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Chair: Mr. James Maloney





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• (1535)

[English]

**The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)):** Good afternoon everybody. Thank you for joining us.

Without any further delay, because we're already in a bit of a condensed time frame, I will dispense with formal introductions and explanations of the process and just turn the floor over to you Mr. Alexander.

**Mr. Arun Alexander (Director General, North America Trade Policy Bureau, Department of Foreign Affairs, Trade and Development):** Thank you very much, Mr. Chair, and honourable members. Thank you for the opportunity to participate in this discussion today and to provide you with an update on the softwood lumber file.

I am joined by Michael Owen, senior counsel and executive director in the trade law bureau; Colin Barker, director of the softwood lumber division at Global Affairs Canada; and Ronnie Hayes, senior business adviser at the trade sectors bureau at Global Affairs Canada.

Canada's forest sector supports over 211,000 jobs in 300 communities across the country. It contributed \$25.8 billion to Canada's GDP in 2018. We are keenly aware that the forest sector has faced significant economic headwinds. This has serious impacts on the workers and communities that rely on it. The forest sector is currently facing challenging market conditions, including a reduction in the supply of harvestable timber, mostly in British Columbia, and increased competition in overseas markets.

Another challenge, of course, is the duties imposed by the United States on Canadian softwood lumber. Given Canada's geographic proximity and close commercial links with the United States, it is no surprise that the United States is our number one export market for softwood lumber. Today, the U.S. market accounts for nearly 80% of Canada's softwood lumber exports. For many decades, the United States has relied on Canadian softwood lumber to fill the gap between its domestic production capacity and its demand for lumber.

Despite this mutually beneficial relationship, the Canada-U.S. softwood lumber dispute has become one of the most enduring trade disputes between our two countries. Over the past few decades, the United States lumber industry has frequently petitioned the U.S. government to enact protectionist measures against Canadian softwood lumber imports, including through the application of import duties.

The basis for much of the American action against Canadian softwood lumber lies in the differences between how forests in Canada and the United States are managed. The United States has consistently alleged that public management versus private ownership results in unfair subsidies for Canadian lumber manufacturers. Time and time again, these arguments have been found to be without basis. Canada has brought challenges against the previous duty determinations under NAFTA chapter 19, and before the World Trade Organization dispute settlement system. The U.S. has repeatedly lost in those dispute processes, because Canada does not subsidize softwood lumber production.

Most recently, following the expiry of the 2006 softwood lumber agreement in 2015, and a subsequent one year standstill period, the United States began a new investigation into Canadian softwood lumber practices at the request of the U.S. domestic lumber industry. In January 2018, following anti-dumping and countervailing duty investigations by the U.S. Department of Commerce, the United States once again began imposing duties on softwood lumber imports from Canada.

These countervailing and anti-dumping duties are entirely unjustified. We firmly believe that these determinations are inconsistent with U.S. law and with the international trade obligations of the United States under the WTO. The Government of Canada is currently challenging the latest U.S. softwood lumber duties through five legal processes, three under NAFTA chapter 19, and two before the WTO dispute settlement system.

Under chapter 19, Canada is challenging the U.S. Department of Commerce's final countervailing and anti-dumping duty determinations, as well as the U.S. International Trade Commission's decision on material injury to U.S. industry. Panels established under chapter 19 review whether these determinations are consistent with U.S. law.

Let me add here that the Canada-United States-Mexico Agreement, or the new NAFTA, preserves the bi-national panel dispute resolution process for trade remedies that was in chapter 19 of the original NAFTA. This process protects Canadian companies and workers from the unfair application of U.S. or Mexican anti-dumping and countervailing duties with a transparent and independent dispute settlement system. This will continue to ensure that these measures are applied in accordance with each parties domestic laws. It is strategically important for preserving market access outcomes and defending Canada's interests.

Canada's success in maintaining the dispute settlement mechanism means that once the new NAFTA is in force, Canada's current chapter 19 challenges under U.S. law can continue in parallel with any new challenges under the new NAFTA's chapter 10 to unwarranted or unfair duties imposed in U.S. annual administrative reviews.

Amongst the NAFTA and the WTO cases, the most advanced is the injury challenge. On September 4, 2019, the NAFTA panel ruling on Canada's injury challenge issued its decision. It found that several key issues that are central to the U.S. International Trade Commission's determination of material injury were not based on substantial evidence, and were therefore inconsistent with U.S. law. It remanded the determination back to the commission.

- (1540)

This decision, while it did not immediately put an end to the U.S. duties, was an important step in the right direction. While the commission chose not to substantively alter its determination in this first instance, we will continue to pursue our claim and seek that the panel once again find this first redetermination to be inconsistent with U.S. law.

Our goal through this process is for the commission to reverse its initial determination and find that there was in fact no injury to U.S. industry, or be directed to do so by the NAFTA panel. This process may yet take some time and we will pursue it over the course of the coming year. If a finding of no injury is made, the basis for the imposition of duties disappears and the duties would be lifted.

Canada is pursuing two other NAFTA challenges against the United States Department of Commerce's final countervailing and anti-dumping duty determinations. We are still in the process of panel formation for those cases.

We are also pursuing challenges of two duty determinations through the WTO dispute settlement system. Panel hearings for these two WTO challenges have already taken place. The more complicated and perhaps more impactful of the two challenges is our challenge of the countervailing duty determination. The WTO panel has held two hearings on this challenge over the past year where Canada presented several days of arguments to the panel and numerous written submissions. We expect a panel decision to be issued sometime in the summer.

Under normal circumstances, WTO panel decisions can be appealed, as Canada has done in the case of our anti-dumping duty determination challenge. However, the current impasse at the WTO over the appointment of new appellate body members will delay any final resolution of these two challenges, which is why it is im-

portant that we continue to pursue the challenges under NAFTA's chapter 19.

While these legal processes unfold we are working closely with the provinces and industry. A legal counsel group exists that allows the Government of Canada counsel to work directly with counsel representing the provinces, industry associations and individual companies. This is truly a Team Canada approach that ensures that our legal arguments are as effective as possible.

Beyond the legal processes, important interactions continue with U.S. decision-makers to try to advance discussions toward a solution to the current dispute. The Prime Minister, Deputy Prime Minister and Minister of International Trade continue to be actively engaged on this file. Every opportunity is taken to raise the issue with U.S. counterparts, members of Congress and state-level officials.

The Deputy Prime Minister maintains a regular dialogue on softwood lumber with Secretary Ross at the Department of Commerce, and United States Trade Representative Lighthizer. Most recently, she and several premiers met with USTR Lighthizer in Washington where discussion on the softwood lumber file took place.

The Deputy Prime Minister also maintains a direct dialogue with Canadian industry stakeholders, union leaders and premiers to understand the various perspectives on this dispute across the country. Provincial governments and stakeholders have generally expressed strong support for the continued pursuit of litigation under NAFTA and at the WTO, recognizing that future legal decisions will strengthen Canada's position in the negotiation of a new softwood lumber agreement.

The Government of Canada therefore continues to pursue a vigorous set of legal challenges while also continuously looking for opportunities to engage with the U.S. government in discussions toward a new softwood lumber agreement. Canada continues to believe that a negotiated agreement with the United States is in both countries' best interests.

Unfortunately, the U.S. industry has blocked the U.S. administration from engaging meaningfully in negotiations, preferring the continued imposition of duties and the higher lumber prices caused by these tariffs to the detriment of U.S. consumers. In the meantime, we understand the harmful impact that U.S. duties have on workers and communities that rely on this important segment of Canada's forest sector.

In June 2017, the government announced the \$867-million softwood lumber action plan over three years to support the needs of affected workers, communities and industry. An additional \$251 million was allocated through budget 2019 to Natural Resources Canada's forest-sector innovation and diversification programs.

Global Affairs Canada sees continued trade diversification as critical to the future health of Canada's forest industries. This will help to sustain and grow Canadian forest sector jobs and support the communities that depend on these industries.

Global Affairs Canada supports forest product innovators in finding technology partners, foreign investors and new market opportunities for their next generation forest products, including bioproducts. Global Affairs Canada works closely with provinces and territories in promoting and advocating for Canada's environmental reputation in markets around the world.

Canada's bilateral and multilateral economic and trade agreements, either concluded or under negotiation, aim at increasing the international competitiveness of our natural resource industries, including the forest sector. For instance, the comprehensive economic and trade agreement with the European Union and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership have opened up new export opportunities for the Canadian forest sector in Europe and Asia.

• (1545)

The government's trade diversification strategy features an investment of \$290 million over five years to help Canadian businesses export and grow by strengthening the trade commissioner service and enhancing the support it provides to Canadian exporters, including those in the forest sector.

In conclusion, we recognize that the United States will continue to be the most important market for Canadian lumber exporters. Analysis suggests that the gap between U.S. demand and U.S. supply of softwood lumber will actually increase over the next decade, so the United States will need more imports.

Naturally, because of geographic proximity and close commercial links, Canada is best placed to supply this demand. As a result, we are confident that a settlement that brings stability and predictability to the softwood lumber industry is the best option for both countries.

Throughout this entire process, we have worked closely with the provinces, territories and industry stakeholders to ensure a united Canadian approach to this dispute. We will continue to work closely as we move forward.

