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Chair

The Honourable Rob Merrifield

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• (1530)

[English]

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

We want to thank our witnesses for being here. We have two witnesses in the first hour. We have Mr. Sahsi. We want to thank you for coming in. He's from Canam International. We have by video conference Mr. Sundher from Sundher Group of Companies. Mr. Sundher, can you hear us all right?

Mr. Tom Sundher (President, Sundher Group Of Companies): Yes, I can hear you fine, thank you.

The Chair: Okay, we just want to make sure that we have all the communications working. We'll start with the presentation from Mr. Sahsi. The floor is yours, sir.

Mr. Darshan Singh Sahsi (Managing Director, Canam International): I would like to introduce myself. My name is Darshan Sahsi. I came to Canada in 1991. I did some odd jobs, forklift operating, and all that. Then I became one-third partner in Cann-Amm Exports Inc. in Maple Ridge, B.C., a small company. We started recycling used clothing, buying from Value Village stores. Value Village is an American company named Savers Inc. Their name in Canada is Value Village, and in America they call it Savers. They have around 300 thrift stores all over North America and two in Australia.

I started with my wife and five employees. To cut it short, today I have around 1,000 employees. I have exported 18,000 to 20,000 cube containers, each 40 feet high, to India and Africa in the last 12 years. This is a commodity that the Canadian government may not know about. This is a commodity we have because Toronto is the first hub of used clothing recycling, after Houston, U.S.A.

I started my plant in Maple Ridge, and I still have around 70 to 80 employees there. I just started in Toronto. I was the first one to get a duty-free licence in India from the Government of India, Ministry of Commerce, in a special economic zone called Kandla in Gujarat.

I'm facing some problems with India. When I started in India, this commodity, used clothing, was under ITC code 6309. It was an OGL, open general licence. We made our projections accordingly in India. Then in October 2004, the Indian government, with pressure from the textile industry, put it back in the restricted category. We were fighting with the government for a year or so. Then they gave us 15% local sales, 15% of the CIF value of our imports, value-wise. They kept it open for two years. Then they banned it again.

I'm here because this is a commodity we have in Canada that we are exporting. I have documented proof that I have exported 20,000 containers to India. The Indian government, to protect the textile industry, keeps opening and closing the doors every couple of years. So while the committee is negotiating with the Government of India, please keep in mind that this is a commodity we can export to India. More than 60% of the population of India needs it.

Last December and January, people were dying in Delhi because of the winter. I was mutilating blankets in my plant in India. I recycled more than 300,000 pounds every day in the plant in India, more than 400,000 last year. Because of the policy change, in May 2010, they again banned our 15%. I have all the documents. Let me explain this to you. On page 7, you can see the first time it was banned.

The Chair: One of the issues is that it's not translated, so we can't give it to all of our members.

• (1535)

Mr. Darshan Singh Sahsi: I have all the documents here. They show when the Government of India banned and when they opened the doors.

The Chair: Okay.

Mr. Darshan Singh Sahsi: All the details are there.

My company was awarded top export performance by the Government of India for four years. I have all the certificates from the government's commerce ministry. The commerce minister awarded them to me for export from India to African countries. The condition was that if I imported for \$1.00 from North America, I had to export for \$1.01 to keep my net foreign exchange earning positive in India.

I was doing all that, but still there was pressure from the textile industry. If you look around India, Pakistan is open, and Malaysia is open. They also have textile industries.

My request is that you keep in mind that this is a commodity that we can export to India. That is my major point with regard to negotiating free trade with India.

If you look at pages 16 to 21, you will see some of the suggestions I have given to the Government of India in a letter written to the commerce ministry. I met the commerce secretary in Delhi.

There are some unhealthy competitors in India. This business looks very simple to normal people, but it is very complicated to teach someone about fabric. In India nobody knew that a lady's blouse had buttons on the left and a man's shirt had buttons on the right. I trained my 200 employees, and one year spent more than six months sitting in 45° temperatures. Then some people from other countries came and picked off my employees, offering double the salary. Then I was suffering. Other people came in, used some loopholes, and started selling illegally in the Indian market.

I, being a Canadian, am living a very good life, with two sons and a wife. I didn't want to do anything illegal. God gave me the opportunity to live in this good country, and I didn't want to do all these illegal activities, but that meant I was suffering for a long time. I wrote a letter to the government. I did everything.

When Jasbir told me about this meeting, I asked him if there was anything the Canadian government could do to help me on this. I told him I'd like to go to the committee, and that's why I'm here today.

That's the short story. There are so many other things I could mention, but I don't want to waste your time today.

The Chair: No, that's very good. We'll get into questions and answers in a few minutes.

Mr. Sundher, the floor is yours, sir. We welcome your presentation.

Mr. Tom Sundher: Thank you very much. I really appreciate this opportunity.

My name is Tom Sundher, and I'm the president of the Sundher Group. I'd like to thank you for this opportunity to present to the Standing Committee on International Trade with regard to a CEPA with India.

