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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (0850)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Good morning, everybody, on this fine, fresh, not-Monday morning. It's Tuesday.

Welcome to meeting 149 of the Standing Committee on Industry, Science and Technology. We are continuing our study on the impacts of Canada's regulatory structure on small business.

Today we have two panels with us.

The first panel is from the Department of Industry. We have Frances McRae, assistant deputy minister, small business and marketplace services; Stephen Fertuck, senior director, portfolio and intergovernmental engagement secretariat; and Darcy DeMarsico, director, industry sector, economic strategy tables bureau.

From the Department of Foreign Affairs, Trade and Development, we have Matthew Smith, director, technical barriers and regulations.

I believe that only the Department of Industry has a presentation, and we'll get into questions from there.

Thank you very much for coming.

We're going to start with Frances McRae.

You have seven minutes.

Ms. Frances McRae (Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry): Thank you very much.

[Translation]

Thank you for inviting us to appear today.

[English]

We're really pleased to be here before the committee to discuss the impacts of Canada's regulatory structure on small business.

My colleagues and I are here to answer your questions primarily, so what I have to say will be quite short.

[Translation]

I'd like to begin by speaking about the importance of small businesses in Canada. As you may know, small businesses are the backbone of our economy and vital contributors to growth. Let me clarify that, according to Statistics Canada, small businesses are firms that have fewer than 100 employees, while medium-sized

businesses have between 100 and 499 employees. There are over one million small and medium-sized businesses in Canada, and they make up 98% of all Canadian businesses. Moreover, 11.4% of small businesses export goods and services. As a whole, the sector employs over eight million Canadians and generates 42% of the private sector gross domestic product.

[English]

I will turn to the responsibilities of our department and our role in supporting small businesses, which range from very small, main street shops that provide us with service and high-quality products locally, to high-growth firms that create many jobs across Canada. They innovate and pioneer new technologies, products and services. This is a wide range of companies.

Our department, ISED, or Innovation, Science and Economic Development, plays a vital role in strengthening Canada's economic competitiveness. We work with Canadians in all areas of the economy to improve conditions for investment, enhance Canada's innovation performance, increase Canada's share of global trade and build a fair, efficient and competitive marketplace.

Our department has frequent interactions with members of the business community who have reinforced with us that a strong regulatory environment is a critical platform for helping businesses to compete and expand. In fact, our department recently published a report from Canada's economic strategy tables, which Darcy could tell you more about. It's a new model for industry-government collaboration that underscored the urgency for Canada to improve conditions for competitiveness, innovation, trade and investment in today's global economy.

One of the economic strategy tables' most significant priorities was the call for Canada to develop an agile regulatory system that ranks within the top quartile globally, and that's conducive to innovation, creates public trust and attracts investment. We know that our regulatory system has to be able to keep pace with advances in technology and innovation and reduce regulatory burden while continuing to protect the health, security and safety of Canadians and the environment.

A number of recommendations came from the economic strategy tables. One is to establish a charter on regulatory agility with built-in reviews and accounting for the cumulative impact of regulations and competitiveness. Other recommendations include establishing an innovative and competitive regulations council for high-growth sectors, and establishing pilot projects to keep innovation going, supported by a hub to develop and share best practices.

In the 2018 fall economic statement, these recommendations were cited as a rationale for the creation of a dedicated external advisory committee on regulatory competitiveness and a centre for regulatory innovation. In fact, economic strategy table members that we collaborated with were quoted to make the case for why this was needed.

It is important for me to touch on our own department's specific role on the broader regulatory system.

ISED and its portfolio entities have important regulatory functions. We cover over 50 acts and over 100 sets of regulations related to areas such as bankruptcy, consumer affairs, copyright, investment, patents, telecommunications, and weights and measures. As a department, we're committed to taking steps to ensure efficient and effective federal regulations. We actively seek to ensure that our regulatory approaches remain flexible to allow innovation to thrive.

You have heard from the Treasury Board Secretariat. Our department has been working very closely with the Treasury Board Secretariat as they develop their plans to deliver on the initiatives announced in the the 2018 fall economic statement that I mentioned.

[*Translation*]

Another key initiative being undertaken by the Treasury Board Secretariat is the development of an e-regulation system. The system is an online platform to encourage Canadians to participate in regulatory development in order to improve the transparency and efficiency of the process. This is in addition to the new cabinet directive on regulation, which was announced in fall 2018. All regulations will now undergo a small business lens analysis. This approach is different from the approaches that we've seen in the past. It will help reduce the regulatory burden on small businesses, increase transparency and create a more predictable regulatory system.

[*English*]

We firmly believe that the initiatives led by the Treasury Board Secretariat and that we're working on with them are well placed to strengthen Canada's regulatory framework while addressing rules, requirements and processes that are outdated and unduly burdensome for businesses.

I should also add that other federal government departments and agencies are also working to transform their service delivery into a more modern, timely and integrated experience for business. This is important when we talk about reducing burden for small businesses, especially those small businesses that are not the kinds of businesses that would have a legal department or an accountant full time and would have to do this work themselves.

With Canada Revenue Agency improving client services related to telephone services, digital services and information technology

infrastructure, Employment and Social Development Canada is modernizing its service delivery beginning with employment insurance. Public Services and Procurement Canada's efforts to transform the way it serves small business through a new electronic procurement platform will help small businesses and entrepreneurs better access opportunities to work for government.

There are a number of things that our department is also leading to reduce the burden for small businesses. I'll touch on those briefly and then we can turn to some questions.

We know that digital services for businesses making them client-centric really help introduce operational efficiencies not just for businesses but also for us as a government. We are working on communicating better, explaining and streamlining our processes and services in a different way.

One of the things that I wanted to point out to you is the new platform that we have for small businesses called Innovation Canada. That platform actually enables entrepreneurs to be matched with the right programs and services not just from the federal government but also from other governments in provinces and territories.

We're also making it easier to register a company through registration in our multi-jurisdictional registry access system. Right now, if you operate a company in British Columbia and you want to expand into Alberta, you have to register separately in Alberta through the registrar of corporations in Alberta. What we're working on with the provinces and territories is a system that will allow the information in any of the registries to be leveraged by the other registries.

That work is under way. That will also allow for robust business searches across the registries. It will streamline extra-provincial corporate registration and reporting. You may be aware that this is one of the top 10 irritants that the Canadian Federation of Independent Business talks about: multiple corporate registries.

We're also working on making it easier to protect intellectual property which is very important for small businesses as they look into exporting. You may be aware that Minister Bains announced an intellectual property strategy last year to do that.

● (0855)

[*Translation*]

In closing, we're committed to making the Canadian regulatory system more agile, transparent and responsive so that small businesses across the country have the resources and support they need to grow. That said, we understand that we must make additional progress.

[*English*]

We welcome your insights and advice as the committee does its work.

Thank you.

The Chair: Thank you very much.

Now we go to Matthew Smith.

I know you don't have a presentation for us but maybe you could take a couple of minutes to tell us about your department and what you do.

[*Translation*]

Mr. Matthew Smith (Director, Technical Barriers and Regulations, Department of Foreign Affairs, Trade and Development): Thank you, Mr. Chair.

I'm pleased to be here today. I'll start by talking about the mandate of Global Affairs Canada and the relationship between our free trade agreements and regulations. This issue is relevant to the topic of the meeting.

[*English*]

In terms of the type of work we do in the department in my area related to trade negotiations and regulation, we have a number of initiatives as part of our free trade negotiation and our trade agreement negotiation strategies. We try to complement those improvements in access to markets that are achieved through the reduction of tariffs to make sure that regulatory barriers don't present obstacles that are insurmountable for our businesses in order for them to then take advantage of these new markets.

There's a dedicated series of units within the department that work full time on that sort of issue, on non-tariff barriers to trade, and as part of our free trade agreements we have a chapter on technical barriers to trade. That is essentially referring to those types of regulations that can have high compliance costs or that can in fact form a complete barrier to entry to a market for Canadian business.

We also negotiate chapters in more recent agreements, which we call good regulatory practice chapters, and those are to set out the types of rules and procedures that we find are common here in Canada and are built into the cabinet directive on regulation, which, as Ms. McRae just mentioned, was updated in the fall of 2018. This is to try to bring that kind of discipline in regulatory development and new regulation-making to our major trading partners.

In the case of large trading partners, such as the European Union, we in fact have in our trade agreements like the CETA formal arrangements on co-operation between regulatory authorities. That is designed to ensure that as new regulations are developed that are going to be important for trade between us and our partners, they can be done together and with a view to trying to avoid unnecessary differences.

That's the type of framework that we try to put in place to help to complement the reductions in tariffs.

Thank you.

● (0900)

The Chair: Thank you very much.

We're going to start our questions with you, Mr. Baylis. You have seven minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): Thank you, Mr. Chair.

I'd like to focus on regulators when it comes to market access.

I've developed some product that I want to get onto the market and I have to go through a regulator. Now, coming from the department of ISED, you want to promote innovation, and that's great. Also, the Treasury Board is very much behind having agile regulations, because if we put agile regulations together, it allows us to have innovation. If I turn to the regulators, such as Health Canada, Transport Canada and Agriculture, which are the main regulators for market access, they don't have that interest. How do you propose that we get them on board?

Ms. Frances McRae: I guess I'll take a crack at that and then maybe see if we have any comments from the interdepartmental perspective.

You're right. Our mandate as a department is innovation. It's promoting economic development.

I would say that, overall, the regulatory process is one in which we do work together. I mentioned the cabinet directive on regulation earlier, and I think this is really important. The department at Treasury Board Secretariat just renewed and revised the cabinet directive on regulation, and that cabinet directive really applies to every single department that regulates, every single organization that regulates.

It used to be that if you were a regulator and you assessed the impact on small businesses of a regulation to be less than \$1 million, you would not have to do a small business assessment, essentially, if you had less than \$1 million of economic impact.

