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Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

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• (1135)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I would like to call the meeting to order.

I want to mention a couple of changes, if I have the permission of the committee.

First of all, because of the votes, our time is really tight.

There are a couple of changes. Mr. Ravnat has a motion for committee business. He's graciously said he can handle that on Tuesday. Mr. Easter has a couple of motions. He's not here. So we'll do committee business on Tuesday, if that's okay with the committee.

To be able to speed this up and give opportunity for our witnesses, as well as proper questions and answers, I've asked all the witnesses to present first, and then we'll open it up to questions and answers. That way we can get as strong a dialogue as we possibly can, if that's okay with you.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Just quickly, Mr. Chair, if you want to shorten the question and answer period, instead of seven-minute rounds, if we moved right to five minutes, more members would get a chance to speak.

The Chair: Do you want to do the five-minute rounds and have everybody have a chance...?

An hon. member: That's fine.

The Chair: Okay, we'll do that. That's fine.

Okay, very good. We'll proceed, then.

We want to thank our witnesses for coming. We have, first of all, Mr. Laurin—thank you for coming again—from the Canadian Manufacturers and Exporters; Mr. Clarke, from Mobile Detect Inc; Mr. Linton, from Clearford Industries Inc.; Mr. Chiasson, from Plasco Energy Group Inc.; and then Mr. Shah, from Cubex Limited.

So thank you for coming. We'll start with your interventions. We'd ask you to keep them as tight as possible and we'll get through them and get on to questions and answers very quickly.

Mr. Laurin, the floor is yours.

Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers and Exporters): Thank you, Mr. Chair. *Bonjour à tous.*

It's a pleasure to be back before the committee today on behalf of the Canadian Manufacturers and Exporters to take part in your consultations on the Canadian Trade Commissioner Service.

This year marks CME's 140th anniversary. Our association's inception dates back to December 1871 in Toronto, when a handful of manufacturers in a gaslit room decided to found the Canadian Manufacturers' Association. Only a few years later, in the 1890s, CMA, as we were known at the time, founded the forerunner of the Canadian Trade Commissioner Service. You could say our interest in having commercial representation in countries where our members do business goes back a very long time.

While the role of the trade commissioner service has evolved over the years to keep up with changing business needs, it continues to play a very critical role in ensuring the success of Canadian companies in markets around the globe—and we'll hear from some examples today.

In my opening remarks, I'd like to say a few words about why we think the trade commissioner service is more relevant today than it has ever been, what its role needs to be today and in the future, and what it can do to continue to improve the services it provides to Canadian manufacturers and exporters.

First of all, I want to put on the record that we believe that the trade commissioner service is more important than ever before to the success of Canadian businesses and of the Canadian economy. The changing nature of manufacturing and international business makes it critical for Canadian companies to be globally competitive and able to connect with global supply chains. As manufacturers increasingly invest in innovation and become more agile, specialized, and able to serve niche markets, the more they need to find customers, suppliers, and business partners everywhere around the world.

Moreover, given the current economic slowdown affecting the North American and European economies, given the increased risk of doing business in the United States, and given the need to find new customers and partners around the world, the business case for having a vast global network of trade commissioners in some 270 locations in over 180 countries is stronger today than it has ever been, in our opinion.

As to what we think the role of the service needs to be today and in the future, in general terms, I think we should view it as a partner working with companies toward the objectives of growing sales in existing and new markets, facilitating Canadian foreign direct investments abroad, attracting and retaining foreign investments here in Canada, and helping Canadian businesses cooperate with other companies in foreign markets in areas such as technology, innovation, or venture capital.

The types of services that we need trade commissioners to continue to provide on the ground include a number of things. I won't go into too much detail, but these include things around providing market intelligence, connecting businesses with the right people in target markets, advocating on behalf of Canadian companies when we need the government to address a market access issue or when we need the government to support a Canadian company directly in a foreign market. Finally, we also use the trade commissioner service regularly as a first point of contact for connecting companies with the federal and provincial services available to exporters. In other words, you'll call up a trade commissioner because you have a relationship with them, but they'll sometimes connect you with services provided by other departments and sometimes other governments.

Many of these services are provided on a transactional basis, but I think as Canadian companies become more established in markets around the world, we see a growing need for more sophisticated, relationship-based services. That's especially true in markets like the United States, where it's important for Canadian companies to diversify their sales into new markets. But we also need to maintain our position in markets like the United States where we already have a strong foothold and face stronger competition. I won't go into too much detail, as we can talk about this a little bit later, but some of these relationship-based services include things like advocacy, investment attraction and retention, setting up innovation networks, and helping Canadian firms connect with global value chains.

• (1140)

I want to say a few words about advocacy, especially in the United States. We've been hearing lately about the Buy American issues that Canadian companies are facing. This is just one example of the very valuable service that trade commissioners have been playing throughout the United States over the last several years, not only helping companies to get waivers and working with local governments to ensure that Canadian companies continue to have access to local procurement markets, but also by advocating on behalf of Canada. As you know, all politics is local in the United States. Having trade commissioners and representation in various parts of the United States developing local allies and getting our message out, I think, has been critical, not only for companies affected by Buy American issues but also, for example, for ensuring future development in the oil sands.

I know you want to hear from some of your other guests, but we would first like to make some recommendations on the future of the trade commissioner service. Historically, the service has shown a willingness and an ability continually to improve its performance and meet the changing needs of Canadian businesses, but I think there are a number of recommendations we can make. There's a bit of a need for better coordination with new trade agreements. I think

the implementation of a free trade agreement often provides Canadian companies with a comparative advantage in foreign markets. I think we need to leverage the attention that a new FTA brings us to help grow a Canadian presence in these foreign markets where we do have FTAs.

Colombia is a really good example. We've seen a number of Colombian companies look to Canada because we now have an FTA with them, and the United States doesn't. The United States will have one soon, but I think we've got a bit of an advantage there that we need to capitalize on.

I'll end my remarks there. We have some other recommendations and we'll be pleased to provide them to you in writing. I'm pretty sure my time is close to being up so I'll leave the floor to the other guests. We'll be pleased to answer any questions you may have.

• (1145)

The Chair: Absolutely. Thank you very much.

Mr. Clarke.

Mr. Chris Clarke (President, Mobile Detect Inc.): I'd like to start by thanking the chair and the committee for this opportunity to speak.

My name is Chris Clarke. I'm with Mobile Detect Inc. and am the co-founder and president of the company.

Founded in 2004, Mobile Detect is a small Ontario-based company. We're an innovator in counterterrorism technology, specifically radiation detection security systems. Mobile Detect has worked with the Department of National Defence's research and development branch, DRDC, in making investments to develop and deploy novel radiation security systems in airports, with police forces, and in transit systems.

As my colleague spoke very broadly about the value of the trade commissioner service, I'm going to talk very specifically about my experience with it, so I think it will be a very different perspective.

Jan Vogtle at the trade commission was one of Mobile Detect's first contacts and used her network of contacts as a springboard to introduce and assist Mobile Detect through her colleagues in the United States and overseas. She, and later her successor, Shezara Ali, in Toronto have continued to provide ongoing assistance.

