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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Tuesday, February 17, 2015**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Tuesday, February 17, 2015

• (1530)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** Good afternoon, ladies, gentlemen, and witnesses.

We're back from the break. We are studying, as you know, the promotion of domestic trade in agriculture and agrifood products by reducing interprovincial barriers. The discussion has been around some of the concerns and barriers that we have within our country interprovincially.

Today, as our first witnesses, we have department heads with us.

I welcome all of you.

From the Department of Agriculture and Agri-Food, we have Greg Meredith, assistant deputy minister of the strategic policy branch, and also Frédéric Seppey, chief agriculture negotiator and director general, trade agreements and negotiations directorate, market and industry services branch.

Do they actually get that all on one plaque?

With the CFIA is Paul Mayers, vice-president of policy and programs.

Thank you for coming.

For each of you, we have 10 minutes in terms of presentation. Who is going to start?

Mr. Seppey.

**Mr. Frédéric Seppey (Chief Agriculture Negotiator and Director General, Trade Agreements and Negotiations Directorate, Market and Industry Services Branch, Department of Agriculture and Agri-Food):** Thank you very much, Mr. Chair.

Good afternoon, everyone. I am pleased to be here this afternoon to discuss an important issue impacting the agriculture sector that you will be examining in further detail. I will be speaking to you this afternoon about the trade in agriculture and agrifood products within Canada for internal trade.

A better integrated internal market supports a competitive and innovative agricultural sector, in addition to reducing costs of production and increasing productivity. It is a natural complement to Canada's intense involvement in international trade.

Trade flows between provinces are very important and have been growing in recent years. In 2011, the latest figures we have available, total interprovincial trade reached \$716 billion. Of this trade,

interprovincial trade of agriculture and agrifood products represented \$82 billion in 2011, or 11%. Interprovincial trade of food and non-alcoholic beverages represented the largest share of interprovincial trade in agriculture and agrifood products at \$64 billion, or 78%.

[Translation]

The fact that agriculture is a shared jurisdiction plays an important role when examining internal trade in agricultural and agri-food products.

The federal government is responsible for interprovincial and international trade, while provinces are responsible for production and internal marketing of agricultural and agri-food products. For example, certain products like meat must meet the federal regulations in order to be traded between provinces or internationally. If those products do not meet the federal regulations, they can only be sold within the province where they are produced, as long as they meet that province's standards.

Similarly, on food safety in general, the federal government is responsible for national regulations that apply to interprovincial and international trade, while provinces can have their own complementary provincial regulations. My colleague from the Canadian Food Inspection Agency will provide more details on this issue in his presentation.

It is in this context that the government has established a number of mechanisms to ensure close cooperation and coordination of efforts with provinces and territories on issues of interest to the agricultural and agri-food sectors.

The internal trade of agricultural and agri-food products is largely governed by the Agreement on Internal Trade, or AIT, which came into effect on July 1, 1995.

Overall, trade in agriculture is subject to the general rules set out in the AIT, such as reciprocal non-discrimination, no obstacles—that is, provisions requiring that parties to the agreement not create obstacles to internal trade—and transparency.

A more robust agricultural chapter of the AIT was negotiated between the federal and provincial governments beginning in 2008 and came into effect on November 8, 2010. This revised agricultural chapter ensures that technical measures adopted by federal and provincial governments do not restrict interprovincial trade more than is necessary to achieve legitimate objectives, such as the protection of human, animal, or plant life or health.

While the AIT has marked major progress towards fully liberalized interprovincial trade, a number of measures that impede the free flow of goods across interprovincial borders continue to exist. These include regulatory differences, inconsistent standards, and restrictions on the free movement of goods.

• (1535)

[English]

With the conclusion of recent trade negotiations with Korea and the European Union, for example, there is a perception that internal trade is lagging behind international trade liberalization and that Canada's market should be open internally as it is to our external trading partners. As a result, in June 2014 the Government of Canada called for the modernization of the Agreement on Internal Trade through an announcement by the Minister of Industry. In addition, at the August 2014 Council of the Federation meeting, provincial premiers committed to renew the Agreement on Internal Trade with the goal of concluding negotiations with the federal government by March 2016.

At the federal level, the process to renew the Agreement on Internal Trade will be a whole-of-government initiative led by Industry Canada.

As the department providing leadership in the growth and development of a competitive, innovative, and sustainable Canadian agriculture and agrifood sector, Agriculture and Agri-Food Canada strongly supports this process. Agriculture and Agri-Food Canada, along with other federal government departments and agencies, is currently working with Industry Canada to develop the government's approach for a modernized and ambitious Agreement on Internal Trade.

It is important to point out that most of the levers to facilitate internal trade belong to provinces and territories. The federal government has few policy, legal, or regulatory mechanisms at its disposal that can affect internal trade relative to the provinces and territories.

Agriculture and Agri-Food Canada is strongly supportive of the joint federal, provincial, and territorial efforts to address internal trade measures in the context of further enhancing Canada's agricultural competitiveness domestically and internationally, as well as strengthening Canada's internal market. Addressing measures inhibiting internal trade can contribute to creating the right environment to increase exports, stimulate innovation, and enhance competitiveness.

Thank you very much, Mr. Chair.

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

Mr. Mayers, you have ten minutes.

**Mr. Paul Mayers (Vice-President, Policy and Programs, Canadian Food Inspection Agency):** Thank you very much, Mr. Chairman.

Thank you for having the Canadian Food Inspection Agency appear today to share our perspective on reducing interprovincial trade barriers in the agrifood sector. The CFIA is a science-based regulatory agency. Our mandate is to safeguard food, animals, and

plants, which in turn enhances the health and well-being of Canada's people, environment, and economy.

[Translation]

One part of our mandate—one that firmly supports Government of Canada priorities—is to protect consumers through a fair and effective food, animal and plant regulatory regime that supports competitive domestic and international markets. And while the Canadian Food Inspection Agency does not facilitate trade in our regulatory role, we do support market access. This includes our domestic market.

[English]

The legislative authorities governing the production and sale of food in Canada are shared by federal, provincial, and territorial governments. When it comes to food safety, all levels of government, and consumers for that matter, have an important role to play. The federal government is responsible for maintaining the safety and quality of the Canadian food supply under the Food and Drugs Act and its regulations. The federal government also administers, under its trade and commerce powers, the Canada Agricultural Products Act, Fish Inspection Act, and Meat Inspection Act. In turn, each of these acts has supporting regulations that cover dairy, egg, maple, honey, fresh fruits and vegetables, meat, and fish. In order to be eligible for interprovincial trade, all products covered by these acts and regulations must meet the obligations that are outlined in the appropriate legislation.

In addition to the federal rule set, provinces may have their own rules and regulations for foods made and sold within their jurisdiction. This provincial power comes from their authority to regulate local trade. Taken together, these rules serve to ensure that Canada's food supply is among the safest in the world.

• (1540)

[Translation]

The CFIA appreciates that the federal, provincial and territorial rule set can sometimes impact the ability of some companies to trade food interprovincially.

In some cases, conflicting federal, provincial and territorial requirements and standards make it difficult for food producers to market the same product in different markets.

In other cases, the requirement for certain types of operations to be federally registered, federally licenced and/or federally inspected is viewed as a potential barrier to more active interprovincial trade.

The agency recognizes the importance of interprovincial trade and the need to facilitate it to the utmost possible. This is why the agency has done significant work in seeking to simplify and streamline its regulations and encourage harmonization of FPT rules.

[English]

The CFIA has worked, and continues to work, with partners and stakeholders to find ways to improve the overall situation and enable more manufacturers to sell more food across provincial and territorial borders. Through the FPT process, the CFIA has worked with provinces and territories to identify and modernize a number of outdated federal rules and standards and eliminate red-tape barriers. An example of this approach was the meat pilot project launched in 2010. Through this collaborative and consultative process, the CFIA took advantage of industry's adoption of the hazard analysis and critical control point food safety controls and replaced a number of limiting and prescriptive meat hygiene rules and regulations with more flexible, outcome-based rules.

The CFIA is consolidating federal food regulations under a single umbrella, under the Safe Food for Canadians Act. This provides a unique opportunity for further streamlining and simplifying food regulations.