That has changed. The new directive requires every single regulation to go through a small business assessment, so it doesn't matter, that dollar value. It can be zero dollar value. I think this is really important in ensuring that the signal is sent that it's critical that the impact on businesses be assessed, whether they're small businesses or large businesses.

Mr. Frank Baylis: That would be for financials, and I understand that for financials. If I'm the regulator for, say, Health Canada or Transport Canada, I'm regulating for security, not innovation—just security. Now, that's not the case, say, in Europe or in the United States, where you have to regulate for security but also innovation. That's in their mandate.

We don't have that. I understand that from ISED you say, "Rah, rah, let's do innovation." Then you go to them and they say, "My mandate is security, period." Should we be looking at changing that to include—like the Europeans and the Americans—innovation in the mandate of that regulator—not the ISED mandate but, say, for Health Canada, Transport Canada, Agriculture....

Ms. Frances McRae: It's an interesting question and it's an interesting idea. Maybe I'll turn to Stephen for comment, and Darcy might have some views on how the economic strategy tables saw that specific question.

Mr. Stephen Fertuck (Senior Director, Portfolio and Inter-governmental Engagement Secretariat, Department of Industry): You raise a very important question when it comes to regulators themselves. Often in their departmental legislation it might not be specified that you shall regulate in the interests of economic efficiency, and so on. However, as Ms. McRae noted, the requirement for this cabinet directive in fact applies to all of those regulators, irrespective of whether in their specific legislation there is a mandate.

• (0905)

Mr. Frank Baylis: I understand that. Would it be worthwhile for us to go to the departments and put it into their mandate as well?

Mr. Stephen Fertuck: That's certainly a choice that could be entertained. In the fall economic statement, I think there is even a thought given to that, that the Government of Canada shall consider whether there is merit in mainstreaming that requirement as part of an overarching piece of legislation, rather than being part of a cabinet directive, so—

Mr. Frank Baylis: The cabinet directive sits here, but I sit here, and as a regulator, we're saying to be innovative this way. However, in terms of their own mandate, they don't have that. Would it be valuable for us to have that written into the mandate of those departments, that you must take not simply economic impacts into consideration, but also innovations, specifically innovation to drive agility?

Mr. Stephen Fertuck: It's certainly a viable option to go into each department's legislation to consider that. An alternative, of course, would be to have an overarching piece of government legislation that would achieve the same effect. Therefore, it could be potentially done through several avenues.

Ms. Darcy DeMarsico (Director, Industry Sector, Economic Strategy Tables Bureau, Department of Industry): The only thing I want to add is that in the context of the economic strategy tables, we've talked about how that's an industry-led initiative of 90 CEOs, but it was also deputy ministers and an interdepartmental initiative as well. In fact, we had several departments, such as Health Canada, AAFC and NRCan, who were all at the table, departments with regulatory responsibilities who are also committing to this discussion on competitiveness and economic growth. That's also a very valuable type of initiative where you're twinning those two concepts and moving the discussion forward.

Mr. Frank Baylis: I agree, so the economic table and the people at the table said, "Yes, we're open-minded," and all that. Tomorrow, God forbid the government changes and someone else steps up there and looks at their actual mandate. Putting economic study aside, it does not say in their mandate to be innovative. It's great that we've done that, but should we not drive something right into the department's mandate that would have to be taken out to take away this drive for innovation?

Ms. Frances McRae: It's an option the committee has. If you are hearing from a number of sources that this is an obstacle, the government would welcome your insights. I know that when Treasury Board Secretariat spoke to you, they did talk about this issue, which is not an unfamiliar one to them.

Mr. Frank Baylis: Another thing I like in terms of trying to drive changes is the concept of piloting, which you mentioned, or

sandboxing, to try new regulations, especially as there are so many innovations. What are your thoughts on that?

Ms. Frances McRae: Do you mean regulatory sandboxes?

Mr. Frank Baylis: Yes.

Ms. Frances McRae: We think this is really an important area. Essentially, sandboxes really are places for innovation. Testing and trying new things is part of what we do as a department, and our industry members.

Maybe I'll turn to Darcy briefly, because this was a significant recommendation from the regulatory discussions that the economic strategy tables had.

Ms. Darcy DeMarsico: On that point, the economic strategy tables talked about the importance of agile regulations from three perspectives: The first was how they drive innovation, the second, investment, and the third, growth. In that context, sandboxes stood out as being a very vital way to deal with novel issues and the issues that come up in an innovation context, because you need to find a safe way to experiment. A sandbox is a great way to do that.

The Chair: Thank you very much.

We're going to move to Mr. Chong.

You have seven minutes, sir.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair, and thank you to our witnesses for appearing.

I have a couple of questions. First, do you actually have an assessment of how many regulations we have in Canada across the different orders of government? In some of the reading I've been doing, there doesn't appear to be any total number in terms of regulations we have across the different orders of government. Do you have those figures?

Ms. Frances McRae: We do have an assessment, the federal regulatory system assessment. I do not believe there is a comprehensive federal-provincial-territorial one, but we do have it on the federal side.

Hon. Michael Chong: Yes, but you don't have numbers for provincial and municipal governments.

Ms. Frances McRae: No.

Hon. Michael Chong: Okay. If you had those, they might be useful for the committee. If we're going to help Canadian competitiveness, it would be useful to have an analysis of how many regulations there are, obviously at the federal level, but also at the provincial and municipal levels.

I've been on and off this committee for 15 years. This is the third time the government has undertaken a broad sweeping initiative to undertake regulatory reform. I remember in 2004 we had the smart regulation initiative, and then in 2010-11 we had the Beyond the Border and regulatory reform initiatives with the establishment of the Regulatory Cooperation Council for a number of areas of regulatory reform. Now we have the latest cabinet directive on this.

If you look at the data, we continue to slip in the rankings when it comes to regulatory burden. According to the World Economic Forum, Canada now ranks 38th out of a list of countries in terms of regulatory burden for business investment. That's despite all these initiatives that we've been taking. Why is that? Why are we slipping? Is it a lack of political leadership? Is it some other reason? Why are we slipping despite all these initiatives to reduce the regulatory burden?

● (0910)

Ms. Frances McRae: Maybe I'll start and then Stephen can talk a little bit more about the overall environment.

I think the reality is it's a shifting environment. Regulations change all the time, and countries change their regulatory regimes all the time. The technology has made things quite different, whether it's compliance kinds of technologies, regulatory technology.... It's not a static environment, and I would say that each of the initiatives that has been undertaken has gone some way to address the issues, and then the environment keeps shifting. I think it goes back to the point about agility that the economic strategy tables made. It's really important that we have an agile system that is able to keep up. I think it is a shifting environment and that agility is the only thing that's going to keep us ahead.

Stephen.

Mr. Stephen Fertuck: You raise a good point that looking back over the scope of 15 years there have been a number of initiatives put in place that have attempted to tackle this issue. I think if we look back over that period of time there have been a number of improvements and advancements that have been made. Certainly some of the frameworks in place have been improved upon and updated, whether it's the cabinet directive or a number of the other initiatives you identify. Certainly as part of the previous Red Tape Reduction Act there was a systematic attempt to look at all the requirements for companies to file paper copies of certain documents and so on and a wholesale attempt to replace those with requirements for digital documents to facilitate, as Frances mentioned, with the advent of new technologies, the streamlining of some of those processes.

Over time we've actually seen some landmark pieces of legislation, including, for example, the Safe Food for Canadians Act. In the context of Agriculture and Agri-Food Canada and the Canadian Food Inspection Agency, their regime was subject to a complete overhaul. It's now an outcomes-based act that focuses really on achieving the outcomes of safe food but not in a prescriptive way; whereas its predecessor very much was saying that the only acceptable way to do inspection of certain products and so on was if it could conform to certain parameters that were very explicit and consequently very narrow. Over the scope of time there have been some significant changes that have brought greater flexibility to businesses to comply with government requirements in more flexible ways, but there's certainly more work to be done.

Darcy, did you want to—

Hon. Michael Chong: No, I...

Mr. Chair, do I still have some time left?

The Chair: You have two minutes.

Hon. Michael Chong: If you look at the data, Canada has chronically low levels of business investment. I don't think it's entirely due to regulation, but obviously, that's one critical element of it. If we're going to increase prosperity for Canadians, I think one critical component of doing that is streamlining regulation. One of the things I would suggest the department needs to look at is doing an analysis of provincial and municipal regulations. I don't see how we can achieve a lighter regulatory burden while still achieving health and safety outcomes unless we know what the provinces and the municipalities are doing; otherwise, you have a situation where the left and right hands don't know what they're doing.

When you look at the levels of business investment we have in this country, we're somewhere around 10% of GDP on a non-residential basis. That's much lower than our major economic competitors south of the border and across the Atlantic. I think this is critically important for us to improve our competitiveness.

The thing that sticks in my mind about how ridiculous some of these regulations are is an incident with the National Capital Commission. Several years ago, two young children wanted to set up a lemonade stand and got slapped with a massive bureaucracy that wanted them to pay \$1,500 for a permit. It created a huge outcry. What was so ridiculous about the whole situation was that, after the controversy, the NCC came forward with a new rule that, yes, allowed them to set up a lemonade stand, but it was subject to a plethora of conditions. It had to have bilingual signage. They had to report the revenues to the NCC. There was an indemnification clause. There were size restrictions and adherence to provincial health and safety regulations.

My kids live in Wellington County. They set up a lemonade stand and we didn't have to go through any of that. Nobody died because they drank my kids' lemonade. This happened in recent years; this wasn't 15 years ago.

We've been through a lot of this stuff in the last 15 years, yet we continue to slip in the rankings. We don't have the sense of where provincial and federal regulations are. One of the results is low levels of business investment and a sense that Canada can't attract business investment and can't get the economy moving.

● (0915)

The Chair: I hate to cut you off, but you're over the time.

