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Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

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• (1530)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):
Good afternoon, everybody.

I want to welcome members of the committee back after a constituency workweek. I hope you had a good time meeting with constituents and everything that goes along with that week.

We're here today to continue our study on the renewal of Canada's forest industry. This study follows a study that I tabled in the House in June 2008 on the forest industry. It was done hand in hand with members of the forest industry. I thought it was a very productive study, released jointly by this committee and FPAC in an announcement. I think that was a very productive way to follow that.

This is a follow-up meeting to see what's actually changed in the industry and where the industry is now compared with where it was back then and what we see into the future. It's a very interesting study indeed that the committee has taken on.

We continue today with three groups of witnesses. First, from the Canadian Boreal Forest Agreement, we have Aran O'Carroll, executive director, secretariat, and Mark Hubert. Welcome, gentlemen.

From FPAC, the Forest Products Association of Canada, we have David Lindsay, president and chief executive officer, and Catherine Cobden, executive vice-president. Welcome to both of you.

By video conference from Vancouver, British Columbia, from FPInnovations, we have Pierre Lapointe, president and CEO, and Jean-Pierre Martel, vice-president, strategic partnerships. Welcome, gentlemen.

I want to start by thanking you all very much for coming today. We're looking forward to your presentations. When we're finished the presentations, we'll go to questions and comments from members in the usual order.

Members, we'll leave about five minutes at the end of the meeting to review the budget of this committee for this study and hopefully to pass the budget for this study. I don't imagine that it will take longer than that. We'll leave that until the end.

We'll go ahead with the presentations in the order in which they're listed on the agenda today, starting with the Canadian Boreal Forest Agreement.

Aran O'Carroll, executive director, secretariat, please go ahead with your presentation, sir.

Mr. Aran O'Carroll (Executive Director, Secretariat, Canadian Boreal Forest Agreement): Thank you very much, Mr. Benoit, and thank you, all, very much for inviting us here today.

It's an honour to be able to share with you some of the innovative work the Canadian Boreal Forest Agreement signatories are doing as part of renewing Canada's forest industry.

My name is Aran O'Carroll, and as the chair said, I'm the executive director of the Canadian Boreal Forest Agreement Secretariat, which is based here in Ottawa.

I'm sure many of you are familiar with the work of the CBFA, which brings together environmental organizations and forest companies from across Canada's boreal region to work together towards a sustainable future for that ecosystem and the jobs and communities that rely on it.

Before I begin, I'd just like to introduce my colleague Mark Hubert. Mark is the vice-president of environmental leadership with the Forest Products Association of Canada, one of the signatories of the Canadian Boreal Forest Agreement both as an association and with their membership. Mark is the senior industry representative to the Canadian Boreal Forest Agreement. Mark will be available for questions and answers after my presentation.

In 2008 Canada's forest industry was unquestionably in crisis, facing a soaring Canadian dollar, depressed U.S. housing market, and intensifying global competition amongst other things. At that time, this committee held hearings—as the chair reminded you—and concluded that industry, governments, and other stakeholders needed “to work together to lay the groundwork for the industry's renewal, prosperity and sustainability”.

In 2010, after two years of intensive negotiations, the CBFA answered that call to action, as forest industry partners and environmental groups signed on to the most ambitious conservation agreement in the world. But the agreement isn't just about conservation. It's also about the health, sustainability, and prosperity of Canada's forest industry. The CBFA recognizes that, although forestry and conservation in Canada's boreal forest rest primarily with governments—including, very importantly, aboriginal governments—both the industry and the environmental community have a responsibility to help forge that future.

Imagine a future for a moment, if you would, in which manufacturers of high-end products look for ways to appeal to ever more environmentally conscious consumers, and Canada's forest products are in demand the world over. The CBFA is part of that vision. The work we are doing is helping to differentiate the Canadian boreal forest industry in the global marketplace by showcasing its world-leading commitment to sustainability.

We're achieving real progress towards that goal, but sometimes we forget the scale and scope of the challenge we face. The boreal forest is Canada's largest terrestrial ecosystem. It's the largest wilderness area on the planet, and more than half a million Canadians depend upon a competitive boreal forest industry for their livelihoods. The road to progress involves preserving both of these national treasures and finding ways for them to thrive together and endure for the sake of conservation and economic prosperity.

As you can imagine, bringing diverse interests together towards this common goal is not always easy. We've endured some setbacks, but the agreement has also seen some significant progress. Northwest of here, in Ontario, the provincial government is working on implementation of our recommendations, which aim to secure the future of the three million hectares of boreal caribou range found in the Abitibi River Forest, to conserve those woodland caribou, and also to maintain hundreds of jobs in the local communities.

In Alberta, our working group has drafted a set of recommendations for caribou conservation for one of the most contested areas of Canada, northeastern Alberta—ground zero for the oil sands operations. These draft recommendations have been shared with the provincial government and have been the subject of productive discussions between the CBFA, the oil and gas sector, and first nations.

• (1535)

In Newfoundland, the CBFA participants have contributed to the government's new forest management strategy, which identifies significantly large landscapes, about five million hectares, or approximately 50% of the island of Newfoundland, for a 10-year deferral from harvest. This supports the CBFA's conservation planning work, but at the same time the commercial forest management area set out in this strategy creates certainty for economic development and the promised forest development strategy will help ensure the prosperity of Newfoundland's forest sector.

We're proud of these sorts of developments under the CBFA. Environmentalists and industry leaders are working together to support provincial leadership in making the forest economy truly sustainable. This work is contributing to Canada's forest industry transformation from its traditional role as hewers of wood to a truly renewable and responsible source of eco-friendly, high-tech materials as advances in technology make wood an increasingly desirable material.

For example, Lincoln Motor Company has announced a new project in collaboration with the CBFA member Weyerhaeuser, and Johnson Controls, to use wood as an alternative input to fibreglass in auto parts. Meanwhile, in the world of consumer electronics, there's a very exciting prospect of wood-derived touchscreen technology, which could soon displace non-renewable plastics. Even neighbour-

hoods are being transformed as architects look to new engineered wood products such as cross-laminated timber, which has the strength of steel and comes from a renewable resource.

A future where a reinvigorated Canadian forest industry can compete in new and previously unimagined markets on the strength of its celebrated environmental and social credentials is within our reach. I believe the committee's call for collaboration in the face of the 2008 forestry crisis strikes at the heart of the matter. The CBFA is real evidence of the success that can come from cross-sectoral collaboration and a move from an era of adversarial positions to one based on the joint pursuit of common solutions.

As our forest industry continues to diversify and revitalize itself, I hope that all stakeholders can work together towards a stronger and more competitive forest industry and a better protected and more sustainably managed boreal forest.

Thank you. Mr. Hubert and I look forward to any questions you may have.

• (1540)

The Chair: Thank you very much for your presentation.

We go now to the second presentation. From the Forest Products Association of Canada, go ahead, please, Mr. Lindsay, president and chief executive officer.

I don't know, Ms. Cobden, if you're going to get involved in the presentation, but if not we'll hear from you in the questions and comments sections after.

But go ahead as you choose.

[*Translation*]

Mr. David Lindsay (President and Chief Executive Officer, Forest Products Association of Canada): Thank you, Mr. Chair.

Members of the committee, good afternoon.

[*English*]

Catherine will correct me after I'm finished.

Voices: Oh, oh!

Mr. David Lindsay: It's a privilege to appear before you this afternoon, particularly with my colleagues from the CBFA, Canadian Boreal Forest Agreement, and my colleagues at FPInnovations. As "innovation" is in their name, I think it's only appropriate that they are with us virtually. We work very closely with these two organizations, and it's my pleasure to be here. As the chair stated, I am David Lindsay, and I'm joined by Catherine Cobden, the executive vice-president of FPAC.

In preparation for today's deliberations of the committee, I went back and looked at the 2008 standing committee report. I also had an opportunity to review the ADM's presentation from January 29. As Glenn Mason reported, since the report of 2008 there has been considerable progress on the part of industry, our partners in the innovation space, and the government to create an alignment and move forward on a journey of transformation for the Canadian forest sector.

As Aran already alluded, the perfect storm of economic circumstances we faced over the last decade spurred the Forest Products Association of Canada, working closely with our partners, our member companies, and the academic community, to develop a strategic planning exercise. About two and a half years ago, we published a very ambitious Vision 2020. This vision contains several very clear metrics for our products, our performance, and our people.

Mr. Chairman, I've spoken to many members of the committee and to others, both individually and in small groups, about our Vision 2020. We recently distributed to members of the committee our first two-year report card holding ourselves accountable for the metrics of Vision 2020.

For the committee researchers, or those who are helping write your report, it's also available on our website if you want to obtain copies there. We're in the paper business, so we're glad to bring paper copies for you.

The standing committee report in 2008 recommended that the industry pursue a strategy of diversifying our markets and creating new value-added products. We thank the committee and the government for their support over the last couple of years. I would like to report that we are making good progress. We had a growth of 10% in exports last year after a number of difficult years. Forest products are now Canada's largest export to China. We are quite proud of that factoid. We climbed from about two billion dollars' worth of exports to China in 2009 to currently about \$4.7 billion. We're exporting to 180 countries around the world.

Working with our colleagues at FPInnovations and the academic community, and of course our government partners, we are continuing to invest in new innovation, creating new products and new opportunities in everything from bioenergy to biomaterials and biochemicals for the forest industry, and seeking maximum value from every tree we harvest.