Thank you, again, for this invitation to appear today. My colleagues and I look forward to your questions.

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

Mrs. McLeod.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you to the panellists.

As you might imagine, this is a critical issue in many of our ridings. Certainly, I feel I'm representing ground zero of part of the crisis.

As you indicated, there are many causes. Of course, there's certainly an impact, with a 20% effect on the prices.

I understand that in 2017 there was almost a negotiated settlement. Of course, it's not clear what happened there. However, since that time, although you talk about a negotiated settlement being the preferred option, I notice that the government did not put it as a priority in the new NAFTA negotiations, nor is it in the minister's mandate letter.

Therefore, would it be reasonable to say that you believe the solution is going to be coming through this series of court challenges? Clearly, we would have anticipated seeing it as a priority for the government, either as a NAFTA priority or in the minister's mandate letter.

**Mr. Arun Alexander:** I understand that during the NAFTA negotiations it was a priority to raise the softwood lumber issues with the U.S. negotiators. However, the U.S. negotiators were unwilling to engage meaningfully on settling the softwood lumber dispute during NAFTA negotiations.

**Mrs. Cathy McLeod:** Thank you.

I know we put forward other priorities, including supply management. When it was a stated priority, it seemed to have the desired effect, whereas if it was part of the conversation, it was excluded a little bit more.

I'm going to move on, though.

Have you done a look five years out? I know that some of the larger industry players, both on the north and the south sides of the border, have a little bit more protection and a little bit better buffering from what's happening. However, with regard to the independent producers, let's say it takes five years, which quite frankly, at the rate we're going would not surprise me. What do you project for some of our smaller producers five years from now? Have you done any analysis of what that collapse is going to look like?

**Mr. Colin Barker (Director, Softwood Lumber Division, Department of Foreign Affairs, Trade and Development):** Certainly we continue to work through what we call our "business advisory committee", in which we consult regularly with stakeholders from across the country, including small and independent businesses and the remanufacturing sector.

We definitely want to understand how the dispute is impacting each segment of the industry, because, as you rightly point out, the industry is varied. There are very large producers that have mills all over North America and that, as you point out, can weather the storm perhaps a little more easily than smaller producers that are much more export-dependent. We are definitely working with them to understand their concerns, and we'll continue to do that as this process unfolds.

• (1550)

**Mrs. Cathy McLeod:** Thank you.

I know that our value-added producers—I guess there are lots of terms that you use for them—should be a priority, as these companies have been captured in a way that they weren't captured previously.

I know from the trade committee's hearings that there was a letter sent by the Conservatives to the minister. Also, I understand that the Bloc had hoped to introduce a motion dealing with the people who have been captured in an unanticipated way in this dispute over the softwood lumber agreement, meaning some of our secondary manufacturers. Is there a way to solve their issues right now in a positive way?

**Mr. Arun Alexander:** Thank you for the question.

Mr. Chair, I think the member's referring to remanufacturers.

**Mrs. Cathy McLeod:** That's the word.

**Mr. Arun Alexander:** They buy softwood lumber from softwood lumber producers and then add value to that product to, perhaps, make bed-frames or wood pallets, which are then exported to the United States. The situation, as I understand it, is that the duty applied to the remanufacturers is on the softwood lumber product itself as well as on the value added and the profit, so they end up with the same 20.23% tariff. It's higher for them because of the value added to their product.

This has been a difficult issue. The Department of Commerce has had different views on this and has applied or not applied tariffs to the value-added portion of remanufacturers for some time. Unfortunately, in the latest dispute, they are applying that to remanufacturers, which is very harmful to the remanufacturers.

One way we can move this forward is through the litigation that we're doing, which we hope will remove the duties at the anti-dumping and the countervailing duties. There are also processes under the United States Court of International Trade, which can reduce the scope of the application of the duties. For example, the Shake and Shingle Alliance has had some success in going to the U.S. Court of International Trade to reduce the scope, to remove shakes and shingles. Also, the remanufacturers themselves can bring such an action.

**Mrs. Cathy McLeod:** As you might appreciate, if you were a small remanufacturing company, going through that court process would be prohibitive, and what we're seeing is simply the decisions to relocate in the U.S. Of course, doing that is harmful to Canada. It's harmful to our jobs.

I guess I'm looking for solutions that are reasonable. Again, I can't think of a small manufacturer having the pockets to tackle that kind of process.

**Mr. Michael Owen (General Counsel and Executive Director, Softwood Lumber Litigation Division, Department of Foreign Affairs, Trade and Development):** Thank you for that question; I think it's a good question.

I can speak to you about what happened in the cedar shakes and shingles dispute. In that dispute, not only did the Shake and Shingle Alliance hire counsel, but we also ensured that we had our own private sector U.S. counsel there to assist them, to help them, to, essentially, back them up in that court case. We were successful in getting Commerce to reverse itself and find that cedar shakes and shingles were outside of the scope of the dispute.

In terms of remanufactured products more generally, the practice has varied and, unfortunately, the decision regarding what is in the scope and what is out of the scope is the U.S. Department of Commerce's alone. I will add, though, that under the 2006 softwood lumber agreement, we were able to successfully negotiate a carve-out for remanufacturers such that the duties that they paid on their remanufactured products were based on the lumber inputs they originally had. Certainly, if there are negotiations going forward, that's something that we can look at.

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

Mr. Sidhu.

**Mr. Maninder Sidhu (Brampton East, Lib.):** I'd like to thank Mr. Alexander, Mr. Owen, Mr. Barker and Mr. Hayes for their time here today.

Mr. Alexander, you mentioned that 80% of our trade in this industry is with the U.S. Can you elaborate on efforts being made to diversify markets and reduce our dependence on the U.S. market for Canadian forestry products?

**Mr. Arun Alexander:** Thank you very much for your question, Member.

Mr. Chair, I will begin to answer and then I'll turn it over to my colleague, Ronnie Hayes, who's in the trade commissioner service.

Diversification is very important to seek out new markets. The government has been making a concerted effort with respect to both finding new markets and developing new products that we can sell in these markets, new value-added products. I was posted to our embassy in Japan, and we focused very much on selling new value-added products in the Japanese market, especially with respect to high-rise buildings, in which Canada has great expertise.

The diversification of new markets and the diversification of the products we produce are very, very important and a high priority for the government and the department.

With that, I'll turn it over to Ronnie.

• (1555)

**Mr. Ronnie Hayes (Senior Business Advisor, Industrial Biotech and Forestry Innovation, Multi-Sectors Practices Division, Department of Foreign Affairs, Trade and Development):** In that regard, as Mr. Alexander mentioned, there are tremendous efforts being made through the trade commissioner service in our embassies, consulates and trade offices around the world in key export markets, be they in Asia, Europe or South America, to diversify our market base for traditional and innovative Canadian forest products. I'm including the whole suite of novel biomaterials that have been developed as we are moving toward a low-carbon, bio-based economy.

Efforts are devoted in the marketplace by the network of trade commissioners. As it stands right now, we have the equivalent of 20 full-time employees dedicated to this sector across a network of 45 embassies, consulates and trade offices worldwide working on the file, helping Canadian companies develop new markets and new distribution channels for traditional and innovative forest products.

Also, the second component, which is a major one as we're moving toward more value-added wood-based products, is the identification of innovation partners to help adapt those novel products and bioproducts to commercial applications outside traditional distribution channels. We're talking about wood components being used in polymers, in biochemicals, in biomaterials for use in the automotive industry and cosmetics and also covering a wide range of applications in consumer products, painting coatings. This is where we bring a really incremental contribution.

The third component is identifying and attracting foreign investors to partner with Canadian companies in developing new business entities in newer streams to help diversify our SMEs in Canada.

**Mr. Maninder Sidhu:** Thank you for that.

Can you share with this committee what efforts the Government of Canada is making to resolve outstanding disputes with the United States and how often officials are raising the matter with their American counterparts?

**Mr. Arun Alexander:** Mr. Chair, I can say that we have five cases currently going on against the United States. Three are before NAFTA chapter 19 panels on injury, on anti-dumping duties and on countervailing duties. We also have two cases before the WTO, which are at the panel stage or beyond the panel stage, on anti-dumping duties and countervailing duties. We are pursuing these claims very vigorously because we think these duties are unjustified and unwarranted.

I'm sorry, what was the second part of your question?

**Mr. Maninder Sidhu:** How often are you...?

**Mr. Arun Alexander:** Oh, sorry, it was on the consultations with the U.S.

We take every opportunity, from the Prime Minister to the Deputy Prime Minister to the Minister of International Trade to senior officials. Anytime we meet with the Department of Commerce officials, the USTR officials or state-level officials, we raise the softwood lumber dispute and softwood lumber issues. I think the last time this was done was when Deputy Prime Minister Freeland

was in the United States in Washington, D.C. two or three weeks ago with several premiers. She had a meeting with United States Trade Representative Lighthizer, where she did raise the softwood lumber issue and Canada's concerns with respect to these unfair and unwarranted duties on Canadian products.

