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• (1535)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call the meeting of the Standing Committee on International Trade to order.

Pursuant to the order of reference of Thursday, February 6, 2020, we are continuing our study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

For witnesses in this segment we have, from the Canadian Agri-Food Trade Alliance, Brian Innes, vice-president, and Claire Citeau, the executive director; from the Canadian Cattlemen's Association, Bob Lowe, vice-president, and Fawn Jackson, manager, environment and sustainability; from the Canadian Labour Congress, Hassan Yussuff, president, and Chris Roberts, national director; and from the United Steelworkers, Ken Neumann, national director, and Mark Rowlinson, executive assistant to the national director.

Welcome to all of you. Thank you for taking the time to appear before the committee today.

We will start with Ms. Citeau.

[Translation]

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): Thank you for inviting us to speak on behalf of the Canadian Agri-Food Trade Alliance, or CAFTA, the voice of Canadian agri-food exporters, regarding the Canada–United States–Mexico Agreement, or CUSMA.

[English]

Our members have a very simple message: CAFTA calls for the swift ratification of CUSMA to ensure continued stability in the North American market and strongly urges parliamentarians in both houses to pass Bill C-4 quickly.

CAFTA represents the 90% of farmers who depend on trade, and producers, manufacturers, and agri-food exporters who want to grow the economy through better and competitive access to international markets. This includes the beef, pork, meat, grain, cereal, pulse, soybean, canola, as well as the malt, sugar and processed food industries. Together, CAFTA members account for more than 90% of Canada's agri-food exports, which, in 2019, reached over \$60 billion, and support about a million jobs in urban and rural communities across Canada. A significant portion of these jobs and sales would not exist without competitive access to world markets.

Mr. Brian Innes (Vice-President, Canadian Agri-Food Trade Alliance): Despite this incredible success, we're facing unprecedented uncertainty. Predictability has been eroded, and governments are putting in place tariffs and non-tariff measures that blatantly contradict trade rules. It's happened here in North America, and it's happening abroad.

Last spring, CAFTA released a prescription for what's required from trade agreements in this new environment. Realizing Canada's export potential in an unpredictable and fiercely competitive world outlines what is required for Canadian agri-food exports to continue to set records.

CAFTA's first recommendation is to preserve and enhance access to key export markets, which is exactly what ratifying and bringing CUSMA into force as quickly as possible would do. We understand the nationalist noises swirling around. We saw them firsthand when we attended the negotiation rounds for CUSMA in all three capitals. It's why we applauded when Canada concluded talks last fall. It's why CAFTA welcomed the end of aluminum and steel tariffs. We appreciate the value of tariff-free markets because, for the agri-food industry, tariff-free access has been incredible for our sector.

Over the last 25 years Canadian agri-food exports to the U.S. and Mexico have nearly quadrupled under NAFTA. They've gone from \$9 billion in 1993 to \$34 billion in 2019. Today, the U.S. and Mexico are our first- and fourth-largest markets, representing about 55% of all of our agri-food exports.

We at CAFTA support CUSMA because it will build on the success of NAFTA. It will preserve our duty-free access to North American markets, and it's this duty-free access that is the foundation of the success of our sector.

Our members, including the hundreds of thousands of farmers, ranchers, food processors and agri-food exporters across the country, rely on trade for their livelihood. We're very pleased that the Canadian government is taking steps to ensure that CUSMA is brought into force.

Ms. Claire Citeau: Our members emphasize the following outcomes as key benefits of the new CUSMA.

The agreement contains no new tariffs or trade-restricting measures. All agricultural products that have zero tariffs under NAFTA will remain at zero tariffs under CUSMA. Maintaining predictable, duty-free access to the North American market is a major win for Canada's agriculture and agri-food exporters, which will help strengthen the supply chains that have been developed for the past generations across North America.

The new agreement includes meaningful progress on regulatory alignment and co-operation. In particular, I would note the establishment of the working group for co-operation on agricultural biotechnology and the creation of a new sanitary and phytosanitary committee, which will help ensure that regulations are transparent and based on science, and that trade in North America flows freely, fairly and abundantly.

Another key benefit for our members is the preservation of dispute resolution provisions that are vital to ensuring that fair and transparent processes are in place when disagreements arise. Preserving chapter 19 in its entirety and much of chapter 20 from the previous NAFTA are important wins for our members.

Market access improvements for Canadian agri-food exporters include increased quotas for refined sugar and sugar-containing products as well as some gains for some processed oilseed products like margarine. These are all welcome wins.

All these advances will help consolidate the gains of the original NAFTA and provide certainty in the North American market, which is really essential to the success of Canadian agri-food manufacturers and exporters.

In closing, CUSMA represents a meaningful upgrade to NAFTA for our members by keeping our trade tariff free, establishing processes that help remove remaining technical barriers to trade and maintaining vital provisions to deal with disputes.

We look forward to working with the government to bring CUSMA into force as soon as possible so that our members can realize its benefits as quickly as possible.

The Chair: Thank you very much.

We'll go on to Mr. Lowe for the Cattlemen's Association.

Mr. Bob Lowe (Vice-President, Chair of Foreign Trade Committee, Canadian Cattlemen's Association): Thank you, and good afternoon. My name's Bob Lowe and I'm a rancher and feed-lot operator in southern Alberta. I'm also the current vice-president of the Canadian Cattlemen's Association, the national voice of Canada's 60,000 beef operations.

I'll just add a little correction. With me is Fawn Jackson, who has gone through the environment portfolio and is now the senior manager of government and international affairs with the Canadian Cattlemen's Association.

The CCA has long been an advocate for free trade, and today I'm here to encourage all parliamentarians to swiftly ratify CUSMA. Under both NAFTA and CUSMA, the beef industries of Canada, the United States and Mexico have and will enjoy reciprocal duty-free trade between our countries. North America is the largest market for Canadian beef, and the integration of our markets makes us more competitive internationally.

The next generation is involved in my family farming operation, and I can tell you that I'm excited for their future. Last year, following the implementation of the CPTPP, Canadian beef saw an impressive demand bump. Our exports overall grew 19% in value and, specifically, 68% in value in the Japanese market. I bring this up because a similar demand increase happened following the implementation of the original NAFTA.

Under NAFTA, Canadian beef exports to the U.S. grew 340% in total value, from \$500 million in 1995 to \$2.3 billion in 2019. Similarly, beef exports to Mexico grew over 30-fold in value from \$3.7 million in 1995 to \$127 million in 2019. All of this is to say that trade agreements are not only fundamental to the viability of farming and ranching operations from coast to coast, but are also the foundation for growth of Canada's agricultural sector.

For my cattle operation, having American buyers in the Canadian market for live cattle means that I can rest assured that I have a competitive market to sell my cattle into. Today, we are seeing an example of this in eastern Canada, where cattle producers are struggling financially, as a technical issue has essentially removed American cattle buyers from their market. This has resulted in significantly depressed prices and is an unfortunate example of just how important having an open and competitive North American cattle market is. Having North American buyers participate actively in the Canadian market is imperative to the financial well-being of Canadian farmers.

● (1540)

Ms. Fawn Jackson (Manager, Environment and Sustainability, Canadian Cattlemen's Association): It's not just reciprocal duty-free trade that is important, but also the progress on regulatory alignment, co-operation, and avoidance of factors disruptive to trade. We were quite relieved that the negotiators thwarted efforts to bring back mandatory country-of-origin labelling, which cost the Canadian beef industry billions of dollars between 2008 and 2015. Additionally, the new agreement includes a section that highlights the commitment to not disrupt trade through labelling. We were pleased to see the shared priority emphasized in CUSMA. We were gratified to see the creation of a new sanitary and phytosanitary committee within the agreement, as well as a preservation of the dispute resolution provisions.

I'd also like to add that the economic outcomes are not the only highlight of growing Canadian beef export demand. There are also many environmental benefits that go along with a vibrant Canadian beef sector. Per kilo of production, Canadian beef has less than half the average global carbon footprint. Here, in the Canadian context, we know that a strong, viable beef industry is absolutely tied to the conservation of Canada's native grasslands, which are an at-risk ecosystem and a stable store of 1.5 billion tonnes of carbon.

In closing, we encourage the swift ratification of Bill C-4. Growth is on the horizon for export-focused Canadian agriculture, and a strong, stable north American market is absolutely fundamental to our ability to optimize that growth.

The Chair: Thank you very much.

We'll move on to the Canadian Labour Congress, with Mr. Yussuff.

Welcome.

Mr. Hassan Yussuff (President, Canadian Labour Congress): Good afternoon, Madam Chair and members of the committee. My name is Hassan Yussuff. I'm the President of the Canadian Labour Congress. My colleague Chris Roberts is the director of our social policy department.

The CLC speaks on behalf of three million unionized workers, men and women across the country. It's a pleasure to join you here this afternoon.

Canada has always been a trading country. Exports are vital to the Canadian economy, our communities and thousands of jobs. Our steel and auto manufacturing, forestry, agriculture and resource industries depend on trade, and Canadians of course support a fair trade agreement that preserves good jobs, protects labour rights and preserves the ability of the government to regulate in the public interest.

I participated on the government advisory council, providing input during the renegotiations of NAFTA. Canada's unions welcome the important gains for workers continuing in the updated Canadian-U.S.-Mexico agreement. These gains include the elimination of chapter 11, the investor-state dispute settlement, the IDS provision in NAFTA; the enforceable labour rights provisions that are incorporated in the CUSMA as a standalone chapter; the inclusion of a provision restricting the import of goods produced by forced labour; increased North American content requirements for vehicles and a new labour value content requirement in auto manufacturing; the elimination of the NAFTA energy chapter, including the proportionality clause; the strengthening of NAFTA's general cultural exemption in its expansion to include digital industries; and a clear and general exception for indigenous rights. This exception means that nothing in the agreement prevents a North American government from fulfilling its legal, social, economic, cultural and moral obligations to indigenous people.

We're also pleased to see that section 232 tariffs on steel and aluminum imports have been removed. These unfair tariffs caused significant hardship for Canadian workers.

The elimination of chapter 11 is an important step in protecting our environment. Too often, the NAFTA investor-state dispute set-

tlement process allowed investors to sue Canadians and Canada over legitimate measures taken to prevent and limit damage to the environment. The environment chapter in CUSMA includes new commitments to address environmental challenges. These address air quality, endangered species, ocean-depleting substances, conservation for biological diversity, marine pollution, illegal wildlife trade, illegal fishing and the depletion of fishing stocks.

We regret the fact the U.S. negotiators blocked any mention of climate change in the agreement. As a result, CUSMA contains no reference to the Paris Agreement, despite the addition of a number of multilateral environmental agreements in the updated text.

The CLC welcomes the important improvements in CUSMA negotiated last year by the House Democrats and the U.S. Trade Representative. These improvements include restrictions on the ability of the responding party to block the formation of a dispute settlement mechanism panel; changes to strengthen the prohibition of goods produced by forced labour; changes to strengthen the protection of workers from violence and physical intimidation; the introduction of a bilateral rapid-response labour mechanism to respond to the violations of freedom of association and collective bargaining rights; the removal of a provision requiring a 10-year market protection for biologics; and the reversal of the burden of proof on labour and environmental violations—this language now presumes that labour and environmental violations affect trade or investment between the parties unless the responding party can demonstrate otherwise.

Some areas of CUSMA continue to provide cause for concern among Canadian workers. CUSMA makes concessions in Canada's supply management of agriculture by opening markets to more U.S. dairy, egg and poultry products. These concessions will add to the pressure on Canadian producers resulting from market access granted under CETA and the CPTPP. Budget 2019 committed to providing up to \$3.9 billion in support for supply-managed producers. However, workers in these supply-managed industries are not offered any protection in support if they lose their income or work due to the ratification of the CUSMA, CETA or CPTPP. We recommend that the government take steps to ensure that these workers are not disadvantaged by the implementation of CUSMA.

• (1545)

The CUSMA facility-specific rapid-response labour mechanism represents an important step forward in labour rights. However, there are few stipulations that unnecessarily limit the responsiveness and scope of a modern mechanism. These include a provision requiring the complainant to first ask the respondent to conduct its own investigation of a potential labour rights violation at a facility covered by the mechanism. Only once there is a disagreement over the findings can verification by a panel of labour experts be invoked. These facilities covered by the mechanism are limited to priority sectors that include manufacturing, service and mining, but exclude agriculture, forestry and the fishing industry, etc.

To summarize, the gains achieved in CUSMA are notably significant. In our view, ratification of the agreement is critical to Canadian interests and the well-being of workers in Canada. Parliament's scrutiny of Bill C-4 is an important and necessary part of the legislative process. However, we urge the parties to pass Bill C-4 without undue delay.

With that, I welcome any questions the committee might have. Thank you very much for allowing us to present here today.

• (1550)

The Chair: Thank you.

We'll go to the United Steelworkers and Mr. Neumann.

Mr. Ken Neumann (National Director for Canada, National Office, United Steelworkers): Thank you, Madam Chair and committee, for the invitation to speak with you here today.

I'm here as the national director of the United Steelworkers. I am representing the hundreds of thousands of Canadian workers who are members of our international union. Across North America, we represent more than 800,000 men and women who work in every sector of the Canadian and U.S. economies, many of whom work in trade-exposed industries. We also have formal links with organizations in Mexico. Our interest in ensuring that fair trade in the Canada-United States-Mexico agreement is very obvious. With me is my chief assistant Mark Rowlinson, who will help answer any questions you may have in both official languages.

First, let me say that the final version of this agreement is an improvement to both NAFTA and the original version of CUSMA signed in 2018. Our written submission goes into greater detail, but for the few moments I have before you now, I want to focus on what remains unfinished business on this file and what pitfalls may lie ahead if shortcomings are not addressed going forward.

In terms of the vital domestic steel industry, United Steelworkers applauds the requirement that 70% of steel used in vehicles must be melted and poured in North America. This represents a step forward for the Canadian steel industry. However, in my view, the seven-year timeline for this to come into place is just too long. The delay will allow the continued use of too much offshore steel in the auto supply chain, which will limit growth in the Canadian steel industry.

Our union also represents the vast majority of unionized workers in the aluminum sector, most of them in Quebec. We're very disappointed that similar provisions requiring aluminum to be smelted

and poured in North America are not part of this final agreement. Prior to the conclusion of the final agreement, we outlined our position in November 2019 with a letter to Minister Freeland, urging her to ensure that aluminum articles that enjoy CUSMA benefits must be produced in Canada, Mexico or the United States from primary aluminum that's smelted and poured in these countries. Instead, the final deal contains weak language that the parties shall consider this given issue again 10 years from now. This is simply not good enough. As a result, CUSMA fails to ensure that high-quality aluminum produced by workers making community-sustaining wages will be used in automobile production in North America. Of particular concern is the growing reliance by the Mexican auto industry on scrap and billets from low-cost offshore producers due to the lack of primary smelting capacity in Mexico. As the main aluminum-producing country in CUSMA, it was incumbent on Canada to insist on this protection for Canadian aluminum producers and its workers. It's disappointing that Canada's government failed in this regard.

The USW was at the forefront of the fight for a full cancellation of the U.S. tariffs on Canadian steel for the bogus national security reasons that were put forth. Unfortunately, CUSMA side letters still leave open the possibility for future section 232 tariffs. We believe the government must continue to push for a full and sustained commitment from the United States that it will not deem steel, aluminum or other products from Canada a threat to their national security. Canada has also collected \$1.2 billion from the tariffs imposed in retaliation for the U.S. section 232 measures. That money should be invested in the Canadian steel and aluminum industries, particularly into training our workforces to meet the demands of the 21st century industrial economy.

Let me now ask you to look at the forest industry. Chapter 10 of CUSMA, under "Section B: Antidumping and Countervailing Duties", will not protect our forest sector because it does not prevent the U.S. from applying duties to softwood lumber. This dispute has never been resolved. Canada has once again missed the opportunity to permanently settle this issue before us. Meanwhile, our union represents more than 20,000 forestry workers, who have experienced layoffs and uncertainty because of this failure.

• (1555)

What is needed to sustain this vital industry is a combination of trade and domestic measures that promote value-added manufacturing.

As I said at the outset, the steelworkers stand in solidarity with independent Mexican trade unionists. While CUSMA improves the prospects of free collective bargaining in Mexico, the proof will be in the enforcement and remediation for suspected violations of free collective bargaining, as set out in chapter 30.

As we told this committee in the last Parliament, the labour chapter should have included core conventions of the International Labour Organization. These should be included in any future trade agreements that Canada negotiates. We are also concerned that article 23.9 is not strong enough to protect workers from discrimination.

More generally, the labour chapter will achieve its stated goal of raising the labour standards in North America only if all three governments take their role of enforcing these rights seriously. This means putting in place mechanisms that will ensure that Mexico, the U.S. and Canada are living up to their labour commitment under CUSMA.

We are disappointed that there is no gender chapter and no reference to the United Nations Declaration on the Rights of Indigenous Peoples. All three of our countries should have committed to this 21st-century obligation to righting the wrongs of colonialism.

On procurement, our union is also concerned about allowing increased U.S. access to Canadian agricultural and dairy markets. In contrast, Canada did not make any gains on obtaining access to the large U.S. government procurement market.