The Safe Food for Canadians Act, when it is fully in force, will bring into effect new outcome-based regulations that will allow for a more consistent approach to strengthening food inspection in Canada. Outcome-based regulations will make it considerably easier for companies operating within a province or territory to sell in other provinces.

By moving to outcome-based regulations that also reflect international standards, we are setting the stage for something that industry and food safety associations have long requested: greater harmonization of federal, provincial, and territorial food safety requirements. We have been consulting extensively on the development of new Safe Food for Canadians regulations and we are currently reflecting on the considerable feedback that was received.

Another example of innovation in this context being explored through the incorporation by reference provisions of the Safe Food for Canadians Act would be to allow the Canadian Beef Grading Agency to maintain Canada's beef grading standards. The Canadian Beef Grading Agency currently conducts grading activities within Canada. Empowering them to manage the standards will enable them to continually improve the standards and update them in real time as new technological advances permit.

[Translation]

Such consultations are an important part of the Canadian Food Inspection Agency's transformation as we modernize the way we do business. Modernizing and better aligning to streamline regulations and standards is important to help boost competitiveness for producers.

[English]

As an example, the 2014 budget contained commitments to modernize beer standards and to develop a plan to modernize food standards more generally under the food and drug regulations. Producers in the food industry have raised issues with some standards being duplicative, outdated, and not meeting the needs of consumers and industry.

In some cases, removing out-of-date standards would allow better competition, consumer choice, and adaptation to new technologies.

Some food sectors, such as maple syrup, have already made great progress when it comes to regulatory reform. In these cases, progress was made because of extensive industry consultations and consensus building.

• (1545)

[Translation]

Mr. Chair, as I have said from the beginning, the Canadian Food Inspection Agency sees better aligning requirements and regulations as key to reducing interprovincial barriers. Streamlining in this way will help cut red tape, which will in turn boost competitiveness and growth. The Safe Food for Canadians Act presents great opportunity in this regard.

Federal efforts to move to more outcome-based regulations, as we are pursuing at the Canadian Food Inspection Agency, will facilitate opportunities for provincial requirements to be better aligned with the federal system.

[English]

When it comes to standards and regulations, the CFIA is committed to working and consulting with producers both big and small to determine the best way forward. We look forward to continued work with the various levels of government on this issue to improve the competitiveness of Canada's economy.

Thank you.

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

Go ahead, Mr. Meredith.

**Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Mr. Chair, I'll cede my time to the chair.

**The Chair:** Thank you.

**An hon. member:** You have 10 minutes.

**Some hon. members:** Oh, oh!

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

We're going to start our rounds with Madam Brosseau, please, for five minutes.

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** Thank you, Chair.

I'd like to thank the witnesses for their presentations.

[Translation]

I will start with a more general question.

Can you give us some specific examples of interprovincial trade barriers?

Since this is the Standing Committee on Agriculture and Agri-Food, I would like you to tell us what types of production are most affected by the negative impacts of those tariff barriers in the agricultural industry. Which sectors should we ask to send representatives to participate in this study?

**Mr. Frédéric Seppey:** Thank you for your question. I will answer it in French.

My answer has two parts. For starters, certain measures constitute explicit barriers or impediments to trade, but the federal and provincial governments can do a number of things to improve trade, without really dealing with those barriers.

Existing measures that restrict the free trade of goods are concentrated in certain sectors. Interprovincial trade of alcoholic beverages—such as wine and beer—is traditionally subject to a number of constraints. Both federal and provincial measures were impeding this trade.

However, as my colleague from the agency mentioned, under two legislative initiatives—the first was adopted in 2012, and the second was put forward more recently as part of An Act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures—the federal provisions that restricted interprovincial trade of alcoholic beverages were largely removed. But for those new measures to be fully effective and liberalize trade, they would have to be accompanied by equivalent provincial measures. In some provinces, including British Columbia, measures have been adopted to liberalize that type of trade. However, a number of other measures established in other provinces are still restricting the personal exemption limit for importing alcoholic beverages into a province. That's one example I wanted to bring up.

Something else that can be not so much an explicit barrier, but more of an impediment is, as my colleague from the agency mentioned, the difference in regulations that apply to red meat processing. As I was saying in my presentation, in order to be able to engage in interprovincial trade, an establishment must be federally registered. But the federal government's requirements are different from those set out in provinces such as Ontario or Quebec. Some establishments cannot meet the federal standards. As a result, since they are only provincially registered, they cannot participate in interprovincial trade. That's another example.

More general and more ambitious rules under the Agreement on Internal Trade, which has been in effect since 1995—and I would like to bring up the government's initiative to modernize that agreement—would probably help greatly improve interprovincial trade. The approach that has been favoured since 1995 by that agreement is to have a positive list. The agreement applies as long as provinces and the federal government have established a list of measures that are covered, while general rules apply in our international agreements, with some exceptions. That's what is referred to as a negative list. That structural change in the agreement on domestic trade would go a long way toward promoting greater liberalization of trade for all products, but it would be especially beneficial when it comes to agriculture and agri-food products.

• (1550)

**Ms. Ruth Ellen Brosseau:** You mentioned red meat. There are slaughterhouses in Quebec, but many producers send their animals elsewhere for processing. Do you know how much it costs on average for a slaughterhouse to transition from an establishment recognized by a province to an establishment approved by the federal government? What is the average cost of that transition?

[English]

**Mr. Paul Mayers:** In fact, the meat hygiene pilot had as one of its objectives to better understand the difference between provincial and

federal requirements. While they aren't absolute assessments in terms of the numbers, it was clear that particularly for small and medium enterprises, the cost of meeting the federal requirements under a highly prescriptive model, which would involve not just adjustments to how they do their business, but in some cases adjustments to their physical plant for delivery.... We had requirements under the meat inspection regulations that were prescriptive to the point of very detailed requirements on what your walls were made of, the type of lighting you had, even as far as—it's the example we often use—the distance that the drain had to be from the door. Clearly, if your establishment, producing meat within a provincially registered context, didn't have the drain at the right distance from the door, that was a major infrastructure change.

So the costs vary quite dramatically. That's why we can't put an absolute number, but it was clear that this was a barrier. By shifting to a more outcome-based requirement, for example, instead of requiring where the drain is, requiring that there be no standing water, it would enable more facilities to make the adjustment to federal registration if they chose, without having to make significant infrastructure investment.

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

Now we'll move to Mr. Keddy for five minutes.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

Welcome, witnesses. This is an extremely interesting discussion. I just want to pick up where Ms. Brosseau left off, specifically with regard to CFIA and some of those types of examples moving from prescriptive outcomes to outcome-based rules. So literally the position of the drain in the floor could be a requirement that prevents a provincially licensed butcher shop or meat-packing plant from being federally licensed.

**Mr. Paul Mayers:** Yes.

**Mr. Gerald Keddy:** You gave the example of standing water, but there's nothing untoward here: there would be no other hygienic problems; there would be nothing about the meat. The meat would be deemed safe to be eaten in that province or in that area. How could we go that far astray?

•(1555)

**Mr. Paul Mayers:** We have to remember that several of the regulatory frameworks were put in place quite a long time ago. Indeed the old meat inspection regulations were older than I am, and I'm not quite a spring chicken. That was exactly why we undertook this working collaboration with the provinces. When those rules came into effect originally, they in essence sought to codify a set of rules that could provide assurance of safety. They were successful in that regard. The problem was that they basically dictated that everybody had to do it the same way. Regulatory practice has now evolved more towards telling someone the result they have to deliver and setting for them the frame within which they have to deliver it. That's the benefit of the hazard analysis and critical control points system. Let's think about what can introduce hazards, and what steps you can take to control them as opposed to the government dictating that there's only one way to control them. In the drain example, we're not saying that having standing water in a plant doesn't represent a risk. It absolutely does, because there's more potential for it to be splashed onto the product. The point is that the drain being in one particular position on the floor has no magic to it, especially if that's not where your standing water is.

**Mr. Gerald Keddy:** The important part would be that it's sanitized at the end of the day and that the bacteria count is down in that part.

**Mr. Paul Mayers:** Exactly.

**Mr. Gerald Keddy:** For all three of you gentlemen, we do have a limitation on time here. I'm going to ask each of you to very quickly give three examples of internal trade barriers in your area that we should be looking at. We can flesh those barriers out ourselves and get more witnesses in here and then try to produce a report on them. Can each of you give me three examples of where we can do a better job at reducing interprovincial trade barriers?