Ms. Frances McRae: I'll add one comment. First of all, I agree with everything that you're saying. Really what we hear from small businesses is about the cumulative impact of compliance. What you're saying is important, that businesses don't really focus on whether it's a federal, provincial or municipal requirement. They have to deal with all of it.

Minister LeBlanc is working hard on interprovincial barriers to trade. The one I mentioned earlier about corporate registries is one of those that we are working on to try to reduce that burden across the system with the provinces and territories. There are a number of other examples like that.

You're absolutely right that the cumulative effect is definitely something we are concerned about.

The Chair: Thank you.

We will move to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Some of the businesses that we've heard from and the representatives.... Is there a kind of working group that could be created? Are there thoughts of a different approach to what has been done in the past? The term they continue to use is "red tape". Could you elaborate on whether or not there could be a different approach? They've offered suggestions of what's been done in British Columbia and a few other places.

Could I have your thoughts on that and how your department would respond to that suggestion?

Ms. Frances McRae: I would point back to the fall economic statement, where we did talk about the establishment of a centre for regulatory innovation. We see that kind of an organization looking at best practices, whether they come from international jurisdictions, Canadian jurisdictions or different federal departments. The idea is that we build on best practices.

Some of the efforts in some of the Canadian jurisdictions are starting to show some results, as you would have heard. Those would be things the federal government would want to be looking at. Treasury Board Secretariat, in its work with the provinces and territories more broadly, is well placed to be able to pull that in.

Mr. Brian Masse: I know Ontario is now talking about another one. It seems to be ideologically driven as opposed to anything else. They haven't really outlined a plan. It still is something that they want to go after. It's not a negative criticism in terms of the ideology of where it comes from. It's like, if you want to create a regulation you have to get rid of two, or something like that. It's just kind of an equation. British Columbia has moved on that, too.

Do I understand there will be a review that would include those best practices from other jurisdictions? They are looking for something concrete to come back. They are not ruled out, but they are going to be evaluated, I suppose.

● (0920)

Ms. Frances McRae: My sense is that the regulatory centre for innovation will look at any good practice from anywhere. Some of the things we hear from businesses around the one-for-one rule, for example, is that you have to be a little bit careful because sometimes you can take out a very easy rule and add a very burdensome rule. The numbers don't necessarily equate; the one-for-one is sort of apples and oranges sometimes. We would want to avoid a situation where we're strictly working on a numbers basis. The measure of the burden is something that we would want to be looking at a little bit better than just the numbers.

Mr. Brian Masse: That's why I characterize it as ideological. I'm not trying to be negative about the sense of it, but it seems to be driven by a political position versus that of real results and success.

Is there any measurement in terms of elimination of regulation and the potential harm or impact to businesses and public safety? One thing that isn't discussed is the flip side to this. Some of the regulatory practices are in place because some people didn't want to follow best practices or proper practices and required basically behaviour modification in the industry either to ensure their products were safety-related or to ensure that the competition they were doing

was fair. This committee was part of that work to put pressure on the government almost a decade ago to end the corporate deductibility of fines and penalties. Some people abused regulations and used fines and penalties as expenses as part of their business model and would claim that back at tax time.

Is there anything done to measure when a regulatory regime is changed and what the potential impact is not only for consumers for health and safety standards, but also for other businesses?

Ms. Darcy DeMarsico: One thing that came up on that point very strongly at the economic strategy tables is the impact that our strong regulatory system has on our export brand. One of the clearest measures is the fact that Canadian companies get sales overseas for their products because they have a reputation that engenders consumer trust. I know our agri-food table talks about that in the context of its exports to Asia in particular, as well. There is a really tangible consumer brand sales measurement.

Mr. Brian Masse: Can that be shared with our committee though? I think it would be important if there are measurements taking place with those. I would like to hear those. For example, I know that the pharmaceutical industry at times has complained about Health Canada and getting through the process. At the same time, you're right. I know that for the supplement industry and others, we have some of the better standards and regulatory practices that actually allow us to enter into markets that would otherwise have been closed. We do sometimes fast-track.

Is there any information about that or are there examples that you can actually provide to the committee?

Ms. Frances McRae: Darcy, correct me if I'm wrong here, but my sense is that this is exactly what the economic strategy tables are calling for: an assessment of these issues. These are not things that exist at the moment. They are calling for these areas to be looked at further. I think the advisory committee that has been committed to will help us really refine what it is we need as kind of first steps to assessing the balance of all these factors. Clearly, it's important. We all, as Canadians, value the attention that's paid to health, safety and environmental regulations.

It's really a question of what the right balance is. That's why the sandboxes are so important. You need to be able to experiment in a space where it's safe and contained, so you can understand what the potential impacts might be on the various factors that we need to balance.

Mr. Brian Masse: Yes. I know I'm probably out of time, Mr. Chair.

In everything from energy drinks and so forth, these new emerging products have significant health consequences. It's a balance.

The Chair: Thank you very much.

We're going to move to Mr. Jowhari.

You have seven minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Thank you, witnesses, for your input.

I'm going to start with Ms. McRae.

In your opening statements, you talked about the number of acts and number of regulations within ISED. I was busy writing things down. Can you restate the number of acts and number of regulations that the department is dealing with?

I recall 50 acts, but I'm not sure how many regulations there were. They can be rough numbers.

• (0925)

Ms. Frances McRae: There are more than 100.

Mr. Majid Jowhari: Thank you.

You also mentioned that about 11% of the small businesses are focusing on exporting, and you threw a number out of about one million small businesses, the SMEs that we have. We know that companies that focus on exports grow faster. They pay higher and contribute to the GDP.

To what do you attribute the success of those 11%? I understand you talked about the cumulative impact of regulation on all of those, but what do you attribute to the success, and how do the regulations within ISED help or hinder?

Ms. Frances McRae: First of all, yes, the numbers we have really are from Statistics Canada, and that is just the percentage of our small and medium-sized enterprises that export.

We need to remember that the vast majority of small and medium-sized businesses that we have in this country are really, again, in local communities, whether they are restaurants, lodging or apparel shops. They really do cater much more to a local market.

We would never expect to see 100% of our companies exporting, for example. The goal of doubling exports is something that we think is an important goal—

Mr. Majid Jowhari: Is there a specific sector, based on the strategic tables, that you're focusing on helping to export?

Ms. Frances McRae: In fact, the reason that the sectors for the six strategy tables were selected was that we believed these were high-growth sectors for Canada's economy. We particularly want to focus on growing companies in those sectors and moving them into export markets.

What we know about what helps companies succeed on the export market is that they have to have sufficient scale. What happens sometimes is that companies can get themselves into an exporting situation and they don't actually have the capacity to deliver because they don't have the scale that's required to increase—

Mr. Majid Jowhari: In this case, what you're suggesting is that it's more an issue of scale rather than regulations.

Ms. Frances McRae: When it comes to exporting, what we understand is that the top issue is finding the opportunities to scale, and that really helps them succeed on the international market.

When it comes to regulatory issues, this is something that the trade commissioner service is well equipped to help our companies understand before they get into export markets, so that they understand what they may be faced with in the local market.

Mr. Majid Jowhari: Mr. Smith, how does this regulation help us internationally? We seem to have barriers interprovincially and with the territories, and now with CETA, CPTPP and CUSMA, we have an open market and we have access to 1.5 billion consumers.

How is this regulation helping us take advantage of these?

Mr. Matthew Smith: As Ms. McRae was mentioning, the trade commissioner service is well positioned to work directly with Canadian businesses that are interested in getting into other markets.

A lot of the concerns that are reported back to the department from clients are that, indeed, finding access to customers and matching with demand is a big part of gaining access to the markets, and so is overcoming some of the basic things you would always expect when dealing with shipping and customs clearance. There's a great deal of direct service you can get, and the trade commissioner service is free to Canadian clients who are able to work with it to get into a lot of different markets.

It's a very good time, as you mentioned, with all of this new access to markets opening up through the trade agreements. From a regulatory perspective, we have set up rules to try to create a predictable framework for business from a regulatory perspective, so that when our big trading partners are developing new rules that could have an impact on Canada, we've had them agree—whether it's CUSMA, CETA or CPTPP—to a set of rules that says they need to give an opportunity for Canadian businesses and the Canadian government to participate in the development of any new rules, so that we can provide our perspective on how they can be less impactful and less of an obstacle at an early stage. There are transparency requirements to make sure that they provide drafts of any new rules that would affect Canadian trade well in advance of the rule coming into place.

Even once the rule is finalized, our modern trade agreements require that at least six months, if not more time, is available from when the new rule has been finalized to the time it would actually have impact, so that there's time for businesses to be able to adjust to that change.

• (0930)

Mr. Majid Jowhari: This question goes to both Ms. McRae and Mr. Smith.

It's interesting that you talk about the impact. How do you measure the effectiveness of the regulations that are in place? What is the review process? I asked Treasury Board this question, and they said what they're suggesting is that departments should look into developing regulations and making sure the process is streamlined and that there is a measure in place, etc. I couldn't ask the Treasury Board the question, so I'm asking how you measure the effectiveness of the regulations. Is 100 a good number? Is 100 too many or is 100 too few? What regulatory review do you conduct and how do you measure the effectiveness of these regulations?

I only have 15 seconds.

Voices: Oh, oh!

Ms. Frances McRae: I think it's safe to say that the cabinet directive provides a framework for everyone to understand how they're supposed to develop and then review regulations. One thing we see—I'll speak to the effectiveness point for a moment—is that we have legislation that in some cases can be quite prescriptive about the type of regulation you can have. Their being prescriptive then forces you into some fairly prescriptive regulations.

I'll give as an example some of the regulation around the Weights and Measures Act. The Weights and Measures Act, in some areas, forces companies and forces us as a regulator to maintain paper-based processes because that requirement is written into the legislation, which is why the regulatory modernization bill's process, which the government announced is an annual process, is a really good idea. What it will do is allow us to clean up some outdated and irrelevant requirements that push people to maintain old processes and old ways of doing things just because they are written into the legislation.

