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Chair

Mr. Randy Hoback

Standing Committee on International Trade

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• (1530)

[English]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good afternoon. It's 3:30, so we'll get started with our meeting here today. Pursuant to Standing Order 108(2), we are resuming our study of small and medium-sized enterprises.

Our witnesses today are from Caboo Paper Products Inc. and Google Canada; and by video conference, the Canadian Association of Moldmakers from Windsor, Ontario, and International Road Dynamics Inc., from good old Saskatoon, Saskatchewan.

I will start in the order listed here with Caboo Paper Products. We have Mr. Albert Addante, chief executive officer, and Mr. Kevin Yu, director.

You have eight minutes. The floor is yours.

Mr. Albert Addante (Chief Executive Officer, Caboo Paper Products Inc.): Caboo Paper Products is a Canadian company involved in the manufacture, import, and distribution of eco-friendly paper products. Caboo brand paper is made from bamboo and sugar cane, which are sustainable resources, unlike paper products made from trees, thereby addressing the deforestation concerns that we all have. We believe that the market we are creating could very well pave the way for a revolution in this industry, and we can proudly say it came from a local Canadian business from the grassroots level.

Our first point concerns the challenges we are continually facing with CBSA policy when clearing product into the country by ocean freight. The expense and delays we face have a significant impact on our ability to compete and succeed in this market.

Second, we would like to urge our government to offer increased support and funding toward Canadian companies that are involved in environmentally sustainable options. We believe this is a new global economy. We must adapt to the concerns we all face with the environment. The ability to adapt should rest not only on the government's shoulders, but on those of the entrepreneurs of Canada who offer innovation.

Last, we believe that small to medium-sized companies involved in import and export trade should also be included on Canadian trade missions abroad. A Statistics Canada study says that small and medium-sized businesses account for 54.2% of our GDP. We believe there should be a better representation for us when promoting Canadian business abroad.

On point one, though we understand and support the importance of thorough inspection of product being imported into Canada, the

issue facing us is that CBSA examination and related costs are passed on to the importers, regardless of their size or the value of the product they are importing. These charges could be \$2,500 to \$3,000 per container, which in our market reflects around 25% to 30% of the entire value of our shipment. In many cases, the cargo is not even examined at port but removed by truck to a bonded facility at the discretion of CBSA. In these instances, our containers can be examined for days, even weeks. During this time, the ocean freight line that actually owns the container shelves gives us a limited amount of time, or free days, to return the containers, regardless of our situation. Overall, we could potentially be charged not only the entire examination fee, but the penalty from the steamship line, which has cost us upwards of \$150 a day per container. As a small importer trying to compete in this market, we need to succeed, and we feel that we need some help in this area.

Another point is in terms of government support. Because we are an international trading company, we trade in U.S. dollars, and when our dollar drops, our costs go higher. Basically, we could be working at a loss on an ongoing basis as long as the Canadian dollar is low. That, along with the CBSA issue we are facing, can eat up our entire profit.

Also, as small to medium-sized companies, we feel we could use support with funding when it comes to taking on a large retailer. As a small manufacturer, we have to get into some bigger markets in order to grow. A retailer such as Costco might take us at some point, and we'll need to put a large quantity on the water, perhaps 30 containers. Where do we get the financing to do that? Some kind of support from the government, perhaps a low-interest loan, would help us greatly, as opposed to going deeper into our personal finances to try to fund an opportunity like that. As a growing business, we don't want to pass up a large opportunity.

The last point is that we would like to have more exposure to international trade when the governments are going abroad with delegations. For example, when a federal trade delegation travels abroad with business leaders, small to medium-sized companies should be given the opportunity to join and network with foreign leaders to further grow their business and enhance their reputation.

Those are the three points.

• (1535)

Mr. Kevin Yu (Director, Caboo Paper Products Inc.): We hope the that federal government can provide more funding to support medium or small companies. I worked in Japan for a very long time and I know Japan has a lot of these kinds of programs to support small and medium companies. Sometimes they give you low-interest loans, or sometimes they just give you money to support you to do something. All the information is open and everybody can search online and apply for this kind of program. I hope Canada can have a similar program to help our small and medium companies.

Thank you.

The Chair: You have two and a half minutes left if you need it, but if you don't that's fine. We'll move on to our next witness.

Mr. Kevin Yu: Okay.

The Chair: The next witness is Mr. McKay from Google Canada, head of public policy and government relations. You have the floor for eight minutes, sir.

Mr. Colin McKay (Head, Public Policy and Government Relations, Google Canada): Thank you very much, Mr. Chair.

Members of the committee, *députés et députées*, thank you for having me here today.

As this is our first time appearing before the trade committee, I'd like to take a few moments to tell you about Google Canada.

In 2002 Google Canada opened our first doors in Toronto, which makes it one of our first international offices. After a decade of growth, we now have more than 600 Googlers working across four offices, including in Toronto, Kitchener-Waterloo, Montreal, and right here in Ottawa.

This group of Googlers has accomplished a lot, from mapping several areas in Canada's Arctic and in the Houses of Parliament just across the street, to putting our Canadian engineering talents to work on core products used by hundreds of millions of Google customers around the world. Google continues to grow and invest locally in Canada because we appreciate the market, we appreciate the individuals, and we appreciate the educational opportunities for engineers and others that become Googlers.

We are very pleased to have the opportunity to participate in this study and to discuss with you how the Internet is a driver of growth and opportunity for small businesses, both here in Canada and around the world. When Larry Page and Sergey Brin started Google, their mission was to organize the world's information in a universal and accessible way. That's how the Google search engine was born. Fast-forward to today and Google has truly become a growth engine creating opportunities for entrepreneurs, creators, and businesses of all shapes and sizes to reach beyond their traditional borders and into markets around the world. It turns out that the web is a great equalizer for small businesses. Anyone can succeed online from anywhere in the country. It's all about the strength of your idea and the quality of your product. It turns out that the Internet is the ultimate equal opportunity marketplace.

Digital tools built for billions of users—including email, maps, collaborative documents, easily expanded cloud storage, highly refined search results, and immediately relevant marketing resources

—have meant that scaling up your business to go global has never been easier or cheaper.

We know, as economic policy experts and as tech policy experts, that digital leaders outperform their competitors in every industry. Today every business is a digital business and every business can be a global business.

As we often do at Google, let's look at the numbers. There are 2.5 billion people who are part of the global online marketplace. That number is set to double in the next few years—and that's across the sectors that have been identified by the government and economists as high growth sectors. By 2018 the number of cross-border shoppers online is expected to triple. In six major markets, including the U.S. and China, this amounts to 130 million users spending more than \$300 billion annually.

Canada already has a lot of the right ingredients when it comes to SMBs embracing the opportunities of the web. Canadians have some of the highest rates of Internet usage and smart phone ownership in the world. We know the tools, we know the devices, and we use them as consumers almost all the way through the day. Our business community is trusted and credible the world over. We produce products and services that are fiercely in demand in both established and emerging markets. Interestingly Canada is the world's third-largest exporter of content on YouTube and 90% of the views for this content created by Canadians come from outside Canada, which is higher than any other country. We also have the benefit of an amazing array of cultural diversity, which is a natural advantage in growing our presence in international markets.

There are some Canadian SMBs who are ahead of the curve on this. Manitobah Mukluks, for example, makes traditional mukluks and moccasins with techniques used by Canada's first peoples. In 2012, after 15 years of selling exclusively in Canada, they sought to expand to an international audience. This meant launching an e-commerce site using Shopify's online retail platform and experimenting with online marketing, like Google AdWords. Today Manitobah Mukluks sells to over 45 countries through their online store and over one-third of their website visits come from outside Canada.

Broadly speaking, Canada still has some work to do. Fewer than half of small businesses have a website at all. This is despite the fact that nearly all Canadians use the Internet before they buy, but then only 3% of retail purchasing takes place online. We can discuss the factors for that later on. Consider that fewer than 5% of Canadian SMBs are exporting, yet we know that exporters do better. They have substantially higher productivity and more revenue per employee.