When Jan was a trade commissioner based in Toronto, she introduced Mobile Detect to Sean Barr, who was then trade commissioner in San Diego. Jan arranged for Sean to visit our radiation detection and security installation at the Ottawa International Airport in March of 2006. The visit was scheduled for an hour but ran for several hours, and this connection has played a critical role in the success of Mobile Detect. I could talk about other connections that have been made and other assistance from other trade commissioners, but I think this one really illustrates the power of the assistance we've received.

My business partner and Mobile Detect CEO, Dr. Robert McFadden, and I demonstrated to Sean our technology in operation at the airport. We explained our business plan and asked for Sean's help. We explained that Mobile Detect had been selected to participate at the Coalition Warrior Interoperability Demonstration, CWID, sponsored by the U.S. Joint Chiefs of Staff, in June of 2006. Mobile Detect went on to be very successful at CWID 2006 and was named a top performer, Canada's only top performer at that demonstration.

But we have had our challenges. We were definitely the very smallest company at CWID. We were working beside companies like IBM and some of the huge defence contractors in the U.S.

It's worthwhile to take a few minutes to describe in concrete terms the linkages created by Sean Barr, traceable back to that initial meeting. Sean introduced Mobile Detect to a non-profit organization in San Diego called The Security Network, and arranged for the Mobile Detect CEO to speak at a San Diego security network conference while he was in San Diego for CWID.

At that conference, Sean introduced Robert to senior decision-makers at Cubic Corporation, a billion-dollar corporation based in San Diego. Sean and his successor, Sreemoyi Sanyal in San Diego, and consuls general Alain Dudoit, and later, David Fransen, helped Mobile Detect forge links with Cubic and helped Mobile Detect manage that relationship for years.

This relationship led Mobile Detect and Cubic to make joint proposals to California Homeland Defense and to Canada's CRTI program, organized by DRDC. Mobile Detect and Cubic were awarded funding to place this DRDC investment in L.A. transit systems in 2008. Unfortunately, the funding was later revoked due to California budget issues.

In 2007 a proposal to DRDC's CRTI for radiation and explosives detection system development for transit security in Canada was approved, leading to a contract in September of 2010. This new investment by DRDC is maturing a unique radiological and explosives security system, which will be trialled in Edmonton in March of 2012, to provide ongoing counterterrorism security to Canada and our allies.

With the assistance of the trade commissioner team in San Diego and Consul General David Fransen, an important business deal was reached between Mobile Detect and Cubic in February 2009, a five-year basic ordering agreement and licensing agreement. This agreement grants Cubic exclusive rights to Mobile Detect products in the transit sector around the world in exchange for financial compensation to Mobile Detect. We're really partners now.

• (1150)

Sean also introduced Mobile Detect to ProFinance of San Diego. ProFinance has been Mobile Detect's investment banker since 2007. This relationship with ProFinance has given Mobile Detect key opportunities to commercialize the investments made by DRDC and Mobile Detect.

What if the trade commissioner service had not provided the local San Diego market intelligence, market knowledge, and networking to us? We at Mobile Detect are well aware of what the answer would be. The cost and time to make similar contacts would have been

high, if not prohibitive. The senior executives of large corporations would not have been accessible to a small Canadian innovator. Mobile Detect would not have been able to bring DRDC investments in Mobile Detect to the security market of California, the eighth largest economy in the world.

This natural synergy among DFAIT, DRDC, and Mobile Detect has resulted in moving the investments Canada has made in cutting-edge security technologies toward commercialization and availability, enhancing public security around the world

Mobile Detect is, in effect, a shared client of both DRDC and DFAIT, which have an equal interest in the successful commercialization of Mobile Detect's security technologies. I believe that it will be to Canada's economic and trade benefit, as well as to its security benefit, to strengthen and continue the working relationship between the trade commissioner service, DRDC, and innovators, including small companies like Mobile Detect.

Thank you very much.

The Chair: Thank you.

We'll go to Mr. Linton.

Mr. Bruce Linton (President and Chief Executive Officer, Clearford Industries Inc.): Thank you for the invitation.

I'm Bruce Linton, the CEO of a company called Clearford Industries.

Clearford, I think, is similar in some ways to many companies in Canada, in that we have a long history going back more than 20 years, yet we're a small company—and we would have remained a small company or even disappeared if we had stayed in Canada. In 2009, we determined that our future would be much brighter if we exported to the part II countries—the developing world—as defined by the World Bank, .

In 2009 we had almost exactly enough capital in the bank to allow us either to spend all of it pursuing international markets or to spend half of it pursuing international markets and then failing there and probably at home. So our board decided that it would all be for the international markets—100%. In the first year, we had to validate our product in that market. We have a method of collecting waste water and converting it into two outcomes: clean water for reuse and biogas that gets carbon credits and makes energy.

We thought that if we could be successful in the first 12 months, we'd be able to raise sufficient capital to continue the business. It's from that perspective that we made contact with the trade commissioners. We had an urgent and focused priority. I should add that the only reason we knew about them is that there was a deputy minister of Foreign Affairs three years ago who took the list of the top 40 under 40 award recipients in Ottawa, sent each of us an invitation to lunch, and said she would like to meet us. A free lunch sounded good, so we all went. Her name was Marie-Lucie Morin. I paraphrased her message, when it was my time to speak, which was, "If you need help, call the government". She essentially confirmed for us that there were 1,300 people around the world who could work for free for us, if we were smart enough to call them, and that we should. And we did.

It was from that baseline knowledge and that perspective that we made contact. To date we've used twelve offices in eight countries to pursue and establish our initial contracts in Peru and India. We believed that the lineup to buy our offerings, as a second customer in those geographies, would be quite substantial. To get the first contacts was quite difficult. We relied on two things for every prospect and project that we were pursuing. One was the trade commissioners, and the second was political missions, which I would argue the trade commissioners were quite active in organizing. They put together teams. What they did for us was bring to the room the people who could either be our customers or our partners, and it's from that perspective that we moved forward.

If I were to offer one input on something that I think could make it faster for us in other countries, and for any small to medium enterprise following us, it would be that trade commissioners not be organized according to what its clients like us do. We're broadly called clean tech. I think everything's clean tech. I did a presentation in India and asked everybody who's not in the clean tech business to put a hand up, and not one person put a hand up. There were about 400 people in the audience; they were all in clean tech.

What I would ask is that the trade commissioners reorganize based on outcomes, which are purchases by end customers. In our case, our procurement is either with a private sector developer or a municipal corporation responsible for water and infrastructure. On that basis, they would be measured on how many new clients or end buyers are procured for the small to medium enterprises that enter the country. It would either be on the basis of an incremental bonus or a core goal. I think the procurement process in many of the countries is more complicated than about just discovering the need or the potential customer.

I'll leave it at that. I'd be happy to answer detailed questions on our technology, but I suspect that not many will arise on how you collect sewage more efficiently in the developing world.

• (1155)

The Chair: Thank you very much. That was interesting.

Mr. Chiasson.

Mr. Edmond Chiasson (Vice-President, Public Affairs, Plasco Energy Group Inc.): Bonjour.