In 2008 your committee report touched on the challenges of greenhouse gases, for example, and the role the forests can play in climate-friendly forest management and conservation practices. Our Vision 2020 report card reports on our environmental metrics. For greenhouse gas emissions in particular, we're proud to say that we've reduced those by more than 70% since 1990. We've exceeded the Kyoto recommendations. The government's PPGTP was also a very helpful program in terms of helping our companies make further reductions in GHG emissions.

We're continuing to hold ourselves accountable on a dozen different environmental metrics, including reduction of energy use, reduction of water use, reduction of waste sent to landfill, and a number of other metrics outlined in the report. I won't go into details, but we're well on our way to achieving the Vision 2020 goal of a

further 35% reduction in our environmental footprint by the year 2020.

Shifting to the employment objectives we've set for ourselves, we're currently the largest employer—or if not the largest, then among the largest employers—of first nations in the country. For example, looking at the 2006 census, for each province, we have on average about twice the percentage of workers from first nations communities as is represented in the worker population of that given province. We want to continue to build on that. We want to increase our aboriginal representation, increase the number of women in the Canadian forest industry, and encourage more new Canadians to come and work in the forestry products industry, because we'll need 60,000 additional employees by the year 2020.

● (1545)

In some respects, Mr. Chairman, I would say we've come a long way since the report of 2008 and this committee's deliberations. However, if I could be so bold, I would say I don't think the challenge is behind us. I think the challenge is actually ahead of us. I don't think we, as an industry, and those we represent can rest on our laurels. While we have been doing considerably well on all fronts and we've invested, we are in a competition with the rest of the world.

Canada once accounted for about 20% of the globe's forest products. Today, we're contributing about 10% of global production. This is in part due to the downturn, but it's also due to the increased competition we're facing from Brazil and many other countries. Canada has one of the largest fibre baskets in the world. Aran talked about its ecological importance and its economic importance.

According to the 2014 Leger study of global customers, Canada's forest sector has one of the best environmental records in the world. We have huge potential and we have huge opportunity. Canadian forest fibre can be part of the solution to many of the resource stresses our planet is facing. For example, the carbon footprint of forest products is much smaller than the carbon footprint of many other building materials. I know FPInnovations is going to speak to you in a few minutes about many of the new materials we can make from Canada's trees: biochemicals, bioplastics, biomaterials. They're all made from a green renewable resource.

We need to keep going. We can and we must continue to innovate, but doing so requires investment. It requires continued access to Canada's renewable fibre basket.

I look forward to exploring a discussion about these various challenges and opportunities with the committee today, Mr. Chairman, and in the weeks to come as you're working through your submissions.

Let me conclude by pointing out the size of Canada's forest products industry. We're obviously part of the resource sector and that's why we're in front of the Standing Committee on Natural Resources today. But what many people forget is that we're actually a huge manufacturer. We account for 12% of the manufacturing sector of Canada. Now, while automobile manufacturers get lots of publicity and employ directly about 120,000 workers in the auto assembly and auto manufacturing sector, there are at least one and a half times that number of direct employees in the forest products sector. Depending on which study of employment you review, we directly employ roughly 200,000 to 230,000 people, and there is double that again in indirect employment. We're the primary employer in literally hundreds of communities, and we're a huge contributor to Canada's exports.

So making sure we have the right tax incentives, the right transportation infrastructure, and the right climate investment is critical. Because we're in a global competition for investment, we must be vigilant with respect to all of these hosting conditions.

In summary, we need to continue to innovate. We need to continue to protect and enhance our environmental credentials. We need to continue to manage our costs and improve our competitiveness. Our Vision 2020 report card contains a series of recommendations for building on this momentum. We've made recommendations for government, industry, the academic community, and our environmental partners. I commend this report to you as you go through your deliberations, and I welcome the opportunity to discuss it in more detail.

Thank you very much.

• (1550)

The Chair: Thank you very much, Mr. Lindsay, for your presentation on behalf of the Forest Products Association of Canada, FPAC.

We go to the final presentation now by video conference from Vancouver, British Columbia. From FPIInnovations, we have Pierre Lapointe, president and CEO, and Jean-Pierre Martel, vice-president, strategic partnerships.

Gentlemen, thank you once again for being with us here today and for your patience. Please go ahead with your presentation. We'll follow your presentation with questions and comments from members of the committee.

[*Translation*]

Mr. Pierre Lapointe (President and CEO, FPIInnovations): Thank you, Mr. Chair.

[*English*]

I would like to mention that we sent a slide deck to you. I will refer to it. I won't go through each slide, but I will refer to them, because some pictures are worth a thousand words.

FPIInnovations was born in that era of 2008 from the merger of four research organizations. Today, as we speak, we are the world's largest industrial R and D organization in the forest sector. We have 600 employees and a \$100-million budget: one-third from industry, one-third from government, and one-third from contracts, royalties, and licensing.

I think it's important to note that we are doing the research from genes to markets, so we have the entire value chain. One thing that is important to understand is that we don't do all of this research personally. We make sure that this research gets done and gets done by the best.

You'll see here that we're looking not only at upstream innovation but at downstream innovation. On the upstream, which is harvesting, inventory, and genomics, I think it is important to know that we're working from what used to be the forest industry to what will be the forest industry of the future.

I have two examples. If you look at the enhanced forest inventory, you see that it was done by walking in the woods. As we speak, we're doing forest inventory using drone technology, and we will be doing species identification in the near future using genomics content. It's the same thing with forest harvesting. One of the issues with forest harvesting is that it's very hard work. We're working with different equipment companies in Canada to go from man-driven forest equipment towards unmanned forest equipment.

In the case of the downstream, it is very important to note that the philosophy and culture of the organization now is to make sure that we get the best value from the trees at each step of the harvesting. At the beginning, obviously, it's the wood product. After that, it's the pulp and paper, and then the chemicals. We are now at the step where we can extract other value from cellulose: cinnamon, nanocellulose, lignin, and sugars. At each of the steps, we try to go into the pre-commercial phase and go from there.

Let's look at some of the impacts. As David was saying, we live in a global context. Some of the driving forces in the global context are the driving forces for our research priorities. Population growth, urbanization, the emerging middle class, and the growing need for sustainable housing are obviously very important.

Let's look at some examples of the type of work we do. It's all related to the building code of Canada. In 1941 in Canada, you were able to construct wood-framed buildings of up to eight storeys. Because of the impact of other sources of building materials, in 1953 the building code only allowed us to go to four storeys, which meant that the construction impact of wood was much less. We hope that in March 2015 the building code of Canada will go back to six- and eight-storey buildings.

How do we do this work? We publish a lot of technical handbooks and technical solutions. Cross-laminated timber was mentioned a little earlier, as were engineered building woods for high-rise construction and also code implementation. A lot of research is done to make sure that Canada can construct in wood safely.

• (1555)

The opportunity obviously is really to increase the volume of wood used in construction using different technologies and different methodologies from light wood frame to hybrid.

If you look at the slide, you will see some of the new projects that are already in the system. I'll give you an example. The bridge you see in the picture is one of the seventeen bridges constructed by Nordic from Chibougamau to link Chibougamau to the Stornoway diamond mine. Those bridges can span 160 metres and can carry a 175-tonne load. Once the cement base is completed, a bridge can be constructed in one week.

A totally new era of infrastructure is in front of us. If you look at slide 12, you will see an eight-storey building in Prince George, which was opened only a few weeks ago and which holds the UNBC wood engineering school. That's already in place. If you look at slide 13, you will see a 13-storey building in Quebec City, which will be announced in a matter of days. Those are really the new types of products that allow us to go back to what we could have been doing in 1905. If you look at slide 14, you will see a series of other examples like the Richmond skating ring here in Vancouver, which was used for the Olympics and was constructed in four months from cross laminated timber.

In the future, we will be going towards a project that will be done, first, in Ontario and then in New Brunswick and Quebec. They are integrated wood product manufacturing systems. These will be, if you like, the sawmills of the future. So we will be able to do not only two-by-fours but also insulation, platforms, and acoustic platforms. We hope those will be built in 2015 and 2016.

Another project is the extraction of cellulosic sugar in northern Ontario, which will involve a partnership with the chemical industry in Sarnia. So the sugar stream is going to be changed into some of the green chemicals and shipped to Sarnia to be sold and transported and eventually challenge some of the hydrocarbons. At the same time, the byproduct, which is the lignin, can be used for bioproducts. As we speak, we are testing the lignin to be used in animal feedstock.

Since 2008, with Canadian industry—first with Domtar—we have been able to create the first cellulose nanocrystals plant in the world, producing one tonne a day in Windsor in the Eastern Townships. Last spring we opened a cellulose filament plant with Kruger in Trois-Rivières, and as we speak, we're completing a lignin extraction plant with West Fraser in Hinton, Alberta. If you look at those investments, they're worth well over \$100 million. The first two are world premieres.

Finally with regard to improving competitiveness, the challenge of an R and D organization is to put new products and new processes into the market, but also to ensure that the integrated companies that are still doing pulp and paper and wood products can be efficient.

• (1600)

We have a competitiveness program optimizing existing assets in Canada. By 2020 we will be delivering savings of more than \$50 million per year for each of the companies. One company alone in northern Ontario was able to save \$15 million because of this optimization.