• (1540)

To help Canadian businesses to better understand and to take advantage of their export opportunities, we at Google Canada recently launched an online destination to help SMBs grow beyond their borders. On this site we've included an export business map with specific insights on international customer preferences, holiday seasons, and shopping trends for SMB owners and managers. For example, if you design leather goods, maybe it's good to know that in China handbags and luggage are a significant online retail product category, or that kids go back to school in South Korea in March, not September. These moments and insights matter, and we hope they will help Canadian SMBs lay a road map to grow their businesses.

These new export-focused resources are added to a host of other Google tools, services, and initiatives designed to help SMBs grow into and succeed in the digital age. Globally, our Google for Entrepreneurs program builds capacity through partnerships with organizations who have strong ties to the local start-up and entrepreneur communities on the ground. In Canada, we work with Communitech in Kitchener—Waterloo and Notman House in Montreal to hold events and provide training for small businesses.

To recognize small businesses that have used the web to succeed, we created the Google eTown Awards, which are designed to showcase communities that are leading the way by using online tools and services.

[Translation]

As I mentioned to Mr. Morin, the municipality of Saint-Sauveur won that prize in 2013 for its focus on digital advertising.

[English]

Last October, we launched Retail Spark with the Retail Council of Canada and Shopify to help over 700 Canadian small and independent retailers go online.

Our message to the committee today is simple. The single most important thing you can do to help Canadian small and medium-sized businesses compete globally is to get them online quickly. The Bank of Canada recently forecast that our economy is expected to grow less than 2% this year. Meanwhile, the global digital economy is growing at more than 10% a year—and in emerging markets, it's growing at 12% to even 25% a year.

We know that every \$100 million in export revenue generates approximately a thousand jobs. That's our potential. My commitment to you is that Google will continue to be a partner in powering that growth, and together, we'll unlock the extraordinary potential of Canada's economic future.

• (1545)

[Translation]

I would like to thank the committee once more for giving us the opportunity to take part in this important study.

[English]

That concludes my remarks.

The Chair: Thank you.

We'll now move on to our next witness by video conference from Windsor, Ontario, the Canadian Association of Moldmakers, Mike Hicks, vice-president.

You have the floor for eight minutes.

Mr. Mike Hicks (Vice-President, Canadian Association of Moldmakers): Once again, thank you for having me on today. I'm sorry I couldn't be in Ottawa. We're very busy here in Windsor, and I'm very glad to report that.

The Canadian Association of Moldmakers was formed in 1981. We basically had a lot of mold shops here in Windsor, and a lot of our companies exported. They were primarily very good technical people but were very weak in sales and marketing.

The association was formed for the betterment of the industry. Our board is a volunteer board. I'm here in a volunteer capacity today. I'm the vice-president of DMS. We supply components throughout North America. Our headquarters is in Windsor, Ontario. It's very unique; we're a Canadian company supplying a lot of American companies as well as Canadian companies. We also sell in Mexico.

Regarding our board, we're comprised of six mold shops, three service companies, and three suppliers. Again, we're a fully volunteer board. We have some very quality people on our board who are experts in different services and so on and so forth. For instance, we have Jason Grech from KPMG as our treasurer. We have Mark Skipper, who is our legal counsel. He's with Paroian Skipper. We have custom broking people. We have experts in SR and ED tax credits, and so on and so forth. Diane Deslippe is our executive director. She will be going to Stuttgart next month for a new mold making show that's taking place.

As I said, we do a lot of exporting, and we want to thank you for having us here today. Primarily I'd like to give you a few examples of where you are helping us.

In 2008 when our industry was very down, we were given money to go to Mexico as a trade association. We went down to Mexico for the first time to exhibit, and we found a tremendous market that needed our skills. I want to emphasize that in our industry we're building tools; we're not doing production and we're not doing assembly work here.

Since we were down there in 2008, several of our companies have opened up satellite facilities in Mexico and in the southern States to service southern U.S. and Mexican business. There's been a net gain of Canadian jobs, and we've been given tremendous opportunities. I was last in Mexico in November 2014, and it was tremendous to see the strides that we have made down in Mexico.

If you look at our association, our website is www.Camm.ca, and there's a listing of all of our members. As I said, we're comprised of mold shops, service companies, and suppliers. As I mentioned, many of our mold shops have opened up satellite operations in Mexico and the southern States very successfully. We've worked very closely with Brian Masse, who is our local MP here, and people like Mike Breen, who is with Industry Canada, and other government associations. Throughout the years since 1981 we've seen mostly great cooperation. You've listened to us. I think we've been like a poster child for the Canadian government as far as exporting goes.

In the early 1990s we expanded. We used to be called the Windsor Association of Moldmakers. We became the Canadian Association of Moldmakers. Again, primarily most of our work is done in Windsor, but there are several mold shops in the Toronto area. There are also mold shops in Quebec. In Toronto and Quebec they primarily were servicing a local market. I think they want to join our association to raise their sales and marketing because they know we have a high profile globally and because they realize that some of the local base has been declining in Toronto and Montreal. Recently we have affiliated with the APMA here in Canada to raise our profile even more.

As I said, we've received a lot of support from the agency. We continue to appreciate the SR and ED tax credits you provide. We appreciate the GOA funding we were given. When we go to do a trade show, it really helps us.

- (1550)

Some of the new markets we are having trouble penetrating are Brazil and Argentina. We know those are the next big things.

As I mentioned, we're going to be in Europe next month at a trade show. Especially in the automotive sector, a lot of those companies are looking at low-cost areas like the southern States and Mexico. They're looking for zone partners. That's why we go to Europe. We meet those people there. We tell them about our certain successes and so on and so forth. We do a lot of networking. As I've said, we present a lot of leads to our members. It's a system that's working for us.

We are a non-profit organization, so we continue to need your help. Windsor as you know is the capital of unemployment in Canada and, unfortunately, we have a deficiency in the number of mold makers here. We've been working with our local college, St. Clair College, and we work with the university and with the school board.

We're in the process of trying to get our industry Red Seal approved, which would also help us. It would also raise our profile in trying to attract young people and new talent into the industry.

But overall, as I've said, we appreciate everything you've done for us. We're very glad to be part of this today. Here I would note that I

also participated in 2006 when you had the House and Senate committee hearings on the future of manufacturing in Canada.

Thank you for having me today.

The Chair: Thank you.

We'll move on to our next witness from good old Saskatoon, Saskatchewan, from International Road Dynamics, Terry Bergan, president and chief executive officer. The floor is yours, Mr. Bergan, for eight minutes.

Mr. Terry Bergan (President and Chief Executive Officer, International Road Dynamics Inc.): Thank you, committee members.

I provided a fairly lengthy briefing of what I'm going to say, so I'll sort of skip through that.

International Road Dynamics is a small technology company that got started in the 1980s by the three of us. We grew it through R and D to demonstration of our product to commercialization in a very large marketplace called intelligent transportation systems. Basically our systems, our instrumentations, our weigh-in-motion devices help make highways safer, more efficient, and environmentally friendly.

There are applications for our business worldwide. We have subsidiaries in the United States, Mexico, Chile, Brazil, India, and China. Some are wholly owned and some are shared with a joint venture partner who's local. To date we've exported to 76 countries worldwide. Ninety-five per cent of our revenues are export. We've delivered over \$700 million worth of equipment to customers worldwide.

In my briefing paper I talk a little more about what's happening on the ground. I'm head of the international portion of our business, which is anything offshore of North America. Anything between Canada and the United States we internally describe as our domestic business. That being said, there is a distinct difference between doing business in the United States and Canada, and in the United States and the rest of the world. There are various degrees of differences in different parts of the world. With operations in Chile, we enjoy the business throughout Latin America, and with operations in China and India, we enjoy business in those regions as well.

Over the years, we've taken advantage of and appreciated many of the programs that were targeting exports, such as trade missions. I can't emphasize enough how important those trade missions are. In many countries, being there with a government official is the best endorsement a company can get, just as when I bring overseas buyers into Canada, having a federal or provincial or even city official with us is very important.

We've participated in Team Canada missions. We've participated with Prime Minister Harper in India. It's very good exposure. The assistance it provides, especially for an SME, helps extend a limited budget for exploring and growing markets. When you're in the technology business, a lot of times you don't have a lot of time. If the opportunity is there, you have to get out there.