Since my background and expertise is in forest products, specifically lumber, most of my comments will be directed at this segment.

First of all, I would like to give you a bit of background about myself. In 1907 my grandfather walked off the fields in the Punjab for what he had heard was a better life with greater opportunities in a country called Canada, and specifically British Columbia. He later sent for my father, who joined him in 1924.

I was born and raised in Port Alberni, the home of some of the most magnificent forests and wood products in the world. I attended university in Vancouver, and I am married with two adult sons.

I have worked for several of B.C.'s large forest products companies, as well as latterly establishing my own company, Coast Clear Wood. Both my sons now work with me in the custom cutting of west coast logs for a specialized customer base and exporting B.C. forest products, specifically lumber, to India.

Our company has had the honour of winning two B.C. export awards for our expertise in manufacturing and marketing, one in

2005 for manufactured products, and the other in 2011 for primary products.

Additionally, we are now the exclusive marketing agents in India for two of Canada's leading forest product producers, Western Forest Products and Weyerhaeuser.

Our opportunities have been tremendous. Even one of my grandsons was drafted recently by the NHL, by the Buffalo hockey club. You can't get much more Canadian than that. But he got onto an American team; we're waiting for a Canadian team.

• (1540)

The Chair: The Americans stole him.

Voices: Oh, oh!

Hon. Ron Cannan (Kelowna—Lake Country, CPC): That's free trade.

Mr. Tom Sundher: Now I'll turn to forest products, or more specifically, to lumber products.

My company has been exporting B.C. lumber products to India for over 15 years. It began as a result of a Vancouver visit by the owner of one of India's oldest and most respected lumber importers, B.F. Wadia and Sons of Mumbai. Arsheesh Wadia, the president, has been instrumental in the development of my understanding of the dynamics and huge potential of the emerging Indian market for Canadian forest products.

Some observations I've made over the years are that 1.2 billion people need housing. In many of the housing components, from supports to hold up the concrete floors as they are constructed, to doors and windows, to flooring, and industrial packaging products, they were using local woods. At that time, very little lumber was being imported into India as India was harvesting its own forests and there was an import tariff of 37.5% on lumber. Today, while much has changed in India, a lot still remains the same.

On factors that affect lumber, I'm sure that others have covered the economic realities of India in much greater detail than I can, but I will touch upon factors impacting lumber consumption.

First, there is a population of 1.2 billion, all requiring housing or shelter of some sort. There is a shift from a rural agricultural lifestyle to an urban industrial lifestyle requiring new housing units. By 2020 it is estimated that 200 million new housing units will be required, of which 80 million will be urban, with characteristics similar to those you would find in homes or condominiums in North America. The majority will be a multi-family type.

Second, the demographics are skewed towards a younger age group that is evolving into a middle-class consumer society for such items as furniture and other housing amenities constructed of lumber.

Other significant changes taking place over this timeframe include: first, the banning in 1995 of domestic timber harvest on all government lands to protect the environment; second, a significant increase in both hardwood and softwood log imports to make up for some of this shortage—approximately 200 shiploads of logs per year, of which five million cubic metres were hardwood logs, and one million cubic metres were softwood logs; third, a drop in the import tax on lumber from 37.5% to the now 14.75%; and fourth, a subsequent increase of lumber imports from 100,000 cubic metres of hardwood to 600,000 cubic metres of hardwood and softwood in 2011—12,000 containers per year—of which 300,000 cubic metres were hardwood lumber, and 300,000 cubic metres were softwood lumber. Canada exported 65,000 cubic metres.

However, it has not been a smooth journey. The increase in lumber imports led to much more rigorous inspection of the documentation required and it was found that most of the Canadian species' botanical names were not included in the import regulations. This led to a two-year hiatus of Canadian lumber imports to India while this was rectified. The Canadian and Indian governments, through the agricultural department, did a pest control assessment, and we've successfully now listed all of our species on India's import schedule.

India's preference for lumber products still remains hardwood, such as teak and meranti, which has seen significant increases of log imports from both Myanmar and—and I'll make a correction to the brief; it's not Indonesia, but Malaysia. These are the two largest exporters of these logs.

Imported logs are subject to a duty of 9%. Lumber is at 14.75%, and finished products, such as doors, windows, and flooring, are at 33%, thereby skewing buying decisions.

I believe that a comprehensive economic and partnership agreement, CEPA, between Canada and India that includes lumber products will be beneficial for both countries if it addresses both the tariff and non-tariff barriers currently in place. It would be a win-win situation.

First, India is a “fibre deficit” nation and needs to import logs and lumber to meet its growing needs for wood products. While India has restricted domestic harvesting and its government has discouraged wood use, the reality is that India is a wood culture.

• (1545)

As consumption grows, along with demographic and economic trends, all estimates are for more wood use, not less. Considering a policy of encouraging wood imports and use of sustainably managed forests can present a viable alternative to increasing pressures on domestic forests and ensure that India is making positive environmental choices by sourcing them from legal and sustainable sources. Some forecasts show a shortage of 50 million cubic metres of lumber by 2030.