What you see is that from 2008, when FPInnovations was challenged to become the R and D and innovation branch of the forest sector, we have delivered. We'll continue to deliver.

Transformation is the next step that we have planned, and we are already seeing examples of this.

Thank you.

The Chair: Thank you very much, Mr. Lapointe, for your presentation on behalf of FPInnovations.

Thanks again to all of you. Your presentations are helpful for us in continuing our study. We go now directly to questions and comments.

In the first round of questioning of up to seven minutes for each member, we have Ms. Crockatt, followed by Mr. Rafferty and Mr. Regan.

Go ahead, please, Ms. Crockatt, for up to seven minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much.

Thank you to all of the witnesses for being here. This is a very interesting panel.

First of all, I wanted to talk about the Trans-Pacific Partnership. It's one of the things that we MPs had a briefing on this morning. Much of the discussion was on forest products. I was interested to learn that 40% of the world's market is there, and that it is Canada's biggest export to China. I'm wondering if you can tell us how we achieved that and what you think the prospects for growth are.

I'm not sure who is best placed to answer this, but I'm thinking it's our industry representatives.

David, could you take that, please?

Mr. David Lindsay: Thank you very much for the question.

As I mentioned in my opening comments, we're quite proud of the success we've had in opening up the Chinese market, for example. The partnership between the Province of British Columbia, the federal government, and the industry worked aggressively over a long period of time, for over 10 or 12 years. It's like the comedian's joke; it took me 20 years to become an overnight success.

It took us 10 or 12 years to get into the Chinese market. The use of wood was not common in much of the residential construction in China and other forms of construction, and we literally built schools, trained architects, and worked with the construction industry in China to grow that market. Thanks to the governments, provincial and federal, and thanks to our companies, we have gone from virtually zero to, as I said, over \$4.7 billion.

But that's not the whole of Asia. The Japanese have been a traditional customer of ours since the beginning of the last century. After the earthquake in 1924, we were considerably generous in helping to get them rebuilding, and they've continued to be a good customer and a good partner throughout the last century. Though Japan has had some economic difficulties, we've maintained that marketplace. The free trade agreement in Korea is also very helpful to us. Australia had already entered into a free trade agreement, so making sure we were competitive in our tariffs was very important.

If you mention those three countries—China, Korea, and Japan—they are among the three largest international customers we already have. My board chair, the president of Canfor, Don Kayne, when asked what our next opportunity is, likes to say that the next China is China.

Continuing to expand our opportunities in the Pacific Rim is incredibly important. The TPP is a significant part of that, but I know that Catherine has made presentations to the trade committee saying that it's not just trade agreements. We also need to make sure we have a transportation system that gets our product there.

We have very capable trade representatives in the embassies and in the trade commission offices to help us open up doors and understand procedures. While we have good work happening, there's still much more we can do.

• (1605)

Ms. Joan Crockatt: We heard from Mr. O'Carroll that the industry, as well as the innovation sector, as well as government, worked very well to rise to the challenge on this and see this resurgence that we're seeing in the industry. I'd like to know a little more about that.

Maybe I'll stay with you, Mr. Lindsay, for this question. What did government do that worked? If we can put our finger on best practices, what would you say was the key to that on the government side?

Mr. David Lindsay: We've had a number of challenges in the forest products industry in the last decade. U.S. housing starts went down significantly, from a high of about \$2.4 million or \$2.5 million down to about \$600,000. There was an incredible drop in demand from the United States. Recognizing that was a vulnerability—we had 80% of our product all going to the United States—and that we had to diversify our markets and spread, we've just finished having a conversation about opening up China and international trade opportunities. That's a significant contribution, working cooperatively with provinces and with the federal government to open up new markets.

As you've heard from my colleagues at FPInnovations, and from Aran in his presentation, new products, new uses of the fibre, are incredibly important. We're in a globally competitive world. We need to come up with new technologies and continue to invest in the innovation cycle, with support for FPInnovations, support for the academic and research community, and support for our companies to get through what's quite often a very expensive investment. The investment in transformation has been very much appreciated by the industry. That's where the government has been a big partner.

Ms. Joan Crockatt: Thank you.

I'll now go to you, Mr. Lapointe, on the technical side of the same question. What do you think government did during this period to help pave the way for this resurgence? What should we learn from this? I'm fascinated, too, that we've heard about wood-derived car parts. I think we've all seen some of these stories, but maybe we're consolidating a little bit more of that knowledge in terms of electronics, with touch screen TVs, and so on.

You talked about two world premieres. I wonder if you could go into some of the front end of this advancement, but first touch on what government did that helped us get here.

Mr. Pierre Lapointe: In the case of those two premieres, what the federal government is doing is rather a premiere in Canada, whereby they accept the fact of going in to finance pre-commercial testing facilities. In the case of the nanocellulose with Domtar in Windsor, they facilitate about 50% of the plant. In the case of the CF in Trois-Rivières, it's about 40%. Being able to go toward pre-commercial financing is a first in Canada, and that has helped tremendously.

In the case of some of the other projects, such as the lignin extraction in Hinton, Alberta, it's the IFIT program, run by NRCan, that provides a less risky financial commercialization process. In the case of the lignin extraction, again the federal government, with the IFIT program, has been really instrumental in getting that new process in.

What the federal government has done as well, which I think is also very important, is to finance for three years a series of university centres of excellence in the forest sector. That has provided us with more than 27 universities and 130 professors as partners. We've put together over three years 400 to 500 master's and Ph.D. students. Those projects have been really helpful in going towards pre-commercial but also going towards making sure we provide highly qualified people.

• (1610)

The Chair: Thank you, Ms. Crockatt.

We go now to the official opposition with Mr. Rafferty for up to seven minutes. Go ahead, please.

Mr. John Rafferty (Thunder Bay—Rainy River, NDP): Thank you very much, Chair.

Thank you to the witnesses for being here today.

In particular, Mr. Lindsay, it's nice to see you again, as always. I have a second question for you, but let me read some things into the record here just so we can get a sense of “then and now”, as the chair outlined in his opening remarks. I'll just read some facts into the record about the forestry sector and what's happened since this government took power.

Since 2005, annual revenues in the forestry sector have declined from more than \$80 billion per year to less than \$54 billion in 2013. In 2005 the forestry sector was contributing more than \$31 billion to Canada's GDP each year, but by 2013 it had plummeted to just \$21 billion. In 2005, the year this Conservative government came to power, there were 339,000 jobs in the forestry sector. By 2015 there were just 216,500 jobs in the forestry sector.

The Chair: On a point of order, Ms. Crockatt.

Ms. Joan Crockatt: Mr. Chair, the parameters of this committee were to take where we left off with the last study—I think we looked at the period up until 2008, if I'm not mistaken—and to look from there forward. I just wonder if this is where we need to be going if we want to move ahead now with this, Mr. Rafferty.

Over to you, Mr. Chair.

The Chair: Thank you for your advice, Ms. Crockatt, but as you know, members have a wide range of freedom to ask questions as long as they're on topic. Mr. Rafferty is setting his up.

Certainly do go ahead, please, Mr. Rafferty.

Mr. John Rafferty: The bottom line is that under this government's watch over 112,000 jobs, or 36% of all the jobs in the forestry sector, have been lost in the last 10 years: 21,400 jobs in British Columbia; 40,700 jobs in Ontario; and 41,600 jobs in Quebec. The worst part of this, of course, is that the jobs have been lost in just 200 or so so-called forestry-dependent communities.

You all know the communities: Miramichi, New Brunswick; Shawinigan, Quebec; Fort Frances, Ontario; Pine Falls, Manitoba; and Prince George, B.C. These communities, like dozens across Canada, experienced loss. They lost their primary employer and hundreds of good-paying jobs. It was devastating to these small communities, as hundreds more spinoff jobs were also lost, along with millions in tax revenues for these small municipalities.

Now, if anyone on the government side or anywhere else doubts these numbers—they shouldn't, of course—they're from this government's own numbers. They're publicly available and updated annually by Natural Resources Canada. With these facts being on the record, I'd like to move on to some specific issues for witnesses to comment on. I have a lot of questions, and I do understand that I've already used a couple of minutes of my time.

While we have you here, Mr. O'Carroll, let me ask you the first question. With regard to the Canadian Boreal Forest Agreement, I'd like to commend our witnesses today, their organizations and members, and the Canadian forest industry in general for their ongoing commitment to reducing greenhouse gas emissions and adapting their operations to new environmental realities.

However, with regard to the Boreal Forest Agreement, while I see negotiation and cooperation between leading Canadian environmental organizations and the industry, there is a glaring omission in the signatories. I see on your web page that no first nations communities or organizations are cited as signing on to these agreements.

I wonder if you could elaborate on the negotiation process that led to the Boreal Forest Agreement and specifically comment on whether any first nations or related organizations were consulted on this project. If so, what issues were at play that prevented those communities from signing on to the agreement? Is there a chance to expand this agreement in the future and to have first nations participate in this process and eventually sign on to it?

• (1615)

The Chair: Go ahead, Mr. O'Carroll.

Mr. Aran O'Carroll: Thank you very much for your question.

Let me start at the beginning of the negotiation of the CBFA. Fundamentally, the agreement, which was publicly announced in 2010, was a truce between two warring factions at the time: the Canadian forest industry and the environmental community in Canada. That was a memorandum of understanding, if you will, between those two sectors, and it was intended to be a foundation upon which the two sectors would then speak to others.

