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**EVIDENCE**

**Monday, November 23, 2009**

**Chair**

**The Honourable Michael Chong**



## Standing Committee on Industry, Science and Technology

Monday, November 23, 2009

• (1530)

[English]

**The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)):** Good afternoon, everyone. Welcome to the 45th meeting of the Standing Committee on Industry, Science and Technology. Today is Monday, November 23, 2009.

We are here pursuant to Standing Order 108(2) for the study of the recent economic performance of small to medium-sized businesses in Canada.

I want to welcome representatives from the Canadian Manufacturers and Exporters as well as from the Canadian Federation of Independent Business. We have Mr. Jeff Brownlee from CME and we have Mr. Dan Kelly and Mr. Ted Mallett from CFIB.

We'll begin with ten minutes of opening statements from each organization, beginning with Mr. Brownlee.

**Mr. Jeff Brownlee (Vice-President, Public Affairs and Business Development, Canadian Manufacturers and Exporters):** Thank you, Mr. Chair.

When we were called here to discuss the performance of the SME segment for the past year, we thought long and hard about how to put it into perspective. It's really difficult, but I think the best way to describe it is as a game of survival of the fittest.

It's no secret that over recent years the SME segment, specifically in the manufacturing sector, has been weathering what we've called a perfect storm, but I don't think any company or any economist or anyone out there was prepared for the fallout of what is being called the great economic recession. It is the biggest economic downturn in the past 70 years and what has transformed this storm into an economic tsunami.

Let's consider the facts for a second. Since the financial meltdown south of the border, we've seen a 30% evaporation of customer demand in Canada's largest export market. We've seen 200,000 job losses in Canada's largest business sector, manufacturing, 5% of which came in one month, January 2009; a 3.9% shrinkage in overall GDP; currency volatility that knows no boundaries; increased protectionism in our largest export market, the U.S.; ongoing credit issues; a number of consolidations and plant closures; and the list goes on.

Now, I don't want to paint a picture that is complete doom and gloom; it's not, but I want to reinforce that at no other time in recent history have Canada's main wealth creation sectors been under such extreme pressure. The SME segment is on the front lines. It has been

hit exceptionally hard. It's no secret that by their very nature, smaller companies are caught in somewhat of a catch-22 position. They can be more agile in adapting to changing conditions; however, they often don't have the resources at their disposal to effect the needed change.

Last December, CME began its own monthly business conditions survey to obtain a real-time understanding of the economic health of the nation's manufacturers and exporters, particularly in the SME segment. Since then, we've been tracking the performance of companies from all sectors as they have tried to navigate their way through these troubled waters.

What story do the most recent results tell? Well, it's both good and bad news. The good news is that as we hear in the media, there are green shoots budding in the economy. The bad news is that there are many threats on the horizon that could delay and even jeopardize a full-grown recovery.

In the preliminary results of our November survey of 727 companies, which will be released later this week, we are finding businesses beginning to pick up. Markets are stabilizing, but the outlook is for a slow and faltering recovery. Manufacturers are working inventories down, job recovery will be slow, and securing credit remains an insurmountable challenge. Nationally, about 71% of companies report difficulties in accessing financing for various purposes. Although this amount is slightly higher than the 66% reported in October, the percentage has consistently remained around the 70% mark since we began this survey a year ago. As in past months, companies looking for financing found the greatest difficulties in securing credit for working capital purposes, operating a line of credit, and capital investment. The main reasons manufacturers and exporters were refused access to credit include the following: the company's overall debt load was too high, the industry sector in question was too risky, and assets given as security did not meet the requirements.

We have also been tracking the impact of the recession on the SME segment in manufacturing and exporting. It's important to point out that the following results underestimate the overall impact of the recession on the Canadian economy as a whole because they do not take into account those firms that have gone out of business or closed operations in Canada as a result of consolidation. According to the most recent figures, 68% of SME manufacturers and exporters have cut employment levels over the past year, and 16% of that group have reduced their workforce by more than 30%. Only 10% of companies have increased the size of their workforce, while 22% are employing around the same number of people today as at the beginning of the recession.

What is interesting in this new data is that 42% of companies have reduced capital investments in machinery and equipment and 20% have cut investment by 30% or more. On the other hand, 22% have increased investments in new technology, while 36% have held their capital spending budgets at about the same level as last year.