A significant misstep, in our view, is the provisions of chapter 28, which allow advance notice to corporations of any impending regulatory changes that affect food safety, rail safety and workers' health and safety, amongst others. Using gentle words like "harmonization", this provision undermines the ability to regulate in the public interest by providing corporations with the right to challenge the implementation of these regulations. This is unacceptable and, frankly, when we look back at events like Lac-Mégantic, very dangerous.

The environment has not been given enough consideration in CUSMA. Although some improvements were made to chapter 24, there is no commitment to the Paris Agreement on climate change. Nor is there any reference to combatting climate change. This is out of step with everything that we have come to understand about the climate crisis in the 21st century.

In closing, our union will continue to advocate for a fair and progressive trade system. Rather than periodic piecemeal progress in individual trade deals, we seek a trade regime that puts working Canadians at the forefront. This means agreements that do not hamper the ability of our government to ensure high labour and environmental standards and that do not make it easy for unfairly traded goods to enter our markets from countries with poor labour and environmental standards.

Despite the improvements to CUSMA, this deal is insufficient on its own to revitalize the Canadian manufacturing industry. We must use policy measures to promote domestic manufacturing and the use of Canadian-made products in infrastructure projects. We must protect our market from dumped goods from offshore by continuing to improve our trade remedy system, including allowing unions

to initiate trade cases and not merely to participate. We also demand a more meaningful analysis of the sectoral and employment impacts of trade agreements, including real consultation and collaboration.

Thank you for the opportunity. Mark and I are happy to answer any questions you may have.

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

Now we move to our questioners, beginning with Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Madam Chair.

Thank you, witnesses, for being here this afternoon as we deal with a very important issue and move forward. I'm going to start quickly with the agriculture guys and then move to Mr. Neumann because I have a few questions for him.

With regard to the NAFTA agreement from an agricultural perspective, do you see any issues here that we should really be concerned about? Is there anything that sets off an alarm, that says, oh, this could be a problem, whether it's the phytosanitary provisions or the way we deal with things at the border, or is this just business as usual and we just want to get back to being stable and keep moving forward?

Maybe, Mr. Lowe, I'll start with you and then I'll move to Mr. Innes.

Mr. Bob Lowe: From the beef perspective, the important thing is stability of the markets and getting it going. We live in a pretty unstable world where trade is concerned, and this is an opportunity to stabilize that. That's what we're looking for. For beef we're basically at the same place we were with NAFTA before, and it worked very well before.

• (1600)

Mr. Randy Hoback: Yes, without COOL.

Mr. Bob Lowe: Exactly, without COOL.

Mr. Randy Hoback: Mr. Innes, or Claire.

Mr. Brian Innes: Yes, with respect to the rest of CAFTA's membership, we support implementation of this because it will provide stability. A number of barriers remain that prevent full and free trade in North America, but by maintaining NAFTA it enables the stability that enables us to grow, and that's why it's important to pass it.

Mr. Randy Hoback: As conservatives, we've been very aggressively trying to move forward on this piece of legislation and this bill to get it done with, but in the same breath, we have to respect that there are problems with the legislation and that people need to have a chance...so that this government can better tell us how it is going to mitigate those problems.

In the ag sector, from what I can tell, they're pretty comfortable with most parts of it. They're happy with the bankability and stability and they don't see any reason to hold it up. They'd rather see it move forward. We hear you.

Mr. Neumann, you talked about the forestry workers. We had a forestry fund set aside for forestry workers, yet I can't tell you where it went.

Can you tell me where that money went, and can you say if it had any impact on our forestry workers?

Mr. Ken Neumann: It surely hasn't had any impact on our members. As a matter of fact, our members are struggling quite significantly. The fact is that forestry is not something new to any government. There have been numerous governments before. We've been successful before the WTO, where we've won every single case. But the fact is we are still here today, and we still don't have a solution.

The Americans have the ability to impose a duty. Right now there is a duty in excess of 20%. The market is soft, and we're having layoffs. We've had some disputes. It's a tough situation.

We've not seen that big flow of money. There has been some interim adjustment, for example in the beetle situation, but overall our members are struggling, and that's why we're disappointed there has been no solution.

Mr. Randy Hoback: Mr. Neumann, I don't mean to interrupt you. I'm sorry. I only have five minutes.

Have you talked about mitigation? Have you done any analysis of the impact on the forestry side? We've been waiting for this economic analysis from the Liberal Party for a while, and we finally got a motion forward today that it actually will come here to this committee.

We have to do our due diligence.

Have you done any economic analysis of NAFTA, or do you have anything that you could offer in regard to that?

Mr. Ken Neumann: Maybe Mark can answer that. He deals with the trades.

Mr. Mark Rowlinson (Executive Assistant to the National Director, United Steelworkers): On the forestry sector specifically, all we know is that about eight mills have closed in western Canada in the last eight or nine months as a result of the softwood lumber duties.

The problem.... Regarding the package you mentioned that was announced by the government at the time the duties were reimposed, prices at that time in the forestry sector were very high—

Mr. Randy Hoback: They're still too high.

Mr. Mark Rowlinson: —so none of that money really went out the door. Unfortunately, now that our members really need it, it doesn't appear to be available. That's the problem we have.

Mr. Randy Hoback: In terms of the mitigation I talked about, in light of this situation, the scenario of these mills shutting down, have you presented a plan to this government that would mitigate some of the harm from the fact that we don't have a softwood lumber agreement included in NAFTA or in a side chapter? How would you like to see—

Mr. Mark Rowlinson: We have presented a number of plans to provincial governments and to federal governments. The first thing we need is to have those illegal softwood lumber duties lifted. That's the first thing we need.

It is an integrated North American market, but as Ken mentioned, it's essential that we have more value-added manufacturing in the forestry sector, in the wood sector, in this country, rather than just shipping raw logs offshore as we are currently doing. The plan needs to include fair trade, which we don't currently have, and more value-added manufacturing in Canada. That's how you're going to create jobs in the forestry sector.

Mr. Randy Hoback: So as a committee, we could look at what we can do to help you get that value out of the forestry products utilized here in Canada.

Is that fair to say?

Mr. Ken Neumann: Just on the value added, that's an issue we have been raising for years and years. We've been ringing that bell. The fact is you continue to cut the logs. You float them up the river. You load them onto a ship. You send them over to Asia, and they come back maybe as this furniture that we're currently sitting at. It makes absolutely no sense.

We've been blowing that horn. We've seen mill after mill closed down.

The softwood issue has been around not just since yesterday or two years ago; it's been around for many years. We've been successful before the courts, and we're still struggling with it today.

We've lost thousands and thousands of jobs, and those jobs aren't going to be coming back.

Mr. Randy Hoback: Yes, that's really sad.

Am I done?

The Chair: You have 40 seconds left.

Mr. Randy Hoback: Back to you, Mr. Lowe. I want to quickly talk about the beef sector again. You have a feedlot in southern Alberta. With the U.S.-China deal that's been rumoured, does the fact of our being part of NAFTA enhance our ability or detract from it? How do you see that impacting your operation?

• (1605)

Mr. Bob Lowe: I think it enhances our ability to trade with any place. If we're having trouble trading with our closest neighbour, how does any other country in the world think they can trade with us?

Mr. Randy Hoback: So you're not looking at it as threat at all.

Mr. Bob Lowe: It's not a threat at all, no.

Mr. Randy Hoback: Okay.

I'll stop there, Chair.

The Chair: All right, thank you very much.

Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much.

Thank you very much for all your testimony today. It's very important as we undertake this tremendously important trade deal for Canada and for my riding of Sault Ste. Marie. We are a steel town but we're also a border town, and a lot of that trade comes right through my riding.

When we talk about the section 232 tariffs, we were on the front line of that battle. We've travelled down to Washington with the trade committee, the industry committee, the steel caucus. The steelworkers, both on the Canadian side and the American side, played a critical role. Our good friend Leo was referenced by many of our American friends down there about lobbying.

One of the things I wanted to ask about was the significant changes we've made to our trade regime over the last five years, including in 2016 the length of time a penalty would remain on a bad player and some consultation. Then there was anticircumvention, antiscoping, etc. The one piece was union participation. Having heard from the steelworkers who testified here at the CIIT hearings—and the representations they made were significant—we won cases because of that particular testimony. I think that was critical.

In particular to your presentation, Ken, how could the steelworkers launch a case successfully, as they've done with union participation?

Mr. Ken Neumann: Obviously, we'd need a legislative change giving us that status. I'm sure you can attest to the fact we work hand in hand with the companies, the Canadian Steel Producers Association—which I understand will be testifying later. We recognize the importance of these particular jobs. Mark, my assistant, spends a lot of his time in Ottawa before the CIIT. We've had people from Tenaris and Saskatchewan and Manitoba to come here to give testimony to protect us from unfair dumping, so that we can continue. Just recently we're getting favourable decisions.

Our union counterpart in the United States has access. We have access to file trade cases on rubber, tire. We have filed in excess of 80 cases, I think it's close to 90, and the fact is that we work hand in hand with the employers to protect those jobs and those communities.

Currently we had a step in the right direction when Minister Morneau made an amendment that we have the right to participate. That doesn't give us the right to file a complaint when we can see

pipe coming by our facility in Calgary or Regina, whatever the case may be. We should have that right. That's something we're going to work towards and expedite, and we're going to be working with the CSPA because we've got that trust. We're with them hand in hand when we're here in Ottawa defending our interests to make sure that we're not getting pushed over by China or some of these other countries who are just basically looking for some place to dump their product.

To us it's very important. The fact is we've lost capacity in the steel industry. You know it from the area you come from. I'm sick and tired of bankruptcies and our companies going under and the devastation for our members who work in those communities and have spent their entire lives there. It means a lot to us and we have an opportunity. It can only be done by the government seeing the need of the trade unions to have the right to file complaints on behalf of their workers.

Mr. Terry Sheehan: Thank you very much.

I'll move to you, Mr. Yussuff.

Mr. Hassan Yussuff: Very briefly, I want to echo the point Ken is making. It seems quite absurd. The employers have the ability to file a complaint under the legislation, but the worker has no ability. Who speaks for the workers as to how these cases are viewed? Quite often I think most of the employers obviously have a self interest, but specifically in regard to the impact on workers, only the unions can do that in a very definitive way.

When the minister was looking at what else he could do in regard to the changes he was making, this was one of the points we supported for our colleagues and the steelworkers to see this amendment made. I think it would be good for this committee to recommend this, because there are no obvious reasons as to why unions don't have the ability to file a complaint, especially when their members are impacted by cheap imports coming into the country, or a surge from other countries who can get access to the States, and who are able to access Canada using that.

Some good work has been done to monitor that, but I think, more importantly, the right of the union should have to file a complaint is a fair one that's been demanded for quite some time.

• (1610)

Mr. Terry Sheehan: Thank you very much.

The Chair: You have 40 seconds.

Mr. Terry Sheehan: Okay. I'll go with a question for the cattlemen's association. It's almost a statement. I know that they're interested in expanding. They've enjoyed some success with the TPP and a couple of tariff reductions. They've met with me about looking at areas in northern Ontario as well in order to expand and to grow. Again, we're very close to the border up there. I don't know if there are any plans to look at northern Ontario in a more fulsome way in the future.

Ms. Fawn Jackson: The access we have gained over the last number of years has seen an impressive demand signal sent to the Canadian beef industry. Last year, we saw an increase of just about 20% of our exports. We are looking to continue to grow, hopefully, for the contribution that we can make to the economy and to the environment here in Canada.

The Chair: Thank you very much.

I'll move on to Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Good afternoon. Thank you all for being here today and making time for us in your busy schedules.

My question is for the United Steelworkers representatives.

As you know, the Bloc Québécois has been very active on the aluminum front. We have spoken out against the difference in the way steel and aluminum are treated, and your position today confirms that there is a difference. In your brief and your comments to the committee, you indicated that you would have wanted the same measures applied to both.

What are the potential consequences of both sectors not having access to the same protections?

[English]

Mr. Ken Neumann: I'm sorry, but I missed part of your question because I didn't get the translation. I think I get the gist of it. I'll let Mark answer some of it.

Look, on the aluminum sector, as I've said, I've had the opportunity to be in Quebec several times. I've been to Alma and the Rio Tinto facilities. I remember that prior to the tariffs being imposed, we had a commitment from Rio Tinto that they were going to expand. They had seen an opportunity, as the U.S. was using a lot of aluminum.

Like I say, we're very disappointed now that because of what's transpired that expansion is not going ahead. There's no reason why you shouldn't have the same for steel and aluminum. The fact is that when you look at the tripartite agreement with Mexico and at the number of vehicles Mexico has been building, you see that they're now building in excess of three million vehicles. They have surpassed Canada, which is at 2.3 million. The fact is, that's going to require some aluminum. To us, that is a very significant factor.

I'll let Mark deal with the rest of it.

[Translation]

Mr. Mark Rowlinson: I'll touch on the risk involved. As Mr. Neumann pointed out, the auto sector is growing in Mexico, but the country doesn't produce any aluminum, so the question is this: Where will Mexico get the aluminum it needs? It should get it from us, here in Canada, since we are by far North America's top aluminum producer. What we are seeing more and more, however, is that Mexico is turning to China, Russia and other countries for its aluminum supply. As you said, aluminum and steel don't enjoy the same protections in the auto sector. The Canadian market will likely continue to shrink. It's not adequately protected. That's our fear.

Mr. Simon-Pierre Savard-Tremblay: Mexico could keep buying from China, then.

Mr. Mark Rowlinson: Yes, not only could it keep buying from China, but it could also buy more from China.

Mr. Simon-Pierre Savard-Tremblay: My next question is on an altogether different topic. It's for the Canadian Agri-Food Trade Alliance representatives.

You talked about exports. As you no doubt know, under the new agreement, the United States could have some control over Canadian milk protein exports to the Middle East and third countries.

Does that worry you?

Ms. Claire Citeau: Our mission is to eliminate tariff and non-tariff barriers in key markets across all the sectors we represent, which exclude supply-managed sectors. We represent virtually the entire agri-food sector, except for areas under supply management.

On the whole, rules and policies aimed at restricting exports do not sit well with our members, whether that means duties, tariffs, non-tariff barriers, quotas, tariff quotas, restrictive rules of origin, non-compliance with sanitary and phytosanitary measures, or any barriers related to technical rules.

• (1615)

Mr. Simon-Pierre Savard-Tremblay: In other words, from the standpoint of non-supply-managed sectors, there are benefits, but you're saying that, according to your membership, certain risks are still possible for supply-managed sectors.

Ms. Claire Citeau: What I mean is that we don't speak for sectors we don't represent, so we don't speak for sectors under supply management.

Whether it's subsidies, tariffs, quotas or restrictive rules of origin, measures aimed at restricting trade in one way or another in our sectors are generally not looked upon favourably by our membership. Our mission is to eliminate tariff and non-tariff barriers, after all.

Mr. Simon-Pierre Savard-Tremblay: However, we have quotas in the agricultural sector that all the members here consider beneficial.

How much time do I have left?

[English]

The Chair: You have 45 seconds.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: All right. I have another question for our friends from the United Steelworkers.

If I understood you correctly, the changes when it comes to softwood lumber are merely cosmetic. In other words, there hasn't been a clear pullback in that sector. It was overlooked in the negotiations.

Mr. Mark Rowlinson: Basically, yes. That's correct. There isn't much change.

What we are looking for is a way to get rid of the tariffs the United States is currently imposing on softwood lumber. Nothing in the agreement, however, puts a stop to the tariffs being imposed.

Mr. Simon-Pierre Savard-Tremblay: I assume my time is up.

[English]

The Chair: Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I want to talk a little bit about the issue of the labour chapter and particularly the provisions for Mexico. In your opening remarks, you mentioned a bit about how much is going to hinge on the enforcement of that and what enforcement of that would look like. It seems there is a genuine opportunity to start incorporating into a trade agreement something that would make it not just about creating opportunities for business to exploit low-wage economies in order to increase their margins, but to actually start implementing some fair labour practices cross-border.

I'm curious to know what you think needs to happen. The NDP is supportive of the idea of having a committee on the Canadian side that would ensure that government had access to the best advice from people in the labour movement here, and also in the business community where there are examples of successful labour relations. I'm wondering what you envision successful enforcement looking like from the Canadian point of view in terms of how we can optimize the potential of these clauses and move forward on that.

Maybe we can start with Hassan and then go to Mr. Neumann.

Mr. Hassan Yussuff: Given the limited time, I'll be very brief.

As you know, under the previous agreement, there were a number of complaints filed under the old NAALC, which is part of the current agreement. Not a single one of them has ever been resolved in a satisfactory manner. It's been a complete failure. First of all, it was a side agreement with no real commitment to its being enforced. Mexico never lived up to its obligations. I think this time around at least the labour chapter is incorporated into the agreement. There's a clear commitment to apply sanctions if the countries can't live up to that obligation.

I think the enforcement side of this agreement is really critical. Certainly there was a new government at the national level in Mexico that made a strong commitment. They want to, of course, meet

their obligations, because workers never really benefited from decades of the old NAFTA. If you look at their wages and working conditions, they have not risen, and most importantly, workers didn't even have the right to choose their own union. More importantly, when they met with violence, it was sanctioned by the national government.

This is an opportunity for Canada and the United States to hold the Mexican government's feet to the fire to enforce this agreement. Of course, in that commitment to do so, they're going to need help. There are thousands and thousands of agreements that have been negotiated under what is called "labour protection". The workers never participated in these agreements. They never chose the union, and the agreements are still in existence, so how do we eliminate those agreements? How do we give the workers a fair chance to choose their union democratically, in a fair way? More importantly, how do they negotiate an agreement so they can benefit from the products they're producing in that country?