The Canadian Boreal Forest Agreement has a vast scope stretching from British Columbia across the boreal forests of this country to the island of Newfoundland. There are almost 600 first nations communities in that scope. It was certainly not our intention to exclude communities in signing this peace between our two parties, and we did have conversations with first nations communities at the time. But it was fundamentally to bridge the gap between those two warring parties and strike a new relationship between those communities that we entered into the CBFA.

Mr. John Rafferty: Is there a chance now to expand this agreement in the future?

Mr. Aran O'Carroll: The agreement is an open agreement. In fact, we have working groups that are actively collaborating with first nations in their traditional territories across the country.

Mr. John Rafferty: Thank you for that.

Mr. Lindsay, you were talking about China and about China being the new China, and so on. Would you have any idea of the numbers, or amounts, or dollar amounts of exports from Canada to China that are raw logs? Do we export raw logs at all?

Mr. David Lindsay: Yes, we do export raw logs. I don't know if I have those numbers with me. As a percentage of our total exports, it's a very small percentage.

The Forest Products Association would obviously prefer to get the maximum value from every tree we harvest. That's our going-in principle. Nevertheless, there are some companies that decide, for their own business reasons, that they will export raw logs.

Mr. John Rafferty: You probably know where I'm going with this question, Mr. Lindsay. If we continue to push to increase our exports to China, with perhaps an increase in raw logs, is there a concern at all that they're turning those raw logs into pulp and paper, of course at a much lower price, and reselling back to the rest of the world, in particular North America, undercutting our own pulp and paper industry? Is that a concern? Do you think that's even possible?

Mr. David Lindsay: I'm not sure exactly what they're doing with each individual log, but I know there's a lot of cardboard that also goes back to China, which is also being used. The Chinese have much cheaper labour and cheaper input costs. We're in a competitive world. We need to find ways to make sure we keep our costs under control and provide greater value to the products we're selling around the world.

Raw logs, as I say, are a very small percentage of what we do. Our emphasis is on much higher value-added production.

Mr. John Rafferty: I think I have time for one more question here.

With the Canadian dollar finally coming back to what economists say is fair value in the wake of the collapse in oil prices, at what point does the industry regain a competitive foothold against our U. S. counterparts? What prospects are there for reopening some of the dozens of mills that have closed over the last decades?

Related to that, how long would it take with our dollar, as economists say, at fair value before market conditions improve enough to reopen some of these mills?

Mr. David Lindsay: Mr. Rafferty, that's an excellent question.

As the economists would say, holding all other things equal, we can do anything. The problem is that all other things are not being held equal. The Russian ruble has dropped significantly more than the Canadian dollar has. The Brazilian real has also dropped considerably, and those are two of our largest competitors. If we're just expecting the Canadian dollar differential between Canada and the United States to bring back mills, that is as false a hope as when we thought a low Canadian dollar was going to be our saviour into the future. It requires innovation, and it requires a lot of effort on all of our parts to compete in the global marketplace.

• (1620)

The Chair: Thank you, Mr. Rafferty. You are out of time.

We go now to Mr. Regan, for up to seven minutes. Go ahead, please, sir.

[*Translation*]

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chair.

I have a question for Mr. Lapointe.

How does innovative performance in terms of research and development in Canada's forestry sector compare to other countries?

Mr. Pierre Lapointe: Our competitors are Finland and Sweden.

When it comes to bioproducts, FPInnovations is ranked first or second compared with those two countries.

In terms of wood construction, our performance is lower than that of European countries, especially Austria. So we need to increase our expertise in this area, and that is what we are doing. We are among the top five countries when it comes to wood processing.

As for logging operations, we have lost some ground in terms of equipment manufacturers. However, we rank in the top three globally when it comes to efficiency in logging operations.

Hon. Geoff Regan: What obstacles do we need to overcome in order to improve our position?

Mr. Pierre Lapointe: I would say that the lack of Canadian equipment manufacturers is to blame when it comes to logging operations. That's the biggest problem. We have lost a lot of ground, both in terms of sawmills and machinery. That's one of the biggest challenges we face.

In the area of wood processing, especially high-rise construction, one of the challenges we are facing is related to partnerships with engineers, who are used to working with cement or steel. So training should be provided in that area.

Those are the major challenges we face.

Hon. Geoff Regan: Thank you very much.

[*English*]

Mr. Lindsay, let me ask you, if I may, what the current situation is for skilled workers in Canada's forest sector.

Mr. David Lindsay: The challenge with skilled workers in the forest sector is similar to other sectors, whether it's construction or mining or others. There is great competition for skilled workers. While our friends in the oil patch might be going through some

difficult challenges right now, we anticipate that the need for skilled workers is going to continue to grow.

We are working hard with our member companies to brand the forest products industry as an attractive place to work. We call it the greenest workforce, playing on our environmental credentials. We want to encourage young people to go into the trades.

We need skilled, semi-skilled, and unskilled employees. We need everyone from truck drivers to warehouse operators to pipefitters and pressure vessel operators. We need a whole myriad of skills. We think the governments, both federal and provincial, are our partners in the education system and the apprenticeship system, to make sure we have the right flow of workers for the growth that we're anticipating under Vision 2020.

As I said, we need 60,000 workers between now and the year 2020. That's a mid-range estimate for us. If you look at a lot of my counterparts in other associations, they have comparable numbers. While we may have a temporary shift in the marketplace because of oil prices this year, three years from now we're still going to need those workers.

Hon. Geoff Regan: One of Vision 2020's goals, of course, is that 60,000, but it's new recruits, including women, aboriginals, and new Canadians.

What percentage of the industry workforce do those groups represent now, and how have industry recruitment practices changed in view of this goal?

• (1625)

Mr. David Lindsay: I don't have the detailed numbers at my fingertips. We had a whole report done with the Conference Board on the current makeup and future projections.

Let me go back to the aboriginal numbers, if I could, which are the numbers I find most intriguing. Let's take the example of Manitoba and Saskatchewan. About 10% of the workforce in Manitoba and Saskatchewan currently are first nations, yet almost 20% of the forestry workforce in Manitoba and Saskatchewan are first nations. Our mills and our forestry operations tend to be closer to reserves and where our first nations neighbours live, so there's an opportunity for jobs and economic development.

We want to continue to grow that. We need the help of both the provincial government and federal government for ongoing training.

With regard to women in the workforce, I know Catherine is quite heavily involved in the women in engineering program. A number of our companies are quite big supporters of encouraging more women to get into the technical trades.

On new Canadians, my parents are immigrants. Where they came from, the Canadian forest had a very romantic story, but they didn't think they wanted to work there. So explaining to new immigrants the wonderful opportunities of working in our forests and northern communities is both a challenge and an opportunity.

Hon. Geoff Regan: Thank you very much.

Mr. O'Carroll, I'll turn to you.

There have been some news articles suggesting that there's been a breakdown in the negotiations of the Canadian Boreal Forest Agreement. Can you elaborate on the different stances that underlie this breakdown or what's impeding the progress these days?

Mr. Aran O'Carroll: Certainly. Thank you for the question.

The Canadian Boreal Forest Agreement features almost 30 signatories, who are currently working diligently and tenaciously to implement the agreement across the country. That's about 120 people at various working group tables.

However, we have suffered setbacks. We've lost Greenpeace and Canopy from our membership. They had great frustration with the pace of implementation, a frustration that's shared by all of the signatories, actually. It is difficult work to overcome the historical differences between these communities and find common ground and collective solutions.

It's difficult and challenging work. We have had our setbacks, but as I say, we're working very tenaciously across the country and we've had some good developments that show where we're headed with the work under the CBFA.

Hon. Geoff Regan: Thank you.

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

We will go now to the five-minute rounds, starting with Mr. Trost, followed by Ms. Block and Monsieur Caron.

Mr. Trost, go ahead, please, for up to five minutes.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair.

I could be wrong, but I believe it was Mr. Lindsay who not quite in passing but almost mentioned transportation issues. Most industries in Canada don't view transportation as a passing issue. I know the forestry industry doesn't. We are aware that the Canada Transportation Act is being reviewed by—good for the forestry industry—Mr. David Emerson. I'm sure you'll make more fulsome remarks to that committee when they're involved in the study. Could you give our committee a few brief notes on some of the transportation issues for the forestry industry, and some basic suggestions, maybe not as elaborate as those of Mr. Emerson, but some basic suggestions on what we could recommend that would help?

Mr. David Lindsay: The forest products industry has a great dependence on our transportation system in Canada. As you can just imagine most of the mills are located in northern and remote communities. Most of those communities only have one way in and one way out. Our product is a heavy, large, bulk commodity. Trucks are a possibility, but rail is a much more economical way to move our product.

We're very interested in Mr. Emerson's committee and the work he's doing. Catherine has led our transportation team in the work they've been doing. I'm going to give her an opportunity to answer some of your specific questions, but the main point to be made with respect to transportation is that about one-third of the costs of getting our product made and to our customers is consumed by transportation costs. So it's a huge component of the forest products industry. As you are from Saskatchewan you would know with potash and

with all of our natural resources, getting our product from the heart of the continent to tide waters and to our customers is a challenge that's going to be with us for a long time by virtue of our geography.

Catherine can give you some specifics on what we're asking for from Mr. Emerson.