Effectiveness depends on how we define effective. Obviously, we have environmental and health and safety regulations that are effective.

Mr. Majid Jowhari: I know I'm out of time, but the way I measure effectiveness is in the way it helps new companies grow.

The Chair: You're both out of time.

Ms. Frances McRae: You're absolutely right. Effective, though, in the concept of government regulation, is a much bigger concept.

The Chair: Thank you.

We're going to move to Mr. Lloyd.

You have five minutes.

Mr. Dane Lloyd (Sturgeon River—Parkland, CPC): Thank you.

My question is mostly for you, Mr. Smith, in your role with Canada's foreign trade and development.

What I've observed is there are obviously countries creating non-tariff barriers that are creating issues for our exporters, but we also seem to have many self-inflicted wounds through our own regulatory practices, which are limiting our ability to export products. We will have the Canadian Seed Trade Association and the Canadian Cattlemen's Association presenting in the next round today, so I want to get some questions in off the bat, particularly around citric acid washes.

Could you give us an update on where we are? The European Union will not accept Canadian beef carcasses and pork carcasses that have been washed with citric acid or vinegar-based solutions. Where are we in getting that non-tariff barrier removed by the European Union?

Mr. Matthew Smith: Thank you for the question.

I can say that the Canada-Europe agreement, the CETA, includes a number of different mechanisms to deal with the reality that there are a great many regulations of interest to Canadian business in the EU. In the space of many of our big agri-food exports, including beef—there are other meat exports from Canada that face regulatory barriers in the EU as well—we have set up and built on the WTO

rules that already exist for non-tariff barriers related to health and safety for plants and animals, but also for larger industrial kinds of goods and products.

There's a dedicated place to raise those issues between Canada and European officials in such a way that they can be discussed in a dedicated forum. That's the kind of place to which we're bringing the type of concern you mentioned about the differing sanitary and phytosanitary practices for meat.

The Regulatory Cooperation Forum has also been established. This is the first time that you have a regulatory co-operation element right in a free trade agreement.

● (0935)

Mr. Dane Lloyd: Does the Canadian Food Inspection Agency have anywhere in its mandate to assist Canadian exporters? Is its mandate completely cut off from that aspect?

Mr. Matthew Smith: I won't say that I'm an expert on the details of the CFIA's mandate, but I can say that they work extremely closely with our department and also with the federal market access secretariat, which is managed by the Department of Agriculture and Agri-Food. In fact, CFIA has people who are placed in our network of embassies overseas, including staff in Brussels, at our mission to the European Union. They work directly with federal officials on market access issues to support Canadian industry.

Mr. Dane Lloyd: That's really positive to hear.

In my constituency, I have a major issue with seed potato exports being impacted. The CFIA claims it found a pest 10 years ago. They've never been able to duplicate the result of that finding, yet that has prevented us from getting trade deals with countries, like Thailand, for exporting our products. Are they working closely enough to remove these irritants that are preventing us from exporting goods in the future?

Where's the co-operation between our federal regulatory agencies to have a whole-of-government approach to safely maximize our export capacity? Is that something this government is pushing? Is that something the departments are pushing in this country?

Mr. Matthew Smith: The recognition that there is a lot of interplay between the work of the Canadian Food Inspection Agency here and our ability to access markets overseas has led, in recent years, to the creation of a dedicated market access secretariat. In fact, you have the Canadian Food Inspection Agency and market access staff from Agriculture and Agri-Food Canada working together, with a single management structure, to make sure that focus and that whole-of-government approach are in place. Global Affairs Canada works together, as part of that federal market access secretariat, to make sure that you have everybody pushing in the same direction and trying to open those markets for Canada.

The Chair: Thank you.

The final question for this round goes to Mr. Longfield.

You have five minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Mr. Chair. Thank you, all, for being here.

I want to focus on the sharing of information between platforms. I'm thinking of BizPaL. When you're setting up a business, it will tell you which regulations you need to meet. Depending on how you answer questions, it will give you more forms for provincial, municipal or federal regulations.

I met with one of our businesses in Guelph this past week. He gave me a list of 17 federal regulations that he has to meet in Canada, plus two that he has to meet when he's exporting to the United States.

I'm just putting it on the table. When are these regulations due? Is it annually on March 1, annually on March 2, annually on June 1, annually on December 31, annually on the anniversary of issue or every six months? If you knew that it was the regulation system and you knew that on April 30, just to pick a date, all your regulations were going to be due, rather than having to go through your files to say, "Oh, it's March 1, so I have to set up this regulation...."

Why not look at something like BizPaL, where everything is in one place? You only answer the question once. You give your business licence number. It will fill in all the fields for your business name, location and the standard information that any form is going to ask. Is it possible to look at sharing data across regulations, like regulation 490 on one form and regulation 833 on another? Is there a way of sharing information across regulations, as well as harmonizing the dates that regulations are due for small business, to make it easier for them to do their reporting?

● (0940)

Ms. Frances McRae: You make a very important point.

Really what's happened is these regulations have been developed all on their own under different pieces of legislation that all came into force at different times. That's where we have all the different dates.

The question was asked earlier about how many regulations we have. While we don't have the federal, provincial and territorial numbers, we know that we have 400 acts with 2,600 regulations in them.

One of the things you may have heard about when you were talking to the Treasury Board Secretariat is that the new cabinet directive has a number of elements. One of them will require departments to regularly review the stock of their regulations. We believe this is very, very important for precisely these reasons. This has to be done with the Treasury Board Secretariat coordinating it, because if a department reviews its own stock and doesn't see a link to another department's regulation, or there's an industry that maybe has a lot of different requirements from different departments, that wouldn't be good. The whole idea is to get much more holistic about how we look at these things.

With regard to your question around pre-filled fields and sharing of information, again, some of the legislation we have in place doesn't allow for the sharing of information between departments. This is the idea that when we talk about a centre for innovation within government, we hope to be able to understand how we can make it much more business-centric and client-centric.

As I mentioned about the dates, because they've all come into force under different pieces of legislation, the cleaning up of the legislation under the annual regulatory modernization bill will hopefully start to tackle some of those anomalies.

Mr. Lloyd Longfield: Thank you.

Mr. Smith, we look at trying to encourage exports for small business and we know that only 12% of our small businesses are currently exporting.

I have an example from one of the businesses in Guelph. He has OSHA form 300 and tier II emergency response reporting for the United States.

In terms of a BizPal type of model, if a business wanted to export to a major partner like the United States, is it possible to let them know what regulations they have to meet?

Mr. Matthew Smith: Part of the service that the trade commissioner service offers is to assess for each individual client how ready they are for different markets. Depending on the type of business they're in, how regulated their product or service is, what type of business environment they face, the type of product.... If it's something that clearly has a link to human health, like a pharmaceutical or medical device, it can be very regulated. Other products have a much less onerous set of regulations that they need to deal with.

Because it varies not only between markets but by type of business, we recommend that people get in touch with the trade commissioner service. They can meet with someone who is working with their sector and in the market they are intending to go to.

Mr. Lloyd Longfield: Great, thank you.

The Chair: That brings us to the end of this round. We will suspend very briefly. We want to maintain our time for questions.

Thank you very much.

● (0940)

_____ (Pause) _____

● (0945)

The Chair: We're back. Thank you, everybody, for making that a quick transition.

For the second panel, we have with us, from the Canadian Cattlemen's Association, John Masswohl, director, government and international relations, and Brady Stadnicki, policy analyst.

We have, from Silver Valley Farms, Ray Biln, general manager, all the way from Maple Ridge, British Columbia. I know that place.

From the Canadian Seed Trade Association, we have Dave Carey, executive director.

Thank you everybody for being here today.

I have to point out that we have technical difficulties. Mr. Biln is on an actual land line —yes, we have those—so there won't be a video portion.

We're going to start off with the Canadian Cattlemen's Association.

John Masswohl, you have up to seven minutes.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): Thank you very much, Mr. Chairman. We appreciate the invitation to provide input into the committee's study.

The Canadian beef production sector is comprised of 60,000 beef farms, ranches and feedlots and is a major economic driver with a significant multiplier effect in the Canadian economy. In 2017, the beef cattle industry generated \$8.9 billion in farm cash receipts and contributed \$17.2 billion to the Canadian GDP. A 2011 study found that every job in the beef sector yields another 3.56 jobs elsewhere in the economy, and for every dollar of income received by workers and farm owners, another \$2.08 is created elsewhere.

Agriculture and food manufacturing represents one of Canada's biggest global economic opportunities. World population growth estimates will require a 70% increase in global food production by the year 2050. We are eager to capitalize on this opportunity and exceed Canada's target of \$75 billion in agri-food exports by 2025.

For the Canadian beef industry to be competitive, it's necessary to have a regulatory system that supports the industry, encourages innovation and efficiency and doesn't add unnecessary costs.

I want to outline four principles that we see as necessary for good regulation.

First, we seek a risk-based, scientific regulatory system. In achieving the mandate to ensure public health and food safety, protect animal health and welfare and sustain the environment, we believe that government regulations must be based on appropriate management of real risks and an accurate analysis of the costs and benefits of the regulations.

Canada must maintain a science-based approach to regulatory decision-making to provide industry with a predictable, credible, consistent and transparent regulatory environment. Recent regulatory proposals in Canada have included potential changes that our industry believes are not rooted in scientific evidence. A couple of examples of those would be Health Canada's proposal for front-of-package labelling regulations and at CFIA the proposed amendments to the health of animals regulations, or humane transport regulations as they're sometimes called.

Second, the government should pursue flexible outcome-based regulations. We encourage an examination of how regulatory approaches can be made outcome-based. This is important not only to ensure that we achieve best results but also to support new and more efficient approaches to achieving regulatory objectives. An outcome-based approach will require a significant mindset shift as well as additional training for current regulators.