Canada has an obligation because we promised to provide Mexico technical assistance, and also financial assistance. I think it's critical that Canada gets as much broad advice as we can from the labour movement here, but equally hold Mexico accountable for the commitment they have made in this agreement. When they don't live up to it, we should impose whatever sanction is necessary to bring them into compliance. That never happened under previous agreements. The provisions in this agreement allow for that to happen.

• (1620)

Mr. Ken Neumann: To what Hassan said, the fact is that this was the line in the sand. The American labour movement and the U.S. Congress basically said that that was one reason they weren't prepared to move the CUSMA ahead, and they basically got the amendments they thought were appropriate.

Our union is very much engaged with Mexico. You've heard of Napoleón Gómez, who is the president of the miners and steelworkers in Mexico. He was in exile in Canada for 12 years. The steelworkers harboured him. He's now back in Mexico, and he's a senator.

First of all, the labour chapter is very important. As Hassan mentioned, if you look at the labour rights, they've not lived up to them, and there are protectionist contracts... There are a lot of workers in factories that belong to the union and don't even know it. Those are deals that are made that undercut the legitimate trade union movement. In fact, if you look at the salaries and the other things that are taking place, you see that these also affect us. Now that we have a mechanism in place, it's very important they be given the infrastructure to do it. This is why I said in my submission that Canada and the United States and Mexico have to be serious about it.

I was led to believe that if you look at the current labour law in Mexico, you see that they have some of the best labour laws in the world. The fact is it's not enforced. If it's not enforced, it's worthless. This is the mechanism and we have an obligation, because if you want to continue to see their auto sector grow from 1.2 million to 3.3 million vehicles—it has surpassed Canada's—it's going to continue to grow at our expense because we can't compete. The big companies would gladly go to Mexico and build their auto factories there.

We have an opportunity now to enshrine some mechanisms to enforce the labour laws, and that's what's crucially important. I see that as something like a watershed with respect to moving this in the direction. It's now up to all governments, in particular Canada and the United States, to make sure that this mechanism is enforced.

Thank you.

The Chair: You have 45 seconds.

Okay, Mr. Kram.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you, Madam Chair.

We are joined today by my colleague, Richard Martel. I will be splitting my time with him.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Good afternoon everyone. My question is for the aluminum and steel representatives. It's straightforward.

How long ago was the last massive investment in a steel or aluminum plant in Canada?

Mr. Mark Rowlinson: The last one?

Mr. Richard Martel: Yes, the last one.

Mr. Mark Rowlinson: Do you mean investments made by companies or supported by the government?

Mr. Richard Martel: I mean those by companies.

Mr. Mark Rowlinson: It's been a long time.

Mr. Richard Martel: Do you think?

Mr. Mark Rowlinson: The last time a steel plant was built in Canada was 1978. Some investments have been made since, but you'd have to understand how big and small investments are defined. Small investments are ongoing. In the aluminum sector, a plant was built more recently. The Alma plant was built in 1992, I believe. There hasn't been much investment of late, though.

Mr. Richard Martel: Do you think CUSMA could prevent new aluminum plants from being built?

[*English*]

Ms. Rachel Bendayan (Outremont, Lib.): On a point of order, Madam Chair, I believe this witness is from the United Steelworkers, and we seem to be asking specific technical questions about aluminum, which is another product.

• (1625)

Mr. Randy Hoback: He can ask whatever he wants.

The Chair: He has his time. As long as he is respectful of our guest, he's free to ask.

Ms. Rachel Bendayan: Thank you.

[*Translation*]

Mr. Mark Rowlinson: I'd like to clarify something, if I may. We represent the vast majority of unionized aluminum workers, so not just steelworkers.

Ms. Rachel Bendayan: Thank you for that.

Mr. Mark Rowlinson: All aluminum plants are run by multinationals. They make the investment decisions, so they invest in countries with guaranteed market access. The problem, as we see it, is that the agreement before us today doesn't do enough to guarantee them a market, especially in Mexico and in the United States.

Mr. Richard Martel: Thank you.

[*English*]

Mr. Michael Kram: Thank you, Richard.

Thank you to the members of the United Steelworkers for being here today. I'm particularly glad to see you here because my home city of Regina, Saskatchewan, is home to Evraz steel and United Steelworkers local 5890. I'm glad to be able to represent them here and to hear from you as well.

With regard to pipelines, can the two of you speak a little about the importance of pipelines to your members, in particular for their job security?

Mr. Ken Neumann: I can tell you that it's always been an issue. The fact of the matter is.... I think you may be referring to some recent events when people in Saskatchewan were complaining about the pipeline. With the United Steelworkers, our position is very clear. Any pipe that's going to be laid is built by our members. We just came out of a national policy conference in Vancouver where our members from across the country unanimously adopted a motion stating that where pipelines are built, they will use Canadian/North American products.

You have the pipelines that are being built in the United States. One of the things we ask for in steel projects is that we make sure in procurement situations that it's North American steel, not Japanese steel or Indian steel. It's the same thing for bridges or any of those things that are taking place. We expect this for any of those products that we have the ability to make. I look at our colleagues up in the Soo. The fact is that we have a bridge that's going to be built up in British Columbia—the Pattullo Bridge—and I'm hoping that our colleagues get the contract for that.

It's no different from pipelines. We are very much on record. The fact is that with any pipelines being built they use the products of Canadian steel. I know very well the facility in Regina that you're talking about.

Mr. Michael Kram: Okay. Very good.

Given the extreme difficulty in recent years in getting pipelines approved and built in Canada, do you see any opportunities under the new NAFTA to get pipelines built in the United States with steel built by your members?

Mr. Mark Rowlinson: I'm not sure this agreement is going to have much effect on U.S. energy projects, but as Ken said, our position is clear that those projects should be built using North American steel.

To your point, I think a healthy energy sector has enormous downstream effects for the broader Canadian economy, including for our members, who make not just pipelines but pipe used for pipelines, as they do at Evraz steel, and also for the broader range of energy tubular goods that are made at facilities such as Tenaris in Sault Ste. Marie or Calgary.

The Chair: Thank you very much.

We'll go on to Mr. Dhaliwal.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Madam Chair.

Thank you to all our witnesses who are here today to make a very positive and constructive contribution to this important agreement.

My question is for the Canadian Labour Congress.

President Yussuff, Deputy Prime Minister Chrystia Freeland was here this morning and was asked a question about how this agreement is going to promote gender equality when it comes to minorities. She mentioned that this is protected under the labour chapter. Could you comment on that if you have knowledge about it and how this agreement is going to deal with that situation?

Mr. Hassan Yussuff: The chapter speaks to harassment and gender violence in the workplace. Of course, the agreement itself has an impact, if it's in force, to prevent that from happening. Of course, these are the same obligations that we know of in our own country. The human rights code can, if it's in force, prevent harassment and violence from happening in the workplace.

As we know, workers in Mexico have faced a lot of violence, not just gender violence but simply violence when exercising their democratic right to choose their unions or, for that matter, to vote on a collective agreement. We hope the provisions in this agreement, if they're enforceable, would bring an end to that, but at the end of the day, it obviously will require efforts to change the practice that we know exists in Mexico. More importantly, of course, it will require all three countries to live up to the obligations that are stated in the agreement in regard to the new enforceable labour chapter that we had hoped could have teeth. If a country chooses not to do so, there also are provisions to impose sanctions on that country for not living up to their obligations as stated in the agreement.

• (1630)

Mr. Sukh Dhaliwal: Thank you.

I have a question for the Canadian Cattlemen's Association.

You mentioned that previously when the NAFTA was signed, the cattle industry skyrocketed. The CPTPP helped a lot as well, and

this is going to help. Could you tell me the dollar figure or the percentage of trade that you see being of benefit when it comes to the cattle industry?

Ms. Fawn Jackson: First, in the North American market, our push for ratification is really tied to a stable North American market. Certainly, the number of free trade agreements that have been developed over the last number of years has really led to the strong demand we're seeing today in the international market. Of course, for us, our biggest customer is the United States, and Mexico follows not far after that, so stability is really key to two of our biggest customers.

Mr. Sukh Dhaliwal: Does it matter whether it's eastern Canada or western Canada, or is it going to help from coast to coast to coast?

Ms. Fawn Jackson: It's going to help farmers and ranchers right from coast to coast.

Mr. Sukh Dhaliwal: So British Columbians will benefit from this.

Ms. Fawn Jackson: Yes, there are ranches in B.C. as well.

Mr. Sukh Dhaliwal: Thank you.

What's my time?

The Chair: You still have a minute and a half.

Mr. Sukh Dhaliwal: I will share my time.

[*Translation*]

Mr. Stéphane Lauzon (Argenteuil—La Petite-Nation, Lib.): Good afternoon all. Thank you for being here today.

CUSMA is very important to a big riding like mine, which is home not just to farmers, but also to steel and aluminum workers.

I'm a welder by trade. I spent more than 26 years in the steel industry. My brother is a top employer in the steel sector in my region. All that to say how important and historic this agreement is to my family and to the government.

Mr. Neumann, you've often mentioned the steel and aluminum sectors in the same sentence. If we set aside the aluminum industry for a moment, can we agree today on the fact that people in the steel industry are quite pleased with CUSMA?

[English]

Mr. Ken Neumann: Look, I don't want to be the fly in the ointment. The fact of the matter is that everybody is looking forward to getting ratification done, and my point is very simple. It's like closing the barn door after the horses have left. You have Canada and Mexico, who have already ratified the deal, and it was the United States that held it up because of some amendments. So, yes, I think the steel industry is right, but we're still hurting from the illegal tariffs that were imposed upon our members, the communities and the companies that you talked about. They're still hurting from those. There's \$1.2 billion that the government has accepted, and the fact is: What are we going to do about that?

Yes, I think it's a fair comment. We've had an integrated market between Canada and the United States. You can't find a better neighbour, but what disturbs us is what they've done to the aluminum industries, and that is unfair. So I don't disagree with you that the steel industry is—

[Translation]

Mr. Stéphane Lauzon: I agree with your point in relation to the steel sector.

[English]

The Chair: I'm sorry, Mr. Lauzon, but the time is up.

We'll go on to Mr. Carrie.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair.

I want to thank the witnesses for being here.

Ken, I'd like to ask you a question, because you brought up some things that are close to my heart. You brought up the automotive industry, and you know that in Oshawa this deal wasn't enough to save our plant, but the whole idea of competitiveness and value added are big issues, I think. When we're moving forward with this agreement, if there's something that we could do to support industries that may be negatively affected, I think would be so important.

Gerdau Ameristeel is in the Durham region, and they work mostly as a recycler, but you mentioned something about the buy American provisions. I know that our government under Mr. Harper was able to get an exemption from those provisions. Could you comment on how that's going to affect your members, not having that same exemption that we used to have?

The other thing about the value added is that we have this huge Kitimat LNG project. I think it's a \$22 billion project, and my understanding is—and correct me if I'm wrong—that the government gave the Chinese an exemption on that as far as making certain components is concerned.

Could you expand on the value-added statement you made? Right now the whole idea of trade with China is a conversation. The Americans have completed what they're calling phase one of their U.S.-China deal.

I know I've asked a lot of things in this question, but maybe you could address the question about value added, the buy American clauses, and what we can do as a committee to help support the

people who will be negatively affected by not having that exemption in the deal.

• (1635)

Mr. Ken Neumann: Perhaps Mark will answer some of that. Let me just deal with the China situation and the big project that's taking place in British Columbia.

You may have read some of our press releases. We're very disappointed with regard to the fact that it's a huge project that will create thousands and thousands of jobs and that will have steel coming from China. It will be shipped over in modules and then shipped up into the north. If you want to talk about the cost to the environment, if you want to talk about the jobs, it makes absolutely no sense. To me, if we're going to produce something in Canada, we've got the ability to do it, and we should do it with our members. We should do it with our steel.

Look at the Gordie Howe bridge. I was involved in that with Leo Gerard, my counterpart at the time. We made sure that the Gordie Howe bridge was going to be built from North American steel, and it was. We're talking about the bridge that's now going to be built in Surrey. Procurement is very important. This is what I said in my submission, that the government made no inroads in getting into some of the government contracts. That's something that needs to be on the radar. I'm still livid at the fact that somehow the United States used section 232 to say that Canada was a national security threat. You can't find a better neighbour than us. That's something we need to monitor. The fact is that it has an effect. We've seen it. You have the Champlain Bridge and some of that steel. Tell me why the steel has to come from China. You have a bridge that was built in British Columbia. Why does the steel have to come from China when you have the industry here?

The thing that we should all remember is that if you look at the aluminum industry or the steel industry, there ain't a single Canadian-owned company. These are all foreign companies. We deal with these companies, be it at negotiations or at... We have to fight. We have to fight tooth and nail for investment. We want them to anchor, be it in aluminum or in steel, to make sure that those jobs are preserved. When we're competing with Arcelor, do we invest in the Soo, do we invest in Hamilton, or do we invest in some third world country? Those are the kinds of complications. If we don't have the support of the governments and make sure they're fighting on our behalf in regard to the U.S. to get access to their procurement...

Canada's steel capacity has shrunk. Now we have the issue with aluminum, which I'm very much concerned about. The powers that be somehow think they're going to be able to monitor that and see how that works out. The proof will be in the pudding on that one.

Mr. Colin Carrie: Do you have a quick comment, Mr. Rowlinson?

Mr. Mark Rowlinson: Just very quickly on the issue of procurement and buy American, you're correct that when President Obama introduced his buy American plans, Canada was granted an exemption. The U.S. procurement market is over 10 times the size of the Canadian procurement market. It is essential for Canadian producers in all manufacturing sectors and industries to have access to that procurement market.

It is disappointing to us in the extreme that this agreement does not guarantee us access to that procurement market. Rather, we will have to revert back to the WTO general agreement on procurement, which is a voluntary agreement. We have no real ability, therefore, to legally limit the United States' ability to implement buy American with respect to their procurement, which would limit Canadian access to that market.

Mr. Colin Carrie: Thank you very much. I have been hearing from people who are really disappointed about that.

I do want to talk to the cattlemen and agri-food people about this clause where, if Canada does business with a non-market economy, we almost have to get permission from the United States to make those trade agreements.

You mentioned, Mr. Lowe, that you weren't too worried about the U.S.-China agreement. My understanding is that the Chinese have agreed to buy \$75 billion more in manufactured products from the United States and \$40 billion more in agriculture. I was glad to hear that you're not too concerned about it. Do you have a concern, though, that we will almost have to ask the Americans if we're going to have our own agreement with China? Does the fact that the China-U.S. agreement was made before this agreement have any implications?

• (1640)

The Chair: I'm sorry, but to a long question I'll need a relatively short answer.

Mr. Bob Lowe: I'll turn this over to Fawn. We looked into that just this morning.

Mr. Colin Carrie: Thank you.

Ms. Fawn Jackson: In terms of the China-U.S. question, when product is moving off of North America, I think that benefits all of us. That's because our markets are so integrated. That generally makes us more competitive in the international market. On that side of the question, we're looking forward to seeing how that agreement gets implemented.

On the first part of your question, perhaps I would turn it over to Claire and Brian to answer.

Ms. Claire Citeau: That particular clause is not something that CAFTA members have commented on, so I will not today.

The Chair: Thank you very much.

Mr. Lauzon.

Mr. Stéphane Lauzon: I will share my time with my colleague.

[*Translation*]

Earlier you talked about steel and the difference between steel and aluminum. In terms of what we've heard today, support for signing CUSMA and ratifying it as quickly as possible is almost unanimous. That's also the position of the Canadian Steel Producers Association, as per a December 11, 2019 press release:

It will benefit Canadian steel producers by further strengthening manufacturing supply chains in North America and by improving on the terms of NAFTA.

That's what Canada's steel producers had to say.

How do you think the agreement will improve on the terms of NAFTA?

Mr. Mark Rowlinson: NAFTA clearly did a lot for the steel industry, just as this new agreement will. Our problem is that NAFTA did little to help steelworkers. What matters to us is whether the new agreement is really going to help our workers be competitive. Even though they are competitive, will trade activity be carried out in a way that's truly fair to workers? That's what matters to us.

There is no question that the steel industry fully supports this agreement. In fact, I believe you'll be hearing from its representatives shortly. I imagine the aluminum industry is also in favour of the agreement, even though it wasn't granted the same protections as the steel industry. It's clear that—

Mr. Stéphane Lauzon: Do you agree with me that the aluminum market has taken a major step forward? Aluminum wasn't part of the negotiations, and at least 70% of aluminum will be.... I have a question for you about the aluminum sector.

You said that Quebec's producers were among the best in Canada and that their quality was unparalleled. In addition, I would say that they are the greenest in Canada. How did they forge a top spot for themselves? Now, with the 70% requirement in the zone.... How will this agreement not make things better? Can you tell us whether there's been a significant improvement for aluminum, without drawing a comparison with steel?

Mr. Mark Rowlinson: The problem is not the quality of Canadian steel. The problem is that China produces 30 times more aluminum today than it did 20 years ago. That means the aluminum market has tremendous overcapacity, and China will want to find a market for that aluminum. It will sell it much lower than the market price. We are afraid China and other countries will dump their aluminum in Mexico. Eventually, it will hurt Canadian producers.