**The Chair:** We'll give Mr. Meredith a chance to start.

**Mr. Paul Mayers:** Thank you, Mr. Chair.

**The Chair:** I'll give you back part of your ten minutes.

**Mr. Greg Meredith:** I've given you your ten minutes. I'm going to give my three to Frédéric.

**Voices:** Oh, oh!

**Mr. Frédéric Sepey:** Thank you.

I shall preface my answer to your question, sir, with the fact that this study is very important because it is really the industry stakeholders, the people who are operating, who would be best informed to provide answers to that question.

That being said, because of the extensive consultations that the agency has had in the context of the harmonization of the food safety regulations and in the context of the discussions that we have with the industry, we have a certain sense of what types of impediments exist. The first example I would give is the one that we just discussed in terms of red meat and the differences in standards. However, I shall say that 95% of the animals slaughtered in Canada are in federally registered establishments. In other words, 95% of the animals that are slaughtered and the meat that is processed meets the national standards and can be traded across the country, so when we

talk about even a sector like red meat, we are talking about relatively small-sized operations that are subject to some impediments.

Another example I could give, in the area of horticulture, is fresh fruits and vegetables. This is an area where there is a lot of trade going on but we still have legislation at the federal level that regulates how the trade in bulk products should proceed. These regulations have been in place from the time when it was difficult to fully trust the scales in the public markets. We had established standard container sizes and we established requirements for operations to use the products in their immediate vicinity before sourcing outside the province.

What we see is that in the federal legislation these elements are still largely in place, although we are making certain regulatory changes to standard container size. What we have in the federal legislation is the possibility for ministerial exemptions to these restrictions for trade to take place. These ministerial exemptions are extensively used. Would it be easier to have the trade if we didn't have to have recourse to these ministerial exemptions? Yes, it would be easier, but there are other policy objectives that perhaps would not be met to the same extent.

If you talk to witnesses from the horticultural sector, to fruit and vegetable producers or the processing industries, you may hear these types of comments.

•(1600)

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

Maybe we'll come back and, Mr. Mayers, you may get a chance.

Now I'll go to Mr. Eyking, for five minutes, please.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Chair.

I thank the witnesses for coming.

It used to be noted in Europe, before the European Union got strong, that every country had its own set of regulations and it was very difficult to go from one country to the next. In the EU now there are almost seamless borders. Brussels still has a lot of regulations, but everybody has the same regulations whether you're in Denmark or in France.

It was alluded to that if we had a freer flow of products between provinces that would help us internationally. We're doing these trade agreements with the European Union and in the Pacific.

My first line of questioning would be if we're more streamlined within our own country, how would that help us prepare to compete or find new markets outside? On the other hand, how can we still help with local content? When you look, for instance, at the beer market, you see all these small breweries popping up, in Ontario especially but right across the country, but you also see some of our breweries going onto the international scene. Can you have that balance where somehow you have your uniqueness and smallness but you can also be on the world scene as a competitor with products? How do you achieve that?

**Mr. Frédéric Seppey:** To answer the first part of your question, I think that having a more integrated economic and internal market helps internationally. In this world it is a question of being as competitive as possible and economies of scale.

To start with, the Canadian market is small from an international perspective. If you can produce for the Canadian market subject to national regulations instead of being subject to production within a province, even one of the size of Ontario, that helps you to be more competitive and to be able to export.

We have a number of examples where you can keep the authenticity in a global world. I don't think that having inter-provincial barriers would necessarily preserve the local character. You quote the example of Europe, and it is true that there are a lot of distinctive products, but again to have the capacity to export and have larger markets you need a regional identity and this is a contributing factor. I think that overall being able to be more competitive, to reduce costs, and to have the economies of scale are factors that should be taken into account.

**Mr. Paul Mayers:** If the chair will permit me, the only thing I would add to what my colleague has said is recognizing that any product that's not permitted to be traded interprovincially is equally not permitted to be traded internationally. This highlights the opportunity that more interprovincial trade means more businesses with the opportunity to trade internationally as well.

A system where there is greater alignment of regulation means that the approach we currently employ, which is those products that cross a boundary, whether provincial or international, being subject only to the federal regulatory framework, highlights the limitation.

• (1605)

**Hon. Mark Eyking:** So we're concentrating on the winners here. But let's assume that the Prime Minister had a meeting with the premiers and they all agreed on making it seamless for our products to move across so everybody has the same things. Who are going to be the losers? What products and what industries, especially in the agriculture and food industry, are going to have to make a lot of adjustments?

**Mr. Paul Mayers:** The reality is that there will be more competition and that means more competition from out of province. Does that really constitute losers? Not necessarily and industry is probably best placed to speak to that. It will mean more competition because, in essence, there aren't the regulatory barriers to the participation in local markets from out of province.

**Hon. Mark Eyking:** So you don't see many losers. You see an adjustment.

**Mr. Paul Mayers:** I certainly see an adjustment. I think industry will have a much better view than I would as to the implications for individual producers in that context.

**Hon. Mark Eyking:** Where is the wine industry right now in interprovincial trade? Is it allowed or not?

**Mr. Frédéric Seppey:** I think there continue to be a number of restrictions on interprovincial trade. For example, as an individual I can carry a fair amount of beer and wine across a provincial border. But I live in Quebec and if I want to order a case of wine from British Columbia I cannot do that right now, largely because of rules at the provincial level and the policies of the liquor boards.

A number of steps have been taken. As I explained earlier, measures were taken at the federal level that constituted a restriction on interprovincial trade, supplemented by a series of policies and measures at the provincial level. The federal measures have been lifted most recently through the Budget Implementation Act 2014, but a fair number of provincial measures still exist and we expect will continue to exist for a fair amount of time, because if you have rules—if you have witnesses from provinces—they are not necessarily based on protectionist motives. The principal intention of these barriers is not to be protectionist but it may have that impact. They are there for other reasons such as public safety, an important source of revenue, and these types of issues.

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

Now we'll go to Mr. Zimmer, for five minutes, please.

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** Thank you all for coming to the agriculture committee today.

I'm from British Columbia and represent Prince George—Peace River. We have a lot of agriculture in my neck of the woods, grain, beef, and all kinds of stuff.

Some of the problems we have are with interprovincial barriers, and that's what the study is about. They involve provinces and they are the masters of their own destiny; it's difficult at times to say otherwise. That's the way Confederation has been set up, and we honour that.

It goes back to some questions that were asked before. When we look in the mirror, we ask what we can do first to fix this. Some of what we can do was already talked about from a federal and regulatory perspective.

You've all answered this from each of your perspectives, but I want to get Greg talking. I've heard him talk before and he's pretty good.

Do you have any insight into what we can do federally to make sure that this happens?

**Mr. Greg Meredith:** Thank you for thinking of me. I was actually quite comfortable just sitting here.

Nevertheless, my slice of the woods is a little narrower than CFIA's or my colleagues on the trade side. I have one little issue that the committee might want to look into, and it's the implementation of the Agricultural Products Marketing Act. It delegates federal authorities to provincial boards to handle interprovincial trade and facilitate export trade.

That's one topic that my minister would be interested in having the committee look at.



•(1610)

**Mr. Bob Zimmer:** Okay.

How about Frédéric and Paul, as well.

Could you add anything to that? I mean, it's a pretty broad question, but this is the start of the study. Do you have some ideas?

**Mr. Paul Mayers:** Certainly from the regulatory perspective, two areas that stand out from our perspective are the grade standards and the standards of identity. Both of those areas are fairly significant. For example, in Canada, we have 511 federal standards of composition or identity for 27 different commodities.

Of course, there are also some standards at the provincial level that are different. You begin to see the complexity of such a large suite...which are not just a single set, but then replicated province by province, with subtle differences. Those two areas, in terms of grades and standards of identity, represent a very significant area of the “tyranny of small differences”, as some have described it.

A single national approach to grades and standards of identity would be extremely liberalizing in terms of the movement of products.

**Mr. Frédéric Seppey:** I would complement the points made by my two colleagues.

Given the responsibility of the federal government on inter-provincial and international trade, taking into account the recent progress we've made in terms of improving the set of rules governing international trade as they relate to Canada, notably CETA—we are in the middle of negotiations on the Trans-Pacific Partnership—if we could modernize the Agreement on Internal Trade, the general rules, to make them applicable across the board and have the same principles of national treatment, non-discrimination, and, for example, ensuring that technical measures are not more trade-restrictive than necessary....

