass**





## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 18, 20, 21, 22, 23, 24, 27, 28, 29, 34, 47, 48, 56](#)) is tabled.

Respectfully submitted,

Joël Lightbound  
Chair



**Conservative Dissenting Report: Small and Medium Enterprises in Canada: Charting a Competitive Future**  
**Prepared: February 13, 2023**

After eight years of this Liberal government, Canadians are struggling to cope with 40-year highs in inflation and the rising cost of living.

Small and medium size enterprises (SMEs) are the cornerstone of our communities. They represent over 98% of the 1.21 million employer businesses in Canada and employ 16.2M Canadians (Statistics Canada, December 2022). Right now, they are challenged by supply chain issues, government red tape, labour shortages, high debt levels and high inflation and a federal government that does not prioritize economic growth.

The Office of the Superintendent of Bankruptcy recently reported the number of Canadian company insolvencies increased 37.2% in 2022 compared to 2021. 2022 saw 3,402 business insolvencies, 2,621 bankruptcies and 781 debt settlement proposals compared to 2021.

The Standing Committee on Industry and Technology heard from 65 witnesses on the challenges impacting small businesses. While we agree with many of the recommendations in the report, it fails to address key measures the government can take to support small business immediately.

The Canadian Chamber of Commerce identified high levels of pandemic debt, labour challenges and the lack of short-term relief as difficulties facing SMEs. The Canadian Federation of Independent Businesses (CFIB) requested a moratorium on any costs to small businesses including a freeze on CPP, EI, and the carbon tax. It was emphasized only half of their members are seeing sales return to pre-pandemic levels and expressed concerns that the challenges businesses are facing due to high debt loads will lead to increased bankruptcies. Restaurants Canada referred to taxes paid by small businesses, as “death by a thousand cuts”.

The Mississauga Board of Trade noted any new taxes and regulations introduced by the government, that put additional costs on small businesses, directly affect their ability to compete and recover. Sectors that are customer facing, such as tourism and hospitality were hardest hit by the COVID-19 pandemic and are pressed to their limit.

We heard during the testimony the planned escalator tax on beer wine and spirits will negatively impact the tourism and hospitality sectors. Given the unprecedented inflation levels, the federal excise tax increase could be as high as 6% - a further blow to these sectors during this fragile recovery period.

Conservative members of the committee welcome the positive study on small businesses; however, we feel the recommendations in the body of the report could have been expanded to include the following:

- **That the Government of Canada consider, during this time of high inflation, a suspension on the automatic annual increases in Excise Duty Rates.**
- **That the Government of Canada freeze CPP and EI increases for SMEs to offset the financial burdens due to labour shortages and high inflation.**
- **That the Government of Canada immediately cancel the federal carbon tax. Small businesses pay approximately 45-50% of the federal carbon backstop, with only an 8-10% return.**

Canadians have never paid more in taxes because of this Prime Minister. To reduce inflation and improve Canada's cost of living, Conservatives will continue to demand a stop to all planned tax hikes. The Liberals have created a risky environment for businesses with their tax hikes, and staggering inflation numbers, and this risk is compounded for small and medium size enterprises.

## COMPLEMENTARY REPORT OF THE BLOC QUÉBÉCOIS

### SMALL AND MEDIUM ENTREPRISES (SMEs)

"I initiated this study because my region of Abitibi-Témiscamingue has been experiencing a labour shortage for about ten years now, and the current crisis has simply accentuated it. We made several recommendations that were adopted by the committee, but I am putting forward a complementary report to highlight other recommendations that I think are important to help our entrepreneurs and marginalized groups. I am also extremely proud to have allowed the people of Abitibi-Témiscamingue to contribute to this report to bring solutions to meet their needs. " - Sébastien Lemire, Bloc Québécois MP.

#### **INTRODUCTION**

The Bloc Québécois wishes to thank the members of the Committee and the staff of the Library of Parliament for their work on this study. We would also like to thank all the witnesses, citizens and organizations who were involved in the study, as well as the experts who contributed to the public debate on the subject by submitting their observations in the form of letters and briefs. There is no doubt that these contents will be relevant to revisit in the near future. Canadian governance of small and medium-sized enterprises raises important issues that have significant impacts on the business community. We wish to highlight, to give them the consideration they deserve, the relevant comments that have been expressed by both citizens and experts, but that could not find their place in this report. We offer an overview of some of the elements that would have deserved more attention.