Import duties are a tax on the Indian consumer, as they raise the price of the raw materials that are being used, either in housing construction or in other amenities. The tax is also applied on the landed price cost, including freight, which puts those countries with farther shipping distances at a disadvantage. Canada is on the opposite side of the world to India and has one of the longest

shipping distances from the fibre-sourcing regions, putting it at the greatest disadvantage.

Second, India is developing an export economy of furniture, doors, etc., that will put it at a competitive disadvantage with other exporting nations that do not have the same import duties. I'm not aware of any import duty tax credit for goods that include lumber products that a duty has been paid on, but that are exported out of the country. High import tariffs on logs and lumber are likely putting more pressure on domestic forests, as they do not make imported wood products from sustainable sources as competitive.

I understand the desire to protect domestic jobs, which is why limiting their tariff to manufactured and finished goods may help create jobs in India. Bringing in the raw material without high tariffs can help encourage the domestic industry and keep it competitive with other nations. This is particularly acute if India wants to export finished goods. The raw material inputs are automatically higher than in other Asian manufacturing centres.

I would add that Canadian lumber should be more cost-effective to Indian secondary manufacturers and consumers than products generated from imported tropical hardwood logs, the supply of which is diminishing worldwide and the cost of which is rising worldwide. Although Canadian lumber may compete with lumber produced by Indian sawmills, constituencies in India, other than sawmillers, stand to benefit significantly from using Canadian lumber. Reflecting that phenomenon, we urge Indian policy-makers to characterize imported lumber as, at best, a semi-manufactured good, so that import duties are reduced, ideally to zero.

Third, India has several non-tariff trade barriers that other countries do not have, including import permits and phytosanitary certification. India's business practices can also be suspect when it comes to correcting even the smallest error in paperwork. This all leads to extra costs in doing business in India.

I've also listed a number of things that I have written down here. If you like, I can cover them very quickly, or whatever you think.

The Chair: Your time is about gone, so let's just open it up to questions and answers, because they may come out in some of your answers to the questions. We can have your text translated and given to the committee, so at any rate they'll get all of it.

Mr. Tom Sundher: That's great. Thank you.

The Chair: Thank you very much.

We'll start with Mr. Sandhu.

The floor is yours for seven minutes.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, Chair.

I want to thank both our witnesses, Mr. Sundher and Mr. Sahsi, for being with us today. It's very much appreciated. I know that both witnesses have had extensive experience in dealing with business in India.

I want to start with Mr. Sahsi. Actually, he's a good friend. I've known him for many years. I will call him Mr. Sahsi, not Darshan, at this committee meeting.

Mr. Sahsi, you've been in India for a number of years. What obstacles did you face in setting up your business in India and, for the negotiating team, what can we learn from that? What can you tell us at this committee today?

• (1550)

Mr. Darshan Singh Sahsi: Jasbir, there are so many small and big obstacles. I'm not doing only this business in India. My sister is a CMA in Canada. I started a business for her also in Chandigarh, and I have some connections. You always need connections to start a business in India.

The bureaucrats in India are always looking for fault. They go through your papers, and they want to find a small fault. It's not like a Canadian bureaucrat. Here, everybody is there to help you. Over there, everybody is there to find a fault. If there is a small fault, they'll put your file aside and tell you to come back tomorrow. I learned a lot. Because I am Indian, I was doing business in India before I came to Canada. I had a small business. I'm still running a brick kiln there, and I'm the major supplier for Jindal Steel and Power. The whole distribution centre is with me in part of the whole Punjab and Jammu and Kashmir states. So I am doing that business also.

There are so many.... For example, there is used clothing. Used clothing comes in under ITC code 6309. For the last 20 years, maybe more, this used clothing from North America, from Europe, from wherever it is available, from South Korea has been coming into India under ITC code 6310. It is always going there illegally. When they gave us 15% from the special economic zone, 15% was okay with me. I need only 10% weight-wise. Even 5% is okay. We can export. We can sell in the DTA, the domestic tariff area. We are selling that 6310. It's allowed. We mutilate acrylic sweaters, wool sweaters, cotton sweaters for wipers. Some wipers we ship back to Canada and America from India. That is allowed, but we need only 5% to 10%, which is whole clothing, not mutilated.

The problem is that outside the special economic zone, people are importing under code 6310 illegally. They pay bribes of 30 rupees per kilogram. I would request that the committee suggest a duty of 30 rupees per kilogram on India for garments. Buyers in India are happy to pay that 30 rupees per kilo if it is open.

Mr. Jasbir Sandhu: So you would like a fair system where everybody—

Mr. Darshan Singh Sahsi: I tried my best, but now I want the Canadian government to help. I tried. I met the commissioner. I was awarded...if you see my file, there is a photo with the King of Belgium who came to a Vancouver hotel. I was importing from Belgium also at that time. The minister of commerce gave me the award.