● (1535)

Additionally, 20% of companies have reduced spending on new product research and development, but 23% of firms have increased R and D spending. And half have been able to hold their product innovation budget steady. This is reporting from companies that are still in business, and that means that they've been finding ways to remain competitive. The main point is that companies still in business today have seen the proverbial writing on the wall and realize that the way forward is innovation, improved productivity, and differentiation.

There are many threats to the recovery, which has not yet taken root. We may have moved from a deep slide into a more stable era, but many SMEs are being handcuffed by significant challenges: the rapid appreciation of the dollar; increasing costs for energy and raw materials; the cost and availability of financing; increased protectionism in the U.S.; over-capacity in global and industrial markets; consolidation on the part of many multinational companies; increasing regulatory complexity and unnecessary costs of regulatory compliance; and navigating through government assistance programs that members report are inflexible and time-consuming. This prompts the question: where do we go from here?

We at CME believe that one of the major impacts of this recession is the change in the very nature of manufacturing and exporting in Canada. While we don't yet know the situation in its entirety, we do know that the way forward does not include the ways of the past. Simply put, business as usual is no longer an option.

The responsibility to adapt to this new reality lies first and foremost with each company. In order to compete and grow their businesses, SMEs must improve cash flow; improve internal business and production processes; invest in and adopt new technologies; develop and commercialize new, more specialized, and more customized products and services; develop new markets and connect to new customers and supply chains; respond more rapidly to changing customer requirements; and mobilize and train their workforces to achieve new and more profitable business results. Most important, they must do all of this with the limited resources and expertise characteristic of the SME segment.

I believe that we have to consider the current situation facing our industries from both a short- and long-term perspective. In the short term, government can assist by providing up to a 25% federal government guarantee for bank loans undertaken by companies to finance new orders, by providing a holiday period under the work-sharing program that will allow companies the flexibility they need to return to the program if new orders cannot be sustained, and by doing what it must to keep markets around the world open, specifically in the U.S.

As the recovery takes hold, the challenge of change will be the new norm. We need to be thinking about the future now. In the long term, we need a debate followed by a strategy for the future of Canadian industry. What are our strengths, our weaknesses, and

what do we need to do in order to take on the globe and win? We are not alone. Economies around the western industrialized world are facing the same challenges. But the barometer of success is going to be how we transform these challenges into opportunities and how we create the conditions that will enable Canadian companies to compete and win, not only in Canada, not only in North America, but throughout the world.

Thank you.

**The Chair:** Thank you, Mr. Brownlee.

We'll now hear from the Canadian Federation of Independent Business.

**Mr. Ted Mallett (Chief Economist and Vice-President, Research, Canadian Federation of Independent Business):** Good afternoon. Thank you, Mr. Chair.

CFIB takes great interest in these kinds of issues. We've been tracking small-business performance and economic performance in the segment for almost 25 years, and for almost ten years we have done it on a quarterly basis. About a year ago we started tracking our members' perspectives on how they are performing in the economy, how the economy is affecting them. We are now doing that on a monthly basis, and all our information is coming out on the first Wednesday of each month.

We're sharing some of the information we have from our most recent survey, which we released in the early part of October, and next week our November numbers are going to be released. We encourage you to go to our website and we can put you in touch with the numbers as they come out. It's very insightful.

What we've found over the years is that the small-business sector has been one of the most important stabilizers in the Canadian economy over time from a macro basis. From a micro basis, of course, a lot of churn goes on. Businesses going in and out of business are a regular part of the process and the entrepreneurship world, but certainly when we are dealing with financial crises like the past year—really beginning in September 2008—it affected individual small firms to a large degree. What surprised many people is the degree to which the small-business sector as a whole has helped keep the Canadian economy afloat as much as possible.

At least until about February or March, we have seen employment gains made throughout the small-business sector as well as into part of the medium-sized business sector. Virtually all the net job losses in the economy that took place in the early part of the recession were in the large manufacturing businesses with more than 1,000 employees. The small-business sector was at least holding on. A lot of those people were changing jobs within the small-business sector, but at least the sector as a whole was keeping the economy afloat.

These sorts of things we have seen before. The 1990 recession was probably the worst from the small-business point of view because it was coupled with the complete withdrawal of financial sector help in many cases. This time around, we saw a much more appropriate response from the banking industry. Many businesses were able to hang on to their lines of credit or at least maintain them.