• (1645)

Mr. Stéphane Lauzon: Are you aware that the negotiations can continue?

[*English*]

The Chair: Mr. Lauzon, you indicated that you wanted to share your time. You have a minute and a half remaining.

Mr. Stéphane Lauzon: I'll ask a quick question.

[*Translation*]

The negotiations are still going to continue after the agreement is signed, and it will be possible to deal with product quality and market insurability, among other issues. I think it's important to ratify the agreement so the negotiations can continue. You know that, don't you?

Mr. Mark Rowlinson: Yes, I'm sure that the negotiations and discussions will continue. However, I would say that we are trade unionists and that, when we negotiate collective agreements, an agreement is an agreement. Once it's signed, it's signed, so I don't think many changes will be made to the agreement going forward.

[English]

The Chair: You have 40 seconds remaining.

[Translation]

Ms. Rachel Bendayan: I have a brief comment, if I may.

The agreement already provides for a return to the bargaining table. That's in CUSMA.

[English]

Mr. Yussuff, I have very little time to ask you my questions. I see that the CLC has approximately 3.3 million workers. You represent approximately 3.3 million workers in Canada. Is that right?

Mr. Hassan Yussuff: Yes, including our friends the steelworkers. We're all part of the same family.

Ms. Rachel Bendayan: Yes, I can imagine. Of that family, how many workers would you say are there in Canada who rely on trade with the United States and/or Mexico? I'm only looking for an approximate number.

Mr. Hassan Yussuff: In the manufacturing sector, and also in the resource sector, I would say we've got probably several hundred thousand members who are impacted by it, who work in industry and also in the supply chain, including agriculture. Our members actually work in many of the agriculture sectors that produce products that get exported to the United States.

Ms. Rachel Bendayan: What—

The Chair: I'm sorry, but the time is up.

Mr. Savard-Tremblay, you have two and a half minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Once again, my question is for the gentlemen from the United Steelworkers.

In terms of the labour chapter improvements needed, you said the International Labour Organization conventions were preferable to the Declaration of the Rights at Work. Could you elaborate on that?

Mr. Mark Rowlinson: Unless I'm mistaken, the three signatories to the agreement have to adhere to the 1998 declaration, which is less stringent than the International Labour Organization conventions. It is our position that the agreement should have included the conventions, in terms of both content and the jurisprudence flowing from the conventions, not just the declaration, which has been signed by nearly every country.

Mr. Simon-Pierre Savard-Tremblay: Quickly, can you give us examples of tangible differences between the conventions and the declaration?

Mr. Mark Rowlinson: I'm more comfortable discussing technical details in English.

Mr. Simon-Pierre Savard-Tremblay: No problem. We have interpretation services.

[English]

Mr. Mark Rowlinson: Okay.

For example, convention 87, the convention on freedom of association, incorporates a number of specific tests as to how countries

need to respect workers' rights to join a trade union. In Mexico, that's the central issue. As Hassan was mentioning, and as others have mentioned, the central issue in Mexico is whether Mexican workers have the authentic right to join a free trade union. If you incorporate all of the decisions and the jurisprudence as part of that convention, and it's actually enforceable, that's a much stronger standard than simply signing up to the 1998 declaration, in our judgment.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I suppose I'm out of time.

[English]

The Chair: Yes, you have half a minute.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Very well. That's all for now.

[English]

The Chair: All right, thank you.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much.

I just want to come back to the steel and aluminum content requirements. One of the things I certainly found interesting and somewhat shocking was that when we had Canada's lead negotiator and his team here, and we asked what percentage of North American steel and aluminum are currently in autos, they said they didn't know, that they didn't have that information.

I'm wondering what work needs to be done in light of this agreement in order to make sure Canadians know whether those content requirements are being met, whether they're improving over time, whether they're worsening over time. What kind of homework do we have to do here in Canada to make sure we're getting the promised benefit of this content requirement?

• (1650)

Mr. Ken Neumann: Maybe Mark can answer some of it.

The fact is that statistics show that with more vehicles being built in Mexico, they're not getting their aluminum from.... I don't know where they're sourcing their materials. I think a lot of it is from off-shore. They've now surpassed Canada by more than a million cars. I think you're right that the North American content in those vehicles is something we should have at our fingertips if you're going to a GM plant or a Ford plant.

My experience has been that, because our organization uses North-American-built cars, I can tell you that it's very difficult to find a North American car with 50% North American content, and that's an issue.

Mark may have something to add.

Mr. Mark Rowlinson: I'll just add one thought, which is that in the United States they have done fairly detailed economic analysis of the employment and economic impact of this agreement. As far as I can tell, in Canada, we have not done any of those analyses, and that is disappointing to us. I appreciate that there is a desire on the part of many in this room to pass this agreement as quickly as possible, but this is an agreement that is going to fundamentally change and control the central economic relationship we have as a country for the next number of decades, if not longer. It seems to me that we should not be rushing into this, that we should actually be doing a detailed analysis on the kinds of things you're talking about.

The Chair: Thank you.

I want to thank all our witnesses for coming and sharing valuable information. We appreciate that very much.

We will suspend for the next panel to come on board and give everybody a chance to say hello to the witnesses.

Five o'clock is our next panel.

Thank you.

• (1650) _____ (Pause) _____

• (1700)

The Chair: I'm calling the meeting back to order as we continue to do a study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States. Will our witnesses please join us at the table?

With us, from the Aluminium Association of Canada, we have Jean Simard, president and chief executive officer. From the Canadian Automobile Dealers Association, we have Huw Williams, director, public affairs, and Oumar Dicko, chief economist. From the Canadian Chamber of Commerce, we have Jackie King, chief operating officer, and Mark Agnew, director, international policy. Finally, from the Canadian Steel Producers Association, we have Catherine Cobden, president.

Mr. Simard, I will start with you.

Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada): Thank you, Madam Chair.

My intervention will be in sequence in both official languages, if I may.

[*Translation*]

I'd like to thank you for giving us the opportunity, as part of these consultations, to share the viewpoint of the industry we represent, Canada's primary aluminum industry.

I'll start with a few figures. Some 8,700 people work in our nine plants producing 3.2 million tonnes of low-carbon aluminum, nearly 90% of which is exported to the United States. Although our region-based production generates about \$7 billion in exports, the activities that form our industrial fabric, ranging from research to processing, represent nearly \$15 billion annually.

Since we export 90% of what we produce, mainly to the United States, free trade is woven into our DNA. That is why we uncondi-

tionally support the swift ratification of the free trade agreement between Canada, the United States and Mexico. That is also why we unconditionally supported the other two major trade deals: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, and the Canada-European Union Comprehensive Economic and Trade Agreement, or CETA.

At a high level, the parameters that govern trade under these agreements increase the predictability needed by an industry with such highly integrated value chains as ours. Our planning and investment decisions depend on our ability to anticipate changing market needs within a stable and predictable business environment.

We believe the agreement lays the foundation for modernizing our trade relationships, by providing a framework that can lead to industry improvements in the months and years ahead, with a view to creating value for all three countries, as well as our industry, workers and host communities.

Now I'd like to debunk some myths. Certain things that have been said about the agreement's repercussions on the aluminum industry are worth a closer look. In recent weeks, comments have come to light regarding the so-called repercussions of the ultimate agreement, including job losses and the cancellation of expansions and investments. For the past decade, we've been experiencing a depressed price environment, crippled by the Chinese presence, and just recently, we endured a slew of events that disrupted our main market, the United States.

Make no mistake: although it is true that projects have been scrapped in recent years, it is not accurate to claim that the outcome of CUSMA negotiations is putting jobs at risk or resulting in cancelled or delayed investments. The postponement of expansion projects is not related to the agreement negotiations or framework agreement. The fact of the matter is that investment decisions are based on, and greatly affected by, three fundamental elements.

The first is the price of the metal. Since 2008, we have been in a long stretch of depressed prices, largely caused by China's exponential growth in the market. The Chinese government subsidizes production costs, which has the effect of keeping the world price low. We are being paid a 1990 price, but we have 2020 costs, thereby reducing our margin to less than 44% of what it was in 1990.

Tariff uncertainty is the second element. That refers to tariffs on competition from countries that export to the American market. Ironically, the tariff—which makes the American market the one providing the best price for aluminum in the world—preserves market volatility because no one knows when one or more countries might be exempted, which would change the price dynamic. That's another element of uncertainty we have no control over.

The third and final element is construction costs, in other words, our capital expenditures, which are four to five times higher than in China. What's more, our construction time frames are three times longer. What takes us three years to build, China is able to build in 12 months at a quarter of the cost. When we build a single plant here, the Chinese build three and do it for cheaper.

● (1705)

You can see that these three basic reasons alone are enough to scrap any major project. We don't need to add any more reasons.

[English]

What are the benefits of CUSMA for the aluminum industry? In the short term, Canada and its aluminum industry benefited from a full tariff exemption, making it the sole significant primary producer in the world with unfettered access to the U.S. market.

While the old NAFTA had a 62% regional value content for most parts, CUSMA takes us further ahead. In the long term, the agreement globally increases the overall regional content for the automotive industry through increased RVC, bringing the threshold all the way up to 75% in certain cases. By naming aluminum within this context, it sends a clear signal to the automotive industry as to the importance of and expectations regarding the use of this metal.

We also understand from our meetings with government officials that these multiple layers of regional content requirement thresholds for key components with significant aluminum content will incentivize OEMs towards using regionally produced metal. We are thus far from where we were with the old NAFTA.

How do we make this happen so that Canada reaps the full benefits of this agreement? Our recommendations are as follows.

First, to protect free and fair trade between the three countries, we need a shared approach to metal import monitoring in order to ensure that unfairly traded aluminum does not enter the region. While Canada added aluminum products to its import control list as part of a commitment with the United States to prioritize trade monitoring and enforcement, we need Mexico to do the same. Canada, with the United States, must ensure that Mexico adopts an import monitoring system for aluminum imports into its territory as robust as that implemented by Canada on September 1, 2019.

We must maintain our unfettered access to the U.S. market and benefit from the growth in demand in the transport sector without being subject to market erosion stemming from surges in imports of unfairly subsidized Chinese aluminum. A trilateral mechanism should enable industry, alongside governments, to monitor progress toward the joint monitoring of metal and non-market behaviours from third countries.

Next, we must harmonize tariff codes with the United States and Mexico to better track flows and protect the region against unfairly traded aluminum.

Finally, the integrity of our low-carbon and responsibly produced metals must be preserved through traceability as it enters the U.S. market as a CUSMA Canadian origin metal, not to be confused with others. With the help of the Quebec government, industry has been working with modern traceability tools on pilot projects tracing the metal from smelter to border. As we conclude our pilots, the

next step will require the help of the Canadian government to ensure full implementation in a timely fashion.

I would like to conclude with the following, Madam Chair.

● (1710)

[Translation]

After Canada's ratification of CUSMA, the following months will provide an opportunity to further develop the rules for regional content, thereby sending additional signals for the realignment of value chains. We believe that this step remains crucial in order to help the automotive sector achieve the full value of CUSMA for the economy as a whole.

We'll continue to work with the government to ensure that the rules of origin benefit the entire North American value chain, including Canadian primary production, so that our low-carbon footprint aluminum contributes in innovative ways to the transformation of the North American vehicle fleet of the future.

Given the current price environment, our fragile markets and the effects of the rail crisis on our operating costs, we must rely on the financial assistance and co-operation of the Canadian government if we want to fully benefit from this agreement for our employees and communities and for our shareholders.

Thank you.

[English]

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

We'll go on to Mr. Williams from the Canadian Automobile Dealers Association.

[Translation]

Mr. Huw Williams (Director, Public Affairs, Canadian Automobile Dealers Association): Good evening.

[English]

Madam Chair, thank you for having us before the committee. I have to give you a quick shout-out for all of your decades of work on behalf of the auto industry. You've been one of the most approachable members of Parliament in terms of auto issues. I should probably give a shout-out as well to the member from Oshawa, Mr. Carrie, who's been equally accessible on automotive issues over the years. It's a pleasure to be here.

I'm very pleased to be here representing the car dealers association. We have 3,200 members across the country and 160,000 employees. We're the largest employer in the auto sector. Our employees have well-paying, stable careers in every community across Canada. As I look across the ridings that are represented here around the table, I think most of you will know your car dealers, and if you don't, you'll get to know them over the next four years.

I'd like to start off by thanking the Prime Minister. I'd also like to thank the Deputy Prime Minister, Minister Freeland, and really, all MPs of all parties for the non-partisan push to get this trade deal on the table. As we watch the activity coming out of the United States, we see that the auto sector was very much in the targets with the automotive trade tariffs. I think the work done on a non-partisan "team Canada" approach was really quite spectacular. Also, I think the Leader of the Opposition deserves a shout-out for the work he did helping promote the concerns of our sector when we raised the automotive tariffs' impact on communities.

I'm just back from Toronto, where I spent time touring the auto show floor. The Toronto international auto show, for those of you who don't know, is the largest consumer trade show in the country, dealer-owned. Minister Bains made an announcement there, and I had the opportunity to show him around the car show and work with him. Both he and Premier Ford attended the show, Premier Ford for a separate announcement on the project we're doing on jobs and youth skills training. We had conversations with both of them, which I think shows the non-partisan nature of this. They both stressed how this is really a team Canada approach, and that we all have to be behind making sure we have good long-term relations with the U.S. and that we get these elements over the goal line.

The trade deal in itself was hugely important to the auto sector. We're one of the most integrated sectors there is. In our view, if the tariffs that were threatened by the White House had been brought into place, they would have been devastating, and according to the analysis of our economics team led by Mr. Dicko, they would have cost about 120,000 jobs.

It's worth highlighting that the automotive trade between Canada and the U.S. is worth \$150 billion per year. That's more than \$400 million per day. It's important, again, to underline that 80% of Canada's automotive trade and production each year is destined for U.S. consumers, and Canadians each year buy a similarly large proportion of vehicles coming from the States. The seamless traffic of automotive parts—automotive manufacturing—is important not just to the parts-manufacturing sector. It's critical for dealers and consumers in this country.

We reached out to our counterparts, the National Automobile Dealers Association, during these negotiations. We made sure we talked to them directly to get them on the same page about delivering a unified message in Canada and the United States that auto tariffs are bad for consumers, bad for the economies and certainly bad for car dealers, and that we needed automotive free trade. I think it's tremendously important that every association that deals with their U.S. counterparts delivers that message on both sides of the border to put Canada first.

I'm going to turn to a little bit more negative commentary now with respect to things that we should spend some time being concerned about. The agreement is a terrific first step, but we sit on what's known as the Canadian Automotive Partnership Council, which is a committee of industry and government put together. Minister Bains is a key player in that, along with his Ontario counterpart, Minister Fedeli. This body was formed to help increase investment in Canada and for Canada to get a better share of automotive investment. The bad news for Canada is that we've been getting only 7% of automotive investment since 2009. That's clearly not sustainable from the point of view of maintaining a competitive footprint here. We need both federal and provincial governments to really help reduce the cost structure to get these investments and build a strong base across Canada, which is pivotal to the economy. It's good for the economy, obviously, but it's good for dealers and it's good for the whole supply chain and for consumers ultimately.

• (1715)

I'd also like to spend a couple of minutes talking about another potential trade irritant that's on the horizon. Members will know about the proposed luxury tax on automobiles over \$100,000. It's poised to affect about 1% to 1.5% of automobiles. We've negotiated one free trade agreement and we've negotiated another free trade agreement with the Europeans. This particular proposed tax has the potential to disrupt trade with the Europeans. Ninety per cent of the vehicles targeted by this are from European destinations, and it really contradicts the spirit of free trade with those countries. This really isn't a theoretical example. Australia and the European Union are struggling over this very point of a special tax imposed in Australia.

I would also point out that the biggest problem with these taxes is that they don't work. The U.S. tried a luxury tax whereby they imposed a luxury tax on vehicles over \$100,000, on boats, planes and automobiles, and it had to be repealed by the Clinton administration in the nineties because people either buy around it or hold off on their purchases or make different purchases, so it doesn't raise revenue. In Canada we have the perfect example, which I'm sure Mr. Dicko would be glad to answer questions about. The provincial luxury tax in British Columbia has added another 20% on top of the purchase price of vehicles. We've seen a sharp decline in luxury sales in that province because people just hold off, don't buy or buy elsewhere. We've also seen job losses reported in that province. We're on a downtrend in terms of overall sales in the car industry, so it's just not the time to make that happen.

In conclusion, I would like to say thank you again to this committee for having us in. My appreciation goes to the last Parliament, and of course this Parliament, for all the hard work in getting this deal in what was a very difficult circumstance.

Thank you, Madam Chair.

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

We'll move on to Ms. King from the Canadian Chamber of Commerce.

● (1720)

Ms. Jackie King (Chief Operating Officer, Canadian Chamber of Commerce): Madam Chair, thank you for the invitation to appear before the committee today regarding the CUSMA implementing legislation. Given the critical importance of this agreement for Canadian businesses, I'm really delighted to be here. I'm joined by my colleague Mark Agnew, who leads our international trade work.

The members of the committee will certainly be familiar with local chambers of commerce in their communities. At the national level, the Canadian Chamber of Commerce represents over 200,000 businesses in all sectors and all regions of the country. Our membership encompasses not only chambers of commerce but also sectoral associations and companies, including everything from small to large multinational organizations.