I did everything the Canadian way. If you look at my plant—I brought the CD, but unfortunately you said you can't play it here—I made my warehouses like those in Canada. They are fully ventilated. I provide distilled water to 1,000 people. I was paying double the salaries. In the plant, whenever the government or any delegation from the Government of India would come from Delhi to the special economic zone, the development commissioner was proud to bring them to my plant to show it to them. I developed my own fire system in the plant. If there was a fire, the fire brigades did not work in India, so I was afraid. Sometimes I have 200 containers of used clothing I have bought from the Salvation Army, from Goodwill Industries, or from other charities in Canada. I buy their leftover clothes, whatever they can't sell. These clothes were going to the garbage heap. I have my own outlets in Africa. The major problem was the garments of the unhealthy competitors in India. That was the major hurdle which I am still facing today.

Mr. Jasbir Sandhu: I have a question for Mr. Sundher.

Mr. Sundher, what are the main obstacles that have prevented you from expanding in India over the last 10 years? Obviously, you have some business there, but you've had some difficulties and some obstacles. Can you maybe highlight those for our committee, besides the tariffs, which you've already talked about?

• (1555)

Mr. Tom Sundher: Thank you, Jasbir.

The major issue is the tariffs. The 14.5% duty restricts our ability to go inland economically. Right now, most of our lumber is going to a port city, whether it be Bombay or some other port. To go inland, it's another \$900 to \$1,200 U.S. for a container. If our duty could come down to zero, or close to zero, that would give us more access to inland cities and more access for our lumber at economical prices. That's a huge hurdle.

The other ones I've listed in my presentation are in regard to the bureaucracy and getting the lumber there. In other words, it deals with the different rules for different categories of lumber. Our lumber is in schedule VI and schedule VII of the import schedule. I'm questioning why we can't have it all under one schedule. One schedule requires no import restriction and the other one requires us to get an import permit. I'm asking why it is separated like that. There's no reason for it.

The other thing is, our SPF, southern yellow pine and all that, comes under three separate import permits. Our industry would like to see one import permit that covers SPF as it's marketed worldwide. Why not one import permit to cover that? Right now our buyers in India have to apply for three separate import permits, putting down the percentage of pine, the percentage of spruce, and the percentage of fir. This is really no issue, because you're just guessing at it. It's better to have one import permit for those species. Those are the things that I think should be addressed.

The Chair: That sounds very good. We'll take note of that, and we'll move on to Mr. Shory.

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

My thanks to the witnesses for being here today. I want to thank you for your hard work here in Canada and abroad. I congratulate you and your families for the success you have achieved.

Mr. Sundher, within the 1.2 billion population in India, we have heard that 300 million are in middle-class families and 25 million of those Indians have the capacity to buy virtually anything. That's the kind of range of prosperity there is. Of course, India has quite a large young generation.

You have been dealing in lumber. The Indian government has ambitious plans to improve their infrastructure; they are talking trillions of dollars. You and I both know that in India lumber homes have not yet been adopted. Do you see an opportunity for expanding in that area? Other countries are also keen to cash in on those opportunities. Where do you see this happening?

You talked about tariffs. Are there any non-tariff areas we should address in CEPA? Do you see any benefits to starting the CEPA with India? We have our Canadian trade commissioner services in India. Has anyone of you used those services?

Mr. Tom Sundher: Absolutely. They are very good. Our trade services are excellent in India. I use them all the time. I was in India two weeks ago. I use them every time I go. The first time I went to India, I used our trade services to present our first show.

In answer to your other question about house building in India, I don't see in the short term our providing construction lumber to India to build homes out of wood. I see our opportunity, as it has been for us in the industry for the last 15 years, in interior lumber uses, such as, windows, doors, flooring, wood framing, finishing, spare parts. That's what I send our lumber for now. That's where I see the opportunity.

What slows us down is the tariff. When there's a 14.5% duty on our wood, by the time it reaches the customer, it's 22%, because 14.5% is the duty when it comes right into India and they take it at the border. Then there are state taxes, dock charges and related items that bring it up to 22% before our customer receives the lumber. I don't think there's much you can do on India's tax structure, but you might be able to do something on the duty of 14.5%. If you could do anything to reduce that down as close to zero as you could, we would get more opportunity to move our lumber into India and grow our market share.

• (1600)

Mr. Devinder Shory: Mr. Sundher, did you face any non-tariff barriers in your dealings with India?

Mr. Tom Sundher: The non-tariff ones were in the paperwork, the documentation.

Similar to what Mr. Sahsi said, every time the lumber presents there, we think we've dotted our *i*'s and crossed our *t*'s, but they find some issue to hold up the shipments, and then Canadian businesses don't want to do business in India.

If this committee could help us on the non-tariff issues, and I've listed them in my presentation, that would be a big help to us.

Mr. Devinder Shory: Mr. Sahsi, do you want to make any comment on it?

Mr. Darshan Singh Sahsi: Nothing much; I have covered almost everything, but I would give one suggestion. If, like China, the Canadian government could do something with our own shipping lines, they can....