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Let us recall the Committee's mandate for this study by citing the motion of April 26, 2022:

Pursuant to Standing Order 108(2) and the motion adopted by the Committee on Friday, April 8, 2022, the Committee is meeting to study the competitiveness of small and medium-sized enterprises in Canada.

#### **OUTLOOK FOR SMEs in 2022**

In the first quarter of 2022, Statistics Canada conducted the Canadian Business Situation Survey to better understand the current environment in which businesses operate in Canada and their expectations for the future. According to the survey results, small businesses were less likely to have a positive outlook over the next 12 months compared to large businesses.

In terms of profitability and sales, 35.6 percent of firms with 1 to 19 employees and 28.9 percent of firms with 20 to 99 employees expected profitability to decline in the first quarter of 2022.

Given these numbers, some sectors may continue to struggle in the near term. [...]

Numerous steps can and should be taken to help SMEs stay profitable and relevant in this challenging environment. In addition to the recommendations enumerated in the main report, some further recommendations may be found below.

### **LET'S SIMPLIFY THE ARRIVAL OF FOREIGN WORKERS**

Denis Hamel, vice-president, workforce development policies at the Conseil du patronat du Québec, said that "governments must work better together" because they often do "things twice."

The costs of welcoming a foreign worker can be between \$5,000 and \$20,000 per application, and the risks associated with the refusal of candidates when applying for temporary workers are a determining factor for an entrepreneur.

Quebec is the only province in Canada that is responsible for its labour policy.

Quebec already has a workforce ecosystem (Government of Quebec, Ministry of Labour, Ministry of Education, Conseil du Patronat, Manufacturiers et Exportateurs du Québec, Fédération des Chambres de commerces du Québec, etc.) that analyzes the needs of the world of work and organizes the implementation of policies.

Sectoral committees bring together representatives of businesses, unions, Services Québec and other industry partners from the same region and meet to determine current and future labour needs and how they will meet them. They produce research reports that establish sectoral diagnoses and solutions at the level of workforce forecasting.

The Labour Market Impact Assessment (LMIA) process is purely political and the federal government is making Quebec businesses pay the price for its red tape. There is nothing in the LMIA process that Quebec is not able to do through the Commission des partenaires du marché du travail (CPMT). That the federal government is responsible for issuing the work permit and doing the security checks is the only responsibility that the federal government has. Why not recognize Labour Market Information (LMI) studies and avoid unnecessary duplication that wastes time and money for our SMEs?

In addition, to facilitate employers' requests, it would be necessary to establish a "trusted employer" standard. By obtaining this standard, for a period of five years without a change of ownership, a company would not have to refill the forms to demonstrate that it is a good employer. After this five-year period, the employer would have to take the exam again in order to obtain its "trusted employer" standard. All would then save time and money.

In addition, this ecosystem would be even more complete with the repatriation of the Temporary Foreign Worker Program, since this is obviously an issue that is more related to labour policy than to immigration policy.

In addition, in response to a proposal from the Restaurant Association of Canada, we adopted a recommendation to expand job categories for Temporary Foreign Workers. In this way, at no additional cost and without penalty, we could facilitate the mobility, flexibility, and versatility of

these workers within the same SME. So, for example, a diver could also be an assistant cook and chop vegetables. This principle applies to both agriculture and construction.

#### **Recommendations:**

**That the Federal Government introduce sectoral open work permits.**

**That the federal government put in place a “trusted employer” standard demonstrating that it is a good employer in order to expedite the processing of their applications for the Temporary Foreign Worker Program.**

#### **INTERNATIONAL STUDENTS**

For several years, universities located in the regions have reported on inconsistencies in the immigration program. After unsuccessful approaches to the federal government, they are advocating for immediate change.

"Several factors determine whether a study permit will be refused or accepted, but the financial capacity of students is the main reason for refusal cited by IRCC for our students at the University. In addition, more than 50% of our students are awarded scholarships covering not only their education costs, but also their living expenses. Despite this, these students are still denied their study permits.