**Mr. Maninder Sidhu:** Thank you for that.

It's clear that Canada is using multiple tools within its tool box to fight against unwarranted, unfair and punitive measures against our softwood lumber. This illustrates the importance of the dispute resolution mechanism featured in NAFTA and preserved in CUSMA. Can you share with the committee the importance of maintaining these mechanisms, and if they were not to exist, what tools would Canada have to defend itself against these measures?

**Mr. Michael Owen:** NAFTA chapter 19, and now its successor in CUSMA, chapter 10, is fundamental to our ability to deal with punitive or unfair U.S. or Mexican trade measures. Broadly speaking, what NAFTA chapter 19 and CUSMA, its successor, do is take judicial review under U.S. law away from the U.S. Court of International Trade and put it before a panel of five trade experts from both countries, who adjudicate the dispute on countervailing measures and anti-dumping measures. We've had a lot of success with that dispute settlement system, which actually originated as far back as the Canada-U.S. Free Trade Agreement. It helped lead to a successful conclusion of Lumber III and also the successful outcome in Lumber IV. We're now on Lumber V. It's a little bit like a bad movie.

• (1600)

**The Chair:** Mr. Simard.

[*Translation*]

**Mr. Mario Simard (Jonquière, BQ):** Thank you, gentlemen, for your presentation.

Something struck me in your response to the question as to why softwood lumber was not part of the negotiations in the Canada-U.S.-Mexico Agreement, or CUSMA. I don't know if it came from the interpreters, you'll tell me. You seemed to be saying that we needed to focus on other priorities, and this is not the first time I've heard that. Wasn't there a turn of phrase that sounded like that?

The phrase "focusing on other priorities" is quite telling to me. I get the impression that the various softwood lumber crises we are experiencing are partly due to the fact that Canada has an economy that is fairly integrated with the United States in the auto sector and that it does not want to weaken that sector. This leaves me with the impression that softwood lumber is often the currency of trade.

I don't remember exactly, but I do know that we have been successful in many cases that we have taken to the World Trade Organization, or WTO. I know that in one of the settlements in those disputes, some of the money that was supposed to be paid to us by the United States was never paid out. I believe it is close to \$1 billion.

I attended a presentation on this subject by representatives of a company in my region, Resolute Forest Products. This company, which is involved in forestry and the export of lumber, sees this as a form of ransom. It is still paying the surtax, between 15% and 20%, which has been in place since 2017.

Here's what worries me. If we get a settlement for the five ongoing cases you're talking about, we'll still be tempted, in order to maintain good relations with our American neighbours, to accept this ransom system where, ultimately, we don't receive our fair share of the compensation that would be offered to us as a result of a court decision.

I'd like to hear your thoughts on that.

[*English*]

**Mr. Arun Alexander:** First, I don't believe I said that softwood lumber was not a priority. It was a key priority in the CUSMA negotiations. However, the United States was not willing to meaningfully engage with Canada during the CUSMA negotiations on softwood lumber, and we were unwilling to agree to an agreement that did not protect the Canadian industry and Canadian jobs. I want to be very clear that it was a priority, but unless the Americans were willing to engage, we weren't willing to agree to something that was not in the best interests of Canada.

Additionally, the preservation of chapter 19, as was the case with chapter 10, is a very important provision, as was stated by my colleague, Mr. Owen. It is to preserve Canada's ability to challenge these unfair, unwarranted and punitive duties.

With respect to the refund of duties, I'll ask Mr. Owen to speak to that. This is from Lumber IV, so he has the history.

**Mr. Michael Owen:** Sadly, I've been working on this since Lumber IV.

With respect to the duties, it's true there were approximately—if my memory serves me correctly—\$5.2 billion in duties collected at the end of Lumber IV. There was a negotiated settlement, which resulted in the repayment of \$4.2 billion U.S. to the Canadian industry, a return of \$500 million to the U.S. lumber coalition, and \$500 million went to a meritorious initiatives committee that sort of did projects throughout North America.

That settlement agreement was to bring to a close an additional protracted litigation before the U.S. courts over the return of the duties, and was supported by over 95% of the industry at the time, including AbitibiBowater Inc., the predecessor of Resolute Forest Products. I know there were some companies that did object, but Abitibi was not one at the time.

Just to add one thing—and I am not a U.S. lawyer, but it's important to understand this from the perspective of settlement negotiations—namely, that you must have the U.S. industry at the table. In previous negotiations, the U.S. industry had a legal right under U.S.

law to essentially bring these trade remedy actions. To settle them, one of the things we've had to do is to seek “no injury letters” from the U.S. industry. The U.S. industry has a seat at the table by virtue of the way U.S. law is set up, so to a certain extent, if the U.S. industry isn't interested, then it's very difficult to get the U.S. government to move on this.

I hope that helps to give some context.

● (1605)

[*Translation*]

**Mr. Mario Simard:** I understand your answer very well, but there is a rather pernicious logic. These softwood lumber wars are causing many producers to run out of steam. They will not have the strength to continue their operations, which is why they are inclined to accept agreements that may not be advantageous. Between two evils, one chooses the lesser one. There is that aspect to consider.

As you probably know, Quebec has changed its forestry regime to put in place a new system, which allows for the auctioning of public land. This system is much the same as the one in place in many U.S. states.

With this change, do you think there will be positive rulings from the courts, particularly the WTO, or perhaps through the CUSMA?

[*English*]

**The Chair:** I'm going to stop you there, Mr. Simard.

[*Translation*]

**Mr. Mario Simard:** Okay. I'm sorry.

[*English*]

**The Chair:** If we can cut the question, maybe we can get a quick answer.

**Mr. Michael Owen:** I think Quebec has an excellent system, and we've made that point repeatedly. We're hoping to have a public version of the WTO decision in the early fall, just as an initial marker.

**The Chair:** Great. Thank you.

Ms. McPherson.

**Ms. Heather McPherson (Edmonton Strathcona, NDP):** Thank you, gentlemen, for your comments and for sharing this information with us.

I just have a couple questions that I will ask for a little more clarity. You spoke about the three challenges that were going through NAFTA and the two that were going through the WTO. Why are we proceeding with both NAFTA and WTO challenges? Could you talk about that a little bit?

**Mr. Michael Owen:** That's an excellent question.



Essentially, we have two systems of law in these two different fora. Under the WTO, the law is an international treaty. For the WTO agreements in particular—the subsidies and countervailing measures agreement, and the WTO anti-dumping agreement—treaty text is interpreted under international law.

Under NAFTA, chapter 19, or CUSMA, chapter 10, what you're looking at is the application of U.S. law. Often, the two systems are very similar. For example, on the subsidy side, the main provision under the WTO is article 14(d) of the SCM agreement. It's United States code 1677 under U.S. law. They're the same, almost word for word.

Obviously, there is different case law that's come out of the two systems. Under U.S. law, there is jurisprudence that's developed by the court system, and the WTO has its own jurisprudence that has been developed. In some cases, it might be better to go before the WTO on an issue. For example, on dumping, there's something called “zeroing”, which the WTO has found to be inconsistent, whereas the U.S. courts have traditionally found to be consistent with U.S. law.

**Ms. Heather McPherson:** Moving forward, knowing that we do have these five challenges, what will happen once we have a new agreement in place? Those that have been started under the old system and now will be.... What will that look like?

**Mr. Michael Owen:** I had a close colleague of mine who worked on that for the last agreement, and essentially all of this litigation had to be settled as part of the agreement. Part of the last softwood lumber agreement is a gigantic annex with all of the cases that were settled as a result of the agreement.

• (1610)

**Ms. Heather McPherson:** Okay. Thank you.

That's all for me.

**The Chair:** Okay.

We're going to move into the five-minute round with Mr. Melillo.

**Mr. Eric Melillo (Kenora, CPC):** Thank you, Chair, and thank you all for being here today to take our questions on this important topic.

I guess I'll pick up on something that was mentioned a few different times, and that's the priorities of the government. As I understand it, going into the CUSMA negotiations, the government set out five priorities, and if I recall correctly, softwood lumber was not a priority among them.

Also, after the last election, at the beginning of this Parliament, again if I recall correctly, I believe none of the mandate letters of the Deputy Prime Minister, the Minister of Foreign Affairs, the Minister of Natural Resources or the Minister of International Trade actually mentioned softwood lumber and this dispute.

I put that out there because there was a sort of indication and a feeling in 2017 that we were getting close to a deal. I suppose the crux of the question is to know what happened and whether you feel there has been a shift in priorities by this government away from softwood lumber.

**Mr. Arun Alexander:** Thank you for the question. It's a good question.

Mr. Chair, I don't feel there's been a shift by this government away from softwood lumber. It's been made very clear to me that softwood lumber is a very high priority for the government and that we should pursue these cases vigorously in both the WTO and before the NAFTA panels to bring the United States back to the negotiating table. This strategy was agreed to by provinces, territories and industry. It's a strategy that worked during Lumber IV. After successive victories and remands under both the WTO and NAFTA panels, the United States agreed to the softwood lumber agreement in 2006.

So it's an effective strategy. It's one that takes some time, unfortunately, but I think it is the best path forward. It is a very high priority for the government.