My name is Edmond Chiasson. I'm vice-president of public affairs for a company based here in Ottawa called Plasco Energy Group.

[*Translation*]

I am an Acadian, but it would be easier for me to make my comments in English, if possible.

[*English*]

Plasco Energy is actually quite an interesting story of the collaboration between government and the private sector, going back some 30 years when the technology was developed largely with the National Research Council, and as recently as a few years ago when we did a partnership with SDTC Canada, which is still very much in business.

It's quite encouraging to hear positive comments about how government can be a positive force for the business community, and that's certainly been our experience at Plasco. From eight people about five years ago, the company today has 120 people here Ottawa and a commercial-scale demonstration project, and we've raised over \$300 million in private capital.

Why have we done that? From the very beginning, we've been of the view that the market has to be the world. In fact, the world is flat, and it doesn't matter where we go in terms of potential customers, because people want to know if we are the best at what we do. Being the best at what you do can be very difficult, so you have to be ambitious and look wherever you can to get some help that can be useful to you.

As we've wandered into the global world, we've always started by saying, "How do we get moving?" I have to say that the trade commissioner service has been a good first port of entry for us, in terms of the various points that we've already heard from the previous witnesses: its understanding of the local market, its strategic advice, and its professional people who are quite keen to be helpful in what we do. It's pretty obvious that if we're successful through their efforts, we're going to be more successful in Canada. So it really is a win-win relationship.

More important than anything else from our vantage point—and I think we should be quite proud of this—is the value of the Canada brand. When you're doing business in another jurisdiction and your own government speaks up on your behalf and validates what you do, indicating that you are legitimate, that you are in Canada and have a certain number of employees, and puts the maple leaf on what you do, that carries a lot of weight in the eyes of other jurisdictions. This is truly a wonderful country to come from.

Like Bruce, I think it's fair to say that things can always get better. We can get better at what we do, and local offices can get better at what they do. In a network as large as the trade commissioner service, some offices are going to be stronger than others.

I got an email at five o'clock this morning from our high commission in London and another email about two hours ago from our counsel in New York City. These two jurisdictions are working with us on possible opportunities for Plasco. It's very encouraging to see a proactive attitude; they're not simply waiting for us to hassle, bug, push, and shove to get their attention. They seem to have a very professional attitude that says, "Let's see how we can work together for you, Plasco, and for Canada".

Thank you.

The Chair: Thank you very much.

Mr. Shah.

Mr. Hemant M. Shah (Director, Western Asia, Megamatic Drilling Division, Cubex Limited): Thank you.

Good morning.

My name is Hemant Shah. I'm from Winnipeg, and it's my honour and privilege to be here.

You just stole my heart—I'm talking about the trade commissioner service, TCS. I am the product of TCS. Thirty seven years ago I landed in Winnipeg, going from plus 30 degrees to minus 30.

Voices: Oh, oh!

Mr. Hemant M. Shah: And after three months, I never needed a parka because TCS adopted me into their family.

I'm going to talk about me and my company, Cubex Limited. Today we are a world-renowned manufacturer in Winnipeg of underground and surface mining equipment. There are only three companies in the world: two are in Finland; one in western Canada, in Winnipeg.

We started with 16 employees. Today, we have 150 employees. We are still a family-owned company. We are selling Canada to the world in 29 countries. Wherever the mines are, Cubex equipment is there, and we are there because of the trade commissioner service.

I remember 1977, the old days. I don't know how many people have seen the old days of Industry, Trade and Commerce. There was no DFAIT. It was ITC, then it became DRIE, then it became Foreign Affairs. I've seen that transition. When we walked into that office, they really helped us out, giving gave us a contact and a referral as well. And wherever we wanted to go into a market, they did the due diligence. And that was it. Our first success led to lots of other successes. I can go on. I can write the big book on the TCS, how they helped us and helped the company.

Whenever we needed help, TCS was there. They took us on a trade mission. When we wanted referrals and contacts, they gave us the contacts. Today we are successful in the market, but we work very closely with them.

I recently came back from Saudi Arabia. Nobody knows mining in Saudi Arabia, but because of the trade commissioner service, we did a workshop there. We did the same thing in India. So we work very closely with them.

In the end, I'll just say that TCS deserves big kudos. This great service lets Canadian exporters use that service.

I have only one recommendation for the TCS: focus on small- and medium-size business. Big players have their own channels and their own money; by hook or by crook, they're going to do business. But small or medium size businesses have limited budgets and limited resources. So the trade commissioner service should focus a little more on them. Big businesses have their own channels, they have their own money, and they'll do business.

Thank you.

● (1200)

The Chair: Thank you very much, Mr. Shah.

It was great to hear from all of you about the success of the trade commissioner service.

We'll start with question and answer.

Go ahead, Mr. Ravnignat.

Mr. Mathieu Ravnignat (Pontiac, NDP): Thank you, Mr. Chair.

Thanks to the witnesses for coming and for your very interesting contributions.

As a member of the official opposition, obviously one of my interests is how well we are doing in the trade commissioner service. Also, given that it's one of the major tools that we have to compete, my concerns are related to how we compare to some of the other countries that we're doing business with.

It is in that spirit I ask my first question, which will be for everyone.

Several of you do business internationally, whether it be in Spain, the United States, or Saudi Arabia. When it comes to those countries, in your opinion, how do the services they offer their own businesses compare to Canada's, if you have any comparison? By those examples, how can we improve our own services?

The Chair: We'll leave it open to whoever wishes to answer.

Mr. Laurin, go ahead.

Mr. Jean-Michel Laurin: I can start. It's a good question to ask how well we doing and how we measure up against the competition.

I don't have any metrics, but I can tell you what I'm hearing anecdotally from a lot of our members. I usually hear good words about the trade commissioner service. We have several members here today—they are not exceptions—who have used the trade commissioner service. The types of comments we hear from them, as I think Bruce said, are that it's probably one of the best-kept secrets. So I think sometimes the challenge is to get more companies to be aware of these services and to be able to use the trade commissioner service effectively.

The other comment I hear, which gets more to your point, is that we need people on the ground in foreign countries, especially now with the threats of cutbacks and things like that. I think there's a bit of a concern that our resources might be fewer and farther between in foreign countries. The comment I often hear from Canadian companies is, "We go to a certain place and we see the Americans having a very strong presence, we see the Chinese having a very strong presence, and we see a lot of European countries having a strong presence," and that's not necessarily always the case for Canada, despite the fact that we carry a very strong brand. I think that's pretty explicit. So I think the we cannot stress enough the need to have more of these resources in foreign markets.

As to measuring the performance of our services, one of the things you might want to take a look at is the trade delegations that a lot of foreign countries have here in Ottawa, some of which operate a little bit differently than our own trade commissioner service.

Generally speaking, I think the level of satisfaction on the part of Canadian companies is quite high. There are obviously certain things that could be done to help improve the service.

I think it's important that they maintain the level of flexibility they've had historically, and not necessarily have all of their priorities dictated here in Ottawa, but be able to be flexible enough to meet the needs of businesses, depending on the market where you're doing business. I think Bruce's comment was quite clear in that regard, when he said everybody falls within clean tech. So focus on the results and on companies that are well-positioned to gain business in foreign markets.