I tried with steel scrap to India. I have also tried with lumber to India. I shipped two containers of logs. I think there were infected logs. In B.C. they were allowed. There was no duty on the logs, but they wanted this certificate and that certificate, and then my manager cleared those containers in some other way.

But on the processed board there is a duty in India.

Mr. Devinder Shory: Let me ask both of you a question.

In this competing global market, should Canada go ahead with an agreement with India, and would there be a loss of opportunity if we do not finalize our agreement with India?

Mr. Tom Sundher: It's very important that we finalize an agreement with India on trade. I understand you have lumber on your list, and that would help us.

We have a surplus of lumber and we need export markets. India has a deficit in forestry and forest products, and there's an opportunity for us to grow our business. I believe that if we move forward in the next 10 to 15 years—not the short term, but in a marathon—we will be close to China in shipping lumber products to the Indian market. Not everybody agrees with that summation, but I do.

Mr. Darshan Singh Sahsi: One of my managers in Accra, Ghana is a fifth generation in the lumber industry in India. He knows anything about lumber. I think India is a big market for lumber in the future. He was telling me that there is a high demand for Canadian lumber. Especially in the Kandla seaport, there are a lot of containers. A few of my friends are exporting from B.C. I am also thinking of exporting lumber from B.C.

I don't know the duty on the processed wood, but there is a market there. They are using this lumber for furniture. They export furniture also. It's not for doors or windows, because they are importing plastic windows and doors from China. They're basically using it for furniture. This softwood lumber is good for furniture.

I think in the future, Canadian lumber would be loved in India. That's what my manager was telling me. We are also trying to step into lumber. We will soon start shipping lumber from B.C. to India.

The Chair: Okay, very good.

Mr. Easter.

Mr. Tom Sundher: I just want to make one comment on—

The Chair: We'll just have Mr. Easter speak. He's the second round, and he'll probably give you a question.

Hon. Wayne Easter (Malpeque, Lib.): Thank you both for appearing.

There obviously should be a market for lumber or housing materials. We're talking about 200 million new housing units that are required. That's substantial.

I want to come to you first, Mr. Sahsi. I didn't quite understand your operation. You are buying used clothing. Did you have a plant in Canada, or did you have a plant in India and were importing that clothing from containers from here?

• (1605)

Mr. Darshan Singh Sahsi: I started in Canada in 1995. We were grading around 50,000 pounds every day. We were buying from Value Village, the Salvation Army, everybody. Then in 1999-2000, the Canadian dollar started to strengthen and our viability was not there. Many people closed down.

I decided to take it to the country where labour is cheap. I applied with the Ministry of Commerce to get a duty-free licence. I can import used clothing into India, use Indian labels, and get cheap warehousing. There was no tax for the first 10 years. They gave us a tax break for the first 10 years. I'm buying used clothing from Value Village, the Salvation Army, Goodwill. They are leftovers from the charities. The Salvation Army, for example, receives clothing donations, sorts them, puts price-tags on them, and tries to sell them in their thrift stores. Whatever they can't sell, whatever they would throw away, the leftovers and the damaged items, they sell to me by weight. I turn that clothing into money. I buy from them and ship them.... I sort and grade in Vancouver and Toronto, and extra containers—150 containers—I ship to the plant in India, grade them there, and ship them to Africa. I have my own outlets in Africa. I sell them in Africa, bring the dollars to India, and from India to Canada.

Hon. Wayne Easter: What would it take to create those jobs in Canada? One of my concerns with the government approach is that they believe in signing trade agreements, but then the thinking is that they're done. How do we add value in Canada and create other economic activity in Canada to take advantage of the trade agreement? If we had an FTA with China that reduced the tariffs, would that in any way see you creating those jobs in Canada?

Mr. Darshan Singh Sahsi: Yes, that's why I printed this paper. Unfortunately, there was no option. If free trade is allowed, then we don't need an Indian plant. We could sort and grade here in Canada. Shipping one container of mixed used clothing is \$10,000 to \$15,000, depending on what we load in it.

If India opens the gate, then we will ship the graded clothes from Canada. We could grade in Toronto and Vancouver. The graded container would be \$30,000 to \$40,000, at a minimum. If you're shipping 10,000 or 20,000 containers to India, then we don't need them to create jobs. We will create jobs here in Canada. Even right now, today, I have not closed down my plants. I have 17 plants in Vancouver, and I just started in Toronto. I'm keeping these plants alive, because you never know. Tomorrow, India may shut the doors. They can change the policies overnight. I want to keep my plants here. I'm keeping everything in my hands: Africa, India, Canada. I don't want to shut down my Canadian facilities.

Hon. Wayne Easter: Thank you very much.

Mr. Sundher, I think your main issue is tariffs.

Mr. Tom Sundher: Yes.

Hon. Wayne Easter: An FTA with India would reduce those tariffs and non-tariff barriers. You did mention India's tax structure.