**Mr. Eric Melillo:** Obviously, it's good to know that it is a priority, but perhaps you could help all the committee members here better understand its impact. Do you have any information that you can provide us in terms of employment or GDP on how this dispute has impacted the sector?

**Mr. Colin Barker:** I believe when our colleagues from Natural Resources Canada were here on Monday, they outlined some of the impacts that they've been tracking very closely across the country. From what we're seeing, it's very difficult to attribute any mill closures, to this point, directly to this dispute. I think what we're seeing out in British Columbia is obviously much more related to the fibre supply issues that unfortunately the industry is going through in British Columbia. There have been other curtailments and slowdowns across the country and in British Columbia. Some of that is certainly due to poor market conditions. The duties are certainly a part of that, but as far as I understand, no mill closure across the country is directly attributable to the dispute, at this point.

We fortunately had a prolonged period of quite high prices last year, which helped the industry. Prices have come down to a more normal level the last six months or so. But those prices, and of course exchange rates and things, have allowed the industry for the most part to be able to keep operating—again, close to the line and in difficult circumstances, we realize, but at least able to keep operating.

**Mr. Eric Melillo:** Thank you, but I may have to respectfully disagree with some aspects of that. Kenora Forest Products, a mill in my riding, has recently closed. They indicated that the softwood lumber dispute was the primary reason; that dragged them down. It definitely is having an effect for sure, I would say.

I'll change gears slightly towards CUSMA. Hopefully, it will soon be coming into force. What sort of impact will that have in terms of continuing the negotiations of the softwood agreement?

**Mr. Arun Alexander:** I don't think CUSMA and the softwood lumber agreement are directly related in that respect. However, I think the goodwill we've achieved with the United States—the cooperation and the relationships that the Deputy Prime Minister especially has developed with Secretary Ross and USTR Lighthizer—can only be positive for moving forward in the softwood lumber discussions.

**Mr. Eric Melillo:** Obviously, this is something that impacts us greatly in Canada, and in the States maybe not to as great a degree. I suppose the direct question is this: Has there been any interest from the States in settling this dispute?

• (1615)

**Mr. Colin Barker:** Again, as we noted, we continue to use every opportunity to explore with our counterparts, as do our ministers and the Deputy Prime Minister and Prime Minister, to see if there is some positive momentum that can be gained from the conclusion of the CUSMA negotiations to try to deal with this remaining irritant in the trading relationship. Again, I think there is interest on the part of the U.S. to do that, but they need their industry to be onside. As my colleague pointed out, the industry has what is essentially a veto over the negotiations. We need them to agree to any final deal. So until their own industry is willing, the U.S. administration has been reluctant to engage.

**Mr. Eric Melillo:** Why do you feel that their industry maybe isn't willing? Is there not any incentive, at this point, in the industry? What would be their incentive for coming on board?

**Mr. Colin Barker:** Certainly I think they view the higher prices that the duties cause to be to their benefit. Higher prices in the States means they benefit as companies selling softwood lumber. As was mentioned in our opening statement, the loser in this in the U.S., in any event, is the U.S. consumer who is trying to buy a house, build a house, or do renovations. They are the ones who are going to indirectly pay this 20% premium being placed on these building products.

That's why the National Association of Home Builders in the U.S. has repeatedly made representations to the U.S. administration on this point, indicating that the tariffs are increasing the price of homes in the U.S., pricing hundreds of thousands of people out of the housing market. That's the unfortunate side effect of this, but of course, the lumber industry there is interested in having those higher prices, having that disruption.

It's only, again, through the success of litigation, where through the litigation we were able to curtail the ability of the U.S. Department of Commerce to impose those duties, that we are eventually able to convince the U.S. industry that it's in their interest to return to the table.

**The Chair:** Thank you.

Mr. May, I can give you about two minutes.

**Mr. Bryan May (Cambridge, Lib.):** Thank you, Mr. Chair.

I'll be very brief. I do have a couple of questions, but just a point of clarification before I get into that, only because it was brought up by my colleague Monsieur Simard making a connection between auto and forestry, using words such as “ransom” and “currency”.

I would argue, respectfully, sir, that the auto industry in Canada and the United States and the success we've seen there with regard to trade deals is directly tied to the fact that they're identical. Manufacturing, supply chain, and even sales are identical. I think we know around this table that it isn't identical in forestry; it's a vastly different system.

Can you confirm that it is a big factor at play in some of these trade disputes?

**Mr. Arun Alexander:** Maybe I'll start, and then, Mike, you could answer.

It's a very good question. The fundamental difference is the way we manage our forests. That is the key. The United States uses a private ownership system, with an auction system, while in Canada, much of the land is owned by the federal and provincial government and we give licences for timber. That is a fundamental difference in the way we manage our system, but that does not mean that we subsidize our softwood lumber industry.

**Mr. Bryan May:** Exactly. Thank you for that clarification.

What measures, then, can Canada take to mitigate any future protectionism in trade policy that might threaten the forest industry?

**Mr. Colin Barker:** I'll take a stab at that.

It's an important question and one that the industry has worked on for many years now, trying to find ways to lower the temperature on this dispute. Some of the meritorious initiatives that were funded out of the last settlement were aimed at trying to find some of those areas where the industry across the continent could collaborate to build the softwood lumber sector, to build demand domestically and internationally, the idea being that if they can build demand and create new products, there will be enough business for everyone and we won't have to constantly have these fights between us.

That should be a goal going forward.

• (1620)

**Mr. Bryan May:** I don't know if I have any time left. I'm not even going to look at the chair because he's going to tell me I don't.

**The Chair:** It's a good idea that you don't look.

**Mr. Bryan May:** Very quickly, you talked about the cases that are in front of us. I know we've seen resolution for a number of cases, one with China, and two with the United States. What has been the impact of those resolutions on the Canadian forest industry?

**Mr. Arun Alexander:** Sorry, I'm not certain which cases you're referring to.

**Mr. Bryan May:** I tried to cut it down because I know he's going to bug me for time, but the successful result of the trade—

**The Chair:** You're really out of time.

**Mr. Bryan May:** I'm referring specifically to the China deal on dissolving pulp, and the two with the United States, the one on supercalendered paper and the other on uncoated groundwood paper.

**Mr. Michael Owen:** Quickly, then, on uncoated groundwood paper, through the WTO submissions we made in conjunction with our provincial partners, we were able to get a "no injury" determination. That was not appealed by the U.S. industry, and as a result, there are no duties there.

On supercalendered paper, we had a successful outcome at both the WTO and the NAFTA. As a result, that provided impetus for the remaining U.S. petitioner to go into negotiations and that case was settled between the Canadian industry and the U.S. industry.

Dissolving pulp is not my file, and I don't want to give any misleading information. I'd be guessing.

**Mr. Bryan May:** Thank you, sir.

**The Chair:** Before we stop, I just want to clarify something that Mr. Owen and Mr. Barker said.

My interpretation of some things you said is that softwood lumber agreements are unique in the trade world because the industry effectively has a veto power, whereas, if you're dealing with other trade agreements, you're dealing government to government. In this situation, if the Canadian government and the U.S. government agreed to a deal, the U.S. industry would still have to agree to it. Given that they're continuing to collect these tariffs during this period and not all of them come back, from a negotiating standpoint I don't see why they would give in. That's why we have to go through this legal process.

Is that the gist of what you were telling us?

**Mr. Michael Owen:** Yes.

**The Chair:** I thought so. Okay.

All right. Thank you, gentlemen.

Thank you all very much. That was incredibly helpful.

[Translation]

**Mr. Eric Melillo:** May I ask another question?

• (1625)

[English]

**The Chair:** No, we're out of time.

We're going to have to suspend now to do some committee business for a few minutes and then start with the next panel.

We will suspend for 30 seconds and go into committee business.

• (1620)

(Pause)

• (1625)

**The Chair:** Welcome back, everybody. Thank you.

We have our next panel of witnesses. Joining us by video conference is Mr. Maillet, vice-president, Nova Scotia, for the Atlantic Canada Opportunities Agency. With also have with us Mr. Salembier and Mr. Mitchell from the Department of Western Economic Diversification, and Ms. Brassard, deputy minister and president of

Economic Development Agency of Canada for the Regions of Quebec.

Have all of you appeared before committees before?

I don't need to explain the process then. Okay, that's good.

We can jump right into the presentations. Each group will be given up to 10 minutes to deliver their remarks to be followed by questions from around the table. I'll ask for volunteers for who wants to go first.

Ms. Brassard, thank you.

[Translation]

**Ms. Manon Brassard (Deputy Minister and President, Economic Development Agency of Canada for the Regions of Quebec):** Thank you, Mr. Chair.

I'd also like to thank all the committee members.

The forest sector is a key economic driver in Quebec's regions. In 2018, the forest sector generated \$6.6 billion in output, accounting for 1.8% of Quebec's GDP, and it employed 58,000 workers, accounting for almost 1.4% of all employment. More than 160 communities in Quebec rely on this industry.

[English]

In past years, the forest sector has been hit hard. The commercial softwood lumber disputes, the collapse of the American housing market and the significant worldwide drop on demand in newsprint have had negative impacts.

• (1630)

[Translation]

At every step of the way, Canada Economic Development for Quebec Regions, or CED, was there with temporary and targeted initiatives to support economic activity in the affected areas. Here are some examples.