I guess I'll end my comments here, but generally speaking, I think it's important to have boots on the ground.

But just to add to what Mr. Shah was saying, I think the needs of SMEs are specific. I think they were quite well explained by people here. And, yes, I think large companies might have more resources and sometimes have more people on the ground in these countries, but they still require very strong support from the trade commissioner service. To have an ambassador, to have a senior trade commissioner, there alongside a Canadian company in a lot of these foreign markets makes a difference, because all the other countries are doing it.

What I'm hearing from members is, "Sometimes we need our ambassador to make a phone call or just say a few words in support of our bid, or just be there alongside us when we're trying to get a specific contract or project off the ground, because all the other countries are doing it."

I think that's why you've heard business communities in recent years sometimes complain about—or actually, not complain, but probably support—the government, Prime Minister Harper, Minister Fast, and other ministers spending more time travelling to these other markets, because that's what other countries are doing. To have them lead missions and business delegations to these foreign countries makes a huge difference in companies' ability to get business in these markets.

• (1205)

The Chair: We'll ask Mr. Linton very quickly, as his time has gone, to add a couple of comments.

Mr. Bruce Linton: Perhaps I'm not referring to the countries you mentioned, but in Colombia we reached a free trade agreement.

I picture the trade commissioners as being one point on a sprocket, and there they were very sharp and onto it. But what surprised me a bit in Canada's effort to reach a free trade agreement there was that we did not have more of a product launch platform, if you will, to enable multiple departments to prioritize the introduction of Canadian companies to the requirements of that country. Colombia has been a priority, but we haven't experienced a cross-platform organization to try to make us succeed. Now, America is chasing us and we have lost our window.

Mr. Edmond Chiasson: I just want to comment. I'm not sure if this is part of your mandate, but at our company I've been surprised that two countries, the U.K. and France, have been very aggressive in meeting with us to go to France and make an investment there.

So to what extent is the Canadian Trade Commissioner Service—because it's part of our trade division—also saying, "We want to get foreign investment into Canada"? It's actually been quite surprising to have red-carpet treatment when we fly to London, because they are determined to get our company to make an investment, to create jobs, to build plants and manufacture there.

I think this should also be part of the trade relationship the service supports.

The Chair: Thank you very much.

Mr. Keddy.

Mr. Gerald Keddy: Thank you, Mr. Chairman, and welcome to our witnesses.

Jean-Michel, it's great to have you back again. It was only a couple of days ago that we were talking. And welcome to everyone else.

There has been a good, thorough, and interesting discussion this morning about the success of our trade commissioners and, frankly, also on some of the challenges that we face and you face as business people.

My question is going to come from a slightly different angle, and I'll give you an example. We have a trade commissioner service in place. We have our ambassadors in place. They do great work. I've been in many of their offices around the world and I used them when I was in business before coming to politics. I can't say enough good things about them.

What more can you do, as business people, not just to work with the trade commissioners but also with some of the provincial trade commissioners out there—and even on the municipal or city side?

I'll give you an example. We have a new NDP government in Nova Scotia. The previous government, and the previous five or six Liberal governments, in Nova Scotia had paid freight on a very small item, Christmas trees going to the Washington embassy. That enabled the our Canadian manufacturers association, all of the businesses and growers, to have a night at the Washington embassy. There would be a large tree in the outside atrium. They invited all of the senators and House representatives. They invited all the businesses in. They lit the outside tree. There would be the ambassador or the ambassador's wife or the president of the Christmas tree association of Canada. There would be greenery on the inside. It was a great promotion for the industry, but it was a great promotion for business. You brought the elite of Washington to a Christmas party at the Canadian Embassy, in view of the White House. That cost \$1,500 for freight because the trees were donated.

The provincial government cancelled that, I think, much to their demise, but at the same time they saw the value in other missions, for instance, to Vietnam and other places that cost a lot of money. I think there's a lesson here not to be penny-wise and dollar foolish.

What more can be done to take the existing system, the existing template, and work with our provincial partners and municipal partners to actually promote and encourage further trade and further participation from other levels of government?

Mr. Chiasson, I took notes of what you said. I think you talked about the ambassador's product launch.

●(1210)

Mr. Edmond Chiasson: Actually, I think that was Bruce's comment, but I'll say this, though. We have also worked with the Ontario government and the Province of Alberta, who have officers on the ground in various jurisdictions, and I have to admit that it has been our experience that they are pretty well coordinated. So the more people on the ground that are representing Canadian interests, the better.

Mr. Gerald Keddy: And on the product launch, because I think product launch is important, and Canadian brand and development of that....

Mr. Bruce Linton: One example, and I apologize if anybody's heard it before, as I'm giving it for about the twentieth time, is that we're regulated by provincial legislation because we're in municipal infrastructure. And when I'm in Chongqing, China, and am trying to explain our political structure, where our water is one guy's responsibility and the fish another's, it doesn't make a lot of sense.

When I think of a product launch and packaging for export that would speak to your provincial level, having references on adopted and proven Canadian technologies is very helpful. Any interaction from the federal to the provincial level so the trade commissioners and the companies would have a provincial-federal letter saying this company is a company in good standing and they have had operating systems for x number of times.... But what we usually get is a letter confirming the absence of negatives. When the letter says, to our knowledge there are no problems with this system and to our knowledge this system hasn't failed, that is not helpful when you're trying to export.

No. We need both the federal and provincial governments to come together and have a positive letter, and you would be amazed that it has not yet been possible to get that after two years of requesting it.

Mr. Gerald Keddy: That is an interesting point. It sounds like there's a little hiccup somewhere in the bureaucracy, and it's probably something we should all follow up on.

The Chair: Thank you very much.

Mr. Shory.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thanks to the witnesses. It seems that all of you are passionate, successful businesses with the assistance of TCS—or that's what I hear.

I heard Mr. Chiasson talk about how things can always get better. Mr. Shah also made a comment about how small- and medium-size businesses should be assisted as well.

We all understand, I guess, that 98% of the businesses, with all of that employment, are small or medium size businesses. We believe that the success of businesses lies in opening more markets. That's why, I believe, our Minister of International Trade has always said that trade is a kitchen table issue. We are working very hard to open new markets for other businesses as well.

You can appreciate that this government, in the last five years, has signed quite a few trade agreements—I believe nine—with other countries, whereas we see that some of our colleagues in some parties oppose free trade.

Would going into new or emerging economies such as China, India, Brazil, etc., and having access to all of these markets help your companies and other businesses to expand and to hire more workers, or would it hinder them?

●(1215)

Mr. Hemant M. Shah: It will always help when you go into a new, emerging market. If you look 20 years ago, China was the main market. Then the focus came on India. Now everywhere the focus is on India. It's not only Canada, but all around the world everybody wants to be in India right now.