These elements are not agricultural-specific, but if it would modernize the agreement in such a general way, the agriculture and agri-food sector would especially benefit from this improvement of rules. That's what the federal government announced last June, and what the provinces, at the highest level, the premiers at the Council of the Federation, committed to last summer as well.

This creates a momentum that can help to make the integration of economic markets stronger, especially for the benefit of the agriculture and agri-food sector.

**Mr. Bob Zimmer:** Is that all the time?

**The Chair:** You're pretty close. There's time for a really short one.

**Mr. Bob Zimmer:** I'm assuming that the provinces would generally be in agreement with our proceeding with something that's more streamlined, as opposed to not. Can you, or any one of you, speak to that—generally speaking? Again, that's honouring their provincial territories and rights.

Are they typically in receptive moods when we talk about this?

**Mr. Paul Mayers:** In general, yes. The detail is where it can get a little more challenging, but in the initiatives that we've undertaken in collaboration with our provincial colleagues the objectives are

similar: to enable more businesses to participate in trade across the country as opposed to just in their local contexts.

**Mr. Bob Zimmer:** Thank you.

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

Mr. Allen, for five minutes, please.

**Mr. Malcolm Allen (Welland, NDP):** Thank you very much, Mr. Chair.

Mr. Mayers, I heard a “yes, almost, but” on the last question about the folks who do the regulatory pieces, who are basically bureaucrats, who may be feeling “yes”, but at the end of the day they have bosses they have to answer to who are their political masters, and who, at the end of the day, may not be so favourable to some things. We'll leave that for the province to decide. As Mr. Zimmer quite aptly pointed out, they do decide for their individual provinces.

Let me ask you this specific question, Mr. Mayers. I know you talked about Bill S-11, the Safe Food for Canadians Act, and the fact that you're going through a series of pilot programs and a series of regulations that are meant to help the provinces and the federal system actually be more in sync, if you will. I won't use the word “harmonization” necessarily, but at least more in sync. If you say “harmonization” it sounds as if it's the same. It's not going to be the same, but the outcome should be the same, right?

Where are we with that? I have heard that it's on pause at the moment, that it's slowed itself down. Is that true?

•(1615)

**Mr. Paul Mayers:** It's not on pause. We have undertaken what for us as an agency is an unprecedented amount of consultation, so we engaged with over 14,000 participants in our consultative process. We've received several hundred direct inputs and suggestions. What we said to stakeholders after our last round of consultations is that we're going to take a little bit of time to go through that extensive feedback that we've received from them. We have been delighted indeed with the amount of engagement and the strength of the participation. We have had tremendously valuable feedback from all sectors of the industry impacted by these regulations, but it is a huge volume for us. I can understand that it is not nearly as loud as it was when we were actively sitting down and holding webinars and conducting food forums with the industry. We're sitting back with the input that they've given us, and so it is a slightly quieter time, but by no means have we set it aside. The commitment to the regulations is critical because, of course, the Safe Food for Canadians Act was critical, and the regulations are necessary to bring it into force.

**Mr. Malcolm Allen:** I think we agree about the essence of Bill S-11. We did support it as the opposition. We helped get it through here quicker.

I have a really quick question. Do you have any sense of a timeline, or is this mountain of stuff that you took back from the consultation making the timeline a little cloudy?

**Mr. Paul Mayers:** Our interest is in completing that process, and this year going back to engagement with stakeholders.

**Mr. Malcolm Allen:** I get only five minutes, and I know the chair is lenient and would probably squeeze in an extra 30 seconds, but the bottom line is, you do a work plan. Do you have a timeline, or is it just too big and you're not sure yet?

**Mr. Paul Mayers:** It's our intent to move to implementation in 2016.

**Mr. Malcolm Allen:** You have a timeline. I understand that.

**Mr. Paul Mayers:** In 2016.

**Mr. Malcolm Allen:** Thank you.

Mr. Seppey, we all know about supply-managed product in this country. We'll use one example, chicken. When we talk about this interprovincial piece, at the moment in a supply-managed system with chicken, it basically ends up for the most part—there is some back and forth—that “this is what we do in this province with this number of chickens”, or it can be seamless across each province, assuming one gets their....

What do you see the impact being on a supply-managed system that basically supplies—usually, especially in chicken for the most part—a particular province? Albeit there is some nuance to that; it is not an absolute. We can move some from Ontario to here or from Quebec to here, but it tends not to move very well. It tends to be here. We hear from provinces all the time. I know Mr. Dreeshen would tell us that the folks in Alberta quite often ask why they can't get a product, a particular amount of chicken, there when they've got excess here.

Looking at that one as an example, do you see any issues with seamless borders across the country for supply-managed products?

**Mr. Frédéric Seppey:** The problem that you raise is one that's actually being discussed among the provincial authorities, especially between Quebec and New Brunswick, where the situation is quite acute. In that area and that field, the basis of the issue is aligning the production with the processing facilities. In certain provinces, such as New Brunswick, there are only one or two processing facilities. This is something where the provinces, when they discuss among themselves these types of issues, take into account how the industry is structured.

I can give you another example that shows that the supply management, the Agreement on Internal Trade, applies to all agricultural products, including supply-managed products. The production of yogourt in Canada is essentially concentrated in Quebec, and yet the consumption of yogourt is across the whole country. In that case, we have an interprovincial trade in dairy products that functions quite effectively, but in those areas, because the production is under provincial jurisdiction, the issues require the provinces to have discussions with each other.

• (1620)

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

We'll now move to Mr. Maguire, please, for five minutes.

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thank you, Mr. Chair.

I appreciate the presentations today as well.

My colleague from B.C. made a comment that provinces would want to be onside with this. I would agree with him; they should be. But I appreciate your answer that there are difficulties in those areas as well. I know that the provinces have to agree on the standards before there is interprovincial trade movement.

Can any of the three of you then add to areas where you see the greatest amount...? I know you've talked already about some of the difficulties that Mr. Keddy, the parliamentary secretary, was asking about as well. Can you outline for me just where the difficulties are in some of those trade areas, and maybe which provinces are leaders in regard to making some of the changes that are required?

**Mr. Frédéric Seppey:** First of all, I would like to perhaps mention that since the entry into force of the Agreement on Internal Trade in 1995, a number of initiatives among subgroups of provinces took place and really created, in sub-regions of Canada, a momentum and greater integration. The first one that comes to mind is the New West Partnership that groups British Columbia, Alberta, and Saskatchewan together, and where they largely liberalize completely the interprovincial trade among actually the four western provinces, including Manitoba as well. Another example is an increase in cooperation and integration between Quebec and Ontario. That is a system that is a bit less rigid, less formally defined, but it is also liberalizing trade and addressing interprovincial trade issues between Quebec and Ontario. These are initiatives that move in that direction.

In a certain number of sectors there are more challenges than in others. We spoke about the red meat sector because of the challenges associated with meeting the federal standards. Another area is dairy and poultry; there are challenges there, because setting the production levels and the prices would be especially important. It's an element that intersects with the supply management system. In that regard, if you want to manage these elements, well, you might have some requirements in terms of the movement. That being said, to again use the example of yogourt, you have the western provinces pulling together their resources to facilitate the movement of fluid milk, to bring the milk from the producer, the farmer, to the right processing plant. You have the same thing in eastern Canada.

These are illustrations that despite the challenges, efforts are being made, but we can always do better and more.

**Mr. Larry Maguire:** Thank you. Those are good examples with regard to some of the processed products that we can use, but we're talking about red meats and horticulture here and the processed product. I'm looking for some of the detail. Being from Manitoba, I know that Manitoba and Saskatchewan have really only just done some work together on some of the weights and measures and back and forth between their provinces, which is large in terms of moving product across our country. We'd like to find a way to standardize some of those and get them onside as well.

What details can you provide to us that would be the quickest solution to helping interprovincial trade? If we go back to the 1980s, there was a study done by Art Morrow in Winnipeg at that time. Across Canada I think there were 144 interprovincial trades in agriculture then, and we still have a lot. Given the fact that you're saying 95% of the cattle kill is being done in federally inspected plants, is there something else we can do there to facilitate some of the smaller processing operations, to have them come up to standards without tremendous costs and that sort of thing? I know that they're standards we have to have, but I just wonder if you have any help for us with regard to expanding that.