Between 2009 and 2011, as part of the community adjustment fund, we entered into seven agreements with the Government of Quebec to provide short-term relief for the impacts of the economic downturn through silviculture projects and the restoration of bridges and culverts on multi-use roads.

We invested \$119 million in projects that helped and maintained 8,000 jobs, all while responding to the transition and adjustment challenges faced by communities. From 2010 to 2013, the temporary initiative for the strengthening of Quebec's forest economies, of the TISQFE, allowed us to support 210 diversification and growth projects with a total of \$80.5 million in contributions.

Between 2014 and 2018, the strategic initiative to combat the spruce budworm outbreak in Quebec made it possible to implement intervention measures to control the spread of this parasite to maintain forest potential and protect jobs.

[English]

CED's mandate is to support the long-term economic development of businesses and regions. As such the value-added role that we play with the forest industry is tied to support for secondary and tertiary wood processing projects. This is at the heart of our interventions.

Our strategy is based on the approach set by key industry players in the province. It is centred on leveraging innovation, modernization and diversification for long-term sector development.

[Translation]

At CED, one of our focus areas is projects that promote innovation and green technologies, particularly those in the bioeconomy sector. We believe that this is a growth area because of the potential value of biomass—which is abundant in our forests—makes it possible to develop and offer, once processed, a wider range of products. This has significant economic potential on the global market. Let me give you a few examples.

We have supported college centres for technology transfer, or CCTT, that process biomass for commercial purposes and are very successful with their projects. These are great success stories for us. For example, CED has supported Agrinova, a CCTT in Mash-teuiatsh in Lac St-Jean that is working to revalorize forest residues through the production of biochar.

We also supported the Damabois Group, a company specializing in the manufacturing of handling pallets that wanted and needed to diversify its activities. The Damabois Group now markets energy logs made from aspen bark, one of the wood by-products that the company generates during its operations. Our contribution helped the company acquire the technology needed to put the new product into production.

In conclusion, bioproduct transformation projects, such as those related to wood pellets, are still relatively few. However, CED is well positioned to support them in their initial marketing efforts on foreign markets. As a regional economic development agency, CED's role is to support the development and diversification of enterprises and regions. To do so, CED is committed to promoting innovation to create economic prosperity. That is what we want for the future of the forestry industry.

Thank you for allowing me to speak about the important work CED does to support the communities that depend on it.

[English]

**The Chair:** Thank you very much, Ms. Brassard.

Mr. Salembier, you're next.

**Mr. Gerry Salembier (Assistant Deputy Minister, British Columbia Region, Department of Western Economic Diversification):** Thank you very much, Mr. Chair, for the opportunity to speak to you here today.

My name is Gerry Salembier, and I am the assistant deputy minister for Western Economic Diversification in the province of British Columbia.

[Translation]

In French, it's called *Diversification de l'économie de l'Ouest Canada*, or DEO.

[English]

It is WD, for short, in English.

I'm going to be talking to you about the impacts that the current situation in the forest sector has, principally, on communities, what WD is doing to support those communities, and what else we think could be done.

I know you've heard from my colleagues at Natural Resources Canada about the challenges the industry and its workers are facing and that the situation is particularly acute in British Columbia. I'm not going to repeat the reasons for that; you've heard them several times. Suffice it to say that we do not see this situation as part of a normal industrial cycle.

[Translation]

You have heard about the impacts of all this on industry and on workers.

I will focus my remarks on the broader challenges the situation is imposing on the communities that rely on the forestry sector, which is where we see a role for WD.

The forest sector accounts for a smaller portion of overall economic activity than it once did in B.C., but it continues to be a primary economic driver for many rural and indigenous communities—and 98 communities in the province are considered economically dependent on forestry.

• (1635)

[English]

For those communities, it's hard to overstate the impact that the current situation is having on them. I've heard directly from many of those communities by way of a task force on mill closures, a collaboration between a group of community-based economic development organizations consisting of Community Futures organizations that receive their core operating funding from Western Diversification.

Their main point is that the impacts of the current situation extend well beyond the mill operators and the employees of those mill operators. The impacts include supply chain operators, other local businesses and community service providers. It's in addressing those broader impacts that the communities see a gap in the supports available to them.

I'd also like to note that some 10% of forest sector employees in B.C. identify as indigenous. That's considerably higher than the 6% of the provincial population that identify as indigenous. Indigenous peoples and their communities are disproportionately impacted by this situation.

What are we doing at WD?

[Translation]

The bulk of the supports WD provides to rural and forestry-dependent communities in B.C. is delivered by a network of community futures organizations, or CFs, that I mentioned.

There are 34 CFs serving rural communities throughout B.C., including four indigenous CFs.

WD provides them with over \$10 million annually to deliver a variety of services to small business owners and entrepreneurs in rural communities.

[English]

We're working with that group on a targeted community resilience initiative, modelled on a very successful initiative that we funded and that the CFs—the community futures—delivered in response to the record severe wildfire seasons that we had in the province in 2017 and 2018. This community resilience initiative would focus on local priorities and support for communities. I can get into that in further detail if the committee is interested.

We're actively developing that project with them. We're seeking other partners to help with that, since the scale of the problem here exceeds the resources that we would have available within WD to deal with it.

I'd also like to briefly highlight our B.C. indigenous clean energy initiative. It's an initiative that provides support for indigenous communities that are working to develop clean energy options for their communities, including bioenergy projects that utilize forest biomass. That's an initiative that's funded jointly by us and the Province of B.C. It has been cited by first nations leaders involved as an example of what a nation-to-nation relationship could look like.

[Translation]

Beyond this, WD has also supported forestry-specific projects—often in promotion of indigenous participation in the sector.

We are also coordinating with other federal and provincial departments on the Intergovernmental Committee on Support for Forest Sector Workers and Communities that my colleague Beth MacNeil mentioned recently before your committee.

[English]

The work of that interdepartmental and federal-provincial group is quite consistent with what I'm hearing from the mill closures task force in British Columbia.

What more could we do?

We're hoping to help address some of the gap that has been identified through that community resilience initiative. As I said, the scale and the scope of the challenges are somewhat beyond what our current resourcing will allow us to do.

Outside of our core programming, from time to time in the past, we have delivered federal funding for community adjustment initiatives in the forest sector. If the committee is interested, I could get into that in more detail.

[Translation]

In closing, I would like to thank the committee for letting me provide my perspective on the issues at hand.

I will be glad to answer any questions that you have.

Thank you.

[English]

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

Mr. Maillet, we'll go over to you.

**Mr. Chuck Maillet (Vice-President, Nova Scotia, Atlantic Canada Opportunities Agency):** Thank you.

Mr. Chairman, committee members, good afternoon. Thank you for the invitation to appear today.

The forestry sector is an important employer and contributor to Atlantic Canada's economy. In 2019, the sector employed approximately 19,200 people. Exports from the region totalled about \$2.7 billion in products last year. Nearly three-quarters, or 72%, of those products went to the United States.

The region's forestry sector is in a period of transition, as global demand for wood products shifts, environmental stewardship increases and local demand decreases.

Three major issues affected the sector in Atlantic Canada. They were the closure of the Northern Pulp mill in my home province of Nova Scotia, the impact of tariffs and fluctuating prices, and an increase of spruce budworm population levels, primarily in New Brunswick.

• (1640)

[Translation]

At the Atlantic Canada Opportunities Agency, or ACOA, our programs are helping to grow the economy, create jobs and diversify the economies of communities.

We have flexible programming to support businesses across many sectors and community development measures.

We work with companies to build export capacity, pursue added-value projects, and invest in automation and product innovation. And through research and development activities, we work with industry to support the sustainability sector.

[English]

During the past 10 years, ACOA has invested nearly \$60 million in approximately 200 projects related to this sector. These projects focused on sustainable forest management, research and development, innovation and diversification related to value-added products, public awareness and skills development.

[*Translation*]

In closing, ACOA will continue to work with forestry stakeholders—including small and medium enterprises, provincial governments, Natural Resources Canada and community leaders in the region—to ensure the sector can take advantage of emerging opportunities and continue to remain vibrant, in order to create jobs and help grow our economy.

[*English*]

Thank you for your time today, Mr. Chair.

**The Chair:** Thank you.

Thank you all for being very efficient with your time.

Mr. Deltell, you're going to start us off.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you so much, Mr. Chair.

[*Translation*]

Good afternoon to our witnesses.

I'd like to welcome you to your House of Commons.

I'm an MP from Quebec. In my riding, there aren't, strictly speaking, any forest areas and forestry companies as vast and successful as the ones you mentioned earlier.

However, I'd still like to point out that this industry is very important to the Quebec economy. Earlier, Ms. Brassard gave us a good picture of the reality: the industry is much more than just producing planks, much more than lumberjack work, it's also high-tech.

Three years ago, I went to the Fjord region, in the riding of Chicoutimi—Le Fjord, and I discovered the scent of wood. I was very happy to discover that smell, a smell I like to breathe when I'm walking around. Moreover, wood is used in the composition of many by-products. As Ms. Brassard said earlier, the industry is modernizing, it gives rise to added value. It must change, improve, and that is exactly what's happening.