I have two questions. Who are your major competitors in selling lumber products to India? I expect China is one. Does the Indian tax structure apply to those other competitors as well?

• (1610)

Mr. Tom Sundher: Yes, it does. Our major competitor for our wood into India, Mr. Easter, is hardwoods, hardwood logs. Right now, India has a culture of using hardwoods in all of their building and all of their finished.... Our competition for our lumber is going to be the hardwoods. Right now, 95% of the volume of wood coming into India is in log form, and 90% of the usage of manufactured lumber is in hardwood form. But right now, worldwide for hardwood logs...it's becoming a shortage, because many of those countries that are exporting the hardwood logs into India are doing it illegally.

Our opinion is that there's going to be a demand for more wood. Our share of the Indian market is less than 1% right now, because we've just started. The Indian consumer knows very little about our lumber and its qualities. Our challenge is going to be to introduce our lumber—and that's what we've been doing for the last 10 or 15 years—to interior uses for homes. It's slowly being accepted.

FII, the Forestry Innovation Investment group in B.C., working with Canada Wood, opened up offices this year, and they've chosen India as the next place after China to work on educating the public on the uses of our Canadian lumber, which is softwood. This is an issue that we're up against, and the help from reducing the tariffs would help us introduce our lumber much more quickly than we've been able to in the past.

The Chair: Thank you very much.

Mr. Cannon, I believe you want to share your time with Mr. Saxton.

Hon. Ron Cannan: Thank you.

Thank you very much, Mr. Sundher. I'm from Kelowna—Lake Country in the interior of British Columbia, and I thank you for your continued effort to grow our forest industry. I have Tolko mills in my riding, and a big part of the interior is forest related.

I wanted to expand on one question you responded to. Right now, most of your market is coastal because of the cost of shipping inland. Is any of your product being used for finished, or is it more for forms and some of the extra material, like they're doing in China right now?

Mr. Tom Sundher: No. Right now, Mr. Cannan, our wood is interior SPF going into India. Tolko is a big... I just came back from a trip to India, where there were three of the major companies, Tolko, Canfor, and West Fraser, and us, which is Western Forest Products. We're promoting our coastal species, which are hemlock, Douglas fir and western red cedar, and from our interior, our SPF. Tolko and the other companies are having some success. We've just started in that area recently. That's working out well, actually, and it's mostly for interior use: wood panelling, door panels, door frames, and door parts, like stiles and rails.

We cannot compete for the shuttering business. In the shuttering business, it's a cement forming. Most of that wood comes from New Zealand and Australia in log form, which they can deliver at between \$95 and \$120 a cubic metre. It's not dried. It comes into port and thousands of small sawmills in India saw it up. It's used for the low end. We're not going to be competing against the low end. We have to compete in the furniture industry and the interior uses of wood for homes and offices.

Hon. Ron Cannan: I want to congratulate you on both of your awards in 2006, and I think you said 2011 as well, so you're obviously leading the way in many sectors of your industry.

You have some staggering numbers on the potential. You mentioned 200 million units by 2020, 80% urban, mostly multi-family. The potential not just for your company but for Canadian companies, as you were saying, is huge.

•(1615)

Mr. Tom Sundher: Yes, for all Canadian companies. Tolko is excited about it. John Langley and I were just over there together. We're all going to try...it's for our Canadian producers. In the last 15 years, 37 sawmills in B.C. have shut down. The only way we're going to get employment here is to keep that effort going. We're dependent on export markets, so the more export markets we achieve... China is huge for us now, the U.S. is big, and India could be a big consumer. One of the differences between India and China is that China wants to be the manufacturer to the world. India, in my estimation, will be more of a consumer of our goods than an exporter. I see a huge opportunity for us there.

Hon. Ron Cannan: That's very exciting. I know Minister Pat Bell is very excited about that. Minister Steve Thomson, the forest minister, is one of the three MLAs in my riding, so we work closely and do all we can.

Thank you for your work.

I'll pass the floor over to my colleague, Mr. Saxton. Thank you.

Mr. Tom Sundher: Thank you.

Mr. Andrew Saxton (North Vancouver, CPC): Thanks, Ron.

Thanks to both of our witnesses for presenting to us today on this subject.

I come from Vancouver, Mr. Sundher. I certainly hope your grandson gets traded to the Canucks, but that's another story.

Some hon. members: Oh, oh!

Mr. Tom Sundher: That's what we're hoping for. The Canucks missed a big opportunity.

Mr. Andrew Saxton: We'll keep hoping.

I just want to go back to wood products. Wood products already represent a fairly large percentage of our exports to India, even though the absolute numbers are quite small.

Mr. Sundher, you mentioned that the primary uses you see are really doors, window frames, flooring, and that sort of thing. What about construction of framed buildings? You haven't really mentioned that so much. Is it because they don't have the building codes and standards, or they don't have the skills to build framed buildings? In your opinion, is that an opportunity?