The Canadian Chamber of Commerce was actively engaged throughout the CUSMA negotiations. We attended the negotiating rounds and mobilized our network of chambers, associations and companies through our "keep trade free" coalition. We also work closely with our counterpart business associations in the United States and Mexico.

With respect to the legislation currently before the committee, this trade agreement and its associated implementing legislation are critical for the Canadian economy. North America is, and will remain, our most important trade and investment partner. Businesses across the country have suffered from significant disruptive uncertainty since President Trump came to office. Although the CUSMA is not a panacea for the erratic trade policies emanating from the White House, it is crucial that we turn the page and lock in the new arrangement to provide certainty for our Canadian companies.

It's in that spirit that we urge the expeditious passage of Bill C-4. Every trade agreement involves trade-offs, and no agreement is perfect. However, our trade negotiators did an extremely commendable job with their efforts, during a very difficult set of circumstances, to deliver the agreement that is now before Parliament for consideration.

Now I'll highlight some of the particular benefits of CUSMA, from our perspective.

Foremost is maintaining the original NAFTA's benefits with respect to tariff-free market access for goods, given the volume of cross-border trade. The importance of the certainty this provides has been underscored by media reports earlier this month, stating that the U.S. is considering raising its WTO bound tariff rates.

CUSMA's goods market access has been complemented by customs and trade facilitation provisions to help ensure that products can move more easily across borders.

Shifting to the services sector, the retention of the labour mobility provisions from the original NAFTA will help to ensure that companies are able to attract the best talent. While we certainly had hoped to expand the list of covered sectors, enhanced labour mobility under the U.S. administration was realistically a bridge too far.

We also welcome the inclusion of digital trade provisions, which will help play a key role in setting global standards on issues such as cross-border data flows. More specifically, these types of provisions are helping to shape the ongoing WTO e-commerce negotiations.

Crucially, CUSMA preserves the NAFTA's dispute settlement provisions for anti-dumping and countervailing duty cases, and strengthens the panel process for state-to-state disputes.

Last, the side letters on section 232 measures provide a degree of protection for Canadian exporters. However, we cannot afford to be complacent under either this or a future U.S. administration.

As I noted a moment ago, the chamber gives its full endorsement to the passage of Bill C-4, and Canada completing its CUSMA ratification process in a timely manner. However, the clear message is that we do not want to see this process as the end of the road when it comes to ensuring Canadian businesses remain competitive while attempting to access opportunities in the North American market.

A perennial concern for us is buy America provisions at the federal and state levels, which attaches conditions to require the use of American-manufactured products. This considerably limits the ability of Canadian firms to participate in many U.S. infrastructure projects, and more specifically, the ability of Canadian companies to use their Canadian-based operations to participate in those contracts. The prevalence of buy America provisions risks creating incentives for companies to move manufacturing jobs to the United States. Unlike NAFTA, CUSMA does not cover U.S.-Canada procurement, and there is a risk—we understand from the media reporting—that the Trump administration may withdraw the United States from the WTO GPA.

● (1725)

Another concern is softwood lumber. Canada's softwood lumber industry remains in a challenging period due to a range of factors including market access and issues with the U.S. The government should continue its efforts to reach a resolution in the softwood lumber dispute in collaboration with our exporting companies.

Finally, regulatory barriers and border frictions continue to create problems for Canadian companies seeking access to the U.S. With the CUSMA negotiations now concluded it is important for the government to ensure the regulatory co-operation council works in partnership with industry-led initiatives such as the Beyond Pre-clearance Coalition. These types of initiatives may not provide a photo opportunity but they are absolutely critical for companies that move goods across the border.

While these three issues are not ones that we expect to be resolved in CUSMA negotiations, they are crucial to our members and should be priorities for the government now that the CUSMA negotiations are concluded. However, as I mentioned at the outset, we urge the committee to move ahead with its study as expeditiously as possible so that we can complete our domestic ratification procedures and refocus our energy on these outstanding issues.

Thank you, once again, for the opportunity to appear before this committee.

I look forward to your questions.

The Chair: Thank you very much, Ms. King.

We'll move on to the Canadian Steel Producers Association with Ms. Cobden.

Ms. Catherine Cobden (President, Canadian Steel Producers Association): Thank you, Madam Chair and members of the committee.

Thank you very much for the opportunity to be here today. My name is Catherine Cobden. I'm the president of the Canadian Steel Producers Association and it's my honour to share the perspectives of our members on Bill C-4, an act to implement the agreement between Canada, the United States and Mexico.

I'm here today representing member companies, which produce approximately 15 million tonnes of steel pipe and tubular products annually and support 123,000 direct and indirect jobs in five provinces, from Saskatchewan through to Quebec.

Canada's steel sector plays a strategically important role in the North American economy. We are advanced manufacturers of 100% recyclable and enduring product. We are a critical supplier to other key Canadian and North American sectors, including the automotive, energy and construction sectors and many other general manufacturing applications. We're also a sector that knows firsthand how critical it is for our business success to have strong and productive relationships between Canada and the United States and Mexico.

We operate in a highly integrated marketplace with steel moving back and forth across the Canada, U.S. and Mexico borders as it is transformed into additional products. In this capacity, we thank you all for this agreement and we welcome it wholly. We urge all members of the House of Commons and the Senate to support this bill and ratify it without delay. We see immediate advantages of the new agreement that strengthen NAFTA in several important ways both for our country and certainly for our steel sector. The agreement also creates more certainty in our markets, a much needed and necessary condition for driving increased investment.

Now let me step you through some of the key advantages for steel that we see in this new agreement.

First, the automotive rules of origin incentivize the use of Canadian and North American steel. This means that more North American steel will be used over foreign, non-North American steel. It sounds obvious but it deserves to be said. The new requirement for a 70% North American steel content is a significant gain for the North American steel sector. NAFTA did not have any such provision, so that's a significant development.

Today the North American automotive sector is a valued customer for our technically advanced and high-quality steel, with approximately 25% to 30% of all Canadian steel supplying this sector. That equates to about three million to four million tonnes annually. This is an extremely important development for us and for our steel industry colleagues in the U.S. and Mexico. Indeed, we were quite engaged working together on this and other aspects of this agreement.

Furthermore, the increased North American value content requirements for vehicles and vehicle parts are also important and improve the original NAFTA agreement significantly. As Jean has already mentioned, in some cases it has moved the content requirement from 62% to roughly 75%, which is a tremendous increase.

In the case of steel, we also welcome additional definitions coming into effect in seven years' time that strengthen the rules of origin by ensuring North American sourcing. This is important for our sector. We face severe global overcapacity. It's severe. The OECD estimates that approximately 440 million tonnes of excess capacity exists globally. This excess capacity equates to about 30 times the entire Canadian production. That's steel out there that's looking for a home, that's trying to cross both the Canadian and the North American borders.

Beyond the rules of origin, I want to point out that the new agreement also improves market access for Canadian steel and allows the use of effective trade remedies against unfairly traded imports. That overcapacity, which I mentioned, often results in unfair and injurious trade practices.

The new agreement contains important provisions that will promote increased co-operation and information sharing between North American governments to address circumvention and the evasion of trade remedy orders. This is critical for us. This increased co-operation is essential for the North American steel marketplace because we face a relentless flow of unfairly traded goods due to the global overcapacity I mentioned.

• (1730)

I remind the committee that last May we celebrated the establishment of the Canada-U.S. understanding on trade that resulted in the lifting of the very damaging tariffs on Canadian steel. This did not come easily to our nation, but it came as we worked as one against the difficult tariff situation. For us, CUSMA takes us further along the path of working with our North American trading partners on what we refer to as the principle of a North American perimeter to trade that strengthens the competitiveness of the North American region, that addresses global steel overcapacity and that aims to deal more readily with unfairly traded steel imports.

Madam Chair, please let me end with a call to all, once again, to come together as team Canada, as you have deftly done in the past, and get this deal done as quickly as possible, with my thanks.

I'm happy to take questions.

The Chair: Thank you very much, Ms. Cobden.

We'll go on to Mr. Lewis.

Mr. Chris Lewis (Essex, CPC): Thank you, Madam Chair.

Thank you very much to the panel, the witnesses, for coming here this evening. We certainly appreciate it. All the input we can get will help us to get this moved along in a very timely manner. I know our side certainly wants to get it ratified.

The first question I have I did bring up earlier, but I really think it's important to ask both Mr. Williams and Ms. King. It's with regard to CUSMA, specifically with regard to the implementation side of CUSMA. I too was at the Toronto auto show last week, which was quite amazing, to say the least. I went there on behalf of my riding, of course, but also in my capacity as chair of our auto caucus committee. Of course, my riding is a place called Essex, which is right next to Windsor, so I have a lot of reasons to have a very keen interest in that.

My question again is specifically to both of you, please. I'm hearing from industry representatives that while they support ratification, there are concerns about the implementation, particularly the very short 90-day transition period between ratification and implementation. Can you briefly explain, first, the changes for your sector under the new NAFTA and, second, any concerns your sector has about the implementation issues on day one?

Mr. Huw Williams: Ladies first, Catherine.

Ms. Catherine Cobden: Are you calling on me? I didn't think it was for me.

Mr. Chris Lewis: No, I was asking Ms. King, please.

Ms. Jackie King: Mark, maybe I'll turn it over to you. You've been dealing with that quite closely.

Mr. Mark Agnew (Director, International Policy, Canadian Chamber of Commerce): Certainly what we've heard from our members is that it's a very tight time frame. I don't think anyone would dispute that it's something they're quite mindful of. Certainly, to take the overlay of the NAFTA changes plus CBSA having a number of programs it's implementing on the IT side from a user interface perspective, I think companies are quite mindful of navigating through that.

The rules of origin changes, I think, are probably the most totemic that companies are thinking about, both from the OEM perspective and of course we have the steel producers and aluminum producers as well and how they fit into that equation, too.

Last, there are some issues around the customs and trade facilitation provisions. The de minimis threshold will be increasing as part of the CUSMA. Of course, we're going to be now moving to a bifurcated scheme, where the de minimis levels for both the sales tax side and the tariffs side will now be split, whereas before they had been harmonized at the same level.

• (1735)

Mr. Chris Lewis: Thank you.

Mr. Williams.

Mr. Huw Williams: I'll take a slightly different tack at that. I think that for the car dealers the most important thing was that, as soon as the White House came up with the threat of 25% auto tariffs, I mean, that was "carmageddon", potentially, for car dealers. Literally the impact of that would have been catastrophic on both sides of the border. It was a threat that we took very seriously.

Having the deal in place and getting rid of the potential side tariffs in the automotive side letter was a huge part of that in terms of relief. That took the pressure off.

It's now over to the OEMs to work those details out with steel producers and aluminum producers. We know, just from conversations with them, that those efforts are ongoing, but that's not really in our sector.

Mr. Chris Lewis: Thank you.

Do I have time for one more question, Madam Chair, or am I out?

The Chair: Yes, you have two minutes.

Mr. Chris Lewis: Thank you very much.

This question is for Monsieur Simard. If I understood, I believe that your association is in support of CUSMA.

Because you have indicated that you support this deal, I guess one troubling aspect of this deal is that aluminum was not offered the same provision as steel, as you well know. That is the provision that, in order for it to be North American, the steel would have to be smelted and poured in one of three North American signatures. Mexico has no smelting capacity for aluminum. We've been told that, without this provision, imported aluminum that is unfairly subsidized and/or sold at bargain prices from countries like China may be dumped into the Canadian market.

Can you explain your support and what your association intends to do to ensure that this sector receives the support it needs from the Canadian government to ensure that you are not competing at a disadvantage?

Mr. Jean Simard: We have expressed our disappointment to that effect. We think we have to build from here on the basis provided by the USMCA global agreement and its protocol. We are asking the Canadian government to ensure, first of all, that Mexico sets in place a robust import control monitoring system, as Canada has provided as of September 1 of last year. Basically of the three countries that have agreed in their May 17 joint statement with the United States to set up such a monitoring system, only Canada has delivered the goods. I certainly salute Madam Freeland under her former responsibility and her department, which was able to come up with such a system within two months prior to the election.

Canada is the only country right now that has a system like this. We have asked the Canadian government to export that expertise to the U.S. and Mexico. We understand that in the budget announced by the White House a few days ago, somewhere hidden in the thousands and thousands of pages, is a line item to provide funding for setting up such a system within the commerce department. The U.S. is engaged with Canada to get Mexico to follow suit. That's one part of the equation.

The other part of the equation is the need to have a joint approach to monitoring the transit of metal. When you look at CUSMA, you look at a trading space where Canada is the only significant primary metal producer. The U.S. is the big market, not only for North America but for the whole world. Everybody is shipping to the U.S. because it's the highest net back. It's the highest price paid for aluminum in the world. The pressure is very strong to access this market, and as much as possible, to access it through either Canada or Mexico, which are duty free.

Mexico is the easy way in. Why? Because they're a buyer. They buy scrap from the U.S. and they buy billet from whatever the world wants to offer at the lowest price possible. They have been known—and it is documented—to let metal come in that has been rejected in the U.S., such as wheels most likely, that have been under a section 301 measure in the U.S. The same wheels have found their way into the continent through Mexico. We're talking about big numbers here.

We want administrations to ensure that no illegally traded metal finds its way in. We don't mind about competition on a level playing field. We do mind about illegal competition.

• (1740)

Mr. Chris Lewis: Thank you very much for that long two minutes.

The Chair: It was because I thought the information was critically important, I let you go on.

Mr. Lauzon.

[*Translation*]

Mr. Stéphane Lauzon: Thank you, Madam Chair.

I was very pleased to hear Mr. Simard talk about the quality of the steel, but my question is more for you, Mr. Williams.

In the design of your vehicles, you must comply with fairly strict standards and rules. I come from the aluminum and steel industry. In its plans and specifications, this sector must meet quality standards. Do you focus on quality?

China will be dumping aluminum, and we often hear that it may be of poor quality. What quality standards do you need to meet in aluminum production?

[*English*]

Mr. Huw Williams: I appreciate the question. I'll let Mr. Dicko respond in French in just a second.

As a global commentary, the responsibility of ensuring the quality of the vehicles and the quality of the aluminum falls on the manufacturers. We represent the dealers in your riding. As franchise members, a lot of people don't understand that the individual dealers in each community buy the vehicles from the factories. They have the full range of responsibility for making sure those products meet the level of quality for international trade agreements or for safety or anything along those lines.

[*Translation*]

Mr. Oumar Dicko (Chief Economist, Canadian Automobile Dealers Association): Thank you for the question.

We care about the quality of the products used in what we sell. As Mr. Williams just said, the manufacturers must ensure that the steel and aluminum products that they use comply with the standards, in order to provide good quality products on the Canadian market.

Mr. Stéphane Lauzon: You can respond as well, Mr. Simard.

Mr. Jean Simard: Thank you.

Suppliers that sell aluminum to automakers must obtain certification for their product. If they stop delivering their product because of a labour dispute, as has already been the case, and they're unable to serve their customers for a year, they must obtain certification again. This cycle takes time, and it takes several months for them to be able to keep up with orders. It's very demanding.

Mr. Stéphane Lauzon: Mr. Simard, do you agree that the aluminum produced by Quebec or Canada is of high quality and is well-known in the automotive industry?

This constitutes an opening of the market to continue negotiations and move forward. You spoke earlier about something significant. We haven't built a plant in several years because of globalization and construction costs. Those are the two main reasons that you provided. You gave better explanations than I did, but that's the gist of it.

Don't you think that the signature of the new agreements could provide better outlets and foster the development of the aluminum industry in Quebec and Canada?

Mr. Jean Simard: The decisions to invest in projects that cost millions of dollars are based on basic market factors, some of which I listed earlier. There's the price signal and the cost curve in relation to the competition.

As long as the price of metal in the market hasn't fallen...The current price is between \$1,600 and \$1,700 per tonne. At \$1,700 per tonne, about 10% of the global capacity is in the red, and at \$1,600, that figure is 40%. No one will invest a single dime in projects, except in China, where they're giving out subsidies like candy to increase capacity and production.

Mr. Stéphane Lauzon: You gave a good explanation of the Chinese market. However, here in Canada, nothing in the agreement has prevented us or will prevent us from building plants. It has nothing to do with that.

Mr. Jean Simard: Absolutely.

Mr. Stéphane Lauzon: Okay.

I have a question for Ms. Cobden.

Steel companies have made large investments. How can the industry ensure that employees benefit financially from the investments? The jobs are fairly high paying positions. How can these agreements provide better conditions for our workers?

• (1745)

[English]

Ms. Catherine Cobden: As I've mapped out, the agreement does a number of things that drive demand, which is fantastic in terms of North American steel, not just Canadian steel. The agreement also does another thing. We were just talking about investments and the point I wanted to add into the conversation was that the agreement adds a level of certainty that we haven't seen in a while. Certainly in the steel and aluminum tariffs' situation, you understand the challenges we face around certainty.

The agreement really moves us forward in terms of having certainty, which then drives investments, which then drives growth, which then supports the ongoing, strong middle-class jobs that we create in the steel industry in this country. Everything builds off the others. Certainly at the time of the tariffs we were losing investments like crazy, and that's where the support of the government was so critical to maintain that, probably not sufficiently, but we did the best we could to maintain a certain level of movement forward. Some of those investments translated to great production increases. Some of the quality issues you mentioned, etc. Now this agreement takes us forward, especially in terms of the items I've identified and the business certainty that it creates. From my perspective I think that's the most important thing it does.