Ms. Brassard also reported on the investments that have been made and the steps taken by Canada Economic Development. During the years 2009 to 2013, when I was a member of the provincial government, there were fruitful and interesting collaborations that proved beneficial to Quebec workers in the forestry sector. I am also very pleased to point out that those years coincided with my time in government.

Thereafter, we cannot say that things have improved. By a strange coincidence, exactly four years ago today, March 11, do you know where our Prime Minister was? He was in the White House with his good friend, the president at the time, Barack Obama—it's nice to have good relationships like that—and it would have been an extraordinary opportunity to resolve the softwood lumber dispute between Canada and the United States.

What existed four years ago still exists today. Unfortunately, four years ago, when there was perfect harmony between the two heads of state, the Canadian head of state and the American head of state, our Prime Minister failed to resolve this problem which, unfortu-

nately, is affecting the forestry sector, both in Quebec and across Canada, namely the issue of tariffs.

The issue of the tariff problem is a huge one; it is still a 20% tariff, and its application has repercussions. We won another victory last September. Once again, the arbitration tribunal ruled in our favour as Canadians. So what's the big deal? The problem is that this victory has yet to be proven and more needs to be done.

Ms. Brassard, can you explain to us what impact the U.S. anti-dumping tariff, which was challenged by the court, has had on the forestry industry in Quebec?

• (1645)

**Ms. Manon Brassard:** Unfortunately, I think the colleagues who spoke before me would probably be in a better position to answer that question.

We have really focused our energy and our funds on ways to help the industry as a whole, given the projects that have come before us, to counteract or lessen the impact of the softwood lumber tariff.

However, I'm not able to give you a more specific answer.

**Mr. Gérard Deltell:** Perfect.

Entrepreneurs are knocking on your door, and your advertisements say that you're the only bank to invest in businesses.

**Ms. Manon Brassard:** You're confusing us with BDC.

**Mr. Gérard Deltell:** You're right. I'm sorry, and I apologize. I'm using the wrong abbreviation.

What is the main concern of entrepreneurs when they knock on your door? What brings them to you, other than the fact that they have to deal with this U.S. tariff of more than 20%?

**Ms. Manon Brassard:** When entrepreneurs come to us, it's often because they want to diversify their production and penetrate other markets, which is why I've highlighted the projects or examples I've given you. Through the CCTTs, we want to support companies, accelerate research and development for other products, help them move into biofuel and biomass in general.

With the Damabois Group, which I also told you about, we want to develop a new product. It's a matter of helping to develop products and markets, and turning to exports so there is less dependence on softwood lumber production alone.

**Mr. Gérard Deltell:** As for softwood lumber, our main customer is definitely the United States because it's the closest country to us, geographically.

At the same time, it's the country that's holding us most hostage when they charge such a high tariff. Do entrepreneurs tell you about it when they knock on your door?

**Ms. Manon Brassard:** When they knock on our door, it's really to tell us about a project and how to finance it. We don't really discuss why they come to us. I think they're really focused on presenting their project and how they're going to carry it out.

In addition, we make sure to invite to the table, when necessary, representatives of the National Research Council of Canada's industrial research assistance program, or NRC-IRAP, as well as the Government of Quebec. We are truly committed to a project-based approach to help companies grow and have a positive impact on the community.

**Mr. Gérard Deltell:** Can we talk about networking between Canadian companies and provincial companies?

Quebec companies obviously work together to support each other. However, can we consider more co-operative networking with other Canadian companies from coast to coast to coast?

**Ms. Manon Brassard:** I don't see what could prevent this.

We often work with small and medium-sized businesses. These businesses are often well established in Quebec, and we primarily work with them.

Since research doesn't necessarily stop at borders, from time to time and together with college technology transfer centres, we can encourage people who develop specific expertises, no matter where they are, to share those expertises with everyone. We can encourage interaction through this type of co-operation.

**Mr. Gérard Deltell:** Very good, thank you.

That's what we want.

[English]

**The Chair:** Thank you, Mr. Deltell. You're very efficient, you're right on time.

Mr. Weiler, we'll move over to you.

**Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.):** Thank you, Mr. Chair.

Thank you to all the witnesses who are here today and who are participating online as well.

As an MP from British Columbia I'm primarily interested in some of the work that's being done by Western Diversification to support the forestry sector workers. You mentioned a few programs in your statement. I was hoping that you could speak a little more to the programs that are available through Western Economic Diversification, including the two that you indicated here: the targeted community resilience initiative and the community adjustment initiatives.

**Mr. Gerry Salembier:** I should emphasize that we have been working hard on the community resilience initiative since January. If it's successful, it would come under our community economic development stream. Typically, our project development process takes a number of months. We are in discussion with the mill closure task force that was put together by the Community Futures organizations.

As I said in my opening remarks, this idea is modelled pretty closely on what we were able to do in response to the 2017 and

2018 wildfires. The essence is to put together teams of individuals that can go into communities affected by this downturn in the forest sector, or in the case of the wildfires, by the wildfires themselves, to help the members of the community—including small businesses and entrepreneurs in and outside the forest sector, those indirectly affected and those affected by the induced effects of the slow-down—to access government services, including access to financing, technical services, marketing services, business plan development, even extending to mental health services. When situations like this occur in communities, the impact is broad and includes a psychological dimension on the community as a whole.

It's about sending in ambassadors to the community to help those affected access those services and, in the case of a small business, to reformulate their business plans to adapt to the changed circumstances. The changed circumstances in this case include, as previous witnesses have indicated to you, a dramatic reduction in fibre supply. There is also, of course, the market impact as a result of the tariffs by the United States. It's quite difficult to disentangle those impacts, but we're looking now in B.C. at up to 10,000 workers who are affected by the downturn in the industry. Those are workers in small communities where the options are often quite limited.

That's one that we're working hard on right now.

• (1650)

**Mr. Patrick Weiler:** That's great.

A lot of the different measures you mentioned involve multiple agencies or multiple sources of funding. Could you talk a little about the efforts being made to ensure effective collaboration among different development agencies and provincial governments to ensure that the programs are complementary?

**Mr. Gerry Salembier:** I mentioned the interdepartmental, inter-governmental committee that we are a part of, as are the other regional development agencies. It's an exercise that's been struck recently to bring to bear the full resources of the federal government and coordinate them with the resources of the provincial government. A number of provincial government departments are a part of that initiative as well, including the Ministry of Forests, Lands, Natural Resource Operations and Rural Development and the Ministry of Jobs, Economic Development and Competitiveness. They have a presence on the ground that we can take advantage of. They are of course the principle administrators of the forest tenure system in British Columbia, so they have information on those direct impacts that is quite important to us. It's quite a good coordination exercise, so we're pretty confident that we're going to be able to identify the gaps in available supports and prioritize those gaps so that we're using whatever money we do have on the most important problems that communities are facing.

**Mr. Patrick Weiler:** For the programs we have, are you finding that both businesses and communities are aware of the different opportunities that are available? What type of work is being done to communicate that?

**Mr. Gerry Salembier:** Businesses are aware; we have a pretty active communications program in Western Economic Diversification. You can get a first cut at a lot of our services by going to our website and applying for our programming in that fashion. It often takes more than that, particularly when you're dealing with really small enterprises and really small communities; hence, the approach we took during the wildfires, and that we're looking to take here again of sending people into communities who are known in those communities. That's why these Community Futures organizations are so important. A small business person spends his or her time meeting payroll and often isn't able to spend their time sorting through and navigating the admittedly rather complex suite of programs that most federal agencies have, including our own. So having those people on the ground to help sort through it is one of the most important parts of our communication effort.

**Mr. Patrick Weiler:** Absolutely.

I was hoping you could speak a bit to the business scale-up and productivity program. I understand that there's a specific priority area for clean resources. I'm curious as to what types of opportunities might be available for the forestry sector.

**Mr. Gerry Salembier:** That business scale-up and productivity program is one where there is an intake process, a call that's open now. That is one where you can go to our website and access the information required in order to submit an application.

The program provides repayable contributions, as we say in government-speak, which for anyone else means a loan. It is a zero-interest loan with no security, so it's non-recourse. It's non-dilutive financing, and it's very patient capital. The payback is over a period of up to nine years, back-end loaded to the last five years of that period.

It's open to any sector, although we have expressed an interest, a preference, in this intake for a number of areas, including, as you mentioned, clean technology. B.C. has quite a number of clean technology companies, ranging up to 300. One of the principal ones is located right in your riding—

• (1655)

**The Chair:** We'll have to cut you off there. It's a high note for Mr. Weiler, so why don't we just stop there?

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

**The Chair:** Mr. Simard, it's over to you.

[*Translation*]

**Mr. Mario Simard:** Thank you.

Good afternoon, Ms. Brassard.

I'm speaking to you, but I don't want you to think that I mean to criticize you personally. Instead, I'll criticize the government's actions.

In your presentation, you talked about the community adjustment fund, which was in place from 2009 to 2011, and the temporary ini-

tiative for the strengthening of Quebec's forest economies, which was in place from 2010 to 2013. However, I believe that, since 2013, not much has been done for the forest industry.