We saw some pulling back, but to a large degree that was based on the businesses themselves pulling back. They went into an ultra-conservative financing mode and they were able to survive based on the kinds of cashflows they had. There were reduced cashflows, but they were not overextended on their credit, which allowed them to survive. We think this is one of the more significant events of this most recent recession. We also saw this back in the tech bubble burst of 2000. The small-business sector really prevented the Canadian economy from going into recession when the U.S. economy did.

Certainly the aftermath or the recovery after 9/11 was largely fueled by the small-business sector growing, as opposed to the large firms. We have many cases where the small-business sector has been the automatic stabilizer to some degree at the expense of many small-business owners who have had to shut down their businesses, but many other businesses were growing and starting up at the same time, which is just the nature of entrepreneurship.

If I can turn your attention to the “Business Barometer” report, you can see we do have a monthly indicator of business sentiment. We ask our members what the outlook for their particular businesses are over the next year, and you can see that it tracks GDP very closely. Again, we've had 20 years of experience in seeing how their performance mirrors the GDP, and it does a pretty passable job in that respect.

We also look at some of the other indicators. We're looking at things like new orders, inventory change. We're still seeing a net negative, more people saying things are worse than they should be or below normal compared to those who are saying things are above normal. We're certainly not out of the woods in terms of how the economy is performing. We're also looking at indicators such as capital investment and so on. Since February, when we started asking these particular kinds of questions, we've seen an improvement. We've always known that capital investment spending in small firms is a very stable indicator. It does not move much from month to month.

• (1540)

When a business owner needs a new truck or when they need a new computer, they have to buy that computer. It's not something they can plan out many years in advance, unlike a lot of sort of large capital-intensive industries. So we do see that there's an improvement that may not look large, but it is significant in this area. Of course we'll be interested in seeing what these indicators look like over the next couple of months, because we believe the recovery is taking hold in the marketplace.

Apart from that, we're able to answer any particular questions on the economy, but Dan is going to speak a little bit about some of the policy issues we're addressing right now.

• (1545)

**Mr. Dan Kelly (Senior Vice-President, Legislative Affairs, Canadian Federation of Independent Business):** Thanks very much.

I thought I'd work to put some of the information that Ted shared in context and help you to determine what you, as parliamentarians, can do—and more importantly often not do—in order to help the situation.

I wanted to share with you—if you look at the top of page 3 of our presentation—the top graph on the small business priorities. I had mentioned to you that, no surprise, the total tax burden that faces Canadian entrepreneurs still seems to be very much stuck at the top of that list.

Some issues have changed, some have not. Regulation and paper burden is the second-highest priority issue on that list. Debt and deficit, though, has been rising. No surprise there. Employment insurance has been stable. I'll speak about that in a moment. One thing that has dropped is the concern over the shortage of labour.

Still, I wanted to draw your attention to the fact that 40% of Canadian small and medium-sized businesses are telling us that they still struggle to find the qualified labour that they need to put their products and services to market. I'll speak about that a little bit more at my conclusion.

In regard to employment insurance, I did want to talk to you a little bit about this, because this is a huge concern on the part of small-business owners at this time. This next chart on the bottom part of page 3 outlines that payroll-based taxes—EI, CPP, workers' compensation premiums—are the most harmful form of taxation that is imposed by different levels of government. Employment insurance carries with it some big, big worries for us right now. We very much supported the rate freeze that was introduced at the beginning of 2009. That was a fantastic measure on the part of government to ensure that at a very difficult time in our economic life cycle we did not see an increase in payroll-based taxes. It was very, very good news, and a huge compliment to the government for doing that.

Unfortunately, what we've discovered more recently is the government seems intent on requiring businesses to pay back the rate freeze that was enjoyed in 2009 and will be enjoyed in 2010. In fact, the entire cost of the increased usage of employment insurance is expected to be charged back to Canadian employers and employees come January 2011.

This will guarantee massive increases in payroll-based taxes at a very difficult point in our economy. Just as we are counting on small employers to hire more, to do more in job creation, and invest more in training, we are going to be hitting every employer and every employee with giant increases in payroll-based taxes and increases at the maximum level for years and years and years.

This is a real worry to us, especially when we put it in the light of the previous track record with employment insurance, where \$57 billion was taken out of the employment insurance fund and put into general revenue and spent over the last number of years. That issue, of course, has happened over a couple of governments, not just one.