In addition, immigration officers may refuse an application, without appeal, if it calls into question the applicant's good faith. This practice seems to us to be totally discriminatory, because this decision is not based on evidence and objective, but rather on perceptions.

Added to this is the new claims processing system called Chinook, which was created without legal oversight, according to documents filed with the Federal Court. This system is not transparent because it does not keep any written notes following the decisions of immigration officers and does not require immigration officers to consider the evidence presented by applicants who have applied for temporary residence.

In response to our questions, the authorities tell us that it is not French-speaking candidates in general or African candidates in particular who are rejected, but candidates from countries that are economically or politically unstable, given the problems that this raises. However, for the same country, permits are granted to students staying at an English-language university, but they are refused to students of French-language universities located in the regions.

Canada cannot and must not deprive itself of highly qualified people if they wish to remain in this country and actively participate in its economic, social and cultural development once they have completed their training.

The Université du Québec en Abitibi-Témiscamingue, or UQAT, is experiencing a sharp increase in the number of international students, as is the rest of the university system in Canada. We are therefore key players in the success of the Government of Canada's 20192024 International Education Strategy." - Based on the testimony of Mr. Vincent Rousson, Université du Québec en Abitibi-Témiscamingue <<https://www.noscommunes.ca/DocumentViewer/fr/44-1/INDU/reunion-29/temoignages>>

In addition, to help regionalize immigration, it is necessary to put in place incentives to convince people to opt for remote regions such as Abitibi-Témiscamingue. From 2010 to 2019, 1015 immigrants chose Abitibi-Témiscamingue, which corresponds to 0.3% of Quebec's total immigration.

Thus, by implementing a tax credit similar to the tax credit for the return of young graduates in the Quebec region, we will promote more regional immigration.

To this end, facilitating family reunification when the immigrant lives in remote areas would be another advantage that would increase the attractiveness of the regions for an immigrant.

**Recommendations:**

**That the federal government put an end to its discriminatory practices against French-speaking international students.**

**That the federal government create a tax credit for immigrants in remote areas.**

**That the federal government establish a program to facilitate family reunification when the immigrant resides in remote areas.**

**EMPLOYMENT INTEGRATION OF UNDER-REPRESENTED GROUPS**

Many other groups of people can contribute to the labour shortage. The Committee's study does not go far enough in its reflection on this subject.

**ABORIGINAL PEOPLE**

The Université du Québec en Abitibi-Témiscamingue (UQAT) undertakes and leads essential collaborations between academia, industry, and Aboriginal peoples. The proximity between them leads to important research and development opportunities. This institution offers training rooted in Aboriginal realities. UQAT also offers programs for anyone wishing to develop their knowledge of Aboriginal issues.

UQAT offers programs that are respectful of Aboriginal perspectives, participates in the training of a workforce from Aboriginal peoples, and thus contributes to the improvement of living conditions for individuals, families, communities, and society in general, a fact recognized by Aboriginal leaders in the region and throughout Quebec.

UQAT favours participatory research "for, by and with Aboriginals" in relation to various research areas, including research ethics with Aboriginal peoples, issues related to Aboriginal women, and governance and development of the territory and resources.

**Recommendation:**



**Lift the 2% cap on funding increases to the Post-Secondary Student Support Program (PSSSP), and (PSSSP), and amend the terms and conditions of the Aboriginal Skills and Employment Training Program (ASEP) agreements to remove the linkages between post-secondary education funding and labour market opportunities. (Canadian Alliance of Student Associations).**

## **PEOPLE IN THE JUSTICE SYSTEM**

"The main source of income for people in the justice system is social assistance. They have a low level of education. The main problems can be categorized according to 5 areas: personal and social attitudes; addictions and health; labour market and professional skills; resources and social network; criminal record.

The clientele that uses the specialized workforce services for adult court-ordered individuals is often multi-problematic and all of these elements must be taken into account in order to help them integrate or reintegrate the labour market and remain in it. Together, the social reinsertion community groups estimates that this clientele represents approximately 4.1 million Canadians with a criminal record, or about 14% of the adult population of Canada.

There is a need to think about the types of "stepping stone" jobs that companies can offer - those unschooling jobs that allow them to have recent experience."