Coming back to the TCS, when you have been in a market for the last 20 or 30 years.... When I used to travel to India, when India's economy was closed, there was 150% duty—the “licence raj”, we used to call it—and we exported during that time. But my suggestion here, or my point, is that the companies who are very successful in India today established that route, that joint venture or office, 30 years ago. Take the success from there. Use them as success stories when you are on a trade mission or doing a webinar. During missions the local trade commissioner calls the export people in India, but they should invite the successful companies that have done business in India over the last 30 years.

To answer your question, sir, you are correct: it will help. In an emerging market, you're going to create more jobs, and you're going to create more jobs in Canada. You're going to create more jobs in India and here. In both countries it's a win-win situation today.

Mr. Devinder Shory: Does anyone else have an answer?

Mr. Bruce Linton: I don't want to monopolize the discussion, but when we describe our company, we describe ourselves as having made a choice in 2009 to be from Canada. Our priority was to go to the emerging markets where GDP growth still existed. So I think any bridge that gets you from Canada, with the credibility of being Canadian, into those markets where there still is GDP growth at a real rate is helpful to the Canadian point of origin.

We have had no experience trying to use trade commissioners in the existing developed world. I'm thinking that if you were to add more senior contacts to the trade commissioner's resumé in the emerging markets.... In Ecuador, for example, our trade commissioner is a very senior person; the in-country person is very well-networked. That's probably more helpful in developing economies than in developed countries, and it might be an attribute of the seniority you'd seek in those trade commissioners.

Mr. Devinder Shory: Good.

We have companies here that are quite young, one that's six years old and another that's 140 years old. I can see the variation.

But tell me, when you get in touch with trade commission services, do you need them for just the initial contact or do you need their services on an ongoing basis?

A voice: Good question.

Mr. Jean-Michel Laurin: It depends. To give you an example, yesterday one of our member companies contacted me. They're trying to deal with the REACH regulations in the European Union. I put them in touch with a trade commissioner in Europe, who's knowledgeable about these regulations, so they can figure out how to get their product certified and available for sale in Europe.

Some of those services are very transactional; some are a lot more relationship-based. We heard about some of them today. It can take time to build a relationship with someone, but once you have that, he or she can open up several new doors for you, especially in countries like the United States. We heard a really good example of that today. I think that is type of service we see becoming more valuable going forward; it's more than simply a transactional service. In the United States, we're usually more familiar with how to manage risk in the markets there, but there is a lot of things that only a government trade commissioner can provide. In other words, you can't get that in the private sector. To have someone on behalf of the Canadian government opening doors for you and acting on your behalf can do wonders.

As I mentioned, we've been around for 140 years as an association. It used to be the case with the trade commissioner service that we would charter boats and take trade delegations across the Atlantic. I think things have changed quite a bit over the years. Now it's not necessarily so much about only promoting Canadian exports abroad, but I think that a lot of it also now involves helping Canadian companies invest in other countries and attracting foreign investment to Canada, especially with the large multinationals based in the United States and Europe.

A lot of the work the trade commissioners do in the United States that I'm saying is relationship-based involves maintaining that relationship with large multinationals based in New York or in Minnesota, or wherever, and making sure they keep Canada on their

radar screens so they will further invest in their operations and sustain jobs here in Canada.

• (1220)

The Chair: Thank you.

Go ahead.

Mr. Chris Clarke: If I may speak briefly, my experience has been that we do both. If I have travelled to Boston to make a presentation and have made a point of making an appointment ahead of time with the ITC there to sit down and have a quick meeting to talk about whom I'm going to be meeting, it has been very helpful. If there doesn't seem to be a real business potential there, that's the end of that branch of the relationship.

On the other hand, I've had very good ongoing and long-term relationships, particularly in San Diego and Washington, D.C. In those cases, the trade commissioners there have been able to really help establish business relationships for us with companies and government agencies. What has really impressed me about these longer-term relationships is that the company on the other side, or the government agency on the other side in the U.S., is so receptive to the ITC in the relationship. I've realized over time that it's because it's not simply about a push, that is, pushing Canadian companies toward the U.S., but it's such a helpful and productive and efficient system, from what I've seen, that these U.S. companies also effectively become clients of ITC. They know Canada as a country of innovators and small companies, and the large U.S. companies in particular will say, "Listen, I'm looking for technology in this field. I have a mandate to do this. You've helped me by bringing me these guys. Who else do you have? Do you have something for this?"

That has been very effective for us. It has been very good for Canada that ITC has been able to dig back and find companies to push into these U.S. opportunities, but that two-way relationship really allows for strong communication when I do go out and talk to one of those businesses. The door is open for ITC.

The Chair: Thank you very much.

You have had your time and then some. Ms. Moore.

[*Translation*]

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Thank you, Mr. Chairman. My questions are for Mr. Laurin and Mr. Clarke.

I am interested in everything involving public safety and defence technologies. It is an area of trade that is very specialized and that ties in with high tech. When all is said and done, it is governments that are the customers. It is a market that is extremely dependent upon the state of the global economy.

I would like to know what services you offer or how you go about assisting companies when the field in which they are engaged is directly linked to the state of the global economy.

Mr. Jean-Michel Laurin: I will start off.

Our association offers a variety of services to those companies that are members of our organization. One element of these services consists in being here today to represent them. We also have offices in each of the provinces throughout Canada. We help businesses share best practices. In fact, what we see is that private businesses often experience similar problems. Indeed, we have observed that a business involved in the defence sector can learn a lot from a business active in the field of infrastructure or renewable energy. For example, if the idea is to sell to governments in India, I am convinced that a businessman like Bruce would have recipes and good advice to provide to companies wishing to develop that market and who are involved in other sectors, such as that of defence.

Our role is to facilitate these linkages, this sharing of best practices. It sometimes happens that specific problems have to be resolved. We regularly, if not daily, receive calls from members facing problems in foreign markets. Our work consists mainly in linking them up with the right people. This is why, on a daily basis, I send business representatives to trade commissioners from all over the world. Often times, it is they who are in the best position to help these businesses.

I am less familiar with the defence and security industry. You might want to invite its association to appear before you. We do however have several members from that industry and I can say that several of them regularly call upon the services of trade commissioners. As you mentioned, they do so mainly because they are selling to foreign governments. A good portion of their clientele is government-based. It often proves very useful to be accompanied, during meetings, by a trade commissioner, when the idea is to sell to a government.

EDC also plays a very important role in a good many foreign markets. There is also the Canadian Commercial Corporation that facilitates the negotiation of contracts with governments. The government therefore does not just offer the Trade commissioner service. There are also other services available to exporters with specific needs.

A good portion of our role is to facilitate networking, the establishment of linkages between our Canadian member companies and the right resources on the ground. Indeed, it can take some time for a company to find the best trade commissioner in the world to help it develop such and such a market or resolve such and such a problem. The solution, as we were saying earlier, can sometimes be found at the provincial or municipal level. In short, our task is to connect businesses with the right resources.

• (1225)

[English]

Mr. Chris Clarke: I guess that was partially directed towards me.

You're right it is a complex sale. It's a long sale cycle. The defence and security industry is quite specialized and the ultimate customer for our equipment is government. So what we've had the benefit of, in Washington, D.C., in particular, is a trade commissioner focused on defence and security. We have had Rich Malloy and then Angela Dark and a successor since then.