So we really need to see some leadership on the employment insurance front longer than this. There can be no communication that taxes have been kept frozen if we see large-scale increases in employment insurance. In fact, given the fact that \$57 billion was taken out of the EI account, we feel that it is the obligation on the part of government to reinvest those dollars and put them back into the fund until that surplus has been repaid. Until that point in time, we hope that there will be no increases in our employers' or employees' premiums.

I will want to also speak to you quickly about regulation and paper burden. There is some real progress that has been made on that front. Again, I offer huge congratulations for the leadership that has been shown over the last couple of years with respect to achieving a 20% reduction in paper burden for small and medium-sized businesses. Some meaningful changes have been made on that front.

More needs to be done, certainly. We are coming up with a new research project on this, a sequel to our "Rated R" report, which spoke about the \$30-billion cost of regulation to small and medium-sized businesses. We think that there is the need to institutionalize this process and to ensure that we continue to have ongoing metrics to measure how we're doing on that very important front.

The government has two very important powers: taxing and spending, and regulating and passing laws. We have some rules in place and some measures in place on the taxing and spending side, albeit with some failings, but at the same time, we need to do a lot more on the whole issue of regulation and its impact on small and medium-sized firms.

I wanted to just touch on a couple of other small things in my concluding comments here.

● (1550)

Again, I offer big, big congratulations to Minister Flaherty and the government for helping us address one of the most gripping issues that we've been challenged with over the past year, and that is rising credit card fees. The changes that have been put in place, the proposals that have been made with respect to a voluntary code of conduct, we feel will be a fantastic measure and will help small and medium-sized businesses from coast to coast in dealing with this very tricky issue and the threat to our debit card system in Canada.

I mentioned briefly demographic challenges leading to labour shortages. We can't take our eye off that ball. We need to continue to ensure that we have a vibrant, permanent temporary immigration program to allow us to address these labour shortages that many employers still are facing.

Internal trade barriers are still a significant issue. I was in Yukon, meeting with ministers of internal trade on that very front. A lot of progress is needed there.

For purposes of this committee, also looking at any help you can give us on access to broadband Internet and in terms of challenging the CRTC decision with Telus and Bell in allowing them to charge whatever the market would bear would be of help to us on that front.

As one final note, in terms of labour legislation, one bill, Bill C-386, is a huge worry to small and medium-sized businesses. A ban on replacement workers at this point in the economy would be absolutely devastating, and I don't think any politician who would consider himself or herself to be a friend of small business could possibly support a bill such as this.

Thank you.

**The Chair:** Thank you very much.

We'll have about an hour and a half of questions and comments from members of the committee. We'll go until 5:15 today and then go into the discussion of the motion from Madame Coady.

We'll begin with Mr. Garneau.

**Mr. Marc Garneau (Westmount—Ville-Marie, Lib.):** Thank you, Mr. Chair.

I have to start off by saying I can't resist noticing that in the document Mr. Kelly spoke about, the concern he expressed in the fact that EI premiums will begin to increase again in 2011 is recognized quite clearly as a payroll tax. In other words, Canadians will be on the hook for higher taxes from the current government beginning in 2011.

I'd like to direct my first question, however, to the Canadian manufacturing and exporting group.

Mr. Brownlee, you used some very strong wording in describing what appeared to be a fairly bleak situation, although there are some hopeful green shoots or there is some light at the end of tunnel, those kinds of things. You talked about the survival of the fittest. You talked about the perfect storm. You talked about an economic tsunami. This is not your garden variety of recession, and I agree with you. I think there are some profound and permanent changes occurring in the manufacturing sector in this country, and it is something we must aggressively attend to. This is not just something we'll ride out and will go back to where it used to be after this recession is over.

You went through your presentation and you talked about some of the priorities that are of concern to the people you represent, the organizations you represent. I'd like to get from you a sense of where you think the government, at the moment, has been helpful, if there has been any particular area that you consider to be valuable and helpful to your association with the predicament it finds itself in, and to go into a little more detail on what you consider to be the most important priorities.

I notice that you talk about the difficulty in accessing financing, but you talk about a number of other things. I'd like to differentiate between what you consider to be things the government can help you with versus things your companies have to deal with themselves. There are things here that talk about productivity improvements, doing more research to innovate, and what have you. What do you consider to be your side of the job, versus where you feel it's legitimate and important for the government to help you?

● (1555)

**Mr. Jeff Brownlee:** Thank you, Mr. Garneau.

To start with, I think the answer is in whether you want to put the cart before the horse or the chicken before the egg.