We really appreciate the work of the consulates and embassies. That's the first phone call I made in 1980, and I continue to make it today. We've worked with ambassadors and commercial officers everywhere we do business, and they are a great help in providing guidance and insight and in getting over the bureaucracy or some of the uniqueness in each of those countries.

I know that the CCC backed off a little bit, but we made use of the CCC, and it made the difference for us in getting a significant job in Saudi Arabia. We didn't have to sign it with the CCC, because once we brought them to the table, the Government of Saudi Arabia accepted our credibility because the Government of Canada was there, and we went ahead without it. We have worked on projects not led by IRD but through other Canadian companies and have used CCC government-to-government contracts.

In the early days, CIDA was very important to us in market studies, the funding to provide those, and the funding to explore markets and find out where there was funding to carry on fairly significant projects. Once again I encourage the activity of the CCC.

I just can't say enough good things about EDC. We would be an American or European company if it weren't for EDC. As I said in our briefing paper, technology is one thing and we had some challenges with technologies early on, but for us, as an export company, it wasn't the technology or the credibility that was the greatest issue, it was financing our exports. In many cases Canadian banks are good but they really don't have the insight into what's happening in international markets. If it weren't for EDC, just because of financing, we probably would have had to sell the company.

•(1555)

So we use all of the EDC programs today to help guarantee our exports, help guarantee our lines of credit, bonding in these countries and, of course, payment guarantees.

That brings us to the fact that all of these programs are really good. We took advantage of them and we appreciate them. They encourage the small SME companies to go into the marketplaces, but business is done differently elsewhere. I heard Argentina mentioned, and I can give you lots of warnings about Argentina, Brazil, India, and China. We have an anti-corruption policy, which I fully support, but that said, it is different in these countries. These countries are experts in getting you into a position where you're at their mercy.

Just to give you an example, an SME goes into a country supported by the Government of Canada, you meet companies and you're greeted and you think they're good companies and you enter into a contract and maybe things aren't as specified as you would like them to be, which is typical in many of these countries. Then it gets to the point where you're trying to deliver, you get into a little bit of trouble, you have to go to the customer to try to get that sorted out, and in the meantime you have a receivable that's coming due from

Canadian banks. They're after you after 30, 60, or 90 days, and the payment cycles are different and pretty soon you're at the mercy of the customer, and right away you're then set up for a bribe.

It happens time and time again. I've had it happen in Brazil, India, China, Argentina, Paraguay, Uruguay, you name it; it's out there and it's the way they do business.

I think that's one area I really encourage Foreign Affairs, the embassies, and consulates to get involved. I think they've got to go out and educate the potential customers, the governments, of the challenges that Canadian companies have in doing business and understanding the bureaucracy—but most importantly so that we don't participate in the corrupt ways that business is done in many of these countries.

Embassies and consulates could keep a clean hands list of companies that they know and that are clean and make sure that the government officials know that is the way that Canadian companies are going to do business. That way we can help with avoiding that challenge.

One of the areas in many of these countries, just like in North America, is infrastructure, which is the game that's being played right now as governments worldwide are investing in infrastructure. There are tremendous opportunities for Canadian companies. As I mentioned earlier there's Japan, but there are also many other countries that are very active in supporting their exporters, especially in the infrastructure game—

•(1600)

The Chair: Excuse me, Mr. Bergan.

Mr. Terry Bergan: —where there are many very large companies involved.

The Chair: Your time is up, Mr. Bergan. If you could wrap up in the next 10 to 15 seconds that would be appreciated.

Mr. Terry Bergan: Okay, my timer is saying about the same, so we're in business.

I think with the leadership of the CCC and the EDC we can look after the front end of the contract plus the financing and be able to control the cashflow and thus the potential of corruption in Canadian consortiums. I did that presentation to Minister Fast.

Thank you.

The Chair: Thank you, Mr. Bergan, I appreciate that.

Mr. Davies, you have the floor for seven minutes. It's all yours.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman.

Thank you to all the witnesses for being here today.

Congratulations to all of you for your initiative and entrepreneurship in starting and running your businesses.

I'm going to start with you, Mr. Addante and Mr. Yu.

In your comments you mentioned the delays and challenges you faced with CBSA at the border. I think you said that you've had containers coming from China with your paper product in it and some of those containers have been identified by the CBSA to be searched, which takes the container to a bonded warehouse to be searched, which results in delays for you and in your getting stuck with the bill for it.

I have two questions. One is can you give me an idea of the volume of that? How many containers have you brought over and how many of those have been searched? Second, do you have any suggestions or ideas about how we can remedy that situation for you?

Mr. Albert Addante: To date into Vancouver we've brought in 18 containers and we've had 5 examinations.

Of course, at the very beginning you do get examined a little more, which is normal and we support that. But 5 out of 18.... And bear in mind that we're talking about paper towels and toilet paper, so there's only so much value in one container, approximately \$10,000 to \$13,000. So when you're hit with a \$2,500 to \$3,000 bill, it definitely adds up and deflates you a little bit in terms your ability to compete.

One remedy that we did touch on was to perhaps peg the value or the cost of the examination to the value of the contents. For example, a container of computer equipment might be worth a million dollars, but if we're worth \$13,000 perhaps our examination fee can be a little different or a little less, something proportionate to the value of the container.

That would be one idea. I don't know how that will resonate with the CBSA but it's an idea.

Mr. Don Davies: Thank you.

Mr. McKay, when we're talking about online business, we're really talking about trade in services. Do you see any barriers to this trade? Do our trade agreements or other regulatory mechanisms help or hinder an SME trying to build a business online?

Mr. Colin McKay: Thank you, Mr. Davies.

I think you raise an important point, in that when we're talking about digital businesses and conducting business online, we are talking about services trade and we're talking about the transmission of data between countries, between communities, and between a consumer and a business. It's vitally important when we look at trade agreements, whether bilateral, say, with Korea or with India, or much broader trade agreements like the Trans-Pacific Partnership, that there's a very close eye and attention paid to the concept of data flows and the ability to use Canada's flexible regulatory framework around data protection and e-commerce legislation, and to ensuring that's replicated in other countries so that Canadian businesses that are comfortable with the domestic regulatory framework know they're working with a similar framework elsewhere in the world.

This is somewhere where we've seen hiccups and complications develop, especially as you're in an economy where countries try to develop domestic economies through some form of nationalism, some form of data sovereignty. It's a point that we need to concentrate upon, especially as we look at services trade being redefined within a world where the increasing amounts of data in

that trade are conducted in a virtual environment, so that our trade agreements reflect the reality as well as the economic impact of that trade.

• (1605)

Mr. Don Davies: Mr. Hicks, has your sector or industry been impacted by Buy American policies? If so, can you give us an idea of how that has occurred? Do you have any suggestions to the committee as to what we could do about it as a federal government?

Mr. Mike Hicks: It has. Obviously there is Buy American, but our industry has a tremendous reputation globally, so we're a sought-after type of industry sometimes. Again, some of our Canadian companies now have American subsidiaries. Again, they are more satellite operations, and the main build is of course in Canada, so they can play the American card, if you know what I mean? They can say "We do have an American presence" so they can use that to their advantage when these types of situations come up.

Again, our industry is not a new industry. It's an established industry, so again we do have a great global reputation. So it is a factor, but we've been able to overcome it. I don't know if you have a secondary question, but basically it is an issue, but we have worked with it. It's not a pressing issue as far as I'm concerned. It is there, though.

Mr. Don Davies: Thank you.

Mr. Addante and Mr. Yu, back to you. I'm interested in the effects of currency in your business. Obviously with international trade, currency fluctuation levels affect businesses differently. Can you explain to this committee how currency has affected your business?

Mr. Albert Addante: Definitely. When we launched our products, we were at around par, \$1.05 to \$1.10, on our purchasing for U.S. dollars. Obviously we do put in some padding in there in case it does change another 5%, but since then it's gone to as high as \$1.30 to purchase U.S. dollars. Obviously most commodities worldwide are purchased in U.S. dollars. We buy our products in U.S. dollars. By the time we get it exchanged, that basically takes all of your profit out. Basically the harder you work, the harder you're working for nothing, in a way. It makes it very difficult for us. So it definitely affects our business.