## **PEOPLE WITH DISABILITIES**

"There are 645,000 Canadians with disabilities who are able to work in an inclusive labour market and who are currently unemployed. Many Canadians with disabilities are unemployed or underemployed. Improving access to the workplace would allow 550,000 Canadians with disabilities to work more and increase GDP by \$16.9 billion by 2030. The Canadian Council on Rehabilitation and Work, the Conference Board of Canada, Employment and Social Development Canada and several other organizations encourage businesses to include people with disabilities. Almost half of these individuals have post-secondary education. We need to find ways to work with these people and get them into the workforce so that they can put their education and skills to good use."

Source: <https://www.canada.ca/fr/emploi-developpement-social/campagne/embauche-personne-handicap.html>

## **EXPERIENCED WORKERS**

Numerous testimonies allowed the Committee to put forward recommendations. The contribution of experienced workers must be valued, particularly in terms of knowledge transfer and quality of life. People aged 65 and over who are able and willing to do so must be encouraged to remain in the labour market in order to increase the employment rate and reduce the labour shortage, but flexibility and flexibility will be required.

A growing number of people are delaying retirement because their income is not sufficient, others are returning to the labour market to increase it or because of the need for socialization.

The employment rate of 60–69-year-old in Quebec remains lower than elsewhere in Canada.

**Recommendations:**

**That the federal government create an income tax credit along the lines of what Quebec is doing to eliminate the tax payable on part of the work income of experienced workers aged 60 and over.**

**That the federal government revise the employment or self-employment income exemption for the purposes of calculating the Guaranteed Income Supplement (SSR) to allow low-income workers to continue working life without being penalized. Previously, you lost the Guaranteed Income Supplement much faster when you earned more than \$3500. The threshold is currently set at \$5,000 and could be increased.**

**That the Federal Government work to make work more fiscally attractive to experienced workers and not penalize the employer who hires part-time workers for payroll contributions.**

**SKILLS TRAINING AND ACCREDITATION**

The Carrefour Jeunesse d'Abitibi-Ouest launched a pilot project in 2015 to provide Abitibi-Ouest with the first entrepreneurial incubator in the region. "La Shop" is a welcoming space adapted to the creation and development of micro-enterprises in Abitibi-West. Over time, La Shop has evolved and innovated to reach a greater number of people who want to create, learn, develop ideas and even find solutions to existing problems. The trainings and workshops allow young people to learn about several trades related to technology (technical drawing, manufacturing, programming, etc.)

Métal Marquis de La Sarre is tackling the problem of qualified manpower in Abitibi-Témiscamingue. The company has developed a program called "Find your passion in 3D" which allows young people in secondary 3 and 4 to learn about different manual trades. The Discovery phase allows young people to explore all the trades in the plant, whether it be welding, mechanics or drawing. It is a two-week paid internship. The second phase is the management phase. If the young person liked the jobs, we go into a summer job, which lasts 8 to 10 weeks. If the young person has been attracted to a trade and wishes to continue his or her education in that field, the Development phase includes a scholarship and a guarantee of employment with the company.

The Canadian Innovation Council has proposed the introduction of a tax incentive based on a policy in the United States, which would allow companies to reimburse a portion of their employees' student debt and in return, the reimbursed payments would not be considered taxable income.

## **Recommendations:**

**That the federal government create a tax credit for young graduates in the regions.**

**That the federal government introduce tax incentives that will benefit employers who contribute to the repayment of their employees' student debt.**

## **REGIONAL HOUSING SHORTAGES**

The housing challenge is a regular headline issue and is no longer confined to the territories of the largest cities. In fact, according to the most recent data on rural communities from the Canadian Housing and Housing Corporation (CMHC), Quebec had an average vacancy rate of 1.5% in 2020, well below the equilibrium threshold of 3%. For some municipalities, this rate is simply 0%!

The *Institut de la statistique du Québec (ISQ)* in its "Socio-demographic Bulletin on Inter-regional Migration", published in January 2022, confirmed that there is interest in the regions. More than 232,000 people, or 2.8% of the population, have changed administrative regions, most of them to the regions, even the so-called remote ones. However, there is no or very little housing available.