Another priority for the beef sector is ensuring that service standards are based on the speed of commerce. In one recent case where we sought guidance, regulators advised that we would have a decision in 100 days. That's far too long a service standard, maybe about 95 days too long, and becomes a serious impediment to our capability to service new market opportunities.

Third, the government should ensure that regulations enhance competitiveness and support innovative products and inputs. It's imperative that Canada's beef industry have access to competitively

priced inputs and that the business environment in Canada support the development of new innovative inputs. This is particularly important as Canada is a relatively small market, which can in itself be a disincentive for companies to pursue commerce in Canada and register new products. Some of the things we're thinking of, which Dave might also go into, are registering new plant varieties and new veterinary medicines. Even packaging materials need to be approved.

Regulatory oversight and delivery is also a vital input for the food production sector. We can't sell meat without the regulatory oversight. The ongoing fee review at CFIA, which looks to achieve complete cost recovery, does not have a view to economic growth or competitive regulation. This needs to be reconciled, and the role of government and taxpayers in building a competitive economy must prevail over simplified approaches like cost recovery.

• (0950)

Like many areas of the Canadian economy, growth in the beef industry is afflicted by a shortage of skilled labour. It's a constant challenge to find employees who not only have the skills attuned to the needs of the agriculture and processing sectors but also want to work and live in rural Canada. We ask that the government strategically address national labour shortages and ensure a strong labour supply by implementing the Canadian agriculture and agri-food workforce action plan. The action plan includes changes to make the temporary foreign worker and immigration processes more efficient and to facilitate permanent immigration status.

The fourth principle involves international harmonization and equivalency. We encourage an ongoing effort to increase the extent to which Canadian regulations are harmonized or deemed equivalent with other jurisdictions. Harmonization should continue to be pursued to the greatest extent possible by establishing international standards and encouraging adherence to such standards. We recognize that it's not always possible or practical to achieve full harmonization, and in such instances, we should be focusing on recognizing the equivalency of outcomes.

We applaud initiatives such as Beyond the Border and the Regulatory Cooperation Council, and we remain hopeful that positive outcomes can be achieved for the beef sector. As we open new trade agreements, there remains much scope to pursue similar initiatives with other trading partners, as well.

That's my fairly high-level overview of the general direction we would like to take with the regulatory structure. I'd be glad to take questions and focus on specific areas.

Thank you.

The Chair: Thank you very much.

You mentioned the Canadian agriculture and agri-food workforce action plan. Is that a document that your sector has created?

Mr. John Masswohl: Absolutely. I believe, also, that we presented that at the human resources committee.

The Chair: Would you be able to send that to our clerk? We could then distribute it to our committee.

Mr. John Masswohl: Absolutely.

The Chair: Thank you very much.

We're now going, via old-fashioned telephone, to Ray Biln from Silver Valley Farms in Maple Ridge.

Sir, welcome. You have up to seven minutes.

•(0955)

Mr. Ray Biln (General Manager, Silver Valley Farms Ltd.): Good morning. Thank you for the invitation to talk with the committee. I am speaking on behalf of myself and our company, Silver Valley Farms.

I will start with a little background on our company. My grandfather and father started our operation. We have been growing berries in Maple Ridge-Pitt Meadows, British Columbia, since 1981. Our business has grown from 21 acres, including both blueberries and strawberries, to 525 acres of blueberries and 20 acres of strawberries today.

We expanded our operations into marketing and exporting of fresh berries in 2004. We started marketing and exporting frozen berries in 2010. We currently market and distribute our Canadian products into the domestic market, into the U.S. and also into various Asian markets. We also sell a small amount into the U.K. market.

We strongly believe that the federal and provincial governments can play a positive role in helping businesses like ours compete in the global market. I will mention a few areas where we feel the government can support Canadian agribusinesses to increase their global market presence and their global competitiveness.

The first area is to harmonize scientific data requirements for pesticide registration with countries with which we have a free trade agreement. Crop protection tools are a critical element of producing food, whether we are practising organic or conventional farming. Changes in the environment are constantly having an impact and the challenges are faced by producers nationwide. For the safety of Canadians, we agree that the Pest Management Regulatory Agency needs to maintain sovereignty over final decisions. However, we should work with other countries to streamline decision-making. If the countries with which we have an FTA worked together using the same data requirements from pesticide manufacturers, this could help reduce the time and cost for all countries to review and decide on different regulations and maximum residue limits. Each country could work with the same data. Then we could make decisions for our respective countries based on our own standards, taking into account different domestic variables. We have done similar harmonizing with our U.S. partners, but we should now include other regions with which we have signed free trade agreements.

The second area where we feel we need progress is protection, like the Perishable Agricultural Commodities Act, PACA, in the U.S. Two House of Commons standing committees—the agriculture and

agri-food committee and the finance committee—have recommended a move towards a PACA-like system, yet we still do not have a program in place. The absence of a reciprocal financial protection tool continues to be a trade irritant with our largest trading partner, the United States.

Canadian produce growers and exporters do not have the protection offered their American counterparts under the Perishable Agricultural Commodities Act. Establishment of a PACA-like financial protection mechanism would provide similar protection in Canada to both Canadian and foreign produce shippers. American officials have repeatedly confirmed that access for Canadians to PACA in the U.S.A. would be reinstated once Americans have access to similar coverage in Canada.

Dealing with perishable food products is very risky. For small businesses, a PACA-like system would allow us to take that risk more confidently when exporting to the U.S.A.

•(1000)

The third area is continued market development assistance and trade commissioner office investments. I'm thankful for the vision in pursuit of FTAs globally where it makes economic and geopolitical strategic sense. We need continued support to open up markets in Asia that were not included in the CPTPP and other global markets as well.

Furthermore, we need continued investment in trade commissioner offices globally. Having an FTA is a major accomplishment and takes a lot of hard work over years of negotiations. However, for small businesses to take advantage of those FTAs, trade commissioner offices require adequate resources and direction to connect Canadian businesses with market players in each of the countries.

I've witnessed how our business and those of our domestic competitors were, and continue to be, assisted by trade commissioner offices globally. I've also seen times when trade commissioner offices were underinvested in and, as a result, impacted Canadian businesses' access to market intelligence and contact in a market with a newly signed FTA.

The fourth area is for the CFIA to increase its defence of the Canadian food chain. With new FTAs, opportunities to export Canadian products to global markets increase. In addition, opportunities to import products into Canada grow as well. There are many differences globally on the definition of what constitutes food safety. Canadian producers are held to a very high standard by domestic standards and regulations. The CFIA should be given the direction and resources needed to ensure that all products imported into Canada also meet those same standards for what we produce here.

The fifth area where we feel that government can continue support of agri-food business is in investment in higher education and skills development. Agriculture is a growing and dynamic sector of the global economy. If the Canadian government continues to value the food industry, more needs to be done to build higher education programs and skills that the domestic food industry can count on for growth. Companies are having to rely on foreign nationals to fill their food technology vacancies and for management of their food operations, farm practices operations, food safety programs, and information technology research and development. Domestic education and training programs have not been producing these key people who are required for the agri-food industry in the numbers needed to support growth.

Last, I feel the government can support industry by staying ahead of the curve. Markets are changing. Climate is changing. Consumers are changing. Geopolitics have not been this uncertain in decades. Our government and private businesses need to work together in a much more unified manner to remain globally competitive. There needs to be constant dialogue to discuss those challenges, and decisions will need to be made in a much more timely manner than we have been accustomed to in the past.

Thank you, Mr. Chair. That concludes my opening statement.

The Chair: Thank you, Mr. Biln.

We are going to the Canadian Seed Trade Association.

Dave Carey, you have seven minutes, sir.

Mr. Dave Carey (Executive Director, Canadian Seed Trade Association): Thank you, Mr. Chair. On behalf of our members, I appreciate the opportunity to be here.

I'll start by saying that I echo a lot of what both John and Ray have said here this morning.

CSTA is a not-for-profit association made up of more than 130 company members engaged in all aspects of seed from research and development to production, processing and domestic and international sales. The seed industry contributes \$6 billion a year to the Canadian economy and employs more than 60,000 Canadians, with exports of more than \$600 million. Our members also do approximately \$171 million in domestic research and development annually.

Our members range from small family-owned companies to large multinational firms operating in over 50 different crop kinds. By developing high-quality seeds, our members supply Canada and the world with the material used to produce food, feed, fuel and fibre. This is why seed is so important. Seed is the start of it all, the first link in the agri-food value chain. It's the microchip that powers the now close to \$111 billion annual agricultural industry. It is where the innovation is delivered.

However, innovation requires investment, and to secure investment, Canada needs to be an attractive place to do business. Cumbersome regulations can curb or discourage investment in innovation, especially for smaller enterprises, and the majority of our members would be considered SMEs, small and medium-sized enterprises. That said, we applaud the committee for undertaking this important study.

In much the same vein as John, I'd break our members' major barriers to innovation into three categories: an intellectual property system that encourages investment, which we call value creation; a clear path to market for the commercialization of new plant varieties, which we call plant breeding innovation; and continued access to crop protection products, essentially protecting the seed once it is planted in the ground.

On average, it takes seven to 10 years and millions of dollars to develop just one cereal variety. We're pleased to see the ongoing Agriculture and Agri-food Canada and Canadian Food Inspection Agency consultation on the plant breeders' rights regulations. Proposed amendments would ensure the long-term sustainability of both public and private breeding. This is value creation with a robust intellectual property system.

The current regulatory system for plant-breeding innovation, known as the plants with novel traits system, lacks clarity and service standards and is excessively expensive for smaller and medium-sized companies. There are multiple stages for the pre-market assessment of new plant varieties, and these are managed by two different departments within CFIA and another within Health Canada. The complexity and length of the pre-market submission process increase the cost and administrative burden on small organizations. Plant breeders need a clear regulatory path to market to bring their innovations forward.