We could definitely raise the prices, which we've had to do a couple of times, but it's not as simple as just "Here, Mr. Distributor, it's another 30% or 20%." It takes 90 days and anything can happen between that time and 90 days. You might have to purchase more products.

Mr. Don Davies: You may or may not be aware that with the Trans-Pacific Partnership, I know there are American legislators calling for the TPP to have currency provisions in it of some type to take control of that.

The Chair: Mr. Davies, you're out of time.

Mr. Don Davies: We'll come back to that after.

The Chair: Mr. Gill.

Mr. Parm Gill (Brampton—Springdale, CPC): Thank you, Mr. Chair.

I also want to thank our witnesses for being here with us today and helping us with this important study.

My first question is for Mr. McKay. You mentioned in your remarks with regard to the new site that Google launched in terms of being able to help businesses export. I'm just wondering if you can talk a bit about that and help us understand exactly what that is and how you hope to help businesses.

Mr. Colin McKay: Certainly. As I mentioned in my remarks, we offer a number of services to small businesses because small and medium-sized enterprises are big customers both in terms of number and importance on our advertising side, as well as in the services and tools we provide to them. Importantly, what we've learned over the years in dealing with small and medium-sized businesses around the world is that there's a relative lack of understanding about the markets they're trying to break into. Even when they have advertising tools in front of them, and have the ability to market digitally to foreign markets, they may not understand the cultural traits, the seasonality of retail behaviour, school behaviour, and cultural events that may influence their ability to sell into a market or that may encourage them to launch digital advertising campaigns at a specific time. This site is intended to give them specific information about those characteristics and those signals within 10 of the largest export countries for Canadian businesses. As well it provides them resources and links to our partners at the EDC and other organizations so they have some idea of the tools available to them to grow into our market places.

• (1610)

Mr. Parm Gill: When was this site launched?

Mr. Colin McKay: Last Thursday.

Mr. Parm Gill: Last Thursday. Can you share with us the initiatives that Google is taking in getting the message out to SMEs and that they are able to take advantage of this?

Mr. Colin McKay: In terms of this particular initiative, we are participating in a Toronto Board of Trade event alongside Minister Bernier and the Mayor of Toronto to promote the site itself. The head of Google Canada, Sam Sebastian, will be going across the country later in the summer and fall to talk about these sorts of export-driven information campaigns. These are naturally the sort of products that we encourage our customers and our users to use when they approach us about what is available to them for advertising. It provides part of a corpus of information we provide to our customers and users when they're considering what to do in terms of online advertising.

Mr. Parm Gill: Perfect. My next question is for Mr. Bergan. If anyone else has comments to make on this question please feel free as well.

You mentioned some of your dealings with the trade commissioners, and possibly with some of the other government agencies such as EDC and BDC. Are you able to share your experience with the committee on how well equipped you feel these organizations are and if they have the necessary tools to help SMEs succeed?

Mr. Terry Bergan: I guess overall my experience with all of them has been very good over the years. We've been in business for 35 years. I've seen a lot of changes. Many of the changes are a result of government changes, government priority changes, and rollback or cutbacks in budgets. I think they all have a role and I think they all can help Canadian companies. They've certainly helped us in specific ways.

It was EDC that was able to get behind us and provide the guarantees so we can maintain our line for the export markets with the payment guarantee program they have—if something happens and your customer can't pay, or there's turmoil in that particular country—and the bonding. When you get into these countries, especially on infrastructure projects, they require bonding. EDC has been able to provide that to us. Some customers are hesitant to dealing with an SME from Canada, and the CCC gets in the front and then it's a government-to-government contract or a customer-to-government contract.

The area that I think they can really help with—and once again I emphasize the bureaucracy that exists in many of these countries is far more than we're used to, especially if you've dealt in the United States and try to go offshore—is the potential of corruption. I think that the Foreign Affairs, its local offices—as I said the first phone call I make is to the ambassador or the commercial officer—can lead us and help us through all of the tangle of uncertainties, local policies, and the things that are unusual. They've been very good at that. They usually have a commercial officer who is a Canadian, but they're supported by staff that are local. They have access to all the information that we ever needed. If I say there's any one thing that's been helpful for us in going offshore with our first sales in Egypt in the early 1980s, it was External Affairs.

Mr. Parm Gill: Does anyone else have any comments to add?

Mr. Mike Hicks: I would like to jump in. Our sentiments are similar to what the last gentleman said. We've had a lot of good workings with the EDC.

When we have a lot of general meetings throughout the year, we've had EDC at a round table discussion with some of our major banks. The banks can do certain things for us in long-term and short-term financing. They work in harmony or cooperation with EDC. Each one states what they can and can't do for us.

Again, what our individual members work out with them is their own business. As I said, we've had very good cooperation in general. It is a great option to have available to us when needed. We appreciate that EDC program. As the last gentleman said, there have been some changes, but in general we are very supportive of it.

I was wondering, and I don't know if this is appropriate, but the last question that was asked to me about Buy American—

• (1615)

The Chair: We're going to have to—

Mr. Mike Hicks: I've had a couple of minutes—

The Chair: I'm running out of time, so hopefully we'll get a chance to come back to you.

We'll move on to Mr. Easter.

Mr. Mike Hicks: Okay. I'm sorry.

Thank you.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

Mr. Hicks, go ahead and finish answering that question on Buy American first, before I start.

Mr. Mike Hicks: Thank you very much for that.

I want to mention that we are pretty well stand-alone when it comes to Buy American. Our reputation stands for itself, but we do get some problems. One thing that you could help us with, if you're looking for constructive suggestions to help us, is at the border. Primarily, most of our customers are either American or Mexican. We have some tremendous problems at the borders with letters of introduction and so on.

We can visit them and try to solicit business with only a passport, but when they come to visit us they need letters of introduction. They get grilled at the border like you wouldn't believe. I don't know if the others would agree with me, but I've said several times that we need to create a certain type of passport or an attachment to their passport that says that these are VIPs who are coming into Canada.

Obviously, we need to protect the border, but when these people come into Canada to place business with us or potentially to place business with us, they should be welcomed at the border and not given the third degree and brought into secondary inspection and so on. That is an ongoing problem for us. When it is Buy American you can imagine an American's attitude when he's unnecessarily harassed at the border trying to come into Canada.

There should be sensitivity training for our border people when this type of people are coming into Canada in my opinion, whether it's for our business or other businesses or people who are looking to invest in Canada. In my mind that is an improvement that could be done, because it's still happening.

I thank you for letting me say that.

Hon. Wayne Easter: Just to add to that, if I could, Mr. Chair, as you know this is not my regular committee. I am the critic for Public Safety and National Security, but I have travelled to a lot of border points over the last 18 months, and that is one of the complaints that you get. I think you said "sensitivity training".

I say a little common sense would go a long way—

Mr. Mike Hicks: Yes.

Hon. Wayne Easter: —at some of those border places in understanding the needs of business, the need to move quickly, and so on.

It's not the purview of this committee, but it may be something the committee wants to consider a recommendation on, Mr. Chair.

The Chair: Okay.

Hon. Wayne Easter: I want to thank all of the witnesses for coming.

I'd like to start with you, Mr. McKay. You said, and I think you are correct, that the web is a great equalizer. I'm from P.E.I., and we like to think that you can do anything over broadband in P.E.I. that can be done anywhere else in the country—except we've got a little snow at the moment.

You mentioned as well that small businesses are not utilizing websites. Can anything be done from a government perspective, either provincial or federal, to assist in that regard, because I think young people especially are there. People my age may not be.

Mr. Colin McKay: Thank you for bringing that up, Mr. Easter.

I think earlier in this study you had a witness from the Business Development Bank who discussed the sorts of consulting services they provide small businesses. I think there could be a broader holistic approach to encouraging the growth of business abroad through the existing mechanisms, through a simpler interface with the trade commissioner service, and through a simpler understanding of what the EDC can do for you when you're growing as a business, so that you're able to map out exactly how you're going to grow your business.