**Mr. Paul Mayers:** We've already taken the first steps, because we've modified the federal regulations. Our provincial counterparts therefore have an opportunity to consider greater alignment in that regard.

For many small businesses their driver is where their market is, but there are many businesses that operate close to a provincial boundary, where that opportunity to trade just across the border is still viewed as very local. We want to enable those opportunities. I think there are definitely opportunities. Even though it's not a large amount of the total red meat supply, it can still be very beneficial in terms of the opportunity for a business to grow if they can access that market that's near to hand.

We do see that as definitely an opportunity area. It is highly dependent on regulatory alignment, because we do still need to maintain that demonstration of meeting a common set of standards in order for product to move anywhere in the country.

•(1625)

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

Now we'll go to you, Madam Raynault, for five minutes, please.  
[Translation]

**Ms. Francine Raynault (Joliette, NDP):** Thank you, Mr. Chair.

I want to thank the witnesses for joining us today. I'm pleased to be hearing from them this afternoon.

My question is for any one of you.

A number of studies have estimated that the losses caused by interprovincial trade barriers were between \$1 billion and \$60 billion. That's a fairly significant discrepancy.

Can you explain why there's such a large difference in the estimated costs?

**Mr. Frédéric Seppey:** I am not aware of any studies that have provided such estimates, but the situation is definitely evolving rapidly. As has been mentioned, since the Agreement on Internal Trade was implemented in 1995, interprovincial barriers have been trending downward. When we consult stakeholders, they talk about the barriers we have mentioned—those that apply to alcohol, spirits, red meat, fruits and vegetables, and processed products.

I cannot really speak to the size of those estimates. However, I can tell you that the industry stakeholders we are talking to—especially those involved in processing—are telling us that the regulatory measures, which are added on to processing costs, are often among their main concerns.

In addition, federal, provincial and sometimes even municipal regulations are not always aligned. The administrative cost of complying with the rules can be very high, especially for small and medium-sized companies.

That's why I suspect that regulatory complexity plays an important part in estimating the cost of interprovincial trade barriers.

**Ms. Francine Raynault:** The difference between \$1 billion and \$60 billion is still fairly significant.

You just talked about alignment issues among federal, provincial and municipal governments. Do you think an agreement might eventually be reached or could at least a way be found for producers and processors to avoid all those costs? I am fully aware that this could be something that may well happen only over the long term because it's not easy to bring everyone to the same table.

**Mr. Frédéric Seppey:** I can tell you about what we are doing at the Department of Agriculture and Agri-Food. My colleague from the agency could add some concrete examples. Since agricultural matters are under shared jurisdiction, we have established an entire system of close cooperation and coordination with the provinces.

For instance, Mr. Meredith regularly co-chairs the federal-provincial-territorial committee of assistant deputy ministers that is responsible for policies and regulatory issues. As for forums, we hold discussions and working sessions that culminate in annual meetings of agriculture ministers. The purpose of those meetings is to coordinate our efforts so as to ensure that we are moving in the right direction.

When it comes to food safety, it's essential to cooperate not only with federal organizations such as the Canadian Food Inspection Agency, the Department of Health and the Public Health Agency of Canada, but also with counterpart provincial agencies.

Mr. Mayers may have some other examples.

•(1630)

**Mr. Paul Mayers:** No.

**Ms. Francine Raynault:** You don't have any other examples?

**Mr. Paul Mayers:** No, I don't have any.

**Ms. Francine Raynault:** You don't want to add anything to what Mr. Seppey just said?

**Mr. Paul Mayers:** No.

**Ms. Francine Raynault:** Okay.

The AIT has been amended 13 times since 1995. That's a good thing, as it means the agreement is being continually updated. The latest amendment was made in 2012.

What elements of the AIT are most effective in liberalizing interprovincial trade?

**Mr. Frédéric Seppey:** All the amendments made to the AIT show that the original agreement implemented in 1995 followed an incomplete sector-by-sector approach. It contained broad principles, but their application was limited.

As I mentioned earlier, a chapter on agriculture was added only in 2010 to cover a very important aspect. In other words, an effort was made to ensure that technical measures were not more restrictive than is necessary to reach a legitimate objective.

At the beginning of my presentation, I talked about barriers and impediments. Regulations differ from one province to another. There may be a legitimate explanation for that difference. Some variations are related to risks of outbreaks of disease or the climate, but we must always ensure that those differences correspond only to what is necessary to meet a public policy objective.

Thanks to the various amendments made to the AIT, we are getting closer to establishing consistent rules. Rules that apply to the automobile and agriculture industries are not consistent, but they are consistent in negotiated free trade agreements. That's the case with NAFTA, which was negotiated around the same time as the original AIT. If the best parts were taken from all sectoral chapters and applied to all sectors, we think that the outcome would be extremely worthwhile, especially in an area that tends to be heavily regulated such as the agriculture and agri-food industry.

[English]

**The Chair:** Thank you very much, Madame Raynault.

We'll now go to Mr. Dreeshen for five minutes, please.

**Mr. Earl Dreeshen (Red Deer, CPC):** Thank you very much, Mr. Chair.

Thank you, gentlemen, for being here today.

As Mr. Allen mentioned earlier, you had spoken about the stakeholder meetings and engagement efforts you have made—14,000 individuals—and the number of written submissions you've done. I think that really sets the stage for recognizing the transparency and approachability we have with the department. That's certainly to be lauded.

We recognize that this study is on horticulture, red meats, and processed products. You've talked specifically, in the red meats sector, about the differences between federally and provincially inspected facilities.

One thing I would like to get on the record is that we have some amazing provincial inspections, so people don't think that because it isn't federal, it means we should have some kind of concern about the provincial level. There are simply organizations that say, "This is where we want to market; we don't need you", and therefore we'll continue along those lines.

Still, even in their situations, they have problems with moving from municipality to municipality. They could be crossing a couple of municipal boundaries. Then you have to take a look at labelling, and you have to also take a look at container sizes. This is something that is standard and is expected, if you plan on taking your product interprovincially and then having the ability to move that at the international level. Certainly it's important, but I think we need to recognize the significance in those areas.

There was a discussion about HACCP versus outcome-based analysis, as far as safety is concerned. I'm wondering if we could

expand a little bit on that and where we may be going, so that people can see the differences.

**Mr. Paul Mayers:** The approach that has been adopted internationally in terms of food safety is to shift from a highly prescriptive set of requirements to one that really focuses on process control.

Historically the requirements would have said that at the end of product production, have this particular pH or composition, and instead we've moved upstream.

We've said, "Really look at what you're doing in your production, understand where hazards might come into your process, and put in place effective controls to ensure those hazards are mitigated before you reach an end product."

The change from an end product prescriptive focus to a more system-based focus is exactly what the Safe Food for Canadians Act makes possible for us across all foods. That is what the regulatory framework on which we are consulting with Canadians and with stakeholders is intended to do. It is to provide businesses the flexibility to innovate.

While we've had some fantastic innovation in Canada, some of that innovation has been constrained by the limitations of the regulations. So we see this shift as not only benefiting manufacturers and producers by giving them the flexibility to design their systems according to what works best for them but also as giving them a very clear sense of accountability for the safety of the product. The reality is that while as a government we have a responsibility to oversee and verify that they are compliant, we are not producing the food; they are. When they take control of their entire system, they deliver a much better outcome.

You noted that within provincial systems there is equal excellence, and I would absolutely agree with you. This is in no way to suggest that product produced under a provincially licensed system is somehow inferior to that produced under a federally licensed system. The differences in the rule sets may simply impede the ability to move product as opposed to suggesting that product is somehow inferior.

● (1635)

**Mr. Earl Dreeshen:** Thank you.

I would also like to expand somewhat. We've had legislation here, Bill C-18, which talks about innovation, investment, and new technology. We are, of course, trying to expand that to international trade.

How will strengthening internal trade by reducing barriers result in improved access to innovation, investment, and technology?

**Mr. Paul Mayers:** I can start, and perhaps my colleagues will want to add something.

Having a more aligned set of rules for business—and I'm obviously going to respond with respect to the regulatory context—means those businesses can then make their strategic investments with greater predictability because they are working with a single rule set as opposed to multiple rule sets.