We've essentially had a two-pronged attack with them that has been somewhat successful. One is that the commission there

organized several partners-in-security trade missions with symposiums and events at the Canadian embassy. Those were very helpful, very productive. Part of the market intelligence that we received from the trade commission was that a small Canadian company like ours was going to have real difficulty with a sales process to government in the U.S. Effectively, the message was that it's not realistic.

We were given help in identifying U.S. channel partners. That's exactly what this partners-in-security trade mission was about. To establish credibility in the U.S., it is wonderful going in with the Canada brand and hand-in-hand with someone representing the Government of Canada. But there's more to it than that. For my technology, we need credibility on the technological side as well as the security side. The staff in Washington organized several meetings with members of the Department of Homeland Security domestic nuclear detection office. That has been very helpful and they have since visited us in Ottawa and seen our installation here. It has led to simple and easy conversations when we meet potential new clients in the U.S., who ask, do you know so and so? Yes, we have four contacts in DND. They know all about us, because we met with them in Washington. It's been very effective.

• (1230)

The Chair: Thank you very much.

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

I'd just like to follow up with Mr. Linton, and then I have a general question for the others.

Mr. Linton, you said you'd like to see the TCS focus on outcomes, on securing contracts. Do you think that is a realistic way of assessing it, and how would that look? I'm sure in some countries it might be easier to secure contracts where there are more established relationships. I'm trying to figure out whether that is a fair measure of the service that's provided. Or do you see it as an additional measurement to determine whether or not they're doing the best job they could? That's question number one.

For my second question, also for you, you talked about a letter from the government. What kind of content would you see in that letter? You talked about having positives. Are they simply saying that this company was founded on such and such a date? There's limited ability for governments to promote, unless they've had personal experience. What can you put in a letter like that?

Those are my first two questions.

For the rest of the panel, starting with Mr. Chiasson, you talked about other countries coming to you asking your company to invest in their countries. It got me thinking, what do you see other nations' trade service individuals doing that we should be doing here in Canada?

The floor is yours.

Mr. Bruce Linton: It's probably a selfish measure in terms of the objective of a small business exporter. I think it is an incremental measurement of how one could measure trade commissioners. But it would give an orientation to their organizational structure and procurement processes of the end client. I don't know if you could measure it at that level, or in terms of outcomes.

I think the measure of past and current trade commissioners is their knowledge of what the companies coming in do, and their knowledge of the broader market with respect to the problem you might solve or the benefit you might bring. So you end up at the door of the customer. They may or may not have some contacts with that potential client. I'm encouraging placing a priority upon keeping a current organizational chart of the water board, if the municipal government is one of the purposes or targeted clients. That matters because you would probably begin the process of introducing your solution to the end client higher up, and sooner than we necessarily do now.

Regarding the letter, my assumption is that the letter references domestic suppliers, so most of the Canadian exporters aren't necessarily trying to find their first customer outside the country. It's for those that already have resident reference sites, which we've had for 20-plus years in Canada. We have reviews by the regulator confirming that the system operates. I'm looking at generating positive references for companies going into the market—and you'll see this if you look at what Australia and Germany do. What you want to do, when the person buying the system fills the folder saying why they bought it, is to use the red and white camouflage that's possible. That letter acts as red and white camouflage to confirm that a small company from Canada has a good system. “Small” from Canada is considered minuscule when I'm in India or China. Because of this concept of scale, we never ever want to represent a 50- or 20-person company as too unimaginably small to buy a big system from.

So those would be the two additions to make. I offer them in a very positive way.

I like what we do; I just want more.

The Chair: Mr. Chiasson.

Mr. Edmond Chiasson: I think something we're learning as a company is the expectations we should have when dealing with our trade commissioner service. That's a very fair question.

I actually couldn't sleep the other night, so I looked at the testimony of some of the previous witnesses who appeared before this committee. I saw that Mr. McGovern spoke about the value of relationships and about how the trade commissioner service really tries to maximize the value of those. That gets difficult when you are expecting someone, in some office somewhere in our case, to actually say, “We're going to help your company convince this local market that you're the greatest thing in the world”.

I think part of what could be done early on, for companies that deal with the trade commissioner service, would be to set a reality check of expectations with regard to what's really possible and doable. They can give strategic advice. They can understand local market conditions. In my view, they could be stronger at understanding public policy, which is something that's really a

matter of their training and doesn't have to do with the sales cycle, and which can be extremely important to a company such as ours working in environment and energy.

I think it would be very fair to have a sense of the expectations, because I agree with you that at the end of the day, we have to sell our own value added. I made the point about the Canada brand; I think any effort to bring that to the table is extremely helpful.

In terms of other countries, I just raised it because I've had personal experience. The U.K. and France called us up and brought us in. They had done a lot of homework about our company, and they actually said, “We want you to come to our country and make an investment and participate in our communities and create jobs”.

So I'm just asking, because I don't know, are we doing that in Canada? That may be something we should be looking at.

● (1235)

The Chair: Very good. Thank you very much.

Mr. Côté.

[*Translation*]

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you, Mr. Chairman.

To begin with, I am truly sorry that the witnesses had a mistaken perception of our position regarding free trade. I was compelled to correct the situation this week, with the European ambassador. I told him that we were in favour of the principle, but that we had different solutions to the same problems.

We are hoping that we will be able to move forward alongside all of our House of Commons colleagues and offer solutions or proposals that will provide us with the best possible agreement, be it with Europe or with other countries. We are working in the same direction. That being said, I now address myself to Mr. Shah.

I was very interested by your statement regarding small businesses. You said that the Trade commissioner service should focus more on small and medium-size business, perhaps even devote itself exclusively to it. I took you at your word. I hope that I have not misinterpreted your thinking.

Mr. Laurin, I do not know if you have received any complaints of this nature. Small and medium-size business managers have on occasion complained of being unfairly treated during trade missions compared with larger companies.

One must not hide from the truth. Even if Canada is a rich country, our resources are relatively limited. We cannot throw money out the window just like that.

Mr. Laurin and Mr. Shah, do you believe that the Trade commissioner service should concentrate more on small and medium-size business, even if it means excluding certain categories of companies? I am thinking of companies that have more than enough means to represent themselves throughout the world and who, more often than not, have well established activities worldwide.

[English]

The Chair: Mr. Laurin.

[Translation]

Mr. Jean-Michel Laurin: As for cases of supposedly unfair treatment of SMEs, no such case has ever been reported to me.

In my view, it would be a bad idea to use the size of a company as a criterion for the provision of a service such as that offered by the Trade commissioner service. If criteria must be set, they should reflect the fact that the company calling upon the service is financially healthy enough to have a reasonable chance of winning contracts internationally. In other words, it should be ready to export, it should have a business plan, resources and innovative solutions.

There are countries that do this. Australia, for example, works with our equivalent, the Australian Industry Association, in view of the preparation of export readiness reports. This is a test used to verify if the company is truly ready and if it has a solid enough financial footing to be competitive on the world stage, no matter what its size, whether it be a small, medium or a large business.