Canada's globally unique PNT, plants with novel traits, system has served us well for the past 25 years, but in future, it will curtail crop innovation if enhancements are not made. The case-by-case approach used to determine which new varieties are subject to pre-market assessments causes great uncertainty for the plant-breeding community. They cannot be sure if their products require approvals, and if they do, how much it will cost, what data they will need and how much additional time it will take to do field research and obtain the necessary approvals.

A recent study of Canadian plant breeders done by the University of Saskatchewan indicates that nearly half change or scale back the research and development activities in Canada to avoid falling under the Canadian PNT regulations. Moreover, 20% of varieties regulated in Canada are not regulated anywhere else in the world.

The advent of new breeding methods, such as gene editing, will amplify this problem. There are examples of products being commercialized in the U.S. or elsewhere where regulatory regimes for plant-breeding innovation are clear. We are pleased to see that Minister MacAulay has tasked an industry-government technical working group to discuss how the PNT system is delivered and how it can be improved. CSTA does have a seat on that committee.

Given Canada's reputation for high-quality agricultural products, we should be championing and encouraging the adoption of the newest tools that will drive innovation in seed and grains. Tools like gene editing can bring new varieties to the market faster and at lower costs than ever before. Providing a clear regulatory market will allow us to continue to invest in new plant varieties. This will also encourage smaller enterprises to engage in plant breeding. This in turn will enhance competition in the marketplace and ultimately increase the choices available to farmers to produce for the world.

Last, once the seed is in the ground, farmers need access to the best chemistry to ensure that every seed planted results in a successful harvest. On this subject, we echo the comments of our partners, the Canadian Canola Growers Association, who stated that, while the health of Canadians and the environment must remain paramount, evaluations of pesticides should consider the economic impacts they will have on farmers and small businesses. Changes to the Pest Management Regulatory Agency of Health Canada are needed, and we are pleased to see that consultations on the subject are also under way.

Thank you for the opportunity, and I welcome any questions.

•(1005)

The Chair: Thank you very much.

We're going to go right into our line of questions.

This is a reminder that, as we have somebody who's on a land line, if you're going to address your questions to Mr. Biln, please state your name and the party you're with so that he knows who is addressing him.

We're going to start off with Mr. Longfield.

You have seven minutes.

Mr. Lloyd Longfield: Thanks, Mr. Chair. Maybe I will start with Mr. Biln, just to make it easier for you.

I'm Lloyd Longfield from the Liberal Party. I'm also sitting on the agriculture committee. I feel as though I'm at the agriculture committee this morning, which is very cool, because we are looking at how we support farmers as small business people.

Looking at the organic industry in particular, where we've invested \$300,000 to support Canadian organic standards, I'm wondering, Mr. Biln, if that impacts your farming operation. Are you working with the organic standards? Is that something that will help you to trade in other jurisdictions?

Mr. Ray Biln: The organic sector is something we are working in. Harmonizing standards across multiple jurisdictions will definitely help our organic farms with access to market and just to make sure we're playing by similar rules.

Most of our business is still in conventional production. A lot of that has to do with our needing more investment in tools that will allow us to increase our organic production.

Mr. Lloyd Longfield: Do you have an example of an investment that would help?

Mr. Ray Biln: Well, with the climate that we have, in particular with our growing regions, there are a couple of challenges that prevent us from going large scale with organic. On berries there is

certain insect pressure that we do not have adequate organic tools for. There are requirements for fungus controls in our humid environment on the west coast. There hasn't been enough development of controls for those challenges to allow us to move over to organic production in a more meaningful way.

•(1010)

Mr. Lloyd Longfield: Thank you.

Mr. Carey, when you talked about the need for us to get ahead of the curve, and this might be an example of gene editing or some way of managing pests without the use of chemicals, could you comment again? You also represent some very large businesses that supply seeds into the industry, but at the end of the day, we're trying to support small businesses, the farmers who are trying to reduce their costs to be competitive. Could you comment on what types of regulations—or delay of regulations—get in the way, in terms of supporting small farm operations?

Mr. Dave Carey: Absolutely. As I mentioned, we represent the whole spectrum, but of our 130 members, I'd say over 100 would be considered small to medium-sized enterprises.

I think the biggest area in which it causes issues is the one I talked about, involving the system for Canada's plants with novel traits. Even if you're not using biotechnology or GMO or whatever you want to call it—we represent organic, conventional, and biotech, all three—even conventionally bred plants, as Ray was speaking to, can be subject to Canada's plants with novel traits system.

What we've seen is that some companies that don't have regulatory affairs teams based in Ottawa.... Our largest companies certainly do, here in Ottawa, or they are based out of Calgary. When they're doing their own innovation in-house, they set their own parameters. They innovate to a certain level, because they feel that if they innovate above that level, they're going to be subject to a pre-assessment from the CFIA and Health Canada.

They often come to us or our partners at CropLife Canada. What we've actually seen of late is that our small or medium-sized companies are actually going to our large multinationals to get their feedback on whether they feel they would be regulated.

The biggest thing is a clear path to market so that a company that employs 12 in Morden, Manitoba, can know what the requirement is to bring a new variety forward.

Mr. Lloyd Longfield: Right. So being more transparent is what I'm hearing.

Mr. Dave Carey: Yes. I think service standards, tiered risk assessments, something that says, "This is the data package you need." In the U.S., they've gone to a, "Am I regulated?" system, in which you can contact the regulator and say, "This is what I want to do. Where will my regulatory burden fall?" It allows that company to decide whether or not to pursue that innovation.

Mr. Lloyd Longfield: That's terrific. Thank you.

Finally, I'll go to Mr. Stadnicki and Mr. Masswohl. It's great to see you at this committee.

You mentioned the fee review on cost recovery. I'm going back a few years, to when I was president of the chamber of commerce in Guelph, where we were looking at meat inspection in processing plants, some of them federally regulated, some provincially. There were standards in Ontario that were different from those in Saskatchewan. For some, the government paid for the testing and for some the farmers had to pay for the testing. Where are we in that whole process now? It's a bit of a mess. I can tell by your raised eyebrows.

Mr. John Masswohl: It is complicated, for sure, and it does seem to be the trend that more and more things are going to be subject to cost recovery.

Mr. Lloyd Longfield: Explain quickly about cost recovery. Does cost recovery mean that the farmer has to pay?

Mr. John Masswohl: It would be the farmer or the processor.

We don't represent the packers, the companies that take a live animal and turn it into meat. In the past, it used to be that where the cost recovery would come in would be more in the value-added things, such as grading. We know there are different qualities of meat—prime, AAA, that sort of thing. The grading function used to be done by a government employee. We spun that off and created an agency. That is done at a cost to the industry because it adds value.

What we're talking about now is the primary safety function, where there's a CFIA inspector in the facility making sure the meat is safe. They're now moving to cost recovery on that. The question is whether that is something that purely benefits the industry or Canadian society and the economy as a whole. We're providing safe food for Canadians. We're providing jobs.

By putting that fee on, you now change the competitive environment. Do we produce that beef in Canada, or is it more economical to produce it in the United States where that fee is not charged?

•(1015)

Mr. Lloyd Longfield: In terms of our regulatory study, you've mentioned that's being studied. Is there a panel working on that? Is there a report we can see as part of our study?

Mr. John Masswohl: No, not that we're aware of just yet.

Mr. Lloyd Longfield: Okay. That's something we need to look at.

Mr. John Masswohl: It tends to be the sort of thing where, once CFIA has reviewed it and said, "This is what it'll be," they'll put it out in a notice in the Canada Gazette, but they'll pretty much have their minds made up.

Mr. Lloyd Longfield: Thank you.

The Chair: Mr. Lloyd, you have seven minutes.

Mr. Dane Lloyd: Thank you.

My first question is for Mr. Carey.

You were talking about the PMRA and pesticide management. I know that in Canada we have a federal agency. Specifically, there are some pesticides known as neonicotinoids which I believe are considered safe from the federal perspective, but from the provincial perspective, there are some provinces that have put in additional regulations.

Can you comment on that generally? Do you think that some special interests have an outsized influence on pushing non-objective, non-scientific agendas in this area?

Mr. Dave Carey: Thanks for the question.

PMRA is currently in the latter stages of re-evaluating the three classes of neonicotinoids that are registered here in Canada. It's part of their statutory requirement to do so, which we support. We also have concerns, though, that if the European Union bans a product using a hazard-based assessment, it sparks a special review in Canada. Now, each of those three neonicotinoids are undergoing three different reviews at the same time.

Our default position is that the PMRA is the only body that's really capable of making these decisions. It is a very specific science. Either you're working for a crop protection company or you're working at PMRA, or perhaps a university in Canada. It's a very specialized area. We do think that interprovincial trade barriers are a significant issue. We always remind our provincial counterparts that there is in fact a Canadian Free Trade Agreement.

Currently in Ontario, there are the class 12 pesticides. Small seed companies and farmers can use neonicotinoids, but it requires a mountain of paperwork and reporting to get that done. Quebec has introduced a 3A pesticide classification, which is arguably more onerous than Ontario's.

What we see is that the way farmers operate in Manitoba, Alberta and Saskatchewan means that they are at a competitive advantage against farmers operating in Ontario and Quebec, and it's not based on science. There have certainly been a number of interventions from interest groups in Ontario and Quebec, but the Ontario government is looking at the class 12 regulations, I believe, as part of their red tape reductions. It is a concern when the cost of doing business changes from province to province. We believe that all decisions on pesticides should be made federally by Health Canada's PMRA.

Mr. Dane Lloyd: Thank you.

You kind of touched on this, but you only had about five minutes to speak. Could you elaborate on the magnitude of the regulatory costs to plant breeders in Canada?