Perhaps there's even the possibility, whether it's a credit system or a tax-refund-based system, to encourage businesses to take on the additional cost of exploring an online service, whether it's e-commerce or simply digital advertising, or even if it's moving some of their human resources and finance systems that are currently pieces of paper in the back office into an online environment that makes their life that much simpler and allows them to conduct their business that much more simply.

I'll give you a slight anecdote, since I was in Charlottetown in October. As someone from central Canada, I landed and wanted to do something interesting. I picked up my phone and immediately looked at where I was going to get a dinner at a place not in Charlottetown. That's a perfect example if you're a business in October in a tourist-based region where you have very deep seasonality. I could tell from the online listings via my phone what companies had websites and were still open on October 14 to serve me dinner and give me a tour.

● (1620)

Hon. Wayne Easter: It's the best food you can get anywhere.

Mr. Colin McKay: Yes.

Hon. Wayne Easter: Am I out of time already?

The Chair: You are.

Hon. Wayne Easter: That's fine. Thank you.

The Chair: We're going to move on to Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you, witnesses.

I'd also like to welcome Mr. Easter. We worked together on the Canada-U.S. committee and the regulatory cooperation council. The RCC is an ongoing initiative, and I appreciate the work that the CBSA does and continues to do. We work on it together with our friends at Homeland Security to try to make the 49th as seamless as possible. It's easier said than done, as you can see with regard to a witness today.

It's something that I know Minister Fast is working closely on with his counterparts in the U.S., trying to make that border as friendly as possible, because about \$1 million a minute and \$2 billion a day is going across the border. These are the most integrated economies in the world. One in five jobs is based on trade, and we know that it's about 25% of our GDP. We have to continue to work together. I thank you folks for your entrepreneurial skills and for creating jobs.

One of the mandates of this mission of our committee is that we're trying to help your businesses expand not only to the U.S. but across to the other 38 new trading partners that we've signed agreements with. One of the initiatives that Minister Fast has been going across the country about, with some of the other ministers, is the Go Global workshops. Let me quickly go around the room and to our witnesses who are here via video and ask you to let me know if you've heard of the Go Global workshops, if you've participated in them, and, if you have, if you think they're good. If you haven't, maybe we can connect you with them.

Mr. McKay.

Mr. Colin McKay: I was just looking at the details of Mr. Fast's program, and that's the sort of outreach that needs to happen, especially with a program that's this detailed and tries to dig into the elements of what the government is doing to reach out to SMEs, different levels of business development, and different levels of exploring our export initiatives. It's the sort of local partnership that needs to develop, because really, it's that face-to-face contact and the ability, as I think we've heard from the other witnesses, to be able to speak to a trade commissioner, to be able to speak to a representative from the organization and have that conversation about their personal situation.

That's certainly why we've started developing these tools: because we need to address specific questions and help them find solutions rather than give them general information about opportunities.

Hon. Ron Cannan: Thank you.

Mr. Albert Addante: We haven't dug too deeply into it. We've been so busy developing this business in the past few years that it's been tough to turn over every stone, but we could definitely benefit from that. We're in the kind of business where everyone needs our product, and if we're addressing the problems of the environment and deforestation this should be an international business.

We could definitely benefit from that. If there's any way a business like ours could network more with international leaders, or if there's anything like that where we can start to export into additional regions, we could totally benefit from that.

Hon. Ron Cannan: Maybe start up a business.

One of the other things you want the government to create is an eighth day so you can at least get some sleep. I know it's difficult.

Mr. Albert Addante: Yes, and definitely when you have a family, you want to spend time with them and you need that work/life balance.

It's been a sacrifice, but we think it's worth making the sacrifice. We believe highly in this, not only for our brand but also the type of commodity we're trading. We think it could make a difference to the environment. Something like that could definitely benefit us.

Hon. Ron Cannan: That's fantastic.

So our gentleman in remote, sweet Saskatoon.

Mr. Terry Bergan: Yes, with 65% of our business in the United States and our equipment on the borders between Mexico and the United States and between Canada and the United States, we're very aware of Go Global to help trucking companies cross the border

more quickly. It's an important part of our business, and given our exports we welcome every opportunity to meet with officials.

Just as a side comment, yes, because we deal in very large Federal Highway Administration projects, Buy America has been a big issue for us and has resulted in the loss of Canadian jobs as a certain amount of our manufacturing had to be moved to the United States to comply with that.

Thank you.

• (1625)

Hon. Ron Cannan: Thanks.

Mr. Hicks, are you familiar with Go Global workshops?

Mr. Mike Hicks: I'm not that well versed in them, but I know our members have participated and, again, our prime international market is also the U.S. and Mexico.

The one thing I like that I've heard so far is that with Go Global, I think you're getting more just-in-time information rather than, say, a five-year study. So I think that would really be a good uptick to encourage our members and something I will take back from this video conference today, to encourage our members to participate more in Go Global. So we applaud you for having that as well.

Hon. Ron Cannan: Good, and I appreciate your being the messenger to your colleagues as well, because if they're not aware of these workshops.... We're trying to provide the services, whether through meetings like this or advertising through different industry brochures and conferences, because we are trying to help you take that idea, the concept, to commercialization.

Mr. Yu or Mr. Addante, have you had briefings with the trade commissioner service to help discuss some of the opportunities?

Mr. Albert Addante: I have been to some international trade shows and I've had trade commissioners come up to me at the booths. I believe that's what you're talking about. For instance in Germany, we were at a trade show and I had several, I believe they were trade commissioners, representing, say, Denmark or Holland or Germany, places like that.

Hon. Ron Cannan: So Canada has trade commissioners in Europe who—

Mr. Albert Addante: Yes, they definitely approached me.

They weren't too familiar with the industry, and I didn't expect a one-stop-shop solution, but they definitely were there to help. To this day I can't say we've had any leads come through from them yet, but they've tried.

The one in Japan was very helpful as well. They've definitely all been very helpful. They're doing what they can. But as a suggestion, I would say maybe a few more resources and a little more knowledge of the specific industry would be helpful. And I know it's easier said than done.

The Chair: I'm going to have to stop you there.

Mr. Morin, you have five minutes.

[Translation]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. McKay, we met in a particularly connected city, Saint-Sauveur, which won an eTown award for the most connected city in Canada. I can tell you that, in my riding, that is an exception. If we want business to move forward to the future, we have to make sure that a network is available, that the signal is of an acceptable quality and that the service is provided at an affordable price.

In Mont-Saint-Michel, in the north of the riding where I live, the service is very expensive. It is like driving the Flintstones' car on a freeway. You spend hours trying to do business online. Then it crashes and stops working.

Have you seen similar conditions in more rural or remote regions of Canada? Do you think the networks are up to providing businesses with service?

[English]

Mr. Colin McKay: *Je vais répondre en anglais.*

In Canada we certainly see regional differences in the capacity of the networks to service individuals and businesses, but it has been growing stronger over the past 10 years, and we do see pockets across the country, whether in rural Quebec, or New Brunswick, or P. E.I., or even the Yukon, where you have full online businesses that conduct business all day long based on the network. You're right, there are delays and capacity could be greater. There could both be greater investment in the systems and there could be greater bandwidth to those communities.

As a company, we're approaching that challenge of delivering bandwidth to rural and remote areas by exploring the technology and by using what we call "moonshot experiments" to see if we can develop new technology that doesn't require the depth of investment to create physical infrastructure to deliver broadband, 3G, LTE, that level of capacity, to rural communities. One we have is called Project Loon, which involves using sub-stratospheric balloons to deliver 3G connectivity. It's an experiment that's currently underway in New Zealand and Brazil.

There are other questions about whether or not you can use small-scale satellites to deliver that sort of connectivity, or even a new generation of microwave or radio transmission. As a company, one of the areas we are working in on a global scale is to address those capacity challenges, because not only do they affect rural and remote Canada, but obviously they also affect Africa, areas of Asia, and even areas of Europe. You're right to identify it as one of the big hurdles for businesses in those smaller communities, because there's a real advantage in front of them and they need constant connectivity.