There are all kinds of promising initiatives in the regions. It seems more than relevant to us to insist once again on the importance of relying on the intelligence of the communities. Thus, territories that work together and adopt realistic and concrete housing policies and action plans should be encouraged and financially supported. Fiscal measures and subsidies to owners and developers, whether collective or private, should be considered in order to diversify the rental supply and reduce the additional costs of construction in the regions. Regional funds to support housing initiatives and experiments should also be encouraged and supported by the State, thus concretizing its intention to establish a new partnership with local actors.

Too many companies report having to slow down their activities, refuse contracts or postpone their expansion projects due to lack of manpower. A great deal of effort and energy is expended, through seduction campaigns, in order to recruit and attract workers from here or from abroad. Housing is a key factor in regional economic development. We remain convinced that the solution is collective and that it is

We remain convinced that the solution is collective and that it is together, in a new partnership between the State and local authorities, that we will meet this housing challenge.

## **Recommendation**

**That the federal government once again rely on the intelligence of communities in remote areas, as do the provinces and territories, to respond to the problems that these communities have identified, particularly the housing shortage, by setting up regional funds to support housing initiatives and experimentation.**

## **ELECTRIC TRANSITION IN THE NORTH AMERICAN CONTEXT**

The economies of the United States and Canada are intimately linked.

"Our manufacturers are concerned about the Buy American Act," said Véronique Proulx, president of Manufacturiers et exportateurs du Québec. "If access to U.S. government contracts tightens, our entire industrial fabric will suffer.

([https://www.lemonde.fr/economie/article/2021/02/15/face-au-renforcement-du-buy-american-le-canada-sur-la-defensive\\_6070052\\_3234.html](https://www.lemonde.fr/economie/article/2021/02/15/face-au-renforcement-du-buy-american-le-canada-sur-la-defensive_6070052_3234.html))

Sarah Houde, CEO of the sector organization Propulsion Québec, believes that "the United States is the market to conquer. President Biden's stimulus package includes more than US\$620 billion in transportation investments to be made by the end of the decade

(<https://www.ledevoir.com/economie/599269/transition-ecologique-le-transport-quebecois-veut-etre-excepte-du-buy-america-act>). In this context, it is imperative that help those SMEs in Quebec that may take advantage of these new investments are not sidestepped by a more powerful economy, such that there is no dominant gatekeeping.

#### **Recommendations:**

##### **That the Government of Canada,**

- **Encourages the rapid deployment of renewable energy and storage;**
- **Develops distributed energy and demand-side management resources;**
- **Supports companies in the electric transportation sector to take advantage of the shift that is beginning to establish themselves on a North American scale;**
- **Supports infrastructure improvements;**
- **Strengthens the electric vehicle battery supply chain**
- **Develops a long-term plan for the expansion of electric vehicle chargers.**
- **Invests in the intelligent management of its existing real estate portfolio and future development of real estate projects.**

Throughout the North American continent and in Europe, the strategy in place remains the reduction of dependence on China, which is the leading producer of several components and materials used in the production of batteries. To achieve this, the United States is banking on the Inflation Reduction Act (IRA) - the Biden administration's US\$370 billion bill to support projects to combat climate change represents many challenges to the implementation of the electric vehicle battery supply chain. Everything related to the production of batteries for electric vehicles is eligible for this assistance and could move some investors from Quebec to the United States, particularly in higher value-added production.

The final version of the law grants preferential subsidy treatment to cars assembled not only in the United States, but also in Canada and Mexico. This reflects the reality of the assembly line of cars that cross borders from South to North and North to South several times, in both directions.

In Canada, and more particularly in Quebec, there is concern about Section 45X of this law, which offers tax credits to subsidize the production of electric battery components for the next decade. The November 2022 economic statement outlines the challenges related to this U.S.

industrial strategy. For the first time in decades, the federal government should seriously consider the introduction of similar appropriations.

Quebec with its clean electricity attracts some companies, compared to coal-fired power plants in some of the American states. Clean energy is incredibly valuable to investors, as is its reliable distribution network. Quebec has a skilled workforce and talent in the fields sought after by companies in the electric car battery chain.