If there were one criterion to choose, it would be that the business be ready. If it is not, then it would have to be provided with adequate services in order for it to improve its competitiveness.

Mr. Raymond Côté: I must admit that I was very happy to learn that the services are very good and that you speak highly of the Trade commissioner service.

However, if you will allow me, Mr. Laurin, given that there is a cost to the taxpayer and given the resources of some categories of businesses, it seems to me that there is duplication. Some companies are being allowed to call upon services that they would have no difficulty paying for on their own. You see what I am getting at?

This is why what I had in mind was a rational use of these resources.

• (1240)

Mr. Jean-Michel Laurin: We live in a world where competition is quite fierce. I often hear it said that in Canada we are at a competitive disadvantage given the fact that companies based in other countries have access to more resources. The equivalent of the Trade commissioner service in these countries disposes of much greater resources and means.

I was talking about Australia, which is a good example. There are other countries as well that, for example, share in the costs relating to the development of marketing materials for the export market. They also share in the costs and risks related to the participation in trade fairs in foreign countries. Canada has had similar programs in the past, but cuts were made several years ago.

We must look at the situation of most of our foreign competitors. Let us look at the United States. President Obama has made a commitment to double exports between now and 2015. A lot of resources are thus being made available to American exporters with a view to developing export markets.

It is therefore important that we continue to have these services. The government must continue to provide them. We could perhaps have discussions as to the way of improving these services, but it is

important that this access be maintained and that this be done at the current rate.

[English]

The Chair: Thank you.

[Translation]

Mr. Raymond Côté: That is all for me, unless Mr. Shah would like to say a few words.

[English]

The Chair: He may not have understood or heard, because his translation was not on.

Mr. Hemant M. Shah: Bruce gave me what you were saying. Thank you very much. We are short of time, but we can talk about it.

Again, regarding small- and medium-size businesses, I heard my friend here say what other countries are doing. Let me tell you, Canada is blessed by people like me who have come from different countries: use them as trade ambassadors.

I expanded trade between Canada and India, because my motherland is India and my adopted home is Canada. That is how I made the bridges. This is what the trade commissioner services is doing a great job at; they're using these people. I've travelled in Saudi Arabia and in Vietnam, and they use the people from those countries. I don't care if the U.S. is spending double on expanding its exports to, and resources in, Australia.

Canada has a great trade commissioner service, and I think we should focus more on small- and medium-size businesses. Large companies have lots of money, and lots of taxpayers' money. They will make it themselves. Small- and medium-size companies need more attention.

The Chair: Thank you very much.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

I want to thank Mr. Shah for the last statement. As a government, that is clearly a significant point, in looking at the fact that 95% of our companies are small. Those are the ones that are hiring most of the people. I really appreciate that comment.

The other point I also wanted to touch on is this. When you have recommendations, I hope that we can hear about them when we're doing our study. I'm not looking for a hundred, but we are looking for a consolidation of priority recommendations, because I can tell you, the witnesses, that you are the envy of many agencies that sit at the witness table, in telling them how they are used and in making recommendations directly. That is encouraging in terms of being able to bore or narrow down on how we can make the service better. Those are the things we're really interested in.

The other part I'm interested in is your comment about how the market is a world. I have a question to each one of you. How much of your market is domestic? How much is international? We've been working on trade agreements. As you know, we're looking at another 40 or 50 trade agreements. How much of your business success will be dependent on our doing new trade agreements?

Secondly, regarding the value of the Canadian brand, which than one of you have mentioned that, I have a quick story. A small business in my riding was making a product, and they were struggling. The owner said that he could not believe that when they put the Canadian flag on the back of the product, so that anybody on the road could see read it, they sold the product. It made a huge difference. I asked him why that was so important.

So my question to you is why the Canadian brand is so important to the success of your business in the international world.

I want to start with Mr. Clarke, and then Mr. Chiasson.

• (1245)

Mr. Chris Clarke: Right now, I would say our revenues are approximately 50-50 domestic and foreign. For the security market, the standard rule of thumb is that 50% of the world market is the United States, and 50% of the rest is the U.K. I think Canada already has very well-established trade agreements with the U.K. and the United States. So that's really what our success will rely on: trade with the United States and the U.K., and vastly more so than sales within Canada.

In terms of the Canadian brand, there are a number of aspects. Some of it is genuinely a gut feeling that people from other countries have. Canada has been a very strong international player in peacekeeping, politics, and the United Nations. On the trade side, Canada has an established reputation of being trustworthy and having good intellectual property controls. An important aspect is that historically, when the TCS have spoken up and vouched for a company, it has in fact been a solid company. That's really what's behind the value we have seen in the Canadian brand.

Mr. Bev Shipley: Mr. Chiasson, do you have any comments?

Mr. Edmond Chiasson: We're still not making any money, but we're big thinkers, and we think we'll eventually make a lot of money.

Voices: Oh, oh!

Mr. Edmond Chiasson: When we look at the world today, we believe that Europe and China will be the large markets for what we do, which is the creation of innovative energy from waste technology, because they need to upgrade their infrastructure. In Europe there's a strong push to reduce waste in landfills and to bring in much better systems.

On the brand—to support what Chris said, which I thought was well articulated—Canada's environmental standards are particularly important for us. There's a sense that if you've gone through Canadian environmental assessments and regulatory frameworks, that's a very high standard that speaks well about what we do.

I'll leave it at that.

The Chair: Thank you very much.

Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and thank you to our guests here this afternoon.

First of all, we're celebrating small business week and the year of the entrepreneur. When my colleague Mr. Moore was the minister of small business and tourism, I know he was a strong advocate for small business as the economic engine that drives the economy.

Coming from a community in the Okanagan Valley in the interior of British Columbia, we have several small manufacturers. We have a fantastic trade commission that we utilize to help in the aviation industry, in forestry, and in trying to get our wine to other parts of the country—and not only Canada, but abroad. I thank you for sharing your stories here this afternoon.

As you know, there hasn't been a more active Minister of Trade than Minister Fast. In his five months in the portfolio, he has been to South America a couple of times. He visited Honduras with the Prime Minister recently. He just came back from China. He was in Japan and Morocco. As you know, it's important to have feet on the ground and to have the minister's representation. So that's fantastic. He's also working on the EU trade agreement and the other nine agreements we'll have in place in six years. So we're definitely opening markets, and we thank you for taking advantage of that.

But there have been discussions. As you know, we're looking at the global economic crisis and at our own fiscal house and are trying to look at achieving 5% reductions within the different ministries. We've heard a lot about spending more money, but can we find a way to utilize our resources more efficiently?

There's the cost-recovery model Mr. Shah alluded to for larger businesses. For SMEs, we generally talk about having over 500 employees. That's maybe 2% of the companies in Canada. So the other 98% would basically have the services provided for free.

Is that what you're alluding to as a cost-recovery model for the trade services, Mr. Shah? Does anyone want to answer that, or venture down that way and give some suggestions to the government about how we can be cost efficient?

• (1250)

The Chair: Mr. Clarke.