As I said in my presentation, companies have to take the responsibility to make the changes they need. We've seen an amazing rise in the dollar since 2002. The manufacturing sector is a favourite poster child for saying that low productivity has characterized manufacturing for the last seven or eight years, and this is where they are today. That's fair enough. When you have that kind of an edge when you're dealing with your major customer to the U.S., no doubt there are going to be some inefficiencies that creep in. But at the end of the day, nobody is pointing out the fact that we employed 600,000 people—600,000 high-paying jobs at that time.

I think what's happened in the last couple of years is that it has been one thing after another. And again, we were talking about the perfect storm. This isn't something that just happened overnight, but I don't think anybody was prepared for what came through the recession.

What the government has done in the last little while—and it has been of some assistance, don't get me wrong—with the work share program, and with BDC and EDC and the BCAP, while not perfect, is starting to address some of the credit issues. But at the end of the day I think we have to take a look at how we are going to help these small, medium, and large manufacturers compete and win. It comes down to incentive for investment. If you want these companies to make these investments, you have to give them the incentive.

We've been fighting for a long time for a two-year depreciation on capital cost allowance, and it wasn't even on the Department of Finance's radar in 2002-03. We need that. It will bring us in line with the U.S. We could write a piece of machinery off in two years instead of twelve. If you want to talk about your carbon footprint, or increasing efficiency and making yourself greener, one of the ways is through technology. Put the investment out there, let the companies invest, and let them write it off.

It's a bit of a challenge right now because a lot of the incentives we have are based on tax credits. In other words, you have to be making a profit to take advantage of them. I think this is the debate we have to take a look at moving forward to see how we can help all our companies invest in people, equipment, in the companies, and in Canada. I think that's really what it comes down to.

**Mr. Marc Garneau:** Thank you.

This is somewhat tangential, but I'd like to hear both of your views on HST, particularly because a lot of the manufacturing sector is in Ontario.

**Mr. Dan Kelly:** Sure, I can start with that.

We have mixed views, quite frankly, with respect to the HST. We have members on both sides of that equation. We have surveyed our members repeatedly in different provinces of Canada. We ultimately did support the HST in the three Atlantic provinces that harmonized taxes, but it was a bit of a different environment, in that the rates of taxation also came down significantly at that point in time.

In Ontario, and as it is proposed in British Columbia, the rates are staying the same, so there is no real consumer advantage on the surface of this decision. Clearly many businesses will benefit, and they will benefit significantly. The addition of input tax credits to the provincial portion of sales taxation is a huge advantage to many sectors of the economy, and we get that. But there are many of our members who are very linked to the consumer economy, and they are in the sectors that do not have a provincial portion extended to them right now. They are very much concerned about that.

We have put forward a few principles that we think are important for governments to consider in harmonizing sales taxes. One of them does seem to be clearly missing, and that is some form of overall rate reduction through that process. We think that in Ontario, for example, if there were even a point lower for consumers as a win from this, the acceptance of the new harmonized environment would

be much, much greater. Consumer advantage would clearly be one piece we want to see.

One thing that is happening, which is good, is visibility. We are encouraged that this is still going to be a visible form of taxation. We've written to all the ministers of finance across the country outlining the kinds of things we want to see happen.

I know this isn't a complete answer to your question, but there is a real mixed bag of reaction among the small and medium-sized business communities.

• (1600)

**The Chair:** Thank you very much, Mr. Garneau.

Do you have anything to add to that, Mr. Brownlee?

**Mr. Jeff Brownlee:** Yes, but it's a bit of a different view.

CME has been leading the charge, I guess you can say, in B.C. and Ontario on this issue. The dividends for manufacturers are immense. I have never seen such a huge political campaign against this as in B.C. and Ontario. Again, we are out in front of it.

I think all you have to do is look at Atlantic Canada. My esteemed colleague here at the table brought up a good point. It's not exactly the same, but in general it is. We did a lot of research with our members in Atlantic Canada to see how it benefited them. At the end of the day, we didn't see any downside. It was all upside for them. It gave them a few more tools they needed to improve their efficiency or to open or search for new markets.

Again, you're not being taxed every time you turn around. It's a little more streamlined. It's a little more of a progressive tax in that you know what you're going to have at the end of the day.

**The Chair:** Thank you, Mr. Garneau and Mr. Brownlee.

We'll go to Monsieur Bouchard.

[Translation]

**Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ):** Thank you, Mr. Chair.

I thank the witnesses for their appearance before the committee today.