You spoke of a strategy to address the spruce budworm epidemic, but I don't have any information on this issue.

Can you provide that information?

**Ms. Manon Brassard:** The funding amounts to \$6 million, and we worked with Quebec.

**Mr. Mario Simard:** We're talking about \$6 million.

In the same period, in British Columbia, \$200 million was provided to fight the spruce budworm. In the western provinces, \$75 million was provided. These figures show that Quebec may not have enough power in this federation and that it's somewhat overlooked.

We're currently experiencing a period of climate change. The forestry sector is probably one of the most promising sectors. You spoke of CED's willingness to invest in new forestry technology. However, nothing is happening, and I'm wondering why.

In my region, Resolute Forest Products has launched an initiative to produce cellulose fibre. Personally, I've been hearing about this for the past 10 years. There was talk of a revolution in this area. However, without the government's support, it won't happen.

I gave this example earlier this week to a woman who came to speak and whose name I've forgotten. I told her that this was done to make the oil sands profitable. A considerable amount of money was invested. When it comes to softwood lumber, why isn't there any money?

What does CED's forestry strategy look like?

**Ms. Manon Brassard:** I want to talk about the fight against the spruce budworm. Some of the work was done in co-operation with Quebec to assess the issue. The amounts invested reflect the relative significance of the issue.

At the time, we worked with the Société de protection des forêts contre les insectes et les maladies, or SOPFIM. A spray was applied to 44,000 hectares of forest on public land. Many things were done in that area. SOPFIM was able to test and improve its strategies for dealing with the budworm. I don't want to give you the impression that the amount invested meant little.



I talked about previous initiatives and our current programs. I worked to establish CED as a regional economic development agency. Our efforts and approach are more focused on helping communities. We often need to vary our activities when a region is highly dependent on a single industry. However, we aren't particularly sectoral.

Over the past few years, our forest industry projects have totalled \$14 million. We carried out projects with FPInnovations. We took these types of steps to maximize the scope of our actions. We're working with research centres and FPInnovations, which in turn will help companies even more.

What goes somewhat unnoticed is our work in the manufacturing sector to help the forest industry and all the equipment manufacturers in the sector. We want to help them continue their work and support the industry. I also mentioned our efforts in the biomass sector. Those efforts may not be enough, but we're continuing to work in this area.

We have partners and projects. This is new, and there's an element of risk. Part of our strategy is to provide the best possible conditions. When we work with not-for-profit organizations, or NPOs, our assistance is non-repayable. Our work with companies is repayable assistance. However, this requires patience, because the assistance is interest free. We may wait two or sometimes three years for repayment.

As you probably know, we have teams across the province that are familiar with the stakeholders and the small and medium-sized businesses. These teams are very responsive to their concerns. When a project is under way in the sector, we'll help them. Everyone has their own method, but our approach doesn't just involve calls for proposals. We operate on an ongoing basis. When good projects are presented to us, we listen.

We're continuing to work with representatives of the Government of Quebec and the industries in the areas that they represent to ensure that we maintain an ongoing and significant presence, which will have a positive impact.

• (1700)

**Mr. Mario Simard:** Okay.

From the perspective that I mentioned earlier, wood is a very promising material in the fight against climate change.

**Ms. Manon Brassard:** Absolutely.

[*English*]

**The Chair:** Mr. Simard, you're going to have to be very quick. I'll give you a little extra time.

[*Translation*]

**Mr. Mario Simard:** Okay.

On your end, have any studies been conducted to promote the use of wood in the construction industry? Is this part of CED's activities?

**Ms. Manon Brassard:** I believe that the wood innovation program has conducted some studies. We haven't conducted any studies per se, but we're aware of the existing studies.

**Mr. Mario Simard:** Has CED made any investments in this regard?

**Ms. Manon Brassard:** We haven't invested in studies.

**Mr. Mario Simard:** Thank you.

[*English*]

**The Chair:** Thank you.

Mr. Johns, we'll go over to you, and welcome.

**Mr. Gord Johns (Courtenay—Alberni, NDP):** Thanks, Chair. It's great to be here on the committee.

Thank you all for your testimony.

I think most of my questions will be for you, Mr. Salembier, given that I'm from British Columbia.

You probably know that I'm from Port Alberni, where we're having a tough time. The downturn in the forest sector is affecting 12,000 British Columbians and their families and households. It is affecting supply chains. The multiplier effect is hurting every business in my community and in our communities.

You started talking about some of the things that you're bringing forward to try to help these communities. There was \$867 million for the softwood lumber bailout package. Can you talk about how that's helping communities, companies and small business people on Vancouver Island?

**Mr. Gerry Salembier:** If I have this right, the \$867 million is a reference to the softwood lumber action plan that the Government of Canada put in place.

**Mr. Gord Johns:** That's right. Maybe you can talk about how much of that has rolled out the door in terms of... It's been a while.

**Mr. Gerry Salembier:** Unfortunately, I'm not in a great position to speak to that since our department is not actually involved in the delivery of that \$867 million. Representatives from Natural Resources Canada were here the other day, and Global Affairs Canada is more closely involved—

**Mr. Gord Johns:** How much have they actioned to you?

**Mr. Gerry Salembier:** Pardon me?

**Mr. Gord Johns:** Have they actioned any of that money directly to Western Economic Diversification?

**Mr. Gerry Salembier:** The softwood lumber action plan does not involve funding for Western Diversification.

• (1705)

**Mr. Gord Johns:** Thank you for clarifying that.

You talked about Community Futures. We've been meeting with them, hearing from them. Most of those Community Futures organizations throughout British Columbia haven't had a funding increase, it is my understanding, in years. Can you speak about why that hasn't happened in terms of their operations? With inflation, they are cutting back actually, and not increasing.

Maybe you can speak about how this is going to help resolve that situation.

**Mr. Gerry Salembier:** We're extremely aware of the pressures that the Community Futures organizations are under just as a result of inflation over the past 10 years or so.

At Western Diversification, we've had some ups and downs in our funding over that 10-year period as well. For example, the staff at Western Diversification is about half the size it was 10 years ago.

What we didn't do when we had a downturn in our overall funding was affect the funding of the Community Futures organizations. That was held safe from those cuts. That doesn't help with the fact they are facing inflation and have faced inflation over that time—

**Mr. Gord Johns:** The demand has gone way up, clearly, with this situation—

**Mr. Gerry Salembier:** The demand is going way up in situations like this.

We have put in place some interesting programming that Community Futures is actually delivering on our behalf. I mentioned the wildfires initiative in 2017-18, which is just finishing up now.

We've made other initiatives available to the CFs for them to make a call for proposals to us. Some \$4 million has been devoted to that effort. That's across the west.

It's not direct funding for their operations, but it's—

**Mr. Gord Johns:** But getting extra money and extra responsibilities without getting funding to keep up with ongoing operations can be challenging to deliver. That's a problem, so I just want to cite that.

You talked about firefighting. I know there is a need for fireproofing, for fire suppression, especially with the trends we're seeing, when it comes to climate change and a warming planet and the fires we are seeing. Is there any action from WD?

You've done some great work. Thank you for the important investments you made at Coulson in support of air firefighting.

I'd love to see the federal government take a greater role and responsibility in firefighting and an action plan on that. We're seeing what's happening in Australia. Provincial governments are doing it, but in terms of the fireproofing and fire suppression, is that something you are looking at or working on with Natural Resources Canada?

**Mr. Gerry Salembier:** In fact, it is something we are looking at. We are in discussions with both Natural Resources Canada and the provincial government about some initiatives for creating a centre for innovation in the fighting of wildfires.

B.C. has an almost unique situation in the world to be a test bed for firefighting technologies and approaches. The three things that

go into wildfire risk prediction are weather, terrain and field types or species types, and in the 200 miles or so from Port Alberni to Kamloops, let's say, there is a greater variety of weather conditions, terrain conditions and species mixes than just about anywhere on earth. B.C. represents a golden opportunity to act as a test bed for fire suppression, for techniques and for predictive modelling of forest fires.

**Mr. Gord Johns:** There is lots I could say. Certainly we want to know more about programs that are oversubscribed right now, given the crisis we're experiencing in British Columbia. We're hoping that the federal government will beef up those programs and that you're identifying that need to Ottawa, especially with the budget and now that we have the coronavirus hitting us and the impact it's having.

We've had a bill by my colleague on dimensional lumber and the focus on that.

We have proposals, such as for a floating dry dock in Port Alberni, that we'd like to see built to help diversify our economy, to build more resiliency. Are these kinds of opportunities the things you'd like this committee and MPs to be bringing to your attention?

Maybe you could speak about how this committee can best help.

**Mr. Gerry Salembier:** Absolutely, those are the kinds of projects we like to hear about.

We are oversubscribed. WD is traditionally eight to ten times oversubscribed—

**Mr. Gord Johns:** —eight to ten times—

**Mr. Gerry Salembier:** —so about eight or nine of every ten people who come to our door we end up not being able to assist.

**Mr. Gord Johns:** It sounds as though this would be a good time to have ten times more funding.

The other thing, just before we go, is that I hope you are working with the Minister of Employment, Workforce Development and Labour to get some extended EI to these workers and their families. This is the time we need their help.