**Recommendations:**

**That the federal government introduce battery production credits to balance the playing field and allow companies in its battery supply chain to remain competitive.**

**That the federal government monitor the subsidies distributed by the U.S. government, that it maintain open discussions on this issue in order to try to rebalance the situation for its industry, and that value-added companies settle close to resources.**

Semiconductor supply problems affect all sectors of the economy. At the moment, the production of the most advanced semiconductors is concentrated in China, Taiwan and South Korea.

Québec is a leader in photonics and artificial intelligence (AI). Quebec and other provinces in Canada are able to meet the challenge of the widespread shortage of semiconductors. The demand for semiconductors is growing exponentially and at the same time, the appetite to repatriate production to the North American continent is concrete. Several investments have already been announced in Arizona in the United States, however, major manufacturers such as TSMC, Samsung Electronics, AMD, Qualcomm and Intel are already established in Canada.

The federal government, on the website of the Ministry of Innovation, Science and Technology, has already identified the niche in which it wants to invest:

1. **Microelectromechanical sensors and systems (MEMS):** These are semiconductor devices with sensing and control properties, such as gyroscopic sensors for video game controllers, inertial sensors for automobiles, and micromirrors for telecommunications.
2. **Compound semiconductors:** These include at least 2 elements (e.g., gallium nitride and indium phosphide) and offer power, speed, and durability advantages over mass-market silicon elements. These advanced chips are essential to a wide range of verticals, from defence to clean technology to telecommunications.
3. **Advanced packaging:** Allows multiple semiconductor devices to be placed in a single package using a variety of distinct techniques (e.g., wafer encapsulation, 2.5D and 3D integration, photonics), improving connectivity and reducing power consumption.

**Recommendation:**

**That the federal government build on the grants and credits strategy for semiconductor manufacturing companies, particularly in the United States, stimulate R&D investment in private and public innovation centres, and develop effective financial tools that will enable technology companies to build foundational technologies related to artificial intelligence (AI); clean technologies, the Internet of Objects (IoO).**

## **DIGITAL MARKETS**

An example of a dominant gatekeeper is Amazon's services. Amazon has set unrealistic standards for delivery and small and medium-sized businesses have difficulty competing. Amazon's direct sales only make 2-3% profit. It competes primarily by transferring profits from its IT arm Amazon Web Services. Amazon has created the impression that selling online is cheaper than in person. According to a survey by the Canadian Federation of Independent Business (CFIB), nine out of ten entrepreneurs believe that dominant web giants are bad for their business.

Source: <https://www.journaldemontreal.com/2021/06/19/enquete-amazon-fragilise-les-pme-et-ecrase-la-concurrence>

Canada is not the only country where the dominant position of the web giant is a concern.

Institute for Self-Reliance co-director Stacy Mitchell believes Amazon has monopoly-like power because it "can dictate the rules to other players in the online marketplace." "It puts other companies in a difficult choice. Either they continue to sell on their own site, where there is little traffic, or they go to Amazon," explains this Maine-based expert who has conducted several studies on the multinational company. But joining Amazon doesn't guarantee long-term success. You're giving your fiercest competitor an inside look at your business. It knows your best products, your costs. Amazon can wake up one morning, close your account and destroy your livelihood. And they did," she says.

In early 2020, Vancouver computer scientist Tim Bray slammed Amazon's door. He found it unacceptable that employees concerned about their health due to the pandemic were laid off for speaking out. "It's very hard to compete against Google or Amazon when they come into your business because they have so much money coming in from other more profitable parts of the business," he said. He says governments shouldn't let big tech companies control such a large part of the economy.

Some SMEs are proposing to pool services and they feel they are stronger if they band together. For example, to reduce their costs and increase their inventory capacity, independent bookstores in Quebec created a common website, leslibraires.ca, nine years ago, which allowed them to have a low-cost presence on the web. They also claim that by combining their inventories, the 100 or so bookstores have a larger inventory than any of their competitors in Quebec.

### **Recommendation**

**Governments should not allow large technology companies to control such a large part of the economy, and that it consider, among other things, whether, in the case of Amazon, the Amazon Web Services (AWS) cloud services business could be spun off to reduce the power of giants like Amazon or Google.**