I hope that addresses your question.

Mr. Stéphane Lauzon: That's good.

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

Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

I want to thank the witnesses for joining us.

Your points of view are valuable.

I have a hypothetical question for Mr. Simard. Would it have been good to obtain, under CUSMA, the same protection for both aluminum and steel?

Mr. Jean Simard: Certainly.

Mr. Simon-Pierre Savard-Tremblay: In concrete terms, what would have been the differences?

Mr. Jean Simard: CUSMA, as we understand it, ensures that the 70% regional aluminum rate applies in two cases. In the first case, the rate applies when an automaker purchases its metal outright or purchases the metal for a processor that uses the metal for the automaker. In the second case, the rate applies when the automaker ensures that 70% of car parts were manufactured in the region.

In other words, either the automotive producer purchases its materials outright, which isn't the way that the market works, or the producer makes sure, through its suppliers, that the parts were manufactured here. We're talking about the manufacturing of the parts, not the manufacturing of the aluminum. It's not the same thing.

Mr. Simon-Pierre Savard-Tremblay: There's a difference between parts and molten aluminum, cast aluminum, and so on.

Mr. Jean Simard: Yes.

Mr. Simon-Pierre Savard-Tremblay: Nevertheless, you proposed some solutions to handle the current provision, which doesn't resolve the issue of possible dumping by way of Mexico.

Mr. Jean Simard: Yes. The dumping issue can be handled differently. It can be handled through the measures that I listed. When it comes to capturing value creation in the automotive ecosystem so that aluminum, the Canadian primary product, is used to keep pace with market growth, that's another issue. That's another situation.

The successive requirements for the regional content, the main parts, and so on, may help us carve out our place over time. It will be more difficult and more demanding than if there had been a definition.

• (1750)

Mr. Simon-Pierre Savard-Tremblay: Your proposals include the creation of some type of monitoring body that would establish the source of the aluminum.

Can you elaborate on this?

Mr. Jean Simard: In our view, the first step is to ensure that Mexico implements a system. The systems must be able to communicate with each other. If the three systems can't interact, it won't make sense. We won't be able to—

Mr. Simon-Pierre Savard-Tremblay: The definitions would be different.

Mr. Jean Simard: Exactly. This requires the alignment of the tariff codes. A product that crosses the border, if it isn't processed, must have the same tariff code when it enters and leaves the country. First, the three countries must have the chance to review the progress of the systems' implementation. This can't be done overnight. Second, we must ensure that the systems are interoperable. Third, we must be able to discuss the infamous transshipments of illegal products.

We're currently reacting to crisis situations. We decide whether to talk about these situations. We read about them in the newspapers. When we find out, it's too late. We're faced with a done deal. We therefore recommend the establishment of a type of trilateral committee consisting of people who come from each country and who work in international trade, along with industry representatives. The goal would be to provide regular updates on the situation in conjunction with the agreement.

Mr. Simon-Pierre Savard-Tremblay: You said that, with this in mind, the three countries have already been holding discussions.

Mr. Jean Simard: We know that the Canadian government, through Ms. Freeland, was in contact with Mr. Lighthizer and his Mexican counterpart. Our peers in the American association are saying the same things as the American administration. At some level, discussions are taking place, and we share the same vision.

This is encouraging for us. However, we'll certainly continue to work and push to move things forward. With the Government of Canada, we're part of a working group that was established two years ago. We've just held a fifth meeting with these people. This gives us the chance to catch up with the unions and the government representatives.

Mr. Simon-Pierre Savard-Tremblay: As things stand, these measures would be essential and fundamental.

Mr. Jean Simard: Yes, absolutely.

Mr. Simon-Pierre Savard-Tremblay: Without these compensation measures, if we can call them that, CUSMA could be harmful. For example, we heard from representatives of the United Steelworkers earlier, and a few weeks ago, we met with people from the Alma region. If we failed to implement measures, wouldn't these concerns be well founded?

Mr. Jean Simard: I won't make any connection with the concerns. I'll simply say that, in any event, in the May 17 agreement to remove tariffs, the three countries committed to implementing a system. That's where we started. Once Canada had implemented its system, we wondered about the next steps. If we can proceed with those steps, we'll be able to close a major gap.

Mr. Simon-Pierre Savard-Tremblay: When we know, for example—

[*English*]

The Chair: Thank you very much.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you.

I partially want to pick up on a similar theme to try to get a better understanding.

I know you've shared some of this already today, so I may be asking you to repeat yourself somewhat. What I hear is that you're identifying two separate issues. There's the issue of the dumping of Chinese aluminum through Mexico into the North American market. Beyond that, there's the question of how you secure more Canadian primary production within that 70% content and the different measures that would be required in order to effect those different things.

I'm wondering if you can spell out a little more of what you think needs to be done on the anti-dumping side and if that's primarily through the vehicle of this agreement or through the agreement that was arrived at for the end of section 232 tariffs.

After that, I'm curious to hear a bit more about what we could be doing unilaterally, as it were—if there is anything within Canada—to ensure that a larger percentage of that 70% content requirement for aluminum is filled with Canadian primary production, and not just the melting and pouring but the smelting as well.

• (1755)

Mr. Jean Simard: Thank you.

First, on the anti-dumping, basically we have to look at what happens in the market that we want to address. What we see is metal flowing into Mexico more and more in the shape of finished products such as cans and wheels coming from China, and then a substituting of those same pieces and parts in the Mexican market and pushing the equivalent from Mexico out into the U.S.

In March 2019, there was a section 301 tariff against Chinese wheels in the U.S. A month later, Chinese wheel imports into Mexico increased by 260%, all the way up to July. In the same period, Mexican exports of “Mexican” wheels increased by 240% for the same period. If you connect the dots, it's either a case where Chinese wheels coming in are taking the place of Mexican wheels in the Mexican market and enabling Mexican producers to ship into the U.S., which breaks the market—

Mr. Daniel Blaikie: Am I to take from this that there is an adequate system in place to be able to measure what's coming in and in what quantities?

Mr. Jean Simard: Yes, absolutely.

It's vigilance through visibility and the right safeguard measures to address these situations. It plays to our detriment because we provide downstream clients with the metals to make the wheels in the U.S. This is harming us in our market of exports because it's displacing, eroding, our market share. This is why it's important to us. That's for the anti-dumping, if it answers the question. On the—

Mr. Daniel Blaikie: Sorry, but just to expand on that, in the event that we're able to see a correlation like this, where suddenly there's a particular type of product made out of aluminum coming in from China to Mexico and there's a corresponding availability of product for export out of Mexico, what does a remedy look like in that case? Does this trade agreement provide any remedy?

Mr. Jean Simard: No.

Mr. Daniel Blaikie: Where do we look to for a remedy?

Mr. Jean Simard: The remedy is always in the hands of the country of import. In this case, the first phase is in the hands of Mexico when the Chinese stuff knocks on the door, and the second phase is in the hands of the U.S., when the wheels come into the U.S. They have to be able to control with tariff codes. They have to see the stuff coming in. If they see the stuff coming into Mexico before it shows up or its equivalent shows up on their side of the border, they can pre-empt it. The pre-empting could be done through the joint monitoring approach by the three countries.

Mr. Daniel Blaikie: Thank you.

On the content requirement and ensuring that we have...?

Mr. Jean Simard: This is a more delicate one, because we're going to have to work with industry, the car industry and with our government. We're going to have to work with U.S. industry to ensure that there's a growing use of primary metal that is smelted and poured in the region, for parts manufacturers also. Is it a branding campaign by Canada? That's part of it. Is it also defining in further detail what those rules of origin will mean in the coming months? One of the aspects of those negotiations is that, in the coming months, the industry and governments will sit down and share their respective interpretations of what was arrived at as a deal.

We have to find ways to use these coming months to work with the devil that's in the details to make sure that it speaks on our behalf. I don't have any solution today, but we're looking at it.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, Mr. Blaikie.

Mr. Carrie.

• (1800)

Mr. Colin Carrie: Thank you very much, Madam Chair.

I want to thank the witnesses for appearing here today. I particularly want to thank the Canadian Automobile Dealers Association for bringing an economist here, because since December 14, we've been asking the minister to provide some economic impact studies. She's been very unco-operative. I think today everybody saw that we had to pass a motion. Hopefully we will get some of that information, because nobody believes that the minister and the Prime Minister would sign on to an agreement of this magnitude without having some type of advice and economic impact studies in front of them.

Mr. Dicko, I'm going to put you on the spot, and I hope you can give us a little information. We heard about the rules of origin. I believe that currently it's 62.5%, and for some of it, that may be going up to 75%. Coming from Oshawa, where we used to build cars but we are going to be building parts and doing some type of manufacturing, I think people see this as a good thing for the short term. In other words, we're going to be able to move some of that manufacturing—or keep some of it—here.

I was wondering if you guys have done any analysis of the short term versus the long term. I've read some analysis that says that because of these new rules of origin, there's going to be increased red tape here, and that's actually going to increase the cost of building products here in North America. We all know there's that tipping point, at which manufacturers, instead of building cars here, just

say, “You know what? Forget it. There's too much paperwork and too much for us to be competitive. We may just build that car offshore, pay the tariff and bring it in.”

That's my first question, whether you have done any analysis on the short term and long term.

Also, we heard about the labour part of this agreement, such that these products had to be produced in factories paying at least \$16 an hour. I believe the idea was to push some of the manufacturing from Mexico north. I can see that happening. However, is there anything in this agreement that would favour a manufacturer investing in Canada rather than in the United States? Mr. Williams was quite correct with his work on the Canadian Automotive Partnership Council, which said that we're getting only about 7% of new investment. Is there anything in this agreement that would actually say to Ford, GM and Chrysler, “I want to make that investment in Canada versus in the United States”?

That's quite a bit to go through, so could you just do your best to answer that?

Mr. Huw Williams: I'm going to save the economist by just giving one quick answer to Mr. Carrie off the top, to give him time to do his math.

One of the things you really highlighted there, which you picked up from my presentation, was the 7% going to Canada. Committee members will know that investment numbers mirror the production value over time. As we have greater investment, obviously, we have greater production. It's very troubling when investment numbers start to decrease because that starts to affect the long-term future of production.

The most important thing to underscore in terms of your question is that in Canada we have to make a decision. Are we trying to attract investment? Are we being very aggressive about it, or are we going through the motions?

I sat through CAPC meetings with various ministers. This was an initiative started by Minister Flaherty, when he was in Ontario, and Minister Rock when he was Minister of Industry, in a joint production, and I just think that we have to get serious as a country, because the stories like those of Oshawa and elsewhere just aren't good for the economy. We have to make sure that we have a better competitive offering.

Over to you, Mr. Dicko. Good luck.

Voices: Oh, oh!

Mr. Oumar Dicko: The rules of origin will gradually increase the content of these products that are made in North America, to 2023, to 75% in some instances. What that will do is more products and more parts of these vehicles that are manufactured in North America will be made here, so that would have a direct increase on the production in North America, in the short term.

In the long term, what's going to happen is that they will have a trade-off between producing in Canada or in North America versus producing offshore and shipping back to Canada. I think the manufacturers at that point would have to make the decision whether or not it's cheaper or more convenient to produce here in North America because of the rules of origin versus producing offshore and shipping into Canada. That trade-off would have to happen. We haven't done a specific economic impact study on that, but in the short term, certainly, we'll see production increase in Canada. In the long term, the manufacturers will look at the trade-off between producing offshore and shipping to Canada or producing here.

• (1805)

Mr. Colin Carrie: The second part of my question was whether there was anything in the agreement that would favour Canada—

The Chair: Mr. Carrie, I'm sorry.

Mr. Colin Carrie: I'm out of time, am I?

The Chair: Yes, I'm sorry. If it was really short, you could have tossed that in there.

Mr. Arya.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

My first question is for Mr. Simard. When was the last time we had an increase in installed capacity in the aluminum sector? If my memory serves me right, that was 15 years back.

Mr. Jean Simard: The significant one was the Alouette phase two, which—

Mr. Chandra Arya: Right now, the Canadian installed capacity is about 2.9 million tonnes. Is that correct?

Mr. Jean Simard: No. It's 3.2 million tonnes of production, so installed capacity is probably 3.5 million tonnes because we're at 93% utilization.

Mr. Chandra Arya: That's fine.

How much of an increase have we seen in the installed capacity in the last 15 or 20 years?

Mr. Jean Simard: Between 1990 and 2000....

Mr. Chandra Arya: Basically, Mr. Simard, the point I'm trying to make is that—

Mr. Jean Simard: Hold on.

Mr. Chandra Arya: That's okay. I have very few minutes, so—

Mr. Jean Simard: We doubled capacity over a 20-year period starting in 1990.

Mr. Chandra Arya: From 1990 to 2020, it's 30 years we are talking about, but during the last five or 10 years the aluminum capacity has increased worldwide, but not in Canada. There was a time when we were third. I think now we are number four. The entire aluminum industry in Canada is dependent on the North American market. We are talking about export diversification, but that is not coming from the aluminum industry at all.

Ms. Cobden, you said that this agreement strengthens and increases investment, which were the words you mentioned, but 20 years back, the production was around 16 million tonnes and now it is 15 million tonnes.

Ms. Catherine Cobden: Yes, it's been dropping.

Mr. Chandra Arya: What has been the increased installed capacity during the last 15 years?

Ms. Catherine Cobden: I don't know the answer to that, but I actually doubt that it has increased.

Mr. Chandra Arya: The point is that we have a captured market due to NAFTA, now with this new NAFTA. Aluminum and steel producers are basically depending on this market, but I don't think you are going to export anywhere else in the world.

Ms. Catherine Cobden: Correct.

Mr. Chandra Arya: Ms. King, we talked about that since Trump came in, it is affecting trade, but in 2012, our exports were \$324 billion. Now in 2018-19, it was \$319 billion. There's a small reduction, but basically there are no major exports in North America. Here we are with steel producers and aluminum producers basically dependent on one single market, whereas we are going ahead and signing agreements with the European Union and the CPTPP with Asia-Pacific countries, but if we continue to be dependent on this North American market alone, where do you see that the increase in exports, the increase in trade, is going to come from?

Ms. Jackie King: Specifically for the North American market?

Mr. Chandra Arya: No.

Okay, start with the North American market. Where do you see it going? Can we ever see it going from \$319 billion to over \$400 billion?

Ms. Jackie King: I'm sorry. Can you repeat that last part?

Mr. Chandra Arya: Can you ever see the trade going from the current \$320 billion to, say, about \$350 billion?

Ms. Jackie King: Yes, in the long term, certainly, but....

Mr. Chandra Arya: We are talking about 10 years where there has been no change.

Ms. Cobden, when you say "increased investment", do you foresee, with this new agreement, any increase in installed capacity in Canada in the steel industry?

Ms. Catherine Cobden: What I was talking about was really the issue of certainty.

The most important aspect—

Mr. Chandra Arya: No, no. My question is—

Ms. Catherine Cobden: Yes, I know what—

Mr. Chandra Arya: —do you foresee any increase in installed capacity in Canada?

Ms. Catherine Cobden: What I know is that the U.S. market will continue to be critical for us, and this agreement helps to ensure that we can serve it. Whether there will be—

Mr. Chandra Arya: Basically, the steel industry in Canada is over 90% foreign-owned. Is that correct?

Ms. Catherine Cobden: What is 90%?

Mr. Chandra Arya: It's 90% foreign-owned. The ownership of the Canadian steel industry—

• (1810)

Ms. Catherine Cobden: I'm not sure that would hold today, because we have had some changes in the ownership structure of the Canadian steel industry, which you may be familiar with.

Mr. Chandra Arya: But do you foresee the Canadian steel industry going outside of North American markets with exports?

Ms. Catherine Cobden: No, I really do believe that North America is our marketplace. That's how it shows up, that's how it's always showed up and that's why this agreement is really important to us.

Mr. Chandra Arya: Can you go beyond the North American market?

Ms. Catherine Cobden: You have to appreciate that we produce a very heavy product, for one thing, and we're in the context of global overcapacity. I tried to describe that to you earlier. I think that our interests—and that's what served us so well in this agreement—are in the North American marketplace.

Mr. Chandra Arya: Mr. Simard, once again coming back to aluminum production, do you see the Canadian aluminum industry ever exporting outside of the North American market?

Mr. Jean Simard: If I may take the time to answer, the highest-paying market in the world is the U.S. The U.S. consumes six million tonnes a year and produces 900,000 tonnes a year. We are part of a fully integrated continental value chain. There's no reason to go to other markets that offer a lower net back. It goes against business sense.

Mr. Chandra Arya: There is no increased capacity—

Mr. Jean Simard: Excuse me. Can I finish?

The Chair: Let the witness finish, because your time is up.

Mr. Jean Simard: We're exporting to the European market when the market is there. We're exporting to Asia when the market is there. Aluminum is like water. It follows the path of least resistance to reach the highest paying market, period.

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

We will move on to Mr. Kram.

Mr. Michael Kram: Thank you very much to all of the witnesses for being here today.

My question is for Mr. Dicko and Mr. Williams.

We've talked a lot about a level playing field in the North American marketplace, but of course, Canada, the United States and Mexico are different. We have different labour costs. We have different electricity costs. We have different—you name it.