Mr. Tom Sundher: There's an opportunity. Where I see the first opportunity coming from is that a lot of construction is going on there in cement, because cement is cheaper. Steel is cheaper, too. Most of the buildings are going up in cement and steel, but all the interiors are wood. Most of the high-end finishes are from hardwoods. As I said before, the hardwoods are diminishing. The prices are going up. We can be very competitive in introducing our wood into that market area.

For the last 10 or 15 years I've been exporting the coastal species of hemlock, fir and cedar. They've been accepted, but it's taken a lot of work. First you have to find somebody who will work with you and introduce them into the project, but it's continuous. Once they get using them, they'll use them continuously.

I think the opportunity for wood framing will first come out of those high-rises. Where they put cement in the walls now, they could put in wood. It would be much more practical to make the room dividers out of wood, like 2x4s or 2x6s, rather than using cement walls. I think that opportunity exists for us.

They're working on it in China. I don't see why that opportunity...

We just came back two or three weeks ago from a trip to India. If you look at the cities of Mumbai, Bangalore, and Delhi, there are so many high-rises going up. It's just phenomenal. We had a meeting with architects and designers. The number of wood doors is phenomenal. Our wood is in the manufacture of those wooden doors.

Granted, they're experienced with hardwoods so they're using hardwoods now, but the opportunity to increase our market share is huge. We can't go anywhere but up.

Mr. Andrew Saxton: Do you see any potential demand for the pine beetle wood in India, the blue pine?

Mr. Tom Sundher: Yes. I think for furniture and that. I think Tolko, PALCO, West Fraser, and those interior companies have good opportunities to do that. I think they're working on that. As a matter of fact, I think some of their wood of that sort has gone into India. I'm not that familiar with that, but they are. They're pretty good at that.

The Chair: Thank you very much.

I believe Monsieur Morin and Madame Papillon were going to share or split time, for five minutes.

Go ahead.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Thank you.

Mr. Sundher, I know you're from the west coast.

Mr. Tom Sundher: Yes, sir.

Mr. Marc-André Morin: In eastern Canada we have plenty of hardwood. We have maple and birch and all sorts of hardwood. There are some very functional shipping lanes to ship from the east coast. Do you think there could be a market, eventually, for eastern Canadian hardwood?

• (1620)

Mr. Tom Sundher: Absolutely. There is now.

When I was there, Quebec Wood was there. They've been there just about every time I've visited. They're working hard. As a matter of fact, 10 years ago Quebec Wood was working on India. Shipping out of the east coast is much cheaper than out of the west coast. The opportunity is there. For sure, it's there.

Mr. Marc-André Morin: I have another short question. When we talk about non-tariff barriers, there are some that are mean-spirited, clearly, to stop trade. Sometimes they have to do with the difference in governance between our countries, like the powers of the different states and different jurisdictions.

To you, are there more of those mean-spirited non-tariff barriers? Are the other structural components of the Indian economy a big part of that problem? If you can take this...

Mr. Tom Sundher: I don't think it's mean-spirited. I met a lot of the people. I met my customers. It's just that the documentation is so complicated. If there are errors, the person on duty inspecting the documents is going to check that they're done correctly. If they're done correctly, there's not an issue. If there is a mistake, then you have to deal with it. But I don't think it's mean-spirited. I think it's just a matter of clearing up the understanding from our side. There are a lot of issues with paperwork that could be cleared up by our bureaucrats when they're dealing face to face like we're talking now. They're not insurmountable. India is moving forward, and the young people who are now coming into play are not mean-spirited. They want things to happen. They travel around the world, and they see a lot of things. They want their country to progress like any other country.

Mr. Marc-André Morin: I'm sorry I used the term "mean-spirited". That's not exactly what I meant. I was referring to some practices we see in a lot of countries. They don't want to admit they want to limit importation and they use euphemisms. "Mean-spirited" is a little bit off; I should have said "hidden tariff barriers". I understand your point.

Thank you very much.

Mr. Tom Sundher: Thank you.

The Chair: You have one minute left.

Ms. Annick Papillon (Québec, NDP): First of all, I would like to ask you, Mr. Sundher, what you wanted to say before Mr. Easter

started a few minutes ago. I don't know if you made that point already.

Mr. Tom Sundher: I just wanted to clarify Mr. Sahsi's point.

Hardwoods are the preferred species. Hardwoods are used in windows and doors. Our efforts are going to be introducing our softwoods. Our softwoods are used worldwide for furniture, doors, windows, interiors, stair parts. Our goal has to be to introduce and educate the Indian users on the qualities of our wood to be used for those purposes. I just wanted to clear up that point. I found that of all the shipments that we've been making in India we don't go for the lowest common denominator. We have to go to competing against the hardwoods. That's the market in India, and what we want to do in Canada is get our share of that market. Right now it's below 1%, so we have a huge challenge.

Ms. Annick Papillon: Can you think of any solutions that would help them know more about species of wood?