Could you tell me which sector has been most in trouble, either amongst the small and medium-sized businesses or in the manufacturing industry? Was a given sector more affected, or were the operations in the industry as a whole generally affected?

My question is to one you three.

**Mr. Ted Mallett:** I will answer in English if I may.

[English]

The most difficult sectors, we discovered, were manufacturing and the transport sector. These are industries that are related to one another. In particular, businesses in the independent truck transport industry, which are primarily owner-operated, were having a very difficult time. You'll still see from our current survey that this particular sector is having extreme difficulty.

On the depth of the recession, as we measured it, really the worst part was December, January, and maybe even February of this year. It was deepest within the manufacturing sector as a whole, typically for the export-oriented manufacturers.

We can track our membership by a four-digit NAICS category. We're able to get into some very specific groupings of individual businesses. We can provide you with additional detail if you want on that kind of information. It was typically on the goods-producing side. To some degree, it was agriculture as well, but among our membership it was pretty well construction, manufacturing, and transport that fared the worst.

[Translation]

**Mr. Robert Bouchard:** Thank you very much.

Mr. Kelly, you said in your comments that you can see a skills shortage coming that could compromise the viability of small and medium-sized businesses.

Is this problem felt more in remote regions or can you see businesses in bigger cities experiencing the same problem?

Is there a difference, or is the situation the same everywhere?

[English]

**Mr. Dan Kelly:** Yes, in fact you're certainly responding to something we have noticed. The problem in rural communities is often more significant with respect to the shortage of labour than it is in larger cities. One of the reasons behind that, of course, is access to immigration. No look at our demographic profile can suggest anything other than the fact that we should expect a continued increase—again, ebbing and flowing over time—in the concern over the shortage of labour.

I recently moved to Ottawa from Alberta, where the shortage of labour was the most significant in Canada. I have to tell you that in small communities across the province it was a significant challenge. The resource sector was gobbling up employees from all sorts of small communities. In those communities, there aren't a lot of young people coming up into the labour force an employer can depend on to fill jobs done by people who have been lost in that transition.

Yes, rural communities are definitely hit harder and have fewer options. In larger cities it is a significant problem, but access to immigration makes it a little bit easier.

• (1605)

[Translation]

**Mr. Robert Bouchard:** Mr. Kelly, concerning the \$57 billion surplus in the EI fund which the government kept for itself, are you demanding the complete reimbursement of this money? What are you asking for?

[English]

**Mr. Dan Kelly:** We recently did a major study on employment insurance, and in that report we did ask that the entire \$57 billion be refunded—admittedly over time—back to the employment insurance fund so that we do not see these kinds of dramatic increases in premiums over the next little while. Yes, our ultimate goal is to see the \$57 billion returned to the employment insurance fund.

Right now, \$2 billion was put into that fund as an initial startup. That was, of course, a nice start. I want to be very clear about this: the decision the government made very recently to create the new Employment Insurance Commission was the right one. It had been ignored by governments in the past. The fact that we do now have a fund that will protect the EI base and allow it to maintain its own revenue to ensure we don't get into this glue in the future is a very good thing.

Unfortunately, the timing sucks. The fact is that we have now started this fund at the beginning of a recession, and it has meant that we now are in desperate, desperate straits with respect to employment insurance.

I am hoping we can come up with a solution. We're trying to be reasonable about this, but ultimately, yes, that money was taken out of the pockets of employers and employees across this country who were paying higher premiums than were needed to pay for the cost of the program. Ultimately, we think over time that money needs to be returned.

In the short term, we figure that at least a reserve of \$10 billion to \$15 billion would help us ride out this kind of time. At the very least, we're hoping that governments, again using the methodology that was already put in place in the 2009 budget, can help us through this particular challenge, so we don't see huge increases in employment insurance over the next decade, which we will see for sure.

[Translation]

**Mr. Robert Bouchard:** My next question is for Mr. Mallett.

You said that small and medium-sized businesses are a factor of economic stability, and that, correct me if I am wrong, job losses occurred mainly in big businesses, those with a thousand employees or more.

Is that because small and medium businesses are often operated by their owner and bigger business are managed by a number of owners or shareholders? What is your feeling about that? Should the government's assistance go more to the small and medium-sized businesses?

As a matter of fact, my question is twofold. Is it a matter of proprietorship? And should the support be given more to small and medium-sized businesses as opposed to big companies?