Mr. Dave Carey: It really depends on the data requirement. Essentially what's happened is that only large multinational companies are capable of, one, using GMO technology, and, two, bringing something to market. But it costs millions of dollars for one variety. If you look at something like corn, there's a 25% turnover every year in the varieties that are on the market because after four years, farmers don't want that four-year-old variety. Corn, canola and soybeans are really the example where innovation is the strongest as far as R and D is concerned, but it costs millions of dollars.

Essentially what happens is if CFIA and Health Canada determine you need to do a pre-market assessment, you have to do field trials. You have to have confined field trials to grow it all out. It really depends on the data package, the data submission. The actual cost of making the submission is not that high. It's what comes with it. They'll say you need to generate data on this, and data on this. These are lengthy reports, multi-hundred page reports.

Where it really becomes difficult is there's no clear path to when this is going to be over: "When is my assessment done? When am I approved or rejected?" That makes it really difficult for a company to commercialize, to say they want to invest \$6 million to get this variety to market. They have no idea when they'll be able to plant that and actually start getting a return on investment.

It does depend on the particular situation, but it has essentially created a system where only six to seven major multinationals play in that PNT space. Smaller companies might license from them but they certainly don't have a four-person team in regulatory affairs to steward their innovation through the process.

Mr. Dane Lloyd: I will say this over and over again, that regulations tend to disproportionately affect small and medium-sized enterprises versus the large enterprises that have the expertise and the economies of scale to pay for these things.

You were touching on some GMO, gene editing, CRISPR technology. Has the government been making any moves to better position Canada to take advantage of these going into the future?

• (1020)

Mr. Dave Carey: Last year, under Agriculture and Agri-Food Canada, there were a number of round tables. There would be one for John's and Brady's sector. There's a seed and grain round table. The industry co-chairs of each of those committees wrote a letter to Minister MacAulay essentially saying, on behalf of the seed and grain industry, that Canada's PNT system is not ready for the next wave of technology. The minister replied in the positive and agreed.

After that reply, a technical working group was struck with Health Canada, the two branches of CFIA, ourselves, CropLife Canada and the Canada Grains Council. We're seeing progress being made, but it took a long time from once that letter was written to actioning that. We are seeing progress.

The United States, Latin America and Australia are quite a bit further ahead than we are currently.

Mr. Dane Lloyd: Thank you.

My next question is for Mr. Masswohl.

On front-of-package labelling, I'm hearing about this issue quite a bit from many stakeholders. They're telling me that they feel it's unfair. Can you give us some perspective on what our trading competitors are doing in terms of front-of-package labelling? How does that compare to what the plans are in Canada?

Mr. John Masswohl: I think there's an international thing that's happening. We've seen the new food guide that's come out that's really trying to move Canadians away from animal-based proteins. That seems to be a trend that is happening around the world. I guess to some extent Canada has just followed what other countries have done without any regard really to the health of beef and meat. They certainly do acknowledge that beef is a healthy product. It's nutrient dense. But I think the food guide missed the opportunity to basically say to include it in your diet.

They say things that are out of context. They say to eat plant-based proteins more often. More often than what? More than you used to? More than beef? More than something else? It's out of context. I think it's that line of thinking that is problematic on the

package labelling as well. It's going to say certain things. They're going to pick certain nutrient points.

Mr. Dane Lloyd: Is the United States still pursuing front-of-package labelling?

Mr. John Masswohl: I'm not aware that the United States is doing that or has a proposal in place.

Mr. Dane Lloyd: What about the costs? I know that when we were dealing with those rules about separating Canadian herds, country-of-origin labelling, that was a huge irritant to you guys. Is this front-of-package labelling basically Canada just hamstringing its own cattle guys?

Mr. John Masswohl: I think the challenge in the front-of-package labelling if they're going to fix it is they'll pick a few data points and say that this is bad, and somehow this is good. I think a lot of people who care about nutrition know that there's good fat and there's bad fat. They know there's saturated fat and there's unsaturated fat, and that there's monounsaturated fat and polyunsaturated fat. I don't think most consumers, even those who are nutrient conscious, could tell you which is the good fat and which is the bad fat.

If you now say we have a single ingredient product like beef or an apple, or something like this, and watch out because it has saturated fat, is that the good fat or is it the bad fat? The apple has sugar. For maple syrup, they want to put.... I don't know if they're going to put a skull and crossbones on it, but it's something that's going to be a warning to consumers. People will say, "I always thought this was healthy." It is, but now there is a signal in the marketplace that they don't understand.

That's what I think is very concerning to us.

The Chair: Thank you very much.

We're going to move to Mr. Masse for seven minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

Thank you, witnesses, for being here.

I'm going to start with Mr. Biln, so that we can get him involved in the conversation. You mentioned something that I think is really important.

I was in Brussels for the Brexit discussions. First, we were in London and then in Brussels. The thought from the trade commission there was that CETA was failing Canadians. We've actually had a growth in European deficits, with regard to trade since signing CETA, with most of the blame laid on, I guess, companies not taking advantage of the opportunity. That was the message coming out and that it was especially small and medium-sized businesses. They were experiencing or at least trying to advocate for more connections to get Canadians involved in that trading relationship.

You've touched on it, but can you maybe explain a little bit what support you get? Have you received any support to actually access the European markets, since we've signed CETA?

Mr. Ray Biln: I would say that our company's been guilty of not pursuing the European market as aggressively as we could be. Being on the west coast, our focus has been Asia for the short term, but we definitely intend to take advantage of CETA in the future. There are some challenges with the European market for products like ours, in that in Europe there are a lot of old relationships that exist currently in the marketplace that will take time for companies like ours to overcome. As a result, our company is focused more on new opportunities in Asia versus Europe, but I believe CETA is definitely important. It will take time for companies like ours to take advantage of it.

• (1025)

Mr. Brian Masse: You brought up an excellent point about old relationships. My comments came across as pretty critical, but they're meant to be more general. The commission in Brussels is looking for ways to address—we're making the problem worse, in terms of a trade surplus, as opposed to better, with the current agreement, because of issues like old relationships. What things would you need as a company? Are there suggestions that you would have? I know we're looking at regulations here, but what type of supports would you need from them to actually get into the market there or at least to explore a bit more about taking advantage of that market? Obviously, you don't have endless and unlimited resources to do so. They were quite clear that the larger companies seem to be doing fine and almost use them as a tool or a resource and pick what they need and go from there, but it's the small and medium-sized businesses that seem to be missing out on opportunities.

Mr. Ray Biln: What we found in other markets is just general market intelligence is so important. It's very hard to get accurate information on different markets, different market players in the different industries and the different buying communities. We can also help to connect Canadian businesses, small, medium or large, with the appropriate companies in the different markets. It's worked really well in Asia, like in Korea, or the Middle East. In Japan, in particular, the trade commissioner offices have played a very important role in just connecting different businesses, whether it's through food shows, whether it's at different one-off food events or one-on-one meetings that have been requested by companies themselves.

Mr. Brian Masse: Last, it seems to me they're looking at doing more outreach for those things. Is that more of a concern than, say, a regulatory change that's necessary for your products, either through labelling identification or meeting their markets? Under the CETA, I know that they grandfathered specific zones of entitlement, which was something that I tried to get in an amendment in our agreement over here. For example, champagne and other types of products are identified as exclusive in marketing on their side. In general, is it mostly just the infrastructure necessary to help businesses like yours to get what you've identified versus actually changing practices necessary to penetrate their markets?

Mr. Ray Biln: For our industry, there are definitely regulatory challenges when it comes to MRLs in Europe or the MRLs in Canada for our product, for example. There are some of those, but the main challenges in the short term are building those connections in relationships with the buying community in Europe.

Mr. Brian Masse: Thank you very much.

I will move to Mr. Carey.

Living on the border, I get a chance to hear national public radio in the United States. There is quite a debate going on with regard to their agricultural community and some products that are used to spray on certain farms. Their neighbours and so forth are having to move to those products, even when they don't want to, because of the runoff and the consequences on their own farming properties.

Is that happening over here? Are there some regulatory challenges? I know in the U.S. there's quite a debate. A couple of products in particular have benefited from what some would argue is a lax regulatory system where, for example, one farmer is using certain types of chemicals and agricultural products that create usage problems on their.... It could be related to insect management or a fertilizer. They have gotten into a position where many of them are moving to certain particular dominant markets because if they don't, they are affected by the consequences of their neighbour anyway.

• (1030)

Mr. Dave Carey: Yes. I do know the product you are referring to. I think the PMRA and the Environmental Protection Agency have different mandates as far as the regulatory process goes. When anyone's using a regulated chemical, the key thing is that they follow the label. The label will indicate, for example, that if you're spraying, not to do it during windy times, or not do it during this and that. That is an issue, but a lot of that comes down to the individual stewardship on each farm or if it's an operator that's being licensed.

I have seen a presentation from the U.S. on some of the drift and things like that. In Canada, we haven't seen those same types of issues. In our organization, one of the key things is that we see a big benefit from using seed treatments, where the seed is treated with a small amount of pesticide and then planted, which reduces the need for those foliar broadcast sprays.

There can be issues if you do have something that's herbicide tolerant. For example, when a soybean is tolerant for a certain herbicide and then someone sprays something that's of a different chemistry, that could have an impact.

We don't normally see it in Canada. Farmers are typically good neighbours. For the most part they communicate with one another. There are also some initiatives, like a new pollinator app that essentially allows sprayers to communicate with beekeepers to say they're going to be spraying their field. If there are hives in the area, they can communicate anonymously through an app. It's something that could happen, but we haven't seen it happen in Canada.

Again, it's up to the individual farmers to follow the label as prescribed by PMRA.

The Chair: Thank you, sir.

We're going to move to Mr. Baylis. You have seven minutes, please.

Mr. Frank Baylis: Thank you, chair.

Mr. Masswohl, I would like to start with you and follow up on some of the questions that my colleague, Lloyd Longfield, was asking about cost recovery.