• (1630)

Ms. Catherine Cobden (Executive Vice-President, Forest Products Association of Canada): Thank you very much for the question. To build on David's theme I think the way we describe ourselves is that we are feeling unique in the shipper community with respect to our degree of captivity and our degree of reliance on the rail transportation system.

As you can appreciate we're in 200 communities in remote parts of our country and nowhere near the main lines in most cases and we're shipping to 180 countries around the world. This is a tremendous logistical challenge, so we're looking at it very comprehensively. Our recommendations will span the scope of what to do with respect to overall access issues. Is the transportation system the right size for the trade-flow shifts that we've been describing in our sector that I'm sure other sectors are seeing as well with the emergence of China, etc.?

Are the service conditions acceptable? Yes, we've had Bill C-52, but as you know that only moved the yardsticks forward so much. Certainly our members are feeling ongoing service issues, so we have recommendations specific to that.

Finally, in this duopoly situation we're facing is it appropriate for one-third or more of the cost structure to be pointed toward transportation costs? So we do have some questions for Mr. Emerson about the rate structure and that sort of thing as well. We think about it as access, service, and rates, and we have a very significant brief on specific recommendations that we'd be happy to submit to the committee if that would be of use to you.

Mr. Brad Trost: Yes, I for one would appreciate it if you could submit that brief.

Very quickly, and anyone can take this one, it was noted that currently about 10% of the world's forest products are produced by Canada. We're losing market share. In comparison to other countries—I realize there are geographical and climate differences—what are our specific advantages and disadvantages? What can we capitalize on and what do we have to play defence on to protect the disadvantage to other countries like Brazil, as was noted?

The Chair: Could we have an answer to that in less than a minute?

Who would like to tackle it? Go ahead, Mr. Lindsay.

Mr. David Lindsay: I won't be able to do it in a minute, Mr. Chairman, so we will give you a submission on some of the ideas we have.

We have a great environmental record. We have a good forest management planning system. We have an aligned innovation structure, with our colleagues at FPInnovations and in the academic community. Our challenges are that we have great distances, we are a big country. Our trees grow more slowly than the Brazilian trees so we need to make sure we're extracting the maximum value we can from every tree, which means we need to invest in innovation and new technologies. The workforce is a skilled workforce that we need to continue to invest in if we're going to continue to up the value chain.

So there are opportunities, but there are barriers if we don't get it right.

The Chair: Thank you very much.

We'll go now to the Parliamentary Secretary to the Minister of Natural Resources, Ms. Kelly Block.

Go ahead, please, for up to five minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I want to join my colleagues in welcoming all of you here today. It's been a really good discussion, and I appreciate what you bring to the conversation, definitely.

Mr. Lindsay, you said that, since the report of 2008, there has been progress on the journey of transformation in the forestry industry, but you also said there is more to be done, that we can't rest on our laurels. I know from your 2010-12 Vision 2020 report card that the industry is expecting further renewal. Maybe this ties into a little bit of what my colleague was asking you, and you can tie back to it. Would you be able to expand on what that further renewal is, what you envision for the industry in the future, and perhaps what programs are in place or what programs you envision that are going to help you to get there?

•(1635)

Mr. David Lindsay: In the forest industry, we cut down the trees and try to use the whole of the tree. The history of innovation in the forest sector has been—again my colleagues on the video screen could give you much more detail than I—to move from 60%, 70%, 80% to now over 90%. We're now at over 95% usage of the tree. We use the whole of the tree, whether it is in making bioenergy or these new chemicals and new products. Using the resource as efficiently and effectively as we can is the mantra that we have in our industry.

A lot of our equipment is old. A lot of our technology has been dependent on old products or products that are no longer popular. It's no secret that newsprint is not as popular as it was, so we need to invest in upgrading the equipment we have and in new equipment.

There was one specific program with which the government did help the industry, when the United States brought in the black liquor subsidy, as some of you may recall. My counterpart in the United States said it didn't believe in subsidies, but the black liquor benefit seemed to be quite good for my American friends. The federal government brought forward something called PPGTP, pulp and paper green transformation program, and our companies were able to upgrade and invest in equipment to reduce the environmental

particulate matter, reduce smells, and increase the use of energy. It was a good investment in some of our base equipment.

Then the IFIT program, investments in forest industry transformation, is for new first-of technologies.

We need to do more of both. The foundation of our industry is still the mills and the forest harvesting practices. We need to continue to invest in that. My colleagues at FPInnovations are continuing to look at new innovations to be globally competitive and keep costs down so that we can hire the workers to make those products. That is the beginning of a conversation that's happening in every board room of every one of our companies right now. They're making those business decisions, and sometimes first-of investments are scary. Sometimes they don't work, so any help to spread the risk or mitigate the risk is always appreciated.

Mrs. Kelly Block: Really quickly, can you comment on the biomass and bioproducts industry? I note in the report from 2008 that a number of witnesses stressed the importance of rapidly developing this industry. Where are we at with the biomass industry?

Mr. David Lindsay: Catherine is the engineer.

Ms. Catherine Cobden: I will say that the vision remains powerful. We must continue the spirit of the recommendation in 2008. We must continue on that journey, and it's linked directly, Ms. Block, to the desire to extract maximum value from every tree we harvest.

We are still able to extract more value from current harvest levels, and of course, there is always the question of whether you do more with the land base. That's for our friends in the CBFA world and in our environmental community to help us with, but the essence is that we are....

Pierre has painted the journey of these innovations that are going on, and if there is anything that I would love to ask the committee to stay focused on, it is that transformation journey. We're painting the portrait that things have improved in the last 12 months, and certainly in the last few months, but the pressures are going to continue, so let's not lose sight of that long game and let's continue to seek it.

The Chair: Thank you.

We go next to Mr. Caron, then to Mr. Leef, then to Ms. Duncan.

Go ahead, Mr. Caron. You have up to five minutes.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you, Mr. Chair.

I want to thank all the witnesses for their informative presentations.

I will begin with Mr. Lindsay.

When the committee conducted its study in 2008, the Canada-U.S. Softwood Lumber Agreement had been in effect for two years. Based on my knowledge of the industry, I remember that the content of that agreement was not really unanimously accepted. However, it was welcomed because even a bad agreement or an agreement that can be argued about is better than no agreement at all, as the case was at the time and prior to 2006.

The agreement is supposed to expire by the end of the year, and I would like to know whether the association has any recommendations regarding the agreement's renegotiation and renewal.

Do you think the status quo will be maintained by both countries or will they have to start fresh?

• (1640)

Mr. David Lindsay: Thank you very much, Mr. Caron.
[English]

My French is not very good, so I will respond in English if you don't mind.

It's an excellent and very timely question.

The softwood lumber agreement is scheduled to expire at the end of this year. There will be a year of standstill. We're all free-traders and we believe in open markets. It has worked relatively well and has brought stability to the sector. It was and remains the hope of our companies that we can, in our vernacular, roll over the agreement for a number of additional years. We're hearing less than optimistic messages from our friends in the United States. It's not clear what they're going to finally do, but I know trade officials that we've been speaking with have a mandate to talk to our friends in the United States about rolling over the agreement, and we're supportive of that stance. I can't predict what's going to happen in the United States and what the American industry is going to do.

The world is very different than it was in 2006, and the market has changed. Our companies' footprint on the continent has changed. There are more Canadian companies that own U.S. facilities, and there are more international markets—we talked about China and elsewhere. So we're in a different dynamic. It would be my hope that we don't go back to the bad old days before 2006. If we could convince our American friends to have a rollover of the agreement, that would be our preference.

[Translation]

Mr. Guy Caron: It still takes two to tango.

Based on your discussions with your U.S. partners, would you say that they don't want an agreement and would simply like this to remain a grey area, as was the case before 2006?

Will the U.S. put forward any specific demands that could influence Canadian industry?

[English]

Mr. David Lindsay: I think our friends in the United States are very competitive and will obviously be looking for what's in their best interests. I can't predict what they're going to do.

In our view the negotiated agreement of 2006 had compromises on both sides to get to where we did get to. If we were to enter into

another round of negotiations, we believe we would end up very close to the same spot. We're still trying to convince them that we're in the forest products industry, not in the trade law business. Usually what happens is that the trade lawyers make the most money in these types of negotiations.

[Translation]

Mr. Guy Caron: Thank you very much. I have about a minute left.

Mr. Lapointe, in my research leading up to the committee meeting, I looked a bit into FPInnovations' partnership work. I noted that a lot of good and worthwhile work had been done, especially in terms of cellulose. However, I saw less work relating to biomass, and more specifically the wood pellet industry. Some work had perhaps been carried out in that area, but it was less apparent to me. Yet European industries are increasingly setting up in Canada to produce wood pellets and export their product directly.

Can you summarize what is being done in that area, tell us in what projects FPInnovations has participated and what the outlook for wood pellet production in Canada is?

Mr. Pierre Lapointe: Thank you.

One of the issues with wood pellets in Canada, especially in Quebec and Ontario, is their cost. That high cost makes competition difficult. However, as long as European countries are subsidizing wood pellet production, it will only be profitable for those with lower wood-related costs.

In Ontario and Quebec, very little work has been done because the business plan is unworkable. For all sorts of reasons, the situation is not the same in British Columbia. The research was basically carried out on production processes. Be that as it may, wood pellet production is not profitable in eastern Canada.