•(1630)

[Translation]

Mr. Marc-André Morin: Something is limiting e-commerce. There are pockets of resistance where e-commerce is not developing as quickly as it should.

What regulations, what measures, could we put in place to give users some sense of security so that they are not always worried

about the security of their data or financial information and so that they are not victims of fraud or abuse?

[English]

Mr. Colin McKay: Once again, I think the frameworks around security of the networks and the security of financial systems have evolved over the past 10 years, but you're right to identify that as a concern.

One area we're working on as a company, and importantly in Montreal, is to have a cybersecurity team that deals specifically with attempts to deceive users on the web and through our search results. It's called safe browsing, and if you arrive at a search result that we have seen, through our systems, will try to take you to a malicious website or to steal your information, it will actually block your path and not let you go forward, and warn you.

From the private sector point of view, we find it's just as important for us to make those investments so that our users are confident in these tools, so they can make those financial investments as a small business and be confident that the transaction will work all the way through for them and their customers.

In terms of the government, there's—

The Chair: We'll have to stop you there and move on to Mr. Shory.

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

Thank you, witnesses, for being here.

I'll start with Mr. Addante and Mr. Yu.

It seems that you import your raw material from China and some other countries, maybe Thailand, and it seems as if you do not have direct experience with trade commissioners, subsidies, etc. Since the focus of this study is government subsidies available to SMEs for export, or looking to expand in export markets, I wonder if you export any of your products back to China, Thailand, or any other country. If you do, then I want you to comment on whether there are any trade barriers you face, and if you do face them, what the Government of Canada could do to lower them. If you're not exporting, then my question will be whether you are looking to expanding your business to export.

Mr. Albert Addante: As was mentioned earlier, we definitely think this is a global product. We would be interested in continuing to look at export options.

Now are you referring to export from Canada or—

Mr. Devinder Shory: Yes.

Mr. Albert Addante: So that's not necessarily from where our raw materials are based?

•(1635)

Mr. Devinder Shory: It's from wherever. It doesn't matter.

Mr. Albert Addante: Definitely, from our origin, where we manufacture, whether it be China or anywhere else, we are definitely looking to do that. We believe it is definitely doable and workable and should be exported to as many regions as possible.

Mr. Kevin Yu: Actually, we export to a lot of other countries. For example, the U.S.A. is the first one, and we also export to Australia. We also export to Dubai. Actually, Al would attend a lot of international shows and we got a lot of interest from Europe as well when he went to Germany to attend a show.

I think when we export to other countries, the currency is the first challenge. For example, when we do business in Australia, as you know the Australian dollar is very low against the U.S. dollar, and so our Australian distributor is in a difficult situation, just as we are. I think currency is the first challenge. The second one maybe is information. We still have less information regarding other countries. For example, personally, I do not know much about Dubai. Probably we need to know more about their culture or how they do business there, something like that. Of course, the last gentleman mentioned the EDC program. Something like that will help us a lot as well.

Mr. Albert Addante: One thing that was just brought to my attention is that some regions have brokers. These are private enterprises that will facilitate your relationships with the distributors or with a master distributor in each region. We deal with brokers here in North America who channel us into the retail chains, for example, or the natural food chains. It would be great if those trade commissioners could dig a little deeper and start conducting relationships with these retailers and distributors to save us from having to look for someone like that, because they can be expensive as well. Also, they may be looking after their own best interests. If those trade commissioners could facilitate relationships directly with retailers and distributors, that would help us a lot.

Mr. Devinder Shory: I'm very happy to hear that you intend to expand your business and export more, and I strongly suggest that you put a phone call in to the trade commissioner's office and they will put you through to the right person. It is a free service from the Government of Canada to help our businesses expand their exports.

Also I would suggest that you may want to google Go Global. It's a good program. It will tell you right there that we've had more than 10 seminars already on that, that more than a thousand entrepreneurs have attended those seminars, and that there are more coming up in the future. So get familiar with that, because that is very helpful. We have heard from virtually every witness that those services are excellent services. As I said, they don't cost you anything, so I suggest once again that you make a phone call.

The Chair: Your time is up. We're going to go to Mr. Davies.

Mr. Don Davies: Thank you.

Mr. Yu, I want to address a question to you. We know that China is Canada's second-largest trading partner now. It is certainly the second-largest economy in the world, and some think that in a few years it will be the world's largest economy. We heard Mr. Bergan talk a little bit about the challenges of doing business in certain places that don't have the same contract enforcement, the same rule of law, the same way of doing business.

Considering the importance of China to Canada's trade policy in our SME sector, do you have any advice for the Canadian government about the promotion of business opportunities in China? I know that you import your product from China. Is there anything you can tell us about how we could help businesses like yours improve their trade in China?

Mr. Kevin Yu: I think yes. For the North American consumer, I think maybe a lot of consumers think that if we say it's imported or made in China, they have a little bit of doubt about that, right? Even for things made in China, there are a lot of very high quality and good products.

If, for example, there was a Canadian program that could set up certain criteria to pre-examine some Chinese company, like give this company some credit to kind of certify that the company has a good reputation in China, so if we import from this kind of company, the Canadian consumer or North American consumer could trust them more.

I think this kind of certification would very much help us import because the Canadian government would have already built the credit for the Chinese company, and so we would not have to do it by ourselves. For example, for now, we do it by ourselves. We go to our factory, which has everything, and we even go to our factory supplier to see the pre-pre-suppliers to check that everything is on track and good. Then we talk with our distributor and we talk with our consumers to see that everything we are doing is good. If the government could do this kind of process for us or for other companies, it would be more effective and help us better, I believe.

● (1640)

Mr. Don Davies: Mr. McKay, I have in my mind this example of software developers: four young computer engineers, software engineers, who have a small office somewhere in Canada. They develop software for the world and they market their service or product globally on the Internet. They start getting customers from all over the world, and money starts flowing into Canada. I'm just wondering whether or not the way that we capture that kind of investment and flow of dollars in our current account is actually accurate.

My question to you is, are we accurately capturing and measuring the e-commerce world so that we actually have a good idea in Canada as to flows outward and the inflows of capital? Do you have any suggestions in that regard?

Mr. Colin McKay: Thank you very much for that question because I think it's an important point as you discuss SMEs and exports. As I emphasized in my comments, some of the largest growth areas among SMEs are for IT-enabled and IT-focused businesses. They're exactly engaged in this level of service, the sort of product and export that isn't quantifiable, can't be held, and isn't very easily noticeable either by the current measurement systems we have right now or simply by the local chambers of commerce and other organizations.

For example, three blocks from here we have Shopify, which has customers in nearly every country in the world. They conduct a global business from an office here in Ottawa, yet they never ship a box, they never send anything over a physical border. It's important to identify, both through our labour market analysis and the data we have around the types of jobs we have in Canada, as well as the sort of cross-border transactions and physical flow that we have, which was mentioned earlier by the other witnesses, the sort of highly qualified and educated individuals who, whether they're in hoodies or in suits, are conducting business wholly online.

You're right; it is hard to identify the value of their exports and to quantify what is an export and what is simply a conduct of business because in the world they live in, they start off from day one with a customer base that they assume is global. They have the tools available to them to have as broad a business as possible in as many languages as possible, and they are trying to expand it.

The Chair: I'm going to have to stop you there. I'm sorry, time is well past.

Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Chair.

I want to start by welcoming all of our witnesses and thanking them for taking time out of their busy schedules to come and share their thoughts with us today.

As those of us in this room are aware, Canada's more than one million small and medium-sized businesses are among the most competitive in the world, employing more than two-thirds of all private sector employees and accounting for more than half of Canada's gross domestic product. Our government's trade agenda is extremely ambitious and will shape our global trade patterns for decades. But our assistance for SMEs goes beyond lifting trade barriers to a full range of trade promotion tools available through Export Development Canada, the Business Development Bank of Canada, and the Canadian Commercial Corporation. Our goal is to help Canadian SMEs make the leap to exporting and increase their presence in the international market.