As you can imagine, for businesses the more complex the rule environment is, the more difficult it is to innovate, because you have to meet the expectations of different players.

Greater alignment can stimulate innovation because it now frees the system, so that if a best practice emerges in one jurisdiction, I can adopt it because it fits the rule set. I don't have to tailor it for the jurisdiction I happen to operate in.

It can be very liberalizing for the system, and as a result contribute to greater competitiveness, not just in terms of internal trade but also in terms of our competitive position internationally.

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

Thank you, Mr. Dreeshen.

Now we'll go to Mr. Keddy for five minutes to start the next round.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

I have a couple of questions. I just want to revisit for a moment, if we could, your statement that 95% of the meat-processing industry in Canada is federally regulated. Have we broken that down to separate what is export and domestic? For instance, Nova Scotia is certainly not a large beef-raising province, but we've got one federally inspected meat-packing plant for beef, for red meat, in Nova Scotia. So all of the rest of the meat-packing plants or smaller butcher shops are provincially inspected, selling to the domestic market.

I just want to question the 95% number. Have you broken that down to make sure this is a real number? I expect it's still high, and maybe it's 80%, but 95% seems high. If we take away the export part of that and allow for what the big-box stores sell, because I'm sure that's all federally inspected—it could go in the export line or it could go in the domestic line—does it allow for all of those little provincial abattoirs and butcher shops?

• (1640)

**Mr. Frédéric Seppey:** I'm not aware that the statistics can be divided easily, because of the way the business operates. You know, often when we talk, we think about the North American context, and I spend a lot of my time thinking about that, given the dispute we have with our U.S. colleagues on mandatory country-of-origin labelling, but we are very proud of our integrated system. In fact, when we talk about red meat, it's difficult to identify what the amount is, where that animal was born and raised, etc.

On the 95%, we are a big exporter, so a lot is going for export, but we also have a per capita consumption of red meat that is fairly high according to world standards, and we have a lot of movement of processed products across provincial boundaries. In fact, we can look more into that element and inform the committee subsequently, but I suspect there's a fair amount of that, given we are self-sufficient in terms of meat products. A lot of that is consumed domestically, and there's a lot of interprovincial trade in those products.

**Mr. Gerald Keddy:** I expect that's the case. I just think that perhaps that 95% number may be a bit high, if you broke the domestic market out of that and looked more at the provincially registered abattoirs.

Another comment you made, and I've heard it now several times, was that the technical measures in the processes should not be more restrictive than they need to be. I think we're all in agreement with that. Is part of breaking down some of the trade barriers as simple as having all of the provincially licensed slaughterhouses and abattoirs licensed for the domestic market straight across the country, but not for export? And if anyone wants to be in the export industry or is supplying two lines and it's better economics for them because they're selling to the big-box stores and the domestic industry and they're also selling into the international market, then they would be federally inspected.

But if you're on the border across the river in Hull and you're producing a product that can be marketed on the Ontario side of the river, then why shouldn't you be able to market it there? It's obviously healthy, and it's obviously not any danger to society or to the individuals who are buying it.

Are we making this more complex than we need to, or should we be rethinking the box?

**Mr. Paul Mayers:** It is certainly a consideration to elaborate the hygiene requirements as a common suite. That would have tremendous benefit because the hygiene requirements are certainly the basis on which, from a CFIA perspective, the movement of product across the provincial boundaries would be governed.

We know that certain jurisdictions require of us additional things for the international trade. If a client wants it, and there is a Canadian processor that is willing to do it, we'll certify it from a CFIA perspective. But our marked preference...because, of course, in terms of training if we can train everybody to the same standard, from our perspective that's fantastic.

If that commonality were possible, it would still require alignment with the provincial requirements because of course those provincially licensed establishments would have to be able to demonstrate that they achieve that same outcome from a hygienic practice perspective. But that is certainly a consideration.

In fact, in Canada there have some attempts—the articulation in the federal-provincial-territorial space—of a national meat code that was aimed at that very outcome. So you're absolutely right that this is an area of opportunity but it will require us, collectively, to get to that same place.

• (1645)

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

Folks, we've wrapped up round one and round two. The next part is at my discretion so I'm going to go back and start the third round as we would using round one.

With that, I give Mr. Allen five minutes, please.

**Mr. Malcolm Allen:** Thank you, Chair.

Mr. Mayers, the issue of traceability always comes up, even now. With the sense of one taking an eraser onto the map and take out those provincial borders, economically speaking—I don't think we can do it geopolitically, but in any case—would you see an impact on the traceability?

Clearly in some cases traceability is utilized, almost 100% in some cases, and in some cases 100%. Do you see a push to get to 100% so that we know where the product is coming from? Because now it's going to move; for instance, cattle moves all the time and for the most part it's traceable. It's not necessarily always 100% traceable, but pretty well. But there are some products at the moment that wouldn't necessarily be traceable to the same degree. Horticulture has a program for traceability.

Do you see either a necessity for, or the suggestion to the industries that if indeed they want to engage in it, that kind of traceability? I'm not asking you to write a policy here, but what is your sense of what you think folks should be thinking about?

**Mr. Paul Mayers:** I think the simple answer to your question is, absolutely, traceability is becoming recognized more and more as a fundamental tool in terms of protection. Indeed, for CFIA one of the things we were very pleased to see is that the Safe Food for Canadians Act enshrined that focus on traceability.

The reason that's so critical is, as we've seen in Canada in managing events, no matter how good the system is, errors may occur. Our ability to rapidly contain and address those issues, especially as they relate to food safety in terms of product recalls, etc., is enabled by a strong, effective, and comprehensive traceability system.

Indeed, it is our common interest across all food commodities to pursue a clear system of traceability. The Safe Food for Canadians Act, I'm thankful to say, provides the very clear policy underpinning in that regard.

**Mr. Malcolm Allen:** I don't want you to say that this one is better than that one, necessarily, but from your perspective at CFIA, which industry groups do you see as being at a good level? It might be 100%, maybe it's not, but at least they're reaching towards trying to get that piece done. Is there a sense you have that you can share?

**Mr. Paul Mayers:** I think most of the industry sectors have actually put in a lot of effort in this space, not just in terms of traceability but in the entire supply chain risk management as well. We can be very proud of our Canadian agrifood sectors in terms of their commitment to looking both at traceability on farm food safety and at food safety through the chain. A number of them have taken these systems to the point where they make them their highlight message in terms of their delivery, whether you're talking about eggs, which is excellent, or in fresh fruit and veg, where they're making tremendous progress.

I certainly wouldn't be in a position to rank. I think all of our sectors recognize the value and importance. They're all making great strides in that regard. They're not all at the same stage, and some of them are more complex than others, but I think we can be very proud of that commitment in Canada.

•(1650)

**Mr. Malcolm Allen:** I didn't want you to have to rank things. It would be an unenviable position to be in if you got a phone call tomorrow morning.

It is interesting to see how the industry may be talking about how individual enterprises may do certain things differently. For instance, I toured a Quebec egg producer's enterprise not long ago. He literally

had a date stamp on the eggshell. He was selling to commercial breakers. Rather than it being on a package that might lose some eggs, the stamp was blown onto the shell. It was almost like an ink-jet stamp.

That's not necessarily a standard for the industry, but that's one particular aspect where someone has said that since we're going towards traceability, this was what he was going to. When he sells that tray of eggs to someone, those breakers can actually look at it and they'll know those eggs are fine. Those are the types of things that individually some folks are looking at, but not necessarily as a holistic industry yet. That's why I was interested in the sense of where we see things. Everyone obviously is raising it up. I understand that.

**Mr. Paul Mayers:** Exactly.

**Mr. Malcolm Allen:** The issue is about where it is going to be, because folks are actually looking for it.

Anyway, I appreciate that. Thanks.

**The Chair:** That's right on. I could give you a little time, but I know that a little doesn't work that well.

**Voices:** Oh, oh!

**The Chair:** Mr. Zimmer, please, for five minutes.

**Mr. Bob Zimmer:** Thank you, Chair.

Thank you, Malcolm.