• (1645)

The Chair: Thank you, Mr. Caron.

[English]

We go now to Mr. Leef for up to five minutes, please.

Mr. Ryan Leef (Yukon, CPC): Thank you, Mr. Chair. Thank you to all our witnesses. It's great to have you here.

It's been a very interesting study so far. I think that to see where we want to go it is important to look back at where we've been. I know Mr. Rafferty on the NDP side wanted to paint a little bit of a picture for the record, and talk about some of the numbers, and then imply, clearly, that somehow when the Conservative Party formed the government the bottom just magically fell out of the barrel. He completely forgets the fact that between 2006 and 2011 there was a minority government in which everybody was working together, and the NDP would have to have some hand in any of that equally if they were going to play that kind of game.

It might be interesting to move away from the direct partisan games they're attempting to play here, and refresh us again on what's going on in the market. What was going on at the time? What have been the real challenges in 2005, 2006, up to the 2008 crisis that occurred? Then we can start to really look at how we avoid those similar things as we move into the future.

I think that is the ultimate objective of the committee study now, to identify clearly what went on, and if there was a hand that government played, then we need to expose that and know that so we can avoid it. If that's not the case, I think we need to skirt aside what's more than typical from the NDP side here, focusing on partisan attacks.

If you could comment on that, it would be great to hear.

Mr. David Lindsay: I was in the partisan business many years ago, so I won't continue your line of partisan comment.

I would point out that we had two economic forces happening: one structural, the decline of written materials and newsprint; and one cyclical, U.S. housing starts. Those were global, international, forces acting on Canada's forest products industry. The Canadian dollar was over par, and that caused our products to be more expensive. There were a number of external factors.

Our industry brought forward the Vision 2020 process and recognized we can't just blame others. We need to actually embrace the future and embrace the opportunity.

Something we haven't talked about at this committee yet today, which I think is very important to remember, is that we are competing with other producers that are also growing. Their governments are investing. The Brazilians and others are investing considerably in their forest products industry. We have people who want to undermine our brand as a Canadian industry, so we need to work collectively to continue to support the green credentials we have, the good work the Boreal Forest Agreement people are doing.

I went through the effluent reductions, and particulate matter reductions, and GHG reductions. We have a good environmental record as a forest products industry in Canada, and we need the provinces and the federal government to stand beside the industry, to help continue to defend that.

Mr. Ryan Leef: Is that undermining occurring domestically, or internationally, or a little bit of both?

Mr. David Lindsay: I think it's a function of a number of things. There are some groups, which Aran alluded to that have left the CBFA, that have an agenda they want to pursue. There are others who make products that are in competition with Canadian forestry, so they will make comments in the marketplace. Defending our credentials—

Mr. Ryan Leef: That's a good point. If the governments can support getting the education piece out, that would be helpful to industry, and highlighting, and celebrating, really, your environmental record.

That leads to a question I have, because invariably the criticism will come. How do we brace ourselves for what we know will be inevitable? When you talk about your carbon footprint and your green, renewable record, of course the protection of boreal forests are important in the country. There's the promotion of the preservation of that and the value of trees in terms of their carbon storage. What is the industry doing now to prepare for forest management education for the general public?

Highlighting forest management can be done in a manner that will retain the important carbon storage piece and boreal forest protection

for wildlife habitat, etc., but still be a renewable contributor to the development of the forest sector industry. What role can we play, as a government, to help you do that?

• (1650)

Mr. David Lindsay: It's an excellent question, Mr. Leef.

I'm actually going to signal to my colleague, Aran O'Carroll, because some of the issues you raise are part of the Canadian Boreal Forest Agreement. I will throw it to him in a minute.

Only in Canada do we have a federal-provincial conversation every time we talk policy. The provinces own the trees. They have a role to play. The federal government, as the face of the Canada brand, has a role to play to tell our story. We have a good story to tell, and if we don't tell it, nobody else will. The governments are partnering with the industry. The industry pursues this agenda with its customers all the time. They are telling their story about our carbon footprint and about the renewable resource. It's a very positive story to tell.

Again, the forest management practices are among the best in the world. Yale University did a study a number of years ago about the calibre of Canada's forest management practices. Again, it's third party validation, among the best in the world. We have more third party certified forests than any other country in the world, by an order of magnitude. I didn't bring the chart with me but my colleagues can validate the numbers.

We have a strong environmental footprint. We need to tell our domestic audience and our international audience the good story. I know that the CBFA wants to help us do that.

The Chair: Thank you, Mr. Leef.

If someone would like to ask a question to allow the CBFA a chance to respond, that would be great, but I don't control that.

We now have Ms. Duncan, followed by Ms. Perkins, and then another New Democrat member of Parliament.

Go ahead, please, Ms. Duncan.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): Thank you.

I want to thank all the panellists too. It's too bad that we couldn't have these two handsome gentlemen on the screen here with us in person, but I appreciate your testimony too.

I have a question that I'd like to put to both Mr. O'Carroll and Mr. Lindsay. It relates to the earlier testimony by Mr. O'Carroll. He very kindly provided us with a map of the progress of your boreal initiative.

I notice that in northern Alberta you show an area of suspended timber harvest. I've seen the maps over a time span of, say, 40 years, maps of the disappearance of the forests in Alberta, the vast majority of it due to conventional oil and gas and now oil sands development. I'd be interested to hear what kind of progress is being made in an agreement for Alberta.

I'm also interested in hearing from the forest sector on any concerns you might have about losing the potential for the jobs and revenue due to the loss of forest cover in the fossil fuel sector.

Mr. Aran O'Carroll: Thank you for your question. I'll start and then throw it to my colleague.

One of the foundations of the Canadian Boreal Forest Agreement was a commitment from the forest industry to suspend the harvest in caribou range. In fact, they suspended harvests in some 29 million hectares representing 98% of boreal within the caribou range to allow us the space and the time to find solutions to the challenge of woodland caribou conservation. It was a critical commitment from the industry to the environmental community.

Ms. Linda Duncan: Right. In Alberta?

Mr. Aran O'Carroll: Yes, including in Alberta. However, as we know, in Alberta there's a cumulative effects challenge, and the forest industry in Alberta is but one footprint on the Alberta boreal forest. The leadership the forest industry has shown in Alberta is getting the attention of the oil and gas sector. As I mentioned, we have draft recommendations that we're in discussions with the oil and gas industry about for northeastern Alberta.

We're working elsewhere in the province to expand those solutions, but it's a very complicated challenge. Every square metre of Alberta has up to 18 interests on it, as I'm sure you know well.

With that, I'll pass it on to Mr. Lindsay.

• (1655)

Mr. David Lindsay: Again, thank you very much for the question, Ms. Duncan.

I'll break my comments into two pieces actually, if I can. Forest disturbance is an interesting term. We need to be very careful as we think about the disturbance in Canada's forests. There is an organization in the United States that went on Google Maps or looked at the disturbance using satellite imaging, and they concluded that there was a lot of disturbance in Canada's forests. What they neglect to clearly articulate is that much of that is forest fires and insects.

Natural disturbance happens in the boreal forest. As a matter of fact, it's part of the eco-cycle. Caribou like to be in forests of about 60 years of age—that is the ideal—where lichens grow and they can dig them out with their hoofs and eat them in the winter in dark, deep forests. The only way you get a large expanse of 60-year-old forest is if, 62 or 63 years earlier, you had burned it. That's the natural cycle of a boreal forest.

There are natural disturbances, and then there are human disturbances. When we say there is disturbance in Canada's boreal forest, we need to be careful that we differentiate between natural disturbance and human disturbance.

Last year the Canadian Forest Service published its annual report on disturbances in the boreal forest. I don't have it in front of me, but I recommend that the committee have a look at it. Fire, insects, oil and gas, hydroelectric dams—there are lots of disturbances. Canadian forest products companies are legally required to replace the forest cover that they harvest. Any harvesting that takes place by forestry companies is replaced so that there is a net zero reduction in forest cover by the forestry companies, except for the roads to get in and out.

Again I go back to my opening comments. We're very proud of our record of managing the boreal forest and managing all our forestry practices, as we are legally required to do.

The second point I would make is that the Forest Products Association of Canada has worked closely on the Species at Risk Act —

Ms. Linda Duncan: Mr. Lindsay, you're not actually answering my question. I didn't even actually ask about the caribou, so I wonder if I could go on with my second question—

The Chair: Ms. Duncan, actually you're out of time, so we'll have to do that next round or another time.

We now go to Ms. Perkins, followed by Mr. Rafferty and Mr. Trost.

Go ahead, please, Ms. Perkins, for up to five minutes.

Mrs. Pat Perkins (Whitby—Oshawa, CPC): Thank you very much, Mr. Chairman.

Thank you all for your deputations here today.

I've been very intrigued by the issues around the national building code. Mr. Lapointe has certainly outlined for us the changes that have taken place since 1941 and how buildings have gone down in height and what that might look like moving forward. I'm also hearing about the challenges that are being seen with respect to partnerships with engineers who are qualified or comfortable with working and designing with wood products.

Mr. Lapointe is certainly making it abundantly clear that it's doable. From your point of view, Mr. Lindsay, how do you see that piece progressively working into your industry? Is there something significant in this for you or for all of us?