Mr. Addante and Mr. Yu, Caboo Paper Products has been able to capitalize on the growing public interest in tree-free paper. Using bamboo and sugar cane you are able to provide a rapidly renewable and environmentally friendly source of fibre for your household products. I see on your company's Facebook page that your products are available not just in Canada but also in the United States, Australia, and even in the United Arab Emirates. Was there a conscious effort to expand your business to international markets? If so, how important was this strategy in making the transition to international markets? What sorts of obstacles have you encountered when attempting to sell your products in foreign markets?

• (1645)

Mr. Albert Addante: We just started with expanding. This whole concept took us by surprise, so it moved quite quickly. I can't say we had a full, hundred-page strategy; we just went with how things were working out here in Canada and we went into the United States. Keep in mind we're still in the organic channels. The conventional channels, the food service channels, are completely different. That's who we'll be competing with, the big boys, so to speak.

But in terms of the international market, we work with master distributors in those areas, people like us who believe in the concept and have made a sacrifice by purchasing by container. We haven't had too much stress in moving into those markets because they facilitated a lot of those things. But as we grow into those markets we'll have to start to go deeper into the advertising and things like that. So that's still yet to come. They're in the organic channels.

Definitely there are always barriers, though. They have their own customs requirements, they have currency problems, we have to

trademark in all those regions. We've had to trademark in almost 15 to 20 regions by now just to protect our name. There are so many things considering moving into the international makers, for sure. But at this point, it's so early. I think we've risked quite a bit up till now and it's working out quite well, but there's definitely more to come and we could definitely use the help from the government, whatever resources are available for us.

Mrs. Nina Grewal: Mr. Yu.

Mr. Kevin Yu: I think this question is similar to Mr. Addante's question. When we export to other countries we have a similar situation because we are a small company and are not well-known, so those distributing in other countries do not know us. I think this is a pretty big issue for us. Of course, we try our best to increase our reputation.

As I'm here, I just think that maybe the Canadian government can help us do something. For example, the government has certification. We can apply for that kind of certification. Then we can claim we are certified in Canada to export. Then our reputation will be higher, or we'll have more credit when we go to overseas markets.

Thank you.

Mrs. Nina Grewal: Mr. Bergen, in the—

The Chair: Mrs. Grewal, you're actually finished.

We're going to move to Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair. Thank you to our witnesses for being here.

I'd like to start with Mr. Addante and Mr. Yu.

How many employees do you have now? What has been the employment growth in your company?

Mr. Albert Addante: You're looking at it. No, we—

Mr. Mike Allen: What's happening today while you're here?

Mr. Albert Addante: I don't know, I was going to check my phone here.

Mr. Mike Allen: Check your messages.

Mr. Albert Addante: We'll google.

We obviously work in partnership with our factory and manufacturing. So they have x number of employees. We work with brokers here who help us a lot. A lot of it, so to speak, is contracted. They have a three or four member team who go out and promote it, and the distributors have their sales people who promote our product. Everyone is obviously working for the brand in terms of marketing and sourcing.

To this point, we're a team of four to five employees in our actual headquarters. Of course, we have our sales teams, brand management teams, broker teams, and our manufacturing team, which are in various regions around the world.

•(1650)

Mr. Mike Allen: With that said, it seems like, if I heard the answer to the question before correctly, you haven't really used the services of EDC and others a lot.

What kinds of things have you done? You talked about foreign exchange. What have you learned from that? What kinds of things are you trying to hedge your transactions, including your U.S. dollar transactions?

Mr. Kevin Yu: For the Canadian market, we are very hard. Our work is trying to talk to the distributor, and they're trying to increase the price. It's still hard.

Luckily, we have our overseas markets. We have the Australian market, we have the Dubai market, and we have the U.S.A. market. From this kind of market we collect U.S. dollars. That will help us a lot.

Mr. Albert Addante: When we export, it is in U.S. dollars. So that definitely hedges, so to speak. It helps our Canadian market as we're going through the slump right now. But at some point the dollar has to correct itself if we are to compete. The paper market is price driven, you need to have everything you can get.

In terms of the trade commissioners, though, just touching on that again, it would be ideal if they could just get a little more involved with those relationships in those regions. Credibility is so important, right? It's who you know, which unfortunately is the way it is. That would really help us further. I've met with several trade commissioners. I think it would be great if we could enhance that more.

In terms of the other programs you've mentioned, definitely we'd be utilizing those as best as possible.

Mr. Mike Allen: You're recommendation for the new investment that we're putting into the trade commissioner service is to make it a little deeper and to make more contacts for businesses.

Mr. Albert Addante: Yes, it's relationships. We would be happy to supply you with any information you need to facilitate that.

Mr. Mike Allen: Thank you.

Mr. Hicks, I'd like to go to you. I was intrigued by a comment you made on something called zone partners. I just want to ask you how that model works. Specifically, as you say, you're building tools and you're manufacturing and building those.

Do you have any challenges when it comes to the export side of this? I'm assuming you export product, but do you also export some of your skills from a standpoint of maintaining those or providing maintenance from a manufacturing standpoint?

Mr. Mike Hicks: To answer your question, again if you looked at the news yesterday, the CEO from Volkswagen got fired because basically the costs for their building a vehicle in Germany are really high. They do have some subsidiaries, like in Tennessee and Mexico, but they just don't have enough what are called best cost countries now or best cost sources. We would like to see those automotive companies locate in Canada, but that's a story for another day.

When I say "zone partners", those companies are in Europe or Asia for instance, and as they're coming to the Americas... With our industry, we're servicing automotive, we're servicing housewares,

computers, and so on and so forth. But primarily, when it comes to automotive, which is the biggest part of the plastics pie, as those companies are coming to the Americas, we are creating these zone partners because they are leaving their regular countries and they're looking for tooling sources and for service.

Again, in terms of the major build, just picture a mold that is a \$100,000 or \$200,000, it could be a fascia, it could be an instrument panel. Those molds are built here in Windsor, Ontario, or they could be built in Toronto or Montreal, and they are shipped to the southern states and Mexico, where those plants are, where they're running production.

Again, our companies either have strategic partners in those areas for service.....

Okay. Sorry.

The Chair: I have to stop you there.

Mr. Mike Hicks: Okay.

The Chair: I'm sorry, but the time has well passed.

Mr. Davies, you have seven minutes.

Mr. Don Davies: Thank you, Mr. Chairman.

Mr. McKay, recently there was some big news in Canada. We opened up a currency hub for China's currency here, which will be set up in Toronto, so that we can have direct payment in the renminbi and the Canadian dollar.

In terms of e-commerce, I am wondering how it works in the virtual world where people are making sales on the Internet. I am wondering how payment is made. Is that going to make things like currency hubs obsolete, as money is electronically shifted around the world? Do you have any comment to make on currency in the electronic world?

•(1655)

Mr. Colin McKay: I think that any effort to make currency transactions easier is a positive step. Depending on the market you are trying to enter and the ways they have arranged currency transactions and payment processes, you may very well be paid in renminbi, Canadian dollars, or U.S. dollars. If you are working internationally, you need to have the ability to translate those revenues back into your domestic currency. It is a positive first step.

As a default, we largely see U.S. dollar transactions or some form of currency conversion through domestic banks, but we also see things like virtual currencies developing. It is a very fluid space, and the mechanisms themselves are very fluid. The flexibility to react with this sort of hub is certainly a positive development.

Mr. Don Davies: Thanks.

Mr. Addante and Mr. Yu, your company clearly offers a very sustainable option for the consumption of paper products. You mentioned the need for government support for green or sustainable new businesses and technologies.

In your view, what would be an appropriate government policy that might reward or encourage the kinds of new environmental products or services that you are bringing to the Canadian market? Do you have ideas in that regard?

Mr. Albert Addante: Yes. We've talked about a lot of the issues we face with currency and CBSA policy.

Maybe Kevin could elaborate a little bit.

Mr. Kevin Yu: I think there are a lot of ways to get support from the government. There are two major things. One is the funding support, and another is the tax deduction.