With respect to the auto sector, is there anything in the new NAFTA agreement that would favour long-term investment in the Canadian auto sector as compared to the United States and Mexico?

Mr. Huw Williams: If you look at the model that Mr. Dicko was referring to, the idea is to grow the North American pie. I'm not aware of any specific provision that would drive capacity into the Canadian marketplace versus other jurisdictions. In fact, if you look back at the last 18 investments made by international manufacturers, I think 10 of them went to Mexico and six of them went to the southern United States. It's a really competitive process and a competitive problem for Canada that we're not getting that level of investment.

Mr. Oumar Dicko: I think we should use that opportunity, when we sign this free trade agreement, to create the kind of environment that's good for businesses and good for investment in Canada, to attract these investments. Instead of these investments going to Mexico or to the United States, they come to Canada.

Mr. Huw Williams: Just along that line, again, around the CAPC table, which, in addition to the ministers, has the CEOs of the five companies that manufacture in Canada and the parts makers, there's a consistent trend in how difficult it is when those CEOs are trying to sell Canada as a proposition. Governments have tried to make it one-stop shopping and tried to make it more competitive, but I just think we need a renewed emphasis on this.

The former CEO of our organization was a president of an OEM before coming over. He tells stories of trying to sell the Canadian proposition to Germany and how different that experience was for his American counterparts trying to bring investment there. We haven't historically been in the ball game. When you look at the level of investment at 7%, long term, it's not sustainable for us.

Mr. Michael Kram: Why is the level of investment so much lower in Canada compared with the U.S. and Mexico? I would have expected it to be a lot higher than 7%.

Mr. Huw Williams: If you look at the level of production—and Oumar can speak to this in detail—we're producing as many cars as we buy. The Canadian market is \$1.9 million, and I think there's two million dollars' worth of production in there. We're not out of sync with respect to that, but when you look at the capacity that we could have and those investments that have come to the country, that's where we're missing the competitive piece.

Some of it is about red tape, as the member from Oshawa was outlining. Some of it has been not having coordinated one-stop shopping from the Canadian government and the provincial governments. The U.S. states are very competitive when they make offerings to try to get these investments, because the math is pretty straightforward. One automotive-related manufacturing job leads to seven other jobs in the economy when you look at the supply chain. I think as policy-makers, this committee and all members of Parliament need to look at whether we're putting a competitive offering together when we're trying to attract investment.

• (1815)

Mr. Michael Kram: All right.

Mr. Williams, I think it was in your opening statement that you talked a little about the luxury taxes on cars. Is that a trend that we have seen on both sides of the border or just in Canada or Mexico, for that matter?

Mr. Huw Williams: The U.S. Congress, as I mentioned, put that 10% luxury tax on the exact same products in the nineties. The Clinton administration ended that tax because it wasn't generating revenue, and it was catastrophic for industry. The Parliamentary Budget Officer has looked at this and done a fair assessment of this provision as part of the costing for election promises, and has highlighted the uncertainty and—Oumar would know the economic term for it—the flexibility of demand when people are looking at those vehicles.

This tax is not going to hurt the rich. It's going to hurt the individual car dealer who has already bought inventory for this year last year, without knowing about the tax, and they've already invested in their building for the next 10 years. It's going to hurt the service techs and the sales folks who aren't going to be part of that provision. I think it's particularly out of sync, as well, when you look at the EV market. EVs are luxury and it has typically been the segment of the market that brings together the highest range of technology before putting it down through the rest of the lineup. We've certainly seen that on the EV side of the equation, so putting a luxury tax on EVs is a potential problem.

Our ideal situation would not be to have this luxury tax imposed, but if it is going to be imposed, wait three years for the industry to adjust to it and think about, instead of a 10% tax rate at dollar zero, do it on a marginal tax rate so that you're not getting that cliff of 10% tax starting at \$100,000. I think in your neck of the woods, in Regina and Saskatchewan, it doesn't take a lot if you're driving an F-250 or an F-350 and you're using it for construction to get a vehicle in that price range. Again, the disadvantage is the obvious challenges with respect to economic growth and parity.

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

We'll move on to Mr. Sheehan.

Mr. Terry Sheehan: Thank you very much.

Thank you very much for all your testimony on the importance of this trade deal.

Catherine from the Canadian Steel Producers Association, you highlighted the importance of the team Canada approach in the face of the section 232 tariffs, and I acknowledge the work of the United Steelworkers who testified before you. As well, the Chamber of Commerce played a very significant role on a national level, but at a local level, including Rory Ring from the Sault Ste. Marie Chamber of Commerce, we all marched arm-in-arm in this trade war—a lot of them don't call it that but it was—with the chamber, unions, businesses, individuals, local politicians, so many to name. I think that was critical, because some trade pundits had said that Trump wouldn't use those tariffs, but he did. He hit steel with 25%, and aluminum with 10%. We found that the President likes to use them, because with the stroke of a pen, he can introduce them.

Again, some trade pundits are saying now that the United States has signed this agreement—both the Democrats and the Republicans have come together to sign this, and Mexico has signed it—if

Trump thought that Canada was not moving forward expeditiously, as some people have said, or quickly, he could reinstate tariffs on steel and aluminum. What impact would a reinstatement of these tariffs on the steel and aluminum industries have for your industries if that were to happen, and not only the 25% or 10%? As you've seen with China, he ratchets up.

I'll take comments from you first, Catherine, and then I'll move to Mr. Simard.

• (1820)

Ms. Catherine Cobden: Thank you. Also, you did a great job of acknowledging team Canada in a more expanded way. As we know, it really was an all-out effort by so many—way too many to name—and it's greatly appreciated.

The tariffs at 25% on steel for a year were devastating, and we're still on our heels. I don't want to oversell our return from tariffs, post-tariff. We were put on our heels and we remain on our heels. Coupled with poor and difficult market conditions, it's not fun times yet in the steel sector, but this agreement moves us forward. It's extremely important to us that we do move forward in our relationship with the U.S. at this level. I know that nothing is perfect. I know there's a potential risk of tariff, but in our view, we have to act in a manner that does everything possible to eliminate the risk of tariff. It would be devastating.

Mr. Terry Sheehan: Thank you.

Mr. Jean Simard: I don't have much to add to what Catherine just said. It would be chaotic for us. We work on yearly contracts. If you pop in a tariff, it just destroys the relationship with your client. You have to find ways to factor it in. It becomes very complex, and it's already very complex. It would be very disruptive for the value chain.

Just to give you an idea of the complexity, for all those countries that are still under tariffs for aluminum, which is the rest of the world except Argentina and Mexico, on the day that one of them is out and exempted from the tariffs, it changes the dynamics of the market completely, and it is going to take weeks and months to find out where the market is going.

We are in a very sensitive play with the U.S., with the world market and with the U.S. market, which is the highest net back. Everybody wants to get their metal there. Today, the metal comes from the Middle East, it comes from India and it comes from Russia. It comes from everywhere because it's a lucrative market for those countries. It's better than all the other markets. When you tip the pricing with a tariff, it's a big upset for the market, and it's very bad for us.

Mr. Terry Sheehan: There's been some really excellent testimony. We'll be going all day, from 11 a.m. until later this evening, and there are a lot of good ideas. Some are not necessarily attached to the NAFTA but are good ideas.

We talked about procurement. Algoma Steel produces steel. Sixty per cent of it is shipped to the United States and 40%—

The Chair: I'm sorry, but your time is up.

Mr. Savard-Tremblay, you have two and a half minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I'll try to pick up where we left off. You were talking about the states' ongoing discussions to come up with a solution that would close the potential gaps.

Since you're very familiar with North American markets in general, can you explain why Mexico would want to introduce anti-dumping measures or increased verification measures for rules of origin? Mexico doesn't seem to have any spontaneous interest in moving in that direction.

Mr. Jean Simard: Your question is very relevant.

I think that Mexico's interest is the American market. Obviously, the new market framework established by this agreement makes it possible for the signatories to operate on a level playing field.

If Mexico fails to comply with the agreements, especially the May 17 agreement, which runs parallel to CUSMA, the United States could retaliate against Mexico. Through CUSMA, the United States can re-issue a tariff, as Mr. Sheehan mentioned earlier. Canada can do the same.

Canada has done its job, so we're in a good position to apply pressure. Mexico hasn't done anything yet. It should do its job. The Americans are in the best position to apply pressure because they could turn around overnight and tell Mexico that metal is entering the country in violation of the agreement and that it has a month to resolve the situation before they impose tariffs.

• (1825)

Mr. Simon-Pierre Savard-Tremblay: This is all in cases where the discussions are successful.

Mr. Jean Simard: It's in the May 17 joint statement. These are Canada-United States and Mexico-United States bilateral agreements. These are matching agreements to remove tariffs. It's still there.

Mr. Simon-Pierre Savard-Tremblay: In the case where—

[English]

The Chair: Mr. Blaikie, you have the floor.

Mr. Daniel Blaikie: Thank you.

Mr. Williams, I just want to pick up on a comment you made earlier about investment in manufacturing in Canada struggling to attract that investment. One of the reasons for that is that Mexico is a low-wage economy, and that has caused a lot of jobs in the auto manufacturing sector to leave Canada.

In your opinion, is there any hope that some of the labour provisions of this agreement are going to help incent automakers to locate production in Canada, or do you think that the discrepancy between Canadian wages and Mexican wages, along with whatever other input costs there would be, are going to continue the trend of taking production out of Canada and locating it in Mexico?

Mr. Huw Williams: It's a great question, and I think that there are reasons to be optimistic.

First of all, Canada has a great value proposition with a consistent supply of energy, a highly educated workforce, a track record in the factories in Canada of high levels of quality and reliability

that are award winning across the sector. All of those things are counterbalances to the draw of Mexico and the United States, but we can't be blind to that draw of cost.

That's where we make sure we put the most competitive mix forward in terms of what the cost structure is and also the ease of coming here in terms of doing business. That's what we have to make sure the Minister of Innovation, Science and Economic Development and his provincial counterparts are keying into, putting the best value proposition forward, because those other jurisdictions are really selling some of those other provisions.

Mr. Daniel Blaikie: At what point does it become a problem for your industry if Canadians don't have the kind of good-paying manufacturing jobs that enable them to buy the cars they're making? For a while, I think, folks in the auto industry have been able to increase their margins as production moves down to Mexico and the cars come back up to Canada. At what point does your industry start to worry that folks in Canada just don't have enough well-paying jobs to be able to afford the product that you sell?

Mr. Huw Williams: As I said earlier, I appreciate the question.

I think that our production levels are matching our consumption levels, and there are reasons to be optimistic about that. However, taking the long-term view, the most important thing is the value to the economy. I mean, certainly car dealers are affected by that as the economy goes, but not having a sustained manufacturing sector focused on the auto industry becomes a huge problem for Canada.

Certainly there have been automotive analysts who have talked about Canada taking on more of the intellectual high-end, high-tech sector, and from the member for Essex in the Windsor area, we've seen investments in the Windsor area, the University of Windsor and elsewhere.

We have to continue to focus on that high level of expertise. At the end of the day, if we don't have a successful car industry in this country, it's going to hurt everybody across the economy, and dealers feel it, too. That connection to successful manufacturing bases makes our voice in those product decisions and everything else more and more relevant.

Mr. Daniel Blaikie: I doubt I have much more time, but is there anybody else who would like to weigh in on that question with the time remaining?

The Chair: It has to be a very short answer.

Mr. Huw Williams: To answer your question about the Chamber of Commerce and their effort on the free trade initiative, one of the important things was that all—and I give the opposition credit for this, but also the ministers—made sure that Canadian associations weren't just talking to Canadians about what was important about free trade. Everybody picked up the phone, got on the plane and flew down to Washington. I know there were members of this committee that did that, and I think that was really pivotal, bringing the association members of the chamber under one banner, to get our American counterparts to recognize that they need Canada as much as we need them.

Thank you.

The Chair: Mr. Dhaliwal, go ahead.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

I would like to thank all of the presenters. You have already answered many of the questions that were asked by the members.

Madam Chair, I want to bring up the working hours for next week. Before I do this, I want to thank all the members of this committee, not only the Liberals but the Conservatives, Bloc and NDP, for putting in extended hours to get this done before February 28.

I have had discussions with the members and I propose these hours. On Monday the 24th, the committee sits from 3:30 p.m. to 8:30 p.m. On Tuesday the 25th, the committee sits from 9 a.m. to 2 p.m. and again from 3:30 p.m. to 8:30 p.m. On Wednesday the 26th, the committee sits from 3:30 p.m. to 8:30 p.m., and on Thursday the 27th, the committee sits from 9 a.m. to 2 p.m.

If we can get the witnesses done on the 24th, 25th or 26th, then on the 27th we can do clause-by-clause. If we still have witnesses to come forward on the 27th, then we'll do the clause-by-clause on the 28th.

I talked to the Bloc and NDP members, because it's a long time frame and members might have other duties, and no motions will be entertained unless everybody is present.

• (1830)

The Chair: It's wonderful to see the co-operation and how everybody recognizes how important it is for us to make sure we get through this.

Mr. Randy Hoback: You were supposed to bring us fishes.

The Chair: First, you'd better earn the fish or the lobster or whatever it is you require me to bring here as your chair.

This is a gentleman's agreement. I didn't add this up, but it's probably about 25 hours.

Mr. Randy Hoback: At four witnesses per hour, it's 100 witnesses, plus what we're doing this week is 40 witnesses. We're at 140 witnesses.

The Chair: Based on the motion we approved this morning, we need to give the clerk some time to be able to put all of this together.

Mr. Sukh Dhaliwal: Do we have consent? Is it passed?

The Chair: It's a gentleman's motion. Everything is good.

Mr. Daniel Blaikie: If I might say, I respect that we had some previous discussions, but I think it makes sense to have this pass as a resolution of the committee so that it's formalized in that way. We should move it and pass it. It doesn't look as if we need a lot of debate, but I think it would be good if it passed as a resolution.

Mr. Sukh Dhaliwal: How about I move it and someone second it?

The Chair: It's seconded by Mr. Blaikie.

Does everyone agree to the extended hours for next week?

Some hon. members: Agreed.

The Chair: Thank you all very much. We're going to be spending lots of time together.

We are going to suspend for three or four minutes for witnesses to leave and our other panel to come up, and maybe some of us can grab a bite to eat.

• (1830)

(Pause)

• (1840)

The Chair: I call the meeting back to order. Pursuant to our order of reference, we're studying Bill C-4.

Welcome to our witnesses. We appreciate your coming during this late part of the afternoon. Excuse us for trying to.... For members, this is their lunch, dinner and the rest of it. We've been working very hastily, trying to deal with all the issues of NAFTA.

Appearing as individuals, we have Michael Bose and D'Arcy Hilgartner. From Canada's Buildings Trades Unions, we have Robert Kucheran, chairman of the executive board. From the Canadian Trucking Alliance, we have Lak Shoan, director, policy and industry awareness. From the Dairy Farmers of Canada, we have Christopher Cochlin, and from Vermeer's Dairy Limited, Jake Vermeer.

Welcome to all of you. As I said, thank you for making the time.

We'll start with you, Mr. Bose.

Mr. Michael Bose (As an Individual): First, I'd like to thank the committee for inviting me here. When I first got the invitation, I wasn't quite sure why anybody would want to hear what I have to say. I'm just a farmer. I'm not a lobbyist. I'm not an expert in any field other than raising turkeys.

I'd like to thank all the committee members for the time they put in. I know that your jobs are very difficult. The work on this agreement has been very difficult, and it has been for many years.

I'm a fourth-generation farmer, fourth-generation Canadian. My family started in Surrey in 1891. We continue to farm. The fifth generation is at this moment wanting to take over the farm. We started in dairy. We suffered the ups and downs of an unregulated industry. My great-grandfather saw it stabilize through supply management. My father in his sixties went on his own. He started a turkey farm and was part of the group that started the supply-managed sector for turkey in B.C. We've seen the ups and downs. This industry is important.

I know that the gentleman to my left is not going to agree with everything I have to say.

This is like death by a thousand cuts. First we had the TPP. In those negotiations on turkey, we gave up our growth for 12 years. Now we have the CUSMA, which gives up more growth. It's developing an unstable environment for our industry to continue in this province. I don't think enough consideration has been given to the effects of this on our industry. First, it's a fact that for every kilo of breast meat imported into Canada, we lose four kilos of farm gate production—four kilos of production through the processing plants. We just shipped a flock of turkeys. I did the math, and we're back to 1980 to 1990 prices, yet we're paying the expenses of 2020. Without a stable, secure marketplace for our poultry, it will be impossible for the next generation to pick up and take over from where we will leave off. This will end my family's history, in Surrey, of farming.

I know it's difficult, but we need to find a way. This agreement will be ratified. We all know that. We're not kidding ourselves. We need the government to negotiate compensation for the turkey industry as they have negotiated for the dairy industry. We need some form of stabilization for the farmers. We also need funding put aside for market development so that we can regain market share against our competitors.

I know this is about free trade, and I support free trade. There are segments of agriculture that will benefit hugely by the three agreements we've already signed, but the supply-managed industry supplies Canada. We cannot supply the U.S. with Canadian product, because we'd be entering a subsidized market and our product just would not be competitive. We can't sustain any further cuts to our bottom line, our revenue. It's imperative, if we're going to sign this agreement, that there's support to continue the industry. The supply-managed industry is very important to Canadian agriculture. It supplies the critical mass that sustains the infrastructure for all the rest of agriculture to compete and exist.