I'm from British Columbia, as I've said, and we've had a similar process in terms of federal projects, along with provincial project analysis regimes, I guess, in that they're duplicative. They go along doing the same thing and sometimes conflict with each other even though they're basically going through the same set of rules. We see this in agriculture, too, where we have some of the same inspectors saying the same lines and doing the same thing. To me, it's completely redundant and for unnecessary reasons, I guess.

This is where I see this going, where we as a federal government.... I'll read from this one page. It says, "The opportunity now exists for provincial review processes to be substituted for federal processes where they meet federal requirements, which will help reduce duplication." I recognize that the Province of British Columbia does a great job at inspecting what they do, and they recognize that we do a great job inspecting where we need to, but let's not do both all at the same time. This is where I see this going. That's why this study was enacted: to see if some of these things can be fixed.

Do you see anything in the way of rolling out a program like this? Again, to go to what I said when I finished, we need to have provinces agreeing to this, but I can't see them being upset, necessarily. Their regulations are still going to be respected. It's the same with the federal regulations. Just speak to that, if you can.

**Mr. Paul Mayers:** Yes, certainly. I think it's a great example of where it then promotes not only greater alignment and opportunity for the industry, but a more effective and aligned system of control for those who have regulatory responsibility. Also, as we discussed earlier, it is shared.

I think one very good example is in the province of Quebec, where the provincial agency and the CFIA have a number of areas of very high collaboration. The provincial agency undertakes inspection and is recognized to be undertaking that inspection on our behalf.

This is absolutely possible. It is part of our overall vision in terms of the system. The last thing we want for a particular processor is that yesterday it was the provincial guy, and today it's the federal guy, and they're doing the exact same thing. There is tremendous opportunity in this space, but it starts with an alignment of the rules, with common training, so that the outcome is always the same no matter who is actually doing the delivery.

**Mr. Bob Zimmer:** Right. I can't remember who said this, but one of you talked about reducing duplication. It is one thing to align—or maybe I said that. I was reading my notes. Such a great idea—out of the gate when we both start out of the gate, but it's a complete other thing to align our processes before we get out of the gate: you go ahead, do this one and I'll do the next—that kind of alignment.

I think how much better and how much more we can get done doing this, but especially from seeing and listening to experiences of abattoirs, as the PS said, where they have run into issues like this that made the business no longer viable because of such regulations—

Anyway, that's all I have to say. Thank you for your work, and let's hope we can get this done.

•(1655)

**The Chair:** Thank you.

Mr. Eyking, please, you have five minutes.

**Hon. Mark Eyking:** Just to follow up on our last conversation about making industry stronger, you also alluded to the fact that sometimes when you see these barriers they do not benefit the producer or the consumer. It's sometimes a bit of a bureaucratic cash grab, I guess. We have constitutional rights, but you hear stories such as if you're selling Ontario peaches in Quebec you need a vendor's number and you have to have a vendor's licence and vice versa.

Is the will really there because they are getting what I call a “cash grab” or whatever it is? It has nothing to do with food safety or with helping the producer or the consumer. It's a hidden cash grab and nobody wants to sit around a table and let that cash grab go.

How much is collected on interprovincial licences and duties or whatever is out there? Is some of it protecting their own bureaucrats? I don't know whether it's unions. Is something missing here? It seems as if the producers don't want these barriers. Consumers don't want them. Where is the problem? Is this protecting somebody's turf, such as an inspector, or does this protect money flow? Where is this all at? Can you give me some examples?

How much is it really costing Canadians at the end of the day?

**Mr. Frédéric Seppey:** Similar to the answer I gave to Madame Raynault earlier, it is difficult to pinpoint specific costs, but one element of hope is that this committee in its study could further examine the fact that the provincial premiers at the Council of the Federation meeting last summer embraced the objective of renewal, a review of the Agreement on Internal Trade. This is indicative that

there is a general sense that having a more integrated economic space would be a win-win.

A number of measures are there for very legitimate reasons. A number of impediments are there because of the legacy of old regulations that had meaning several decades ago but may no longer serve a purpose. By discussing these issues in a truly horizontal manner you are able to move away from those kinds of chattels or specific interests and look at an outcome, if we apply the right principles. If I make the effort of removing some of the impediments to trade with other provinces—it is the same logic I am applying here as the logic that exists in international trade—I would get removal of impediments to my exports in exchange.

What should guide this exercise is that if we apply these principles it would be a win-win. I rarely hear in discussions with colleagues in the provinces that a measure is there because it is revenue generating. It is much more that it has always been there and we haven't had a chance to come to regulatory modernization, or it still serves a purpose and we don't want to lose that purpose. Instead of looking at specific barriers, having a discussion on the principles that apply equally means you can address many of these elements. You build a vested interest to move together toward a more liberal system.

**Hon. Mark Eyking:** Do you have a number for how much it costs our economy with all these barriers?

**Mr. Frédéric Seppey:** No, I don't have a general number—

**Hon. Mark Eyking:** It would be substantial.

**Mr. Frédéric Seppey:** —other than the estimate from, perhaps, some of these studies.

In terms of what it represents as an impediment on small and medium-sized enterprises—the heavy burden of some of these regulations that are not always clear about how they should be implemented—we have anecdotal information that it's a significant cost, from when we discussed it with stakeholders and specific industries.

•(1700)

**Hon. Mark Eyking:** Let's say we were to come out with a study with recommendations and the federal government wanted to run with them. You alluded to the provincial council of premiers. At the end of the day, they have to buy into this. As a federal government, we can't just get rid of barriers, unless we were to open up the whole Constitution, can we?

**Mr. Frédéric Seppey:** You're absolutely correct. This is why the initiative that was launched—the indication of the federal government to take leadership in conducting a review of the Agreement on Internal Trade—required the full participation of the provinces. This is an agreement between the federal government and each province and territory. That's why it was a welcome development that the provincial premiers, last summer, indicated a willingness to engage and actually set a date for completion of these negotiations in 2016. We have at least an agreement of principle on the usefulness of conducting such a review.

**Hon. Mark Eyking:** We should probably send our report to the premiers, as we send this to Parliament. It would be a good idea.

**A voice:** Yes.

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

I'll now go to Mr. Maguire, please, for five minutes.

**Mr. Larry Maguire:** Thanks, Mr. Chairman.

I just wanted to follow up on my earlier questions in regard to some of the provinces that had set good examples.

Mr. Seppay, you mentioned the New West Partnership Trade Agreement. Manitoba's only connection there, I think, is in the trades and the weights and measures that I was looking at, some of those, as well. You gave examples of Quebec and Ontario.

Can you just give me some examples of what really worked in, let's say, the New West Partnership or here in Quebec and Ontario, and how we would look at bringing that together on a much broader scale across Canada, if those areas are the ones that have worked well so far? What are the main inhibitors in those regions that are still there, as well?

**Mr. Frédéric Seppay:** Taking the example of the New West Partnership—and I'm not fully familiar with the specific provisions—it is based on horizontal commitments and the principle of non-discrimination.

I described earlier that the Agreement on Internal Trade is based on a positive list approach. You list the areas or the measures where you're ready to have the obligations applied.

With the New West Partnership, my understanding is that it takes a negative approach. That is, it applies across the board except if you explicitly set an exception. This is an illustration of where that type of principle could be a point of reference for efforts to modernize the Agreement on Internal Trade.

**Mr. Larry Maguire:** I wanted to acknowledge your comments, as well, Mr. Mayers, about how reducing these internal trade barriers can certainly help with the innovation of new products, new investments, innovation, and new technology in those areas. That just makes sense on the larger scale, from my perspective at least.

There have been agreements horizontally, as Mr. Seppay has just pointed out. What one or two things do you see in the new West Partnership that are major items they would like to tackle to get barriers even further reduced than they already are?

**Mr. Paul Mayers:** In the context of the discussions that have taken place to date in the federal-provincial-territorial space, as I noted earlier, standards of identity and grades are critical. We are not far apart. There are some differences, but we're not far apart on issues of safety, because you're either safe or you're not.

You get nuance, but on standards of identity and on grades, you do have some marked differences. These then can be very problematic in terms of the movement of products, particularly if you have myriad standards for what you might call, in one jurisdiction, the same product. So these influence issues of labelling and issues of the presentation of the product.