**The Chair:** I'm going to have to stop you there, Mr. Johns. I'm sorry.

Thank you. We're going to have to stop there.

**Mr. Gord Johns:** Thank you.

**The Chair:** I'm getting dirty looks from other members of the committee when I give extra time. Being generous doesn't always pay off.

Ms. McLeod, we'll go over to you.

**Mrs. Cathy McLeod:** Thank you.

I want to pick up on something Madame Brassard said, where part of your role is to help communities and help them diversify. It's not just about businesses and where they go next.

Eventually I'm going to have a question for Mr. Maillet, but I do want to note that, within Western Economic Diversification, we did an analysis of where the money went over the last four years. Almost all of it...out of \$400 million I think \$350 million went to Vancouver and Victoria. I would suggest that Vancouver and Victoria are quite well poised. They are very diversified and they do very well, whereas we have communities that Mr. Johns talked about in the interior where I think we could do with a lot more support.

In Nova Scotia, the closure there was very difficult. Do you see your role as having someone on the ground to say, "How can we help, and where might we look toward supporting you as a community in terms of your next steps?" because I'm sure the community is reeling there and they are trying to figure out a future?

I would like to hear about your process, and is that within your mandate? Hopefully, Mr. Gerry Salembier can talk after.

• (1710)

**Mr. Chuck Maillet:** Yes, we do see that as part of our role and part of our mandate with the closure of Northern Pulp having a significant impact both on the province of Nova Scotia and other parts of Atlantic Canada. We are fully engaged with our key partners at the Province of Nova Scotia and with members of the industry, looking primarily at the supply chain companies but also at broader community impacts, and working to explore how we can mitigate the impacts and derive more value from the fibre.

It doesn't always involve us funding projects. Sometimes it's convening. It's working with our key partners and coming to solutions to address the specific challenges faced by the closure of that mill.

**Mrs. Cathy McLeod:** So you don't do that through a community futures system. You do it through ACOA and your staff at ACOA.

**Mr. Chuck Maillet:** Yes. We do a little bit of both. At the Community Futures network, they do support forestry companies as well, but from ACOA's point of view, we will look at supply chain opportunities, supply chain companies, so we will use our tools as well if that fits within the program parameters in addition to working with the CF network.

**Mrs. Cathy McLeod:** I'm sure it is a very tough time in your province right now.

Can you speak to the whole role in communities? Certainly, from my perspective, we looked at the significant dollars that went into

big cities where they were doing quite well, and we didn't feel the support that I had perhaps hoped to feel, with the significant closures in the interior of British Columbia.

**Mr. Gerry Salembier:** As I said, we support those Community Futures organizations. Our spending on that represents something in the order of just shy of 14% of our overall budget. There's an additional 14% of our overall project funding that has gone to rural as opposed to urban communities. Are we there with enough? I would have to agree that we are probably not there, but it is definitely a focus.

I can give you a few examples of projects we have funded, which do not, in fact, deal with Vancouver and Victoria. The Community Futures organizations, for example, don't cover Vancouver or Victoria, right?

**Mrs. Cathy McLeod:** No, I recognize that.

**Mr. Gerry Salembier:** We have also funded, through FPInnovations, as my colleague from CED-Q has mentioned, a series of indigenous forestry training projects, and they fan out across the province in order to help indigenous businesses in the forest sector adapt to market conditions, introduce new technologies and new techniques, shape up their business plans and acquire access to capital. That has been going on for eight or 10 years now.

We have also funded training projects with colleges and institutes in places like the Nicola Valley Institute of Technology, just south of your riding, with a mobile trades training facility, which takes training for tradespeople, including those in the foreign sector, everywhere in the province in these mobile vans with simulators. It's a great way for people in small communities, for whom moving to larger communities can be quite disruptive, to get access to training.

We have funded similar projects with the Coast Mountain College in Terrace and with Vancouver Island University in Nanaimo.

**The Chair:** Ms. Jones, for five minutes, and then we're going to adjourn.

**Ms. Yvonne Jones (Labrador, Lib.):** Thank you, Mr. Chair, and thank you to all of our panellists today.

From the perspective of an MP who lives in a northern rural region, I really appreciate the work that economic diversification projects do in Canada and how you work with communities and stakeholders. It has definitely been one of the more successful programs we've seen offered in rural Canada in the time I've been involved, so thank you for that.

My questions are going to be focused more on the Atlantic region, so thank you, Mr. Maillet, for joining us today.

We did talk about softwood lumber a bit and the aid package the Government of Canada put in place, the \$867 million. I want to indicate that it's not administered through the development corporations or the diversification agencies, but it has been a critical piece in addressing the forestry needs and gaps that are there. In budget 2019, the government allocated \$250 million over the next three years to be focused on projects within the forestry sector. I'm not sure if your agencies are a part of delivering any of that particular funding. If so, I'd like to hear about it.

My question is regarding the Atlantic region. Is there targeted funding under ACOA that is designed for the forestry sector? Is there a specific targeted pot of money you can access to respond to the needs of what you're seeing in Nova Scotia right now with Northern Pulp? That would be my first question.

Secondly, under the agency itself, are there any programs that are specifically designed for targeted industries? If not, how do you weigh out how investments are made in each of the sectors?

• (1715)

**Mr. Chuck Maillet:** In regard to partnering with some of the national envelopes, whether it's SLAP, the softwood lumber action plan, or more particularly, the one you referenced, the new program with NRCan, IFIT, we are working with NRCan and sharing information. We will not be delivering any of that money for them. That will be administered by our colleagues at NRCan. However, we will be working with them in identifying potential opportunities that could be supported through that national program.

With regard to the question on forestry per se, we do not target allocations by sector. We work on a continuous intake basis, where we have multiple points of contact throughout Atlantic Canada. We evaluate projects as they come in based on a number of factors, including the potential for economic impact, the capacity of the proponent to deliver, and how this will meet our mandate of enhancing economic outcomes for Atlantic Canadians. We do that in a number of areas and sectors, but we don't have a targeted envelope for any one sector per se.

**Ms. Yvonne Jones:** We heard from your colleagues in the other regions today that the ask on funding is often far greater than allowed by the budgets. Is that the same in the Atlantic region?

Also—and maybe all of you could answer this question—should the Government of Canada be looking at targeted funding in certain sectors, or do you see your role, as a diversification agency, as having more flexibility in responding to crises in resource sector industries when they occur? We're talking about forestry today. We've seen it as well in the fishery. We've seen it in other aspects of agriculture, and we've seen it in tourism.

Should we be looking at taking a different direction in how we fund your agencies for you to better respond to emergencies and crises in resource sector industries?

**Mr. Chuck Maillet:** We allocate our full budget every year, and that's in a combination of commercial and non-commercial projects. We currently work with the forestry industry. We're working with a number of stakeholders, supply chain companies, etc.,

which are looking at a variety of projects. If all of these projects all come to fruition and they're all supportable by the Government of Canada, that would certainly put more pressure on our resources.

As for your question on targeted versus more flexible funding, from the RDAs' point of view and ACOA's point of view, we see the ability to be flexible in responding to emerging needs as the strength of the model. We may have a crisis in one sector today and we can put all hands on deck and mobilize our resources.

That could be different in a short period of time. As opposed to having envelopes in specific areas or specific sectors, I think having flexibility allows us to address opportunities as they present themselves.

• (1720)

**The Chair:** All right, we're going to have to stop there.

We're out of time, Mr. Simard.

[*Translation*]

**Mr. Mario Simard:** I want to say that it would be helpful if everyone could respect the time allotted so that we can ask questions in the second round. For the last two comments, we didn't have enough time.

[*English*]

**The Chair:** Mr. Simard, that's a valid point.

I think you will see over time that I'm flexible. If somebody has asked a question and the witnesses is in the middle of an answer, I'll let them finish.

Where I will stop you is when you're trying to ask a new question with five seconds left on your time. If you look at the time that each member has been given, it comes out pretty even. Today would be a good example of that.

I hear what you're saying, but it tends to work out. As it turns out, today we've gone long.... We wouldn't have reached your next segment under any circumstances.

[*Translation*]

**Mr. Mario Simard:** I just don't want that flexibility to come at my expense. I know that we must give the witnesses time to answer questions. However, for the last two comments in the second round, neither one of us had the opportunity to speak.

[*English*]

**The Chair:** I can assure you with absolute certainty that it has not and will not be at your expense.

[*Translation*]

**Mr. Mario Simard:** Perfect.

[*English*]

**The Chair:** Mr. Johns, you have a—

**Mr. Gord Johns:** To support Mr. Simard, I have a few other questions that I'd like to ask.

Is it okay if I submit them through you, Mr. Chair?

**The Chair:** If they are follow-up questions to the evidence we heard from the witnesses today, feel free to send them to the clerk and we can seek answers.

**Mr. Gord Johns:** Thank you.

**The Chair:** We're going to have to stop there.

Thank you to all of our witnesses. We appreciate your taking the time. As you can see, time is a commodity that we're always short of and very precious and dear to all members of this committee.

We're grateful for your patience.

We're going to suspend for two minutes and then come back for some committee business.

[*Proceedings continue in camera*]

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