Mr. David Lindsay: There is very much so. We have a number of colleagues in the forest industry family who have a particular focus on that opportunity. The Canadian Wood Council, CWC, and their Wood Works! program is something on which, I understand, they will make a presentation before this committee in the coming weeks, so I won't go into detail on what they do, but I would encourage you to talk to them about how they run education programs for architects and for the public.

I know that Pierre and the folks at FPInnovations have manuals they have prepared, so lots of good work is happening.

Both the provinces and the federal government need to continue to tell the story about the lighter carbon footprint of forest products. We need to remind municipal planning officers and people in the development industry that you can construct a wooden building quite quickly once the concrete foundation is there, and we want to work with our friends in the concrete industry. Putting a building up with wood construction is a lot quicker and reduces traffic congestion and the challenges of construction in urban settings.

• (1700)

Mrs. Pat Perkins: We appreciate that. Coming from a municipal sector, I know that's going to be a very big challenge for you with the building officials and engineers now.

Mr. Lapointe, you brought forward these slides for us to have a look at. Is this 13-storey in Quebec City under way?

Mr. Pierre Lapointe: It will be announced in the next few days.

Mrs. Pat Perkins: That's quite interesting. You also had a few others you were talking about here. One of them, of course, was the Richmond skating ring. Is that complete? That is used—

Mr. Pierre Lapointe: That is complete. It was used at the Vancouver Olympics, and it won a world green-building architecture prize.

Mrs. Pat Perkins: Who is spearheading this new move in this direction? If this is truly the direction you think things are going to go in, where's the push coming from, and who needs to hear about it?

Mr. David Lindsay: I'll start, and maybe Pierre can jump in and help a little bit.

I've met with the building and land developers and the home builders' associations of Ontario. They are actually quite supportive and quite positive on the greater use of wood construction. They helped to lobby the provincial government in Ontario to change their building code to six storeys.

They're working with the national building code here in Ottawa to make those changes because they see the economic opportunity, particularly in mid-rises. In Whitby—Oshawa, along the arterial roads in Oshawa, there is a lot of mid-rise construction there that's due to be refurbished and rejuvenated. Tearing down strip plazas and putting up four- and six-storey multi-use dwellings is more efficient for the community. It's fast construction, with minimal disruption, and it's a green and renewable resource.

I think the market pull will happen as people start to understand all the merits and values of it.

Pierre may have something to add.

Mrs. Pat Perkins: If I have time, I'll just ask one more. With respect to the comments that were made about the market in China not using wood in construction, are they more into cements and those sorts of things? Are they staying in that direction?

Mr. David Lindsay: We've actually had some good successes. The traditional *hutong* and the traditional home and building construction in China have tended to be in cement and concrete. However, with B.C.'s FII, the British Columbia forest innovation institute, and the federal government working with our embassy and our trade offices, we've literally opened schools and trained architects in China in how to use more wood construction in institutional establishments, multi-dwelling homes, and schools, encouraging them to use more wood construction in the roofing in the concrete buildings. We're growing that market through education and through penetration of the people who make those decisions on the ground. It has to happen on the ground.

The Chair: Thank you, Ms. Perkins.

We go now to Mr. Rafferty, and if there is time left, Ms. Duncan, followed by Mr. Trost and Ms. Crockatt. There are probably a couple of spots left. We'll probably have time for another question or two after that.

Go ahead, please, Mr. Rafferty.

Mr. John Rafferty: Thank you very much, Chair.

Just for everyone here on the committee, I always enjoy Mr. Leef's partisan comments, as I know he does mine.

Just as a point of clarification before I ask my question, in terms of the opposition parties being part of this whole process and problem, as he was perhaps implying, actually 17,400 jobs have been lost since this majority government took power, between 2011 and 2013. That's just a clarification.

I'm not going to talk about that anymore, because I have a very important—

• (1705)

Mr. Ryan Leef: I'll get a rebuttal later.

Ms. Joan Crockatt: I'm going to have to give up my time to him now.

Mr. John Rafferty: I have a very important question for all three groups, perhaps. I think we've had a small discussion about this at one point, Mr. Lindsay.

I was wondering...the companies and what you deal with. This may not be directly related to the issue I'm going to ask a question about, but have you had any opportunities to bring some things to the table with the provinces in terms of land tenure? It is my impression, and you can correct me if I'm wrong, that one of the problems with moving the forest industry forward is how provinces and territories—I'm not sure about the territories but certainly the provinces—have issues with land tenure and are continuing to try to sort it out. I know they are in Ontario, and I assume right across Canada.

Is there a way to work with provinces to ensure that the land tenure issues can be sorted out so that the forest industry can move forward at a quicker pace?

Mr. Lindsay might want to start.

Mr. David Lindsay: Mr. Rafferty and I have some history. I was the deputy minister in Ontario when they started the tenure reform process.

I think there is a willingness and an understanding that making fibre available for new and innovative uses has to be part of our conversation. However, it is the classic Canadian challenge that the tenure system is the responsibility of the provinces and they need to make their decisions on what's in the best interests of the people on the landscape, the people who are creating the jobs, and the communities that they want to serve.

I know Quebec has moved forward with some tenure reform there. It's challenging but they're making progress. Ontario has done a number of things with individual forest FMAs, forest management agreements, and forest management plans, to pursue tenure reform. It is happening in different parts of the country at different paces and to different degrees. More community involvement and more involvement of first nations is always a subtext when you look at tenure reform. It's not a simple plug-and-play, take out an old system and put in a new system. Companies make decisions based on 20-year investments and to suddenly change a system after they've made a 20-year investment would not be good business and it wouldn't be good public policy either. I think we need to evolve our system but respect that business decisions rely on certainty and stability.

Mr. John Rafferty: Mr. O'Carroll, would you have any comments on that?

Mr. Aran O'Carroll: Tenure reform is a long-standing and a challenging issue in Canada.

One of the clear things that the CBFA and the collaborations that are going on bring to this question is the idea of an open, transparent discussion of how we're managing the forests and engaging the communities, the first nations, and environmental groups, etc., in the discussion about how management takes place on those tenures. It's something that the CBFA is fully engaged in. That vision of collaboration is one that, while not directly affecting tenure, is certainly changing the paradigm of how those landscapes are managed.

Mr. John Rafferty: Mr. Martel or Mr. Lapointe, would you like to make a comment on that?

Mr. Pierre Lapointe: Yes.

We have a program with a few provinces and some of the industry looking at what we call "intelligent inventory". One of the issues that the industry and the provincial governments have is the imprecision of inventory, and as a result, how much it is worth or how much less it is worth. We have put together a project using drone technology to come up with a much more precise inventory and get provinces and industry to agree to a real value of the wood that they can extract. This is quite new. It was done in New Brunswick, Ontario, and Quebec.

The Chair: Thank you, Mr. Rafferty.

We go now to Mr. Trost, followed by Ms. Crockatt, and Ms. Duncan.

Go ahead please, Mr. Trost.

Mr. Brad Trost: Thank you, Mr. Chair.

In my final question Mr. Lindsay had responded about some of our advantages. Specifically he had noted Canadian technology, environmental standards, and the productivity of our workforce. That leads me to where I'm going with my next questions.

I'll start first with the gentlemen who are joining us at a distance. Technology is one of our advantages. I know it's been touched on in some of the other answers and some of the questions here.

How specifically are we staying ahead of other countries in technology? We had some references to places we are ahead of and not, Austria, etc. How do we stay ahead where we are ahead and how do we continue to put the accelerator on? Other countries are not going to be standing still. Other countries are not going to sit around and say, you know, Canada has the Chinese market. They're going to see Canada develop the Chinese market and say, let's go in there and steal it from them. Through technology, how can we keep our advantage both for export markets and for domestic markets? It's not just specific technologies but what are the big themes you're urging to help us keep a lead in that field?

• (1710)

Mr. Pierre Lapointe: One of the big things, as I was mentioning, is intelligent inventory, so that we know what we are harvesting and

that we can choose the right tree to go to the right sawmill for the right product. That's obviously the logistical transportation aspect.

On the transportation aspect, there's a lot of research that is done. I will give you a very simple example: automatic inflating of tires. When you're on gravel road you have low pressure and when you're on pavement you have high pressure, so you reduce the cost by 12%. By increasing the axle number for driving in winter, you reduce the cost by something like 12% to 18%.

Those types of technologies may seem simple—automatically inflating a tire—but have a major impact on the cost of the wood. If you go towards the pulp and paper side, it is to improve the type of paper, tissue, cardboard that we're producing. Our fibre is better. However, it's also going towards the sugar stream and the lignin type to produce new construction material.

Mr. Brad Trost: With regard to policy items that are driving this, is it that we're spending the money for the research, or are there other things, policy-wise, that give us a lead?

Mr. Pierre Lapointe: On the policy aspect, I think the area where we're very fortunate, especially with some of the provinces, B.C. and Alberta, is the willingness to try different technology, like road safety and road construction. Those are policies. It is the same thing with Transport Canada accepting new technology on trucking. There are policy issues that are quite open and positive.

One should also realize that there are changes to the building code, which is not necessarily a policy, but it is important. The changes, both at the federal level and the provincial level, open new markets. In the case of four- to six-storey buildings, in the U.S., that represents billions of dollar of new market. Those are not specific policies, but they are aspects of opening new markets.

Mr. Brad Trost: I have one other question that I'd like to bridge to, and that's the environmental advantage that we have.