[English]

**Mr. Ted Mallett:** That's a very good question. The answer to it is related to the dynamics of a workplace, whether it's small or large. Large workplaces have specialized help in human resources, they're always recruiting, they're hiring at all times, and there are people leaving at all times. In a business with say 500 employees, there's always going to be a churn of several dozen or many, many employees year to year. A smaller firm, say, with only five employees, doesn't have nearly that kind of turnover.

• (1610)

**The Chair:** Thank you.

Did you have something to add to that, Mr. Mallett?



**Mr. Ted Mallett:** Well, I was going to say the loss of one person in a five-person business is 20% of the workforce, so a small firm is not going to want to let employees go unless it's absolutely necessary, because they know—and it's related to the issue of the shortage of qualified labour—they have difficulty rehiring the kinds of skills necessary. That is part of the reason you see a little more stability in micro-businesses when they have the opportunity to do so.

**The Chair:** Thank you very much, Monsieur Bouchard.

Thank you, Mr. Mallett, Mr. Kelly, and Mr. Brownlee.

We're going to have to suspend this meeting, because the bells are going for a vote.

Mr. Brown.

**Mr. Gordon Brown (Leeds—Grenville, CPC):** Mr. Chair, we're getting some really good input today, and it looks like we may not be able to come back again today. Is it possible for us to have the witnesses back again very soon?

**The Chair:** Yes, we could do that.

The vote is at 4:38. I'm going to suggest that we reconvene at 5:15 to reconsider the motion Madam Coady put forward. Let's reconvene at 5:15, after the vote, and we'll still have 15 minutes to consider committee business.

We've received your briefs that you've provided. My apologies. This is an unscheduled vote. We'll definitely incorporate those and we can have a discussion at some other point about having you back to answer further questions.

Mr. Masse.

**Mr. Brian Masse (Windsor West, NDP):** Do we have enough time to at least get in the last two rounds of questioning? We're close to the Hill. I don't know.

**The Chair:** Is it the wish of members to have two more questioners? It's a 30-minute bell.

There are some reservations.

The Standing Orders say that as soon as the bell goes I really have to suspend the meeting.

**Mr. Mike Wallace (Burlington, CPC):** The rule of the House, Mr. Chair, is that the two opposition whips can decide at any time, once the bells are going, to have the vote. I would prefer to be there than not.

**The Chair:** Okay.

We'll suspend and we'll reconvene at 5:15.

The meeting is suspended.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1710)

**The Chair:** We're coming out of suspension, and we're into the consideration of committee business, in particular, the motion from Madam Coady.

Madam Coady, could you move the motion into the record?

**Ms. Siobhan Coady (St. John's South—Mount Pearl, Lib.):** I will read it into the record, sir.

I move that the Minister of State for Western Economic Diversification, the Minister of State for Economic Development Agency of Canada for the Region of Quebec, and the Minister of State for Atlantic Canada Opportunities Agency be invited to appear before the industry, science and technology committee on or before December 2, 2009, to discuss the supplementary estimates of their respective departments.

**The Chair:** Is there any discussion?

**Ms. Siobhan Coady:** Am I allowed to speak to this motion, sir?

**The Chair:** Sure, go ahead, Madam Coady.

**Ms. Siobhan Coady:** Thank you very much, sir.

The government has come to Parliament to seek about \$4.9 billion in expenditures that were not included in the main estimates. I think it's our fiduciary responsibility to review these estimates. Advance notice is given specifically to permit committees of the House of Commons sufficient time to scrutinize proposed spending plans prior to the introduction of the appropriation acts. As a component of this review, I believe it is incumbent upon this committee to gather the most accurate information possible concerning the relevant votes so that our study of supplementary estimates may be an informed one.

**The Chair:** Thank you very much, Madam Coady.

Mr. Lake.

**Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** I hate to ruin it. We're saying December 2. That's okay. It's on or before December 2. That's fine.

**The Chair:** Seeing no further discussion, I will call the question.

(Motion agreed to)

**The Chair:** We will invite the ministers mentioned in the motion. The motion is adopted, so we will invite them, and I am going to suggest that we have a review of the supplementary estimates next Monday, November 30. That is when we'll try to get the ministers to attend. I look forward to having a fulsome discussion.

Thank you very much for tabling that motion.

- (1715)

**Ms. Siobhan Coady:** Okay.

**The Chair:** Without any further ado, this meeting is adjourned.





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