It's very arbitrary. The challenge you're facing is that as they decide that it costs them more money, they just keep piling it on and piling it on.

What are the negative impacts to industry based on this mindset of forcing all costs on to the producer?

Mr. John Masswohl: Yes, I think you're right. It does seem arbitrary at times. There is a willingness to pay for services that add value. If I'm either a farmer or a packer and I need something done, and I need the government to do it because the government has a certain authority such as certifying that I have raised my cattle according to European standards, I'm glad to pay that cost.

When it's a cost of complying with a regulation that I have to comply with, but I now have to have somebody... They have to come, and I now have to pay for that. I don't have any choice. I have the cost of complying with the regulation, which I may certainly agree with, but now I have to pay for that as well.

I think that's the delineation point. When a regulation is in effect, and it's a good, valid, risk-based regulation that has scientific merit and it's in place to keep animals and the public safe, then I think it's the role of the taxpayer to pay for that regulatory oversight.

Mr. Frank Baylis: I can give you an example in the medical field. It has gotten so out of hand that the cost of getting some device or drug approved is so high that they just say forget about it. Then we're not keeping people safe. We're at the point of taking away valid medicines or devices that could make Canadians safer and healthier. They have made the cost recovery so onerous that people have just thrown in the towel.

Is that happening in your field too?

Mr. John Masswohl: Well, there's a constant balance. Are we encouraging cattle production and beef production in Canada, or are we encouraging that production to move to the United States because it's right there? I would echo some of the things that Dave was saying. I think the choice of large multinationals versus small business is a bit of a false delineation. Yes, Dave's members may be some large companies, but we are tens of thousands of small businesses raising cattle in Canada. You can't raise cattle unless you can feed them something, and that's where the seeds come in. We rely on those seed approvals.

Mr. Frank Baylis: If we talk about cost recovery, it seems to me that it would be more fair if there were a value to Canadian citizens; the Canadian government should incur some of that cost, whatever it may be. Right now, the idea is you'll pay for everything all the time, no matter what.

• (1035)

Mr. John Masswohl: Absolutely.

Mr. Frank Baylis: You would agree that there should be a balance. By going through this process and certifying it, or this regulation, you're benefiting Canadians by making sure they're safe. Why should strictly the producer pay for this? Society should also incur some of that cost.

Mr. John Masswohl: I think where it needs to come into that is on the point that when the regulators evaluate either these regulations or policies, they have to take the competitive aspect into

consideration. I'm not sure that Health Canada or CFIA necessarily think it's part of their role to ensure the competitiveness of—

Mr. Frank Baylis: They do not. Do you think we should put into their mandate that it would be a good idea to say that right now they also have to take into account the competitiveness and innovation? Right now they're strictly security—

Mr. John Masswohl: Any regulation, any regulator...there would need to be an examination of the cost versus the benefit—

Mr. Frank Baylis: —the economic impacts to industry... Right now they say, "That's none of my business." If you say that you will put them out of business, they'll say, "I don't even care."

Mr. John Masswohl: Or worse, when they do the analysis we think it's been very skewed to justify the outcomes they want to see.

Mr. Frank Baylis: Fair enough.

I see you're ready to jump in.

Mr. Dave Carey: One recommendation I have is that if a regulator is going to go towards cost recovery, they should consult with the implicated sector. If you're talking about the cattle or meat sector, just speak to the Canadian Cattlemen's Association or the Canadian Meat Council. We have examples in our industry where we actually pushed... Again, cost recovery is not always a bad thing. We have an example with the CFIA's plant breeders' rights office. This is essentially the intellectual property. They grant intellectual property protection to my companies' innovations, small to medium-sized. We actually encouraged CFIA to allow the plant breeders' rights office to go towards cost recovery, maintain their A-base funding—so to not reduce that.

We knew that once Canada adopted UPOV 91, the increased plant breeders' rights regulations, the commissioner's office was going to get flooded. We want that. Intellectual property means people are innovating, so we actually encouraged CFIA, in that case, to go towards cost recovery, to make sure there wasn't a backlog where products weren't being granted intellectual property, but that was our pushing for it. I think the implicated value chains need to be consulted.

Mr. Frank Baylis: I have personal experience when they first brought in cost recovery. I'm actually in the medical field. I made arguments, and they—quote, unquote—"listened". You can show up and talk, but do they listen? The answer is no. There's a reason for that.

To run their department, if they go to 100% cost recovery, they can build their empire without going to Treasury Board saying, "Can you give me money to run my department?" They just take that headache off and they can just get the money and keep piling it on and on the industry. That actually suits the person running that department because they can go to full cost recovery on any expense, if they photocopy everything they want, to somehow put it on industry. It saves them a battle that they have to do with Treasury Board.

In that light, where would you see our taking some constructive measure, if we made some recommendation here to put some reasonableness in cost recovery, to say, "You can recover cost up to here, but you can't go for everything"? As you pointed out, Mr. Masswohl, should we be saying that if there's a benefit to Canadian society, then Canadian society has to pay for part of that benefit?

Mr. John Masswohl: I think that's a big part of where the delineation point is. There are a number of things, as I say, that we would be glad to pay for to get additional service. If it's something that's a mandated requirement for the safety of Canadians, then it should be Canadians paying.

Mr. Frank Baylis: I have a bit of time. Quickly, on pay for service, you've both mentioned you're not getting the service in terms of timeliness. Do they have mandated time frames they have to meet, or are there none?

Mr. John Masswohl: There was that one example we had. We had a question that was about accessing the European market and whether CFIA could do something for us. They said, "Well, that's a good question. We'll look at it. Our service standard is that we will get back to you in 100 business days." Then the answer was no, they couldn't do it.

Mr. Frank Baylis: For the service standards, are they meeting the 100 days, even if they say—?

Mr. Dave Carey: No.

Mr. Frank Baylis: They're not meeting the 100 days.

Mr. John Masswohl: They will come up with a response.

Mr. Frank Baylis: They'll come up with a response, yes, but they're not actually meeting the 100 days.

Mr. John Masswohl: No.

We got the no, and then we wondered how we can....

Mr. Frank Baylis: The clock restarting, is that another issue?

The Chair: Thank you.

Mr. Frank Baylis: Just say yes.

Voices: Oh, oh!

The Chair: We have enough for about two minutes of questioning left.

Mr. Chong.

Hon. Michael Chong: Thank you, Mr. Chair.

There are six minutes left in the meeting. We're adjourning at 10:45 a.m., I assume.

The Chair: Yes, but I like to say good-bye to everybody.

● (1040)

Hon. Michael Chong: Thank you.

I think it's a really important issue that the committee is studying, but I'm skeptical about the government's announced plans for regulatory reform. I think it's an important issue, because we're slipping in global competitiveness rankings, business investment in Canada is plummeting and the regulatory burden on Canadian business is increasing. We now rank lower in the charts for regulatory burden, somewhere in the mid- to high-30s now out of 140-plus countries.

I'm skeptical too because we've had these initiatives over many years, and they never seem to go anywhere. I remember the smart regulation initiative of 2004. Then we had the Harper-Obama establishment of the Regulatory Cooperation Council, to which you referred, and then the more recent cabinet directive, in the fall economic update announcements, on regulatory reform.

On the ground, however, I hear quite the opposite. I hear from the cattlemen that they're very concerned about the upcoming CFIA regulations on transport of cattle and about front-of-package labelling. I consistently hear from seed producers about the barriers to innovation and also about the whole concern about use of seeds linked to biocides and the like, an area in which you have federal and provincial regulations now causing real challenges for grains and oilseeds farmers in the country, particularly in Ontario.

I'd be interested to hear from the Canadian Cattlemen's Association about these challenges. We've had this Regulatory Cooperation Council, and one of the express purposes for which it was established was to come forward with consistent package labelling standards.

We seem to be going down divergent paths now, so that's one issue I'd like to hear about. This whole thing was created expressly to not go down that path.

The other thing the council was supposed to do was come up with consistent grading standards for both Canada and the United States so that we wouldn't have different nomenclature for grading south of the border and north of the border. It was also supposed to come out with standard package sizing so that processors could ship product both north and south.

What's happening on those three things: labelling, packaging and nomenclature?

Mr. John Masswohl: I agree with you that there have been many initiatives over the years. We've always been supportive of the initiatives, and when something is renamed we will continue to be supportive of their continuing to try.

You gave a good list, and we've always had a good long list of issues under those initiatives. Probably our biggest one is trying to eliminate the reinspection of meat that is exported to the United States. The challenge, I would say, is not a lack of trying on the part of the Canadian regulators. I think they do a good job of trying to get it, but on every one of these issues there is somebody who doesn't want to change, often on the U.S. side.

For example, concerning the issue of reinspecting meat at the border, that is done at a place called an I-house. These I-houses are independently owned by entrepreneurs. The entrepreneurs who own the I-houses have a vested interest in the inefficiency continuing. They lobby hard to make sure the rule isn't changed.

On issues such as meat grading, there are elements in the United States who see being able to use the USDA grade as a protectionist effort. It is just a measure of the quality: Is it prime? Is it choice? Is it select? They have viewed it in the United States as being almost their intellectual property. It means that it's U.S. product, and they have fought hard to keep that.

We lose value thereby. The packers will tell you that the American consumer does not know what Canada prime or Canada AAA means. If it shows up in a U.S. store, even if Canada AAA is equivalent to USDA choice, the American consumer doesn't know what it means and will devalue that product. It is frustrating.

As I said, we remain positive. We'll keep pitching and at some point we'll be able to make progress on these things, but it is frustrating.

The Chair: Thank you.

We're actually out of time. You had five minutes.

Hon. Michael Chong: Okay, thank you.

The Chair: I want to thank everybody for coming in today.

Mr. Biln, I know it's early in British Columbia, but farmers do get up early.

Thank you, everybody. We'll see you on Thursday.

The meeting is adjourned.

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