I suspect that Mr. O'Carroll might want to get in on this one, as could the other members at our table.

What is the environmental advantage that we have, and how does that provide us with a competitive advantage? I think that is going to be a little harder for a lot of us to understand.

Mr. Aran O'Carroll: The Canadian Boreal Forest Agreement and the commitments that the forest industry has made to that agreement will put the Canadian industry in a globally leading position in terms of its environmental reputation. It would be widely celebrated and have a broad base of support.

There are certain fundamental challenges that the Canadian industry faces in a globally competitive marketplace, but building on the environmental commitments that the industry has made, including their commitments to greenhouse gas reduction and third party certification, etc., and fulfilling the commitments of the CBFA, will position the industry for its long-term financial stability. There's no question about that. It will create a niche market in the global marketplace for green products.

That's certainly our vision with the CBFA.

• (1715)

The Chair: Thank you, Mr. Trost.

We will go now to Ms. Crockatt, followed by Ms. Duncan. Then we'll thank the witnesses and very quickly have a look at the budget for this study, and hopefully approve that.

Ms. Crockatt, go ahead, please, for up to five minutes.

Ms. Joan Crockatt: Thank you.

I was going to ask Mr. Hubert this question, but I think he's stepped out for a minute, so maybe I'll go to Mr. Lindsay.

It has to do with the aboriginal employment in this sector. I think we're now seeing the advantages of our sector, and the renewal of it, in more of a 360-degree way, and the public sees that as a great step forward if we're getting good employment in the aboriginal sector.

I wonder if you could let us know what is working there and why you think we're making some good progress in getting aboriginals involved in the forest sector—maybe as compared to some other sectors too.

Mr. David Lindsay: Again, that is an excellent question.

We just talked about the forest products industry's environmental credentials and our third party certification through the international certification standards such as FSC, SFI, and so on. There is a component of that in which they look to see your engagement with aboriginal people. So this has been a long-standing practice of the forest products industry. As part of our credentials as a good corporate citizen, engaging with neighbours on the landscape is part of our forestry practices. It is a requirement of our provincial forest certification processes.

So ongoing engagement with first nations is not a new territory for the forest industry. It has been in place with us for a long time. Hence the employment results that I mentioned earlier, where on average we have twice the number of first nations people working in our sector as in the population generally. Why? One reason is proximity. A second is that we see it's good business practice to be working with our partners on the landscape.

We've done a number of specific things. If you go to our website you will see we give two annual awards. One is an aboriginal youth award for an upstanding member of a first nations community who is studying forestry or engaged in a forest company. So promoting young people to come into the forest industry is one example of a very specific thing we do. Each of our companies does many more things on the ground, but as a national association that's the one we lead.

We have a good working relationship with the aboriginal business council, and we give an annual award to the aboriginal forestry business of the year. So again, there is opportunity. There are many subcontractors in the forest industry and many opportunities for first nations. If you go to our website, you will see the winners for the last four or five years—first nations businesses engaging in making a living on the land, working with forestry companies to do forestry practices, trucking, hauling, and lots of the supply chain they work with us on.

So both with individuals and by corporate connection is how we work across the landscape.

Ms. Joan Crockatt: Thank you.

I will go to you, Mr. Lapointe, and if you need Mr. Martel in this too, I would encourage you.

I think that we would be doing a disservice if we didn't actually give a moment or more to talk about these tremendous technological advances that we're seeing. I notice in your brief that you are talking about the Canadian forest sector being a world leader in the bio-economy, having the first cellulose nanocrystals plant. Can you talk about those plants, where they are, what they are doing that is so phenomenal, and why this has been successful?

Mr. Pierre Lapointe: In the case of the NCC plant, which is a joint venture of Domtar and FPInnovations, we are the only one in the world capable of producing a tonne of NCC a day.

Yesterday there was an announcement of SDTC investing \$4 million into the new product. The new product is going to be used in the oil and gas industry by an international company, Schlumberger. It will have an impact on drilling mud. It will increase the recovery of oil and gas by a factor, which I cannot share, but a major factor. So it means that for the oil and gas industry it will be a major step toward larger recovery methods and obviously environmentally better methodology.

In the case of the NCC, there's a replacement of polymer in the trucking industry—

• (1720)

Ms. Joan Crockatt: Could you tell us where they are?

Mr. Pierre Lapointe: In the case of NCC they are located in Windsor, in the Eastern Townships, which is about 150 kilometres out of Montreal.

Mr. Jean-Pierre Martel (Vice President, Strategic Partnerships, FPInnovations): If I may add something here, you talk about the role of technology and innovation in transformation. Basically transformation takes time and energy and investment for the long term. It's important to recognize that, in the past, we were pushing technology and now we're trying to be more mindful of the market and understand how those new materials and products will be used in the marketplace and where there is the most potential for growth for those materials.

One other important element of this is making sure that we strengthen the foundation of the existing industry, because in many cases co-location makes a lot of sense from many different perspectives, because of savings, utilities in place, water treatment, and other things in those co-locations.

So it's important to have both a strong foundation, which is the traditional products, but also have the transformation with new products, together. So transformation will take both basically: true competitiveness and also a long-term investment in transformation. You don't change a sector or transform it in five years. It takes a while.

Ms. Joan Crockatt: Could I ask something? Am I finished?

The Chair: No, Ms. Crockatt, unfortunately, you can't. Thank you very much for your answer and thank you for your questions.

Finally, we move to Ms. Duncan for up to five minutes.

Ms. Linda Duncan: Thank you very much.

I'm really encouraged to hear about all this work on value-added in the forest sector, in all directions, including the manufacturing of the equipment in use.

I don't know if you follow architecture awards, but you probably do because it gives you ideas for the forest sector. I'm aware of the Moriyama RAIC international architecture prize. The prize was won by a Chinese all-wooden library, which is an extraordinary facility. I believe both the inside and outside were all built of wood. Obviously, there's great interest in the world of beautiful as opposed to functional, and kudos to you for pursuing that.

We used to have arenas with big wooden beams, and it sounds as if we're going back in that direction. I have a friend in Montreal who's promoting those kinds of arenas.

I've also heard from the firefighters. By coincidence, I was in a conversation with the fire chief from Edmonton, coming here for a meeting. He was concerned that they have not been consulted in this move to the use of cross laminated timber. In my understanding, it would be something to do with the strength, but it's probably also to do with the toxins. I know there's been a long-standing concern about the use of fire retardants in furniture. Has there been any outreach to the firefighters in the development of these new building codes?

Mr. David Lindsay: I will certainly defer to my friends in FPInnovations on the technical aspects of what's in cross laminated timber, but the firefighters are quite intimately involved in the building code process. They're able to make submissions and presentations throughout the process. It's a very public and open process.

We have made a number of changes to the building code process. I don't sit on that committee; other colleagues from the Canadian Wood Council do. They have made changes at the request of the firefighters. The use of sprinklers in everything from the balconies to the external cladding of buildings was made at the request of the firefighters. The use of cement for elevator shafts was made at the request of the firefighters, so I think they have been involved.

I can't speak to the specific chemicals in cross laminated timber, but I do know the firefighters have been involved, and we want to continue to work with them. The Canadian Wood Council, which I know is going to be here shortly, has been working with the firefighters to find additional ways we can ensure safety, and not only during the construction period, which is probably when there's a greater degree of risk. Before you get the sprinklers up, before you get the Gyproc up, that's when you have the vulnerable point. Once it's constructed, it has the same standards and same calibre as any other construction material.

• (1725)

The Chair: Mr. Lapointe, you wanted to—

Ms. Linda Duncan: I have additional questions for these gentlemen, so maybe I'll ask them and they could respond to both.

The Chair: Sure. Go ahead, Ms. Duncan.

Ms. Linda Duncan: This information about the development of value-added products is really interesting. Here is one thing that's occurred to me—and it sounds as if there has been some federal investment in the development of those value-added products. Do you have any concern that because of issues we've heard about—transportation, marketing, and so forth—we are at risk of having our scientists develop these value-added products, but then they're simply sold to somebody in another country?

If you wanted to answer the other question as well, I would welcome your input.

Mr. Pierre Lapointe: In the case of fire, three weeks ago the testing of cross laminated timber was done in a mechanical room at the NRC facility in Ottawa. A large representation from the Canadian firefighting associations was present. I just confirm what we are seeing, what David was saying. They are always present. The tests are vetted both on the toxins' side and on the fire side, and the firemen's association is present.

In the case of new products, is there a chance they will leave Canada? We're doing everything so they do not, but the competition is worldwide. The market is worldwide and is highly competitive.

The Chair: Thank you.

I really want to thank all three panellists here today for your excellent presentations and really good, solid answers to questions. It's a great way to move this study along, so thank you to all: from the Canadian Boreal Forest Agreement, Aran O'Carroll, executive director, and Mark Hubert; from the Forest Products Association of Canada, David Lindsay, president and chief executive officer, and Catherine Cobden, executive vice-president; and from FPInnovations, by video conference, Pierre Lapointe, president and CEO, and Jean-Pierre Martel, vice-president, strategic partnerships.

Members of the committee, you've had a look at the budget, I would assume. You have a copy in front of you. Are there any questions on the budget?

Is it agreed that we approve the draft budget as prepared by the clerk?

Some hon. members: Agreed.

The Chair: Thank you all so much, and thank you all for your input into a really good meeting.

The meeting is adjourned.

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