I was in Japan for around 13 years and I know that Japanese entrepreneurs have a lot of these kinds of programs. They have a support institution for small and medium-sized enterprises. They get money from the government, from public funding, and also from some associations. The institution supports new technologies, eco-friendly companies, and new technology fields. For some programs, they just give you money, because our small and medium-sized companies have a lack of cashflow. For example, I know for some programs they might give you maybe 5 million Japanese yen, which is around \$50,000 Canadian.

Mr. Don Davies: They are providing seed money to small companies, that kind of thing.

Mr. Kevin Yu: Yes. This is one thing.

Sometimes they have a low-interest loan for new companies. This loan doesn't come from the bank. It comes from the government budget, so it is easier to use to support small and medium-sized companies.

Tax deduction is very important, as well. I believe that in China for the last 20 years the Chinese government has not taxed its overseas companies in their first two years, and then only taxes them at half the rate in the next three years. Probably a lot of people know that. I hope that the Canadian government can offer our small and medium-sized companies this kind of tax deduction.

Mr. Don Davies: I have only a little bit of time left, so I am going to ask each of you to respond very quickly.

In Canada, 99% of businesses are SMEs, and we know that only about 10% of those businesses engage in international trade. All of us on this committee want to raise these numbers and get more SMEs engaged in trade.

If you could give the government one piece of advice as to something that would help in that regard, what would it be?

I'll start with you, Mr. Bergan, and then go to you, Mr. Hicks.

• (1700)

Mr. Terry Bergan: I guess I'd like to start where we started. We used the foreign services and went overseas. We went and found the markets. The trade services were very good at introducing us to people and customers and at helping us with advice on how to enter the markets.

As I said earlier, I think the first step for many SMEs should be the United States, because they conduct their business very similarly to how we conduct ours. As far as currency goes, we deal in eight different currencies with our subsidiaries, and we use inactive hedging and a factoring program and are able to manage our currency risk very well.

Mr. Mike Hicks: I agree with Mr. Bergan.

I would have said something similar to that, but I would like to throw in again that you need to have a skilled and qualified workforce in Canada for what you do. Be the best at what you can do. Again, as I said, in our industry, we need to exceed industry standards, not just compete at industry standards. Please continue to fund the high schools, the community colleges, and so forth to increase the skill level of Canadians.

Mr. Don Davies: I'm going to stop you there.

Mr. McKay, quickly, what's your one piece of advice?

Mr. Colin McKay: I would say you should have a simplified interface for businesses so that they can answer the direct-to-business questions, so they understand what is available to them, they can examine export possibilities, and they can make decisions with information from government services.

Mr. Don Davies: Mr. Addante, you probably have 10 seconds.

Mr. Albert Addante: I think the main thing is our credibility internationally as a small to medium-sized business. We definitely could benefit from trade missions and from more networking and more resources for networking overseas. Credibility is very big for us; we need to be taken seriously. And our industry does deserve it.

The Chair: Ms. Grewal, I understand you have a few more minutes.

Mrs. Nina Grewal: Mr. Bergan, International Road Dynamics has had considerable success in international markets, with operational installations in countries like the United States, Saudi Arabia, Pakistan, India, China, Indonesia, Korea, Malaysia, Brazil, and Colombia, to name just a few. What has been your experience when attempting to sell internationally, and what stumbling blocks have you encountered? In your opinion, what kinds of opportunities are there for Canadian companies looking to expand internationally?

Mr. Terry Bergan: As I said in my original presentation, the first challenge, if you're dealing with a Canadian bank, is dealing with the payment cycles. Many times the contract isn't as tightly specified as you're used to and you can get into a situation where you have to spend a lot of time trying to figure out what the customer wants and trying to get paid. As far as corruption goes, I can't say enough. It doesn't matter where in the world you go, if you get into a situation where you have to go to a customer to ask for any leniency, there's a question of "What can you do for us?"

I encourage the trade commissioners. They're excellent at what they do, they're excellent at finding customers, and they're excellent at making contacts and helping and advising us, but I think they have to go out and deal with the local chambers and make very clear that we expect to be paid as businesses doing business in their country and supplying the best world-class products, as Mr. Hicks mentioned, and we expect there to be no under-the-table payments, which seem to be the norm in many of those countries. That goes right to the highest levels of government, right to ministers. I've been approached to make payments. It's a challenge.

The Chair: Mr. Easter, you have five minutes. Do you want to come back?

Hon. Wayne Easter: I want to go back to Google for a second.

On your export business map, which I think was given out to the committee, do you have a chart on Canada? I don't have it in this one.

Mr. Colin McKay: We don't have a chart on Canada for Canadians. That is something we would likely serve to customers in Europe, where we have a similar site.

Hon. Wayne Easter: Okay.

Mr. Colin McKay: We also provide that information to Canadian businesses to help them make those decisions about advertising in country.

Hon. Wayne Easter: This is interesting, as you look through the various countries, in terms of online shopping, there's a high in North Korea of almost 13%-plus on groceries, for instance, whereas in the United States I think it's 2%.

Anyway, I want to come to Mr. Hicks and Mr. Bergan. Partly it's a spinoff from that last question. It's clear that people have utilized CCC, the Export Development Corporation, and likely the Business Development Bank as well. We have a lot of people utilizing those as well, and yes, they do a good job. But to your point about corruption and the kinds of shenanigans you can run into when you do business, without experience, in a new country, is there a need for the Department of Foreign Affairs, with the trade commissioners, embassies, or consul generals, to have a specialist available or someone who can assist small businesses? Even large businesses—I deal with McCain Foods and Irving Forestry a lot—run into trouble unexpectedly.

How does the government or agencies try to cover off every angle, because regardless of your size you can run into a difficulty that will basically put you out of business? Do you have any thoughts?

• (1705)

Mr. Terry Bergan: Maybe I'll start off. The first thing, as I said, is that they have to go to the local chambers and have to go to the government agencies to make sure they know the way Canadians are going to do business. They can also monitor the business environment to be able to identify the companies that are problematic.

Last week I was in China. The week before I was in India. I've met with the ambassadors and the commercial officers in both. They're very, very helpful and they know. I think there's more they can do, not only warning the Canadian companies but making sure that the customer base and the clientele know what the expectations are on our part: payment, non-corruption, and honest business with as little bureaucracy as possible.

Hon. Wayne Easter: Mr. Hicks, do you have anything to add to that?

Mr. Mike Hicks: The tapes are rolling, but unfortunately corruption has been around forever. I agree that it shouldn't be there. Again, I think it's up to the companies to manage it.

Really, I don't think there's anything you can do as a government to control it, because it's there. It shouldn't be there and we wish it wasn't there, but as I said, it's up to the individual companies to know how to manage it, and to know how and when to walk away, and so on and so forth.

Corruption has been around forever, no matter which country you deal in. It does happen, even in Canada in a minor way.

Hon. Wayne Easter: Yes, I've heard the line, "It's just the way they do business", but I also know that the individual who told me that also got in trouble and that we had to work to try to get him out of it. There might be something that the government could do through various sectors, in terms of outreach to a customer base, with the weight of the Canadian government behind it, saying that this is the way we do business. I think the Chamber of Commerce idea may not be a bad one. Anyway, it's something the committee can consider.

I'd like to come back to the Canadian Border Services Agency again for a second.

The Chair: It has to be short.

Hon. Wayne Easter: We have lots of trouble with that. What do you recommend be done there? They simply do not seem to understand that time is money; it's a cost. Taking three days to inspect a container really can affect a business. Do you have any suggestion on how to get around that?

Mr. Albert Addante: There are a couple of suggestions we can make. In terms of our going around it, that's impossible. Definitely we think that tagging the value of the contents, of the commodity, and comparing that to the price they're charging might be a good idea to align these more closely.

The other thing is their procedures. They have to remove it to a special bonded warehouse where they de-stuff the container. Why do they have to de-stuff the whole thing? Grab a couple of samples of the contents—

The Chair: You're right, but I'll have to stop you there. We're well past his time.

Could you send those recommendations in writing to the committee?

Mr. Albert Addante: Definitely.

The Chair: That would definitely help us.

I want to thank the witnesses for being here today. I appreciate the input you have provided us here. We know that your time is very valuable, so we're going to release you right now and adjourn this meeting.

The meeting is adjourned.

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