Mr. Chris Clarke: I think there are a couple of interesting ideas that have been put forward here about the difference between the needs and the abilities of SMEs. My particular emphasis is on the SEs. I think it's very important that Canada supports all of the companies in the country. It's critical to the success of the TCS and the relationships that TCS can build. However, I think there are some costs that could be adopted by the larger companies. That would perhaps allow some of the cost reductions you're looking for, but still support the growth of the small businesses, which are really the employers of the country.

The Chair: Mr. Laurin is next, and then we will go to Mr. Shah.

Mr. Jean-Michel Laurin: It's a good point. When you talk about large companies, the services they require are often different. For example, when the French trade minister goes to meet with his counterpart in a foreign country, the ambassador and some trade commissioners will be alongside him making the point that the French company is doing a great job and would be a great fit for what the country needs. Do you want to start charging a Canadian company for a phone call that a trade minister might make, or for a good word that an ambassador might put in when he meets with officials in a foreign country? It's hard. A lot of these services are relationship based.

I'm not sure, but maybe it would be interesting to look at what other countries are doing. I think if the trade commissioner service is looking to raise revenue, it could possibly look at expanding its services beyond what it does right now.

I know that the Swedish trade commissioner service, for example, has people on the ground acting almost as sales agents for companies. For very small companies that don't necessarily have the means to hire a full-time staff person in a target country, they can use the Swedish trade commissioner service to do that. I'm sure there are other examples where that's the case.

I think it's dangerous to go down the road of charging for services that are already provided. The needs of small and large companies are different. Other countries are providing these services that we're getting free of charge, as well. Going forward, it's a discussion that we probably need to have, but I think we have to be very careful before going down that road.

The Chair: That's a very good point.

Mr. Shah.

Mr. Hemant M. Shah: Now all of the services that have been provided by the trade commissioner service, like during trade missions and everything else, are being charged for. But my point is that a small- or medium-size company that has been successful and has done business and used the TCS will be willing to provide any kind of service you need. That's what I've experienced in talking to our medium-size companies. They have always shown interest—and in the fees, if necessary.

The Chair: Mr. Linton.

Mr. Bruce Linton: I'm offering the perspective as a company that used to do \$30 million in business in Canada and now does zero in Canada. We sold all of that to pursue this.

When I think about how to make money back, it may not be directly related, but I think the Canadian Commercial Corporation is

our most underutilized potential tool. If you tripled the rate you charged—because small- to medium-size enterprises carry an inherently higher risk than the larger corporations—but allowed us to secure government-to-government contracts in those geographic areas, I think you would cut the sales cycle by half and increase the sales volume tenfold. There would be a lot of payback from that. So that's where I would shift the reward or return opportunity to.

The Chair: That's a very good point.

Madame Péclet.

[*Translation*]

Ms. Ève Péclet (La Pointe-de-l'Île, NDP): Thank you, Mr. Chairman. My question is for Mr. Laurin.

These last years, the employment rate in the manufacturing sector has fallen back dramatically. I would be unable to tell you between what year and what year this occurred, but we do know that it dropped from around 70% to approximately 30%. The manufacturing sector is going through a difficult period, and this has been the case for several years now. We could use as examples Northern Quebec and Ontario.

I would like to know how this service helps stimulate and protect the manufacturing sector, especially in Canada, with regard to employment rates. Furthermore, are you concerned that not enough is being done to allow the manufacturing sector to come alive again?

• (1255)

Mr. Jean-Michel Laurin: That is a very good question.

Yes, the manufacturing sector has been hit by major job losses these last years because of the rise of the dollar. We must compete with a volatile dollar that has experienced much appreciation. There is ever fiercer competition, not only within our main market, that of the United States, but also throughout the world. Canadian companies must be competitive. We must convince foreign businesses to invest more in Canada. When the dollar is strong and when we are so dependent on the American market, it is certainly not easy.

However, even if major job losses have occurred, I would like to deliver a message with regard to the manufacturing sector. Despite everything, numerous plants have opened and industrial production has resumed since the recession, even if this activity has not been as vigorous as one would have hoped. I believe that the future of the Canadian economy is dependent upon the manufacturing sector. Two thirds of Canadian exports are attributable to products that are manufactured in Canada, but a large portion of the value of these products can be attributed to related services. We often see services industries create jobs. Often, this is due to the fact that they are supporting manufacturers that are successful abroad.

Canada's Trade commissioner service plays an essential role, and not only in assisting Canadian companies in finding new export markets. I would say that at present the majority of our members are looking for new clients because their American clients are not importing as much as before. However, the service also has a very important role to play in attracting investment to Canada and I believe that the trade commissioners are doing a good job at this. They must however ramp up their efforts in view of seeking out more foreign businesses interested in investing in plants and operations here in Canada.

Ms. Ève Pécelet: Even if my colleagues opposite will perhaps say that I am yet again brandishing my NDP label, I support my colleague in saying that the New Democratic Party is not opposed to free trade.

There are several reasons that explain why the manufacturing sector has declined. I am not an economist and I could not rhyme off all the reasons to you. I do however know that one of the reasons is the growing number of treaties. For example, there was NAFTA under Mulroney. Since the Mulroney era, Canada has continued to engage itself in free trade agreements, such that labour is migrating towards other countries, notably Mexico and the United States.

Given the government's new leanings, targeting the negotiation of an ever greater number of free trade agreements, do you not fear that the number of jobs in the manufacturing sector in Canada will decline even further? How will the Trade commissioner service of Canada be able to allow Canadian companies to recover from this crisis given that they will probably see their profits decline markedly?

[English]

The Chair: Mr. Laurin.

[Translation]

Mr. Jean-Michel Laurin: That is a very good question. NAFTA is probably one of the main, if not the main, reason why the manufacturing sector experienced phenomenal growth during the 1990s. I believe that this created a lot of jobs in Canada. Clearly, the

dollar's appreciation forced businesses to somewhat revise their strategy. One cannot compete based solely on costs. We must find ways to differentiate ourselves. I believe that, with regard to the negotiation of the Free Trade Agreement, we have today seen several examples relating to players saying that there is no market or that the Canadian market is not large enough to sustain their business and that they must be able to sell their products on foreign markets. To that extent...

Ms. Ève Pécelet: But around 90% of them are SMEs. I am not very familiar with the companies of the individual in question, but these are most probably no longer SMEs today. I am talking of the SMEs in Canada that account for 90% of its economic activity. We are not talking about the large corporations that make billions of dollars of profit every year.

[English]

The Chair: Her time has gone, but we'll entertain answers now.

[Translation]

Mr. Jean-Michel Laurin: If I might respond, I would say that the entrepreneurs represented here are SME owners. They need to sell their products abroad. Their situation is similar to that of several large businesses that, all told, are telling us that they produce for the world market and not just for the Canadian market and that they must have free trade agreements that remove trade barriers and obstacles. It is of course essential that Canada's strategic interests be defended in the context of these agreements. Historically, however, I would say that our free trade agreements have served the interests of business and of Canadian workers well.

[English]

The Chair: We want to thank you very much for coming in and giving us your expertise and personal experiences with the trade commissioner service.

I thank the committee for their questions. Our time has gone, so thank you.

The meeting is adjourned.

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