Those are significant if a business, in order to sell in essence the same product in three different places, has to subtly reformulate it as a processed product for each of those jurisdictions. What are they going to do? If they're big enough, they might run three lines of the same product, but more likely they'll focus on just one market because it's not economically feasible to produce to three different standards for the same jam. Those are the kinds of issues that exist in our current system, which can be tackled and streamlined.

I raise those as examples because they impact industry in a very real way.

• (1705)

**Mr. Larry Maguire:** I know that the pork industry is very important in Manitoba, and I know the programming there to be able to do shipping. Of course it's international; there's a lot of export there. Do you see ways to look at other plants across Canada and to harmonize some of their needs with the needs of those export markets as well?

**Mr. Paul Mayers:** Absolutely. Again, I think there is tremendous opportunity in the international context.

Let me use a specific example. In the context of being able to control listeria, which as we know has been a very significant issue, we've seen some tremendous innovation undertaken by processing plants in Canada. In some jurisdictions, high-pressure pasteurization has been introduced. Having flexibility within the regulatory framework to allow for the use of a technology like that is game-changing. If you had a regulatory framework that didn't envision the use of a technology for decontamination, you might not be able to permit one, even though you could see the benefit of one, because your regulations were simply too restrictive.

The current framework with its differences can sometimes actually prevent innovation. We see an opportunity to move beyond that.

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

Mr. Dreeshen, go ahead for five minutes, please.

**Mr. Earl Dreeshen:** Thank you very much.

Mr. Meredith, you spoke a little about the Agricultural Products Marketing Act. Could you perhaps explain a little bit more about the marketing orders that are associated with that? As far as horticultural products are concerned, what purpose do they serve? Who oversees the act? I know there is discussion with regard to production, marketing, and branding of P.E.I. potatoes. I come from Alberta, where I know we also grow some pretty good potatoes. I'm just wondering where these things lie. Can you give an overview of the act and what we can expect from it?

**Mr. Greg Meredith:** Sure. I was getting kind of raspy not speaking, so thank you.

The Agricultural Products Marketing Act helps reconcile the fact that in our jurisdictional division in the Constitution the provinces have authority within their boundaries. The federal government is involved in interprovincial trade and export trade, as you have been hearing consistently.



The APMA allows the Governor in Council to delegate those authorities to individual marketing boards in provinces. So, for example, if the P.E.I. Potato Board has an order, it would have the authority to talk about pricing, marketing modalities, branding, and most importantly it would have the opportunity to collect levies on production that is destined for the province or for interprovincial trade. That's important for the board or the commodity group to undertake issues of branding to promote their particular product, for example.

Currently there are between 75 and 84 such orders covering at least 30 different commodity groups. It's a very well-used piece of legislation. It is one of the most efficient pieces of legislation I've seen and it's only four sections.

The minister is very interested in how it's operating and whether it's as streamlined, as modern, as it could be. The act itself goes back to 1949 so, like much in agriculture, it has a very long pedigree. We want to see if it still has the characteristics we want.

So that's it in a nutshell, Mr. Dreeshen.

• (1710)

**Mr. Earl Dreeshen:** I'm a grain farmer so I don't quite understand some of the specifics involved with the marketing of vegetable crops and those types of things, but I do have some knowledge of the potato industry.

I will ask the CFIA about inspection costs per acre and so on. People are taking a look for soil-borne diseases in the plants as they are growing. I know that one of the arguments has been that the costs have escalated immensely in the last little while. The reality is that you can find out what the issues are if you simply take the soil off the potatoes when they are coming in. It is not really going to change the ultimate issue. If they are not able to be dealt with they are not able to be dealt with.

I'm wondering if we are looking at innovative ways of managing some of the risks that are there when we take a look at crop rotations, analysis of all other aspects. There have been some concerns in that area and sometimes people are saying that maybe we've overreached. Sometimes they simply look at the costs and ask where this is going and what the advantages are.

**Mr. Paul Mayers:** That's a great question, thank you for that.

The area of innovation doesn't stop at the production. The control innovation is a critical area for us in CFIA. Indeed we have moved in a number of areas to much more modern DNA-based techniques that require much smaller samples to assess things like pest risk.

Unfortunately that's not possible across the board. One of the examples that I know creates frustration in the potato industry is PCN, potato cyst nematode, testing because we collect fairly significant samples. It's also a problem for us as an agency. We continue to explore innovation in identifying that pest because, as you can imagine, collecting and shipping hundreds of pounds of soil across the country and then managing that in our laboratories is not a simple task for us either.

This is an area that the industry has been very interested in. We too are very interested but we also have to recognize that it's not just our drivers in innovation. Any test that we shift to must be

acceptable internationally. We carry out that surveillance to provide assurance to our trading partners that pests that may be present in Canada on a limited basis are not present in the products that are being exported, to assure them that they are not being exposed to that pest. Many of those specific tests aren't just because that's what CFIA would like to do, they are the international standard tests and we are obligated to do them until a new test is accepted internationally.

**Mr. Earl Dreeshen:** So that then becomes the key, finding out where the innovation can come from—

**Mr. Paul Mayers:** Exactly.

**Mr. Earl Dreeshen:** —so people don't continually do the same thing because they have been doing it.

**Mr. Paul Mayers:** Absolutely.

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

I know Mr. Keddy has a short question, and then we will likely wrap it up.

Mr. Keddy.

**Mr. Gerald Keddy:** You spoke a bit about the council of the premiers and their ongoing discussions on trying to cut some of the bureaucracy, and that's not using that in a negative way.

Did they also look at the Agreement on Internal Trade and specific sizes on trucking restrictions and trucking weights, and even the ability to travel across borders on a provincial licence?

There are a number of issues that continually affect trade: corporate registration, reporting requirements. All of those issues come back full circle and affect trade.

We're moving away from that quality control that we were just discussing into more of the nuts and bolts of actually moving between jurisdictions. Have we looked at that in a closer manner under our Agreement on Internal Trade?

• (1715)

**Mr. Frédéric Sepey:** I cannot speak on the details outside of the agriculture and agrifood sectors. That being said, the statement made by premiers at the Council of the Federation is one that talks about the modernization and review of the Agreement on Internal Trade as a whole.

We hear from some stakeholders who are active in the agricultural sector about trucking restrictions, for example, because they are using trucks to carry goods that fall under the area of interest of our department. This modernization review that is under way could touch on all of the elements that affect the free movement of goods, services, and people. The broad scope of the Agreement on Internal Trade can be as large as that.

The examples you provided are issues that could definitely fall under the scope of that review.

**Mr. Gerald Keddy:** As a specific example, you're trucking from Nova Scotia to Ontario. You have a product that's only going to be delivered to Ontario and sold in Ontario. Your licence is good for Nova Scotia and New Brunswick. You need a separate licence for the province of Quebec, even though you're not making a delivery in Quebec.

To me, that becomes a trade barrier and an added expense on your freight to your final destination.

Are you aware of that? I think it's more complicated to address that than simply discussing it here, but somehow or another we have to start.

**Mr. Frédéric Seppey:** You're absolutely right.

It's outside of my area of responsibility, but I'm aware of that challenge from a previous responsibility I had when I was working on Canada-U.S. regulatory issues.

**Mr. Gerald Keddy:** Who would be the best people to follow up on this issue of container size, trucking size, licensing? Is it Transport Canada? Is there a separate department? Is there someone we should invite here?

**Mr. Frédéric Seppey:** In the case of the container size, this is something that falls under the Agriculture and Agri-Food portfolio, especially the agency.

In terms of the requirements, I'm sure that colleagues from Transport Canada, or from Industry Canada, as the lead department for matters falling under internal trade, could be of assistance.

**Mr. Gerald Keddy:** Thank you.

**The Chair:** Thank you, colleagues.

I want to thank the witnesses for coming. This is round one. I appreciate each of you taking the time to come to our meeting.

I can release the witnesses now. We've wrapped up that part. However, before we adjourn, there are a couple of quick things.

First of all, we had talked about having the Canadian Young Farmers' Forum here. They will be coming on Thursday, February 26, and at the next meeting we'll have a motion to deal with that.

Second, Michel does like to have a budget approved for the study. It deals with whether the witnesses come here or are on video conference, and there is some budget for meals. It is an estimation, so if we could have an approval of \$17,100, then we can come back to that at a later time if it needs adjusting. We need something so he can start preparing for our next meeting on Thursday.

(Motion agreed to)

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

The meeting is adjourned.

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