Mr. Tom Sundher: Absolutely, and right now we're working on that. The Canadian government and the provincial government have... FII and Canada Wood have offices there. They have a technical adviser who just started this year, and a staff of four or five people. They'll be helping the Canadian exporters, like ourselves, all the Canadian companies, with the Indian manufacturers that are making furniture, windows, and wooden doors. They'll work with them and give them the opportunity to use our wood. If they have any questions, we can answer them. I think it's a matter of education.

• (1625)

The Chair: Thank you.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman. Welcome to our witnesses.

I have a couple of questions. I'm just trying to get some clarification. Mr. Sundher. You were very clear that you used the Canadian trade commissioner service in India. We've expanded those services and it's good to hear that they're working well and that they're a practical tool for you to use.

Mr. Sahsi, it wasn't clear whether you used the trade commissioners in India or not, and whether they were helpful in breaking through some of what appears to be almost a non-tariff barrier, the paperwork and having your documentation in the proper order.

Mr. Darshan Singh Sahsi: Mr. Keddy, when I started this operation in India in 2001, I went to the consulate in Chandigarh. I met Mr. Sobti. He recommended a few people to me. At that time, I was thinking to start this operation in the Punjab. I tried for a licence in Delhi and Bombay and Madras, but I was refused. I did use their services. I spent almost half a year in India, on the ground. I met Scot Slessor, the consul general. I went to Scot's house for dinner. I used the opportunity to ask Scot if he would visit my plant sometime. It would show the local officials that we were connected to the Canadian government. If they did anything, then obviously we could always contact the Government of Canada.

He requested that somebody in Bombay, but there was.... Actually, we were having an annual meeting. The president of Savers from America and some people from Goodwill and the Salvation Army were there. I asked if the Canadian consulate could send somebody from the Canadian government to join us, just to give the local officials and commissioners....

Unfortunately, nobody was there. Maybe next year I will try again. They are good people. They listen to us. They respect us.

Mr. Gerald Keddy: Yes.

Mr. Sundher, on the importation, you've been pretty clear that you're shipping all softwoods into India, but specifically the spruce, pine, and firs, and some west coast cedar as well.

With the use of hardwood, in North America we would typically blend that usage, softwood and hardwood. For instance, in building a staircase, it's not unusual to use a hardwood tread and a softwood riser.

Is that an educational problem in India, that we have to convince the Indians that this material actually does work, that you can work the two of them together, use softwood only or actually blend them together?

Mr. Tom Sundher: That's going to be our challenge. The Indian user doesn't know the qualities of our wood. I think there's an opportunity in some places to either blend it or use it only.

Hardwoods are better than softwoods. That's an education process that we're hopefully going to start on with a technical adviser, a Canadian and a very qualified person named Brian Leslie, who's going to be working with FII. I've already sent him out to some of the manufacturers that are using our wood for different uses. He's going to be working with them on just those things.

Mr. Gerald Keddy: Finally, I would congratulate both of you on your work with India, particularly in the lumber business. I have a pretty good background in the forestry industry. When you're facing 22% tariff and you're still willing to try to work there, good for you.

• (1630)

Mr. Tom Sundher: Well, everybody thinks I'm a fool, actually—

Voices: Oh, oh!

Mr. Tom Sundher: —for working on it for 15 years. But I think the time is coming now. Everything has its time, I hope.

Mr. Darshan Singh Sahsi: [*Inaudible—Editor*]...there is a problem. That's why in terms of our hardwood, there is an opportunity for us. I already sent one container of Canadian red oak to India. It's still there. It cost me, I think, 1,600 rupees a square foot. It's still there. I was trying to make 100 or 200 rupees, but I am not able to sell it.

I'm also working on the wood. We also have a factory in Surrey, B.C. We make kitchen cabinet doors out of maple and oak. They are very good doors. We make almost 700 doors every day. We're a fully computerized factory. We're trying to export those doors to India. I built my own house and I put maple doors in my house. I'm showing those doors to people. We're doing so many things.

Over the last year or so, there's been a case with the Indian government in the supreme court on the clay that people were using. My first business was making bricks for people building houses with bricks. That industry has been on hold for almost more than a year, because there's been a clash with the mining department. It's been at the high court, at the supreme court.

People have not been making bricks since last year. The price of bricks has gone from 3,000 rupees to 6,000 rupees per thousand. People are thinking about finding some alternatives in India. Personally, if there is no duty on Canadian lumber, people may start thinking about making their walls of wood as an alternative.

The Chair: Yes, what we're hoping for is that a free trade agreement will eliminate the duties, and we'll work toward that.

Mr. Darshan Singh Sahsi: If you go to the Internet you will find there is a big hurdle in India. There's a case in the supreme court and since last year no brick has been produced, not a single one, and my own brick kiln has been on hold for the last year.

The Chair: Mr. Sahsi and Mr. Sundher, we want to thank you for coming to our committee. Our time has gone, and we appreciate the time you have given us. We appreciate your testimony.

With that, we will suspend as we go in camera to finish off our business.

[*Proceedings continue in camera*]

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