With that, I'll cede my time to the gentleman to my left.

• (1845)

Mr. D'Arcy Hilgartner (As an Individual): Thank you, Madam Chair.

I would like to start by thanking the committee for the opportunity to speak to you this evening. As a Canadian farmer I'm acutely aware of the importance of international trade.

I'll give you a little background about me. I come from a family farm outside Camrose, Alberta, which is 85 kilometres southeast of Edmonton. Along with my brother, our spouses, children and parents we run a farm that produces cereals, wheat and barley;

oilseeds, canola and flax; and pulses, peas and fava beans. We do have some cattle as well to extract some value-added out of land that is not suited for crop production. We are currently managing about 8,000 acres for ourselves and do custom work on an additional 1,000 acres. Like many family farms, our hope is to one day pass our operation down to the next generation, so much of what we have to do is look through the lens of improving our operation, the soil we depend on and the crops we produce to increase the sustainability and profitability of our farm, leaving it in better condition than when we started.

Farming is a tough business. As many say, if it was easy everyone would do it, but it's not so we try to be as efficient as we can, managing the variables within our grasp. We can't control the weather, but we can use reduced tillage to maximize the moisture and heat we receive. Cropping inputs are a huge part of our operation and expenses in costs can fluctuate year to year, so we do our best to buy when prices are within our budget and use technologies like variable rate seed and fertilizer and GPS guidance to make sure we are using these items judiciously, not only for our bottom line but for the consumer, who is ever increasingly concerned about how their food is produced.

Canadian farmers are amazing at producing high-quality, sustainably produced crops in large abundance, and with a relatively small population that means we need foreign markets. Seventy-five per cent of our wheat, 90% of our canola and up to 75% of pulses are sent to global buyers. In some sectors, like pulses, we are the largest exporter in the world. One in two jobs in the crop production sphere depend on these exports, so trade is key. Global prices will always fluctuate with supply and demand, a reality of the system farmers can deal with. But it's the artificial barriers—tariffs, restrictions and regulations that may not be based on scientific assessments—that may be difficult to manage.

Bilateral and multilateral agreements between countries help to facilitate that flow of goods. They eliminate many of these barriers and provide a dispute mechanism to deal with future issues. Trade agreements are very important, especially with our closest countries and their large populations.

The NAFTA agreement has worked well for my industry since coming into effect in 1994. Since its inception our trade with the U.S. and Mexico has grown dramatically, creating a highly integrated supply chain among our countries. In my own community it has created an economic environment to build a canola crushing facility. Though oil and meal are shipped by rail—maybe not this week—the oil is heading to Asian markets and the meal is heading to dairies in California.

When the U.S. government made it known that they wanted to reopen the agreement, that was a concern for many sectors, especially knowing the unorthodox negotiation methods that the current U.S. administration has undertaken with other global affairs. For most farmers this negotiation in the grain sector was more about retaining what we had already established. Duty-free access to the U.S. and Mexican markets was key, but the agreement was also 25 years old and there was room for improvement.

Biotechnology and plant breeding, including techniques that were just in their infancy or didn't exist in 1984, were missing. There was room for regulatory harmonization in food and crop products, especially in the areas of crop production, protection products and developing maximum residue limits. Low-level presence with biotech crops had become a challenge to our ability to detect a substance and move from parts per million to parts per billion. Zero tolerance was no longer achievable and standards needed to be set. For cereal crops like wheat, the current legislation created inequity with our U.S. farmers, delivering registered varieties into the Canadian market that Canadian farmers were not subjected to. As well, canola-based, value-added products like margarine and shortening were subject to tariffs, making it less competitive in the U.S. market.

• (1850)

After a little over a year of negotiations, we had a deal on the table, the Canada-United States-Mexico Agreement, CUSMA.

The key component is the retention of duty-free access into the U.S. and Mexican markets. This is by far the most important part for the sector and for me. The continuation of stable and reliable trade with the U.S. and Mexico is vital. As well, it addressed many of the areas of concern I mentioned earlier, with chapters on biotech, regulatory harmonization, provisions for low-level presence events and removal of tariffs on items such as margarine. As well, U.S. wheat grown with varieties registered in Canada would receive a Canadian grade, which is no different from Canadian-produced.

Do I have concerns with the agreement as it stands? I have a few. Chapter 32, which requires the U.S. and Mexico to be notified when we enter into trade negotiations with a non-market country, as well as for us to supply the agreement for review before signing, does seem to push the boundaries of national sovereignty. The use of words like “encouraged” and “important steps forward” in regard to modernization of procedures and harmonization of regulations in various areas tends to be viewed with cynicism within the agricultural community. The hope is that these will not just be words but will have concrete actions to go along with them.

Canadian farmers are currently facing substantial global trade issues with countries like India and China, where we have developed

markets but lack significant trade agreements. Such agreements offer rules and procedures to handle disputes. We know dispute settlement processes are long and less than perfect, but they're a starting point for negotiation.

The eyes of the world are upon us. Global traders are looking for high-quality, consistently produced and reliably delivered agricultural products. Farmers in Canada are up to the task in the areas of production and quality. We look to the government and this committee to focus on those impediments to trade that exist not only in the world market but right here at home.

Events of recent weeks have had a huge effect on investor confidence in our country, and they concern global buyers as to our ability to deliver products in a timely manner. As a grain farmer from central Alberta, I find CUSMA to offer subtle changes over the current NAFTA agreement, but for my farm and those of producers across the country, having a stable and reliable supply chain integrated with our neighbouring countries is key to our economic growth. We need more trade, not less.

We appreciate the work of this committee. A part of good governance is oversight and analysis to make sure that agreements that this country enters into are in the best interests of Canada and Canadians, but I look forward to the ratification of this agreement so we can focus on the next challenges ahead.

I thank you for your time and look forward to your questions.

• (1855)

The Chair: Thank you both very much.

We'll go to Mr. Kucheran from Canada's Building Trades Unions.

Mr. Robert Kucheran: Thank you very much.

My name is Robert Kucheran. I'm the chairman of the executive board of Canada's Building Trades Unions. We're the voice of over 500,000 skilled Canadian construction workers, members of 15 international unions who work in more than 60 different trades and occupations. Construction is one of the largest sectors in the Canadian economy, representing about 14% of Canada's GDP.

Although the Canada-United States-Mexico agreement, CUSMA, does not have a direct impact on the CBTU or the construction we represent, its efforts to improve labour standards among the three countries have a direct, positive impact on our sector. Therefore, the impending ratification of the updated CUSMA offers us an important opportunity to voice support for this vital trade deal.

As mentioned, CUSMA includes a comprehensive labour chapter fully subject to the dispute settlement provisions of the agreement, which aims to raise and improve labour standards and working conditions in all three countries by building on international labour principles and rights. Labour standards and working conditions have always been a priority of the CBTU as well as our affiliates. We realize that these improvements are targeted to our trading partners, but that's a testament to the level of labour standards and working conditions we have in Canada and continue to advocate for and strengthen in this country. Specifically, the chapter on labour includes an annex on worker representation in collective bargaining in Mexico under which Mexico commits to specific legislative actions that would provide for the effective recognition of the right to collective bargaining. We applaud and support the Government of Canada in its goal of levelling the playing field on labour standards and working conditions to ensure that parties do not lower their levels of protection to attract trade or investment, but rather raise them to the higher standard.

Canada's Building Trades Unions are pleased about the added provisions that provide commitments to ensure greater protection for fundamental principles and rights at work, including prohibition of the importation of goods produced through forced labour; enforcement of obligations related to discrimination, such as discrimination based on sex, sexual orientation and gender identity; addressing violence against workers for exercising their labour rights, such as single instances of violence or threats thereof; and ensuring that migrant workers are protected under these labour laws.

Canada's Building Trades Unions supports these commitments, believing that stronger labour rights will lead to stronger health and safety laws not only for construction workers, but also for all workers. Along with stronger labour provisions, we believe that increased trade leads to stronger economies. This new agreement will reinforce the strong economic ties between the three countries and support the well-paying middle-class jobs that will strengthen the economies of all three countries.

We also support the significant gains that have been achieved for Canadian workers in general, as described earlier in the day by the Canadian Labour Congress in their submission.

Some of the highlights are the elimination of chapter 12, the investor-state dispute settlement provisions under the old NAFTA, which prioritized the rights of foreign investors and corporations over the rights of sovereign governments; the increased North American content requirement for vehicles from 62.5% to 75%; and the new labour value content requirement that stipulates that 40% of material and manufacturing costs in automobiles and 45% in trucks will have to originate in facilities where direct production workers have an average hourly wage of at least \$16 U.S.; elimination of NAFTA's energy chapter, including the proportionality clause that required Canada to export a fixed share of energy production to the U.S., even in times of energy shortages; the strength-

ening of NAFTA's cultural exception, which is expanded to include digital industries; and a clear general exception for indigenous rights, which implies that nothing in this agreement prevents North American governments from fulfilling their legal, social, economic, cultural and moral obligations to first nations.

● (1900)

Canada's Building Trades Unions, along with our affiliation with North America's Building Trades Unions, welcomes the vital improvements to CUSMA that were negotiated early in 2019 between the House Democrats and the U.S. trade representative, and recently passed in the U.S. Senate. Some of these include the removal of language that allowed a responding party to block the formation of a dispute settlement panel; a reversal of the burden of proof on labour and environmental violations; the removal of language in article 23.6 that rendered unenforceable the prohibition of goods produced in whole or in part through forced and compulsory labour; the removal of language in article 23.7 that stipulated that parties only have to address cases of violence against workers that are occurring "through a sustained or recurring course of action or inaction"; the introduction of a bilateral rapid trade labour mechanism that allows for an independent investigation of potential violations of freedom of association and collective bargaining at specific facilities and, where violations are found to be occurring, the imposition of penalties on goods that are not produced in compliance with these obligations; and the removal of provisions requiring 10 years of market protection for biologics.

There's an area that still needs some attention. Canada's Building Trades Unions would like to have seen greater access for qualified construction workers between Canada, the United States and Mexico. With similarities in training and accreditation for these skilled trades in both Canada and the U.S. specifically, we believe labour shortages in our countries can have a North American solution. We understand that Canada's negotiators attempted to include this in the negotiations, but ultimately it didn't get to the final text.

We thank our negotiators for listening to the CBTU and our affiliates who strongly advocated for this. We stand ready to consult with the Government of Canada to offer our expertise in areas of mutual benefit. Canada's Building Trades Unions supports Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States. We urge all parties to pass Bill C-4. We believe that the provisions and commitments included in CUSMA will continue reinforcing the strong economic ties between the three countries and well supporting middle-class jobs into the future.

I want to thank the committee for allowing us the opportunity to present.

Thank you.

The Chair: Thank you very much. We appreciate your comments.

From the Canadian Trucking Alliance, we have Mr. Shoan, please.

Mr. Lak Shoan (Director, Policy and Industry Awareness, Canadian Trucking Alliance): Good evening.

Thank you, Madam Chair and members of the committee, for having me here today.

The Canadian Trucking Alliance is here today to strongly endorse the ratification of the CUSMA. Canada's total trade, including imports and exports with all partners, is close to a trillion dollars. Almost half of this trade, or just over \$500 billion, is with the United States. Our second largest trading partner, the EU, comes in at a distant second at \$94 billion.

Who moves this trade? Measured by value, the trucking industry moves close to 70% of the trade with the U.S., which reflects the integrated nature of our economies. Typically, over 10 million trucks cross the Canada-U.S. border each year, with the value of goods increasing since 2011.

Over 40% of Canada's GDP is dependent upon trade with the United States. Some of the top import and export categories in 2018 included mineral fuels, vehicles, machinery, and plastics, all goods that can be transported by truck.

Canada is the United States' second largest supplier of agricultural imports, leading in categories such as snack foods, meats, vegetable oils, and processed fruits and vegetables. Canada is the United States' largest buyer of agricultural products, where again, trucking dominates as the mode servicing this trade category. Some of the leading agricultural import categories include fresh fruits and vegetables, snack foods, and non-alcoholic beverages. Some of Canada's top trading partners south of the border include Michigan, California, Texas, New York, Ohio, Illinois, and Washington.

CTA firmly believes that the Government of Canada has delivered the best deal possible for Canadians. With the U.S. being by far our largest trading partner, CTA welcomes the certainty of a trade deal.

CTA's analysis of certain sections of the agreement identified some positive changes on how goods cross the border by truck. Once ratified, CTA looks forward to working with the Government

of Canada on the following potential items under CUSMA: potential revisions to the temporary admission of goods as they relate to movements and transit; changes to promote trade facilitation through electronic submissions, which will reduce burdensome paper processes; establishment of a single window system that would enable the electronic submission of data for all countries through a single entry point, which would reduce redundancies and simplify trade; potential changes to the administration of customs penalties and how they are imposed, including the treatment of clerical or minor errors; and lastly, facilitation of trade through programs designed to improve the movement of goods, including, if feasible, alignment of hours of service requirements, joint customs inspections and shared customs facilities.

CTA would like to close our statement by recognizing the commitment of the Government of Canada to continuing to make budget investments to make our border work from both a safety and trade perspective. This investment must continue to address physical infrastructure, IT systems, staffing at the border and developing policy to allow compliant and secure trucking companies to carry trade with the U.S. in the most efficient manner possible.

Thank you.

● (1905)

The Chair: Thank you so very much.

We'll go on to Mr. Vermeer from Vermeer's Dairy.

Mr. Jake Vermeer (Vermeer's Dairy Ltd): Good evening. My name is Jake Vermeer, and I'm a proud first-generation Canadian from Camrose, Alberta.

I am humbled to be given the chance to speak before you today on behalf of an industry that I am so passionate about. I want to begin by telling you about our farm, to help provide you with context regarding the people who are impacted by the CUSMA agreement.

In 1991, local Dutch officials notified my father and grandpa that their land was going to be placed under an expansion ban for the purpose of diverting a local waterway through their land. This capped the number of cows that our family could milk and thus the farm could no longer sustain two families. This was a massive blow because, for generation upon generation, my blood lines have milked cows and tended the land together.

Farming is a lifestyle before it's a job. My grandpa told my father that if he was set on farming he would need to find a new place to start over. My parents were in no financial position to relocate in Holland, so they decided to come to Canada as exchange students and experience the tall tales of Canada that they had been hearing. Those tales of large parcels of land, genuine people and the opportunity to sustain a family did not disappoint. My parents, at the ages of 24 and 28, decided to immigrate and bought a small 40-cow dairy and 160 acres of land. They spoke little to no English and came to Canada with a strong work ethic, a desire to milk cows and a hope for the Canadian dream. Shortly after making the most significant investment of their young careers, the first NAFTA agreement was signed and talks of ending supply management circled the dairy industry. My mother remembers my father coming home from an Alberta milk meeting and saying, "I think we made a huge mistake." However, stronger heads prevailed and the Canadian government was able to negotiate a fair deal for its dairy farmers, and they were able to prosper. They were relieved and continued to grow the farm.

The story of my parents and the farm legacy that they began is one that showcases true perseverance, hard work and progressiveness. It was with that market stability and fair compensation offered by supply management that my parents turned that small 40-cow dairy into the 600-cow dairy it is today. We employ more than 15 local Camrose residents, and our farm generates a considerable amount of economic prosperity in a shrinking rural Alberta. Our farm, and many farms like it across the country, locally source grains, veterinarians and processing plant. It is not hard to see that dairy farms are a large contributor to rural and urban economies. In fact, across Canada we contribute nearly \$20 billion toward the GDP and sustain about 200,000 jobs.

Times are changing, however. Countries have negotiated new trade deals with Canada, and our governments have slowly passed out our domestic dairy market shares. In CUSMA alone, we will lose 3.9% of our market, as well as the elimination of class 7, an integral part of meeting the butter demand of Canadian consumers. It's important to note that the 3.9% is in addition to the current access already granted through the World Trade Organization, the Canada-European Union Comprehensive Economic and Trade Agreement and the CPTPP. The combined access for all the agreements totals 18% of the Canadian market or \$1.3 billion of Canadian producer revenue. Each of these deals delivers a crack to the foundation of supply management. There are deep local economic ramifications of these concessions. The projected loss for Alberta regarding the market loss is \$16.13 million. The elimination of class 7 and restrictions on exports/surcharges ranges from \$4.8 million to a staggering \$29.66 million. We can assume those impacts will have a ripple effect, starting in rural Alberta with those that our farms rely on most and then have the potential to affect urban areas. This agreement will send an end to nearly 40 farms in Alberta and far more across Canada.

The negative effects don't end there. As a Canadian and a Canadian dairy farmer, I find one of my main concerns with the CUSMA agreement is the new American oversight on dairy policy in Canada. The oversight clause undermines Canadian sovereignty and its ability to develop and manage Canadian policies without U.S. intervention. These transparency provisions are contained in

the annex in a series of clauses. For example, Canada must inform the U.S. of any milk class modification. The U.S.A. will not need to provide similar levels of transparency into its system. This approach is yet another example of how the CUSMA removes our competitive advantage and ties the Canadian dairy industry's hands to American decision-making. This should not be understated and will have a lasting effect on our domestic dairy sector. Our anthem proudly states "true north strong and free", but this new American oversight is far from it.

The Canadian government has continuously handed out market shares in every new trade deal, and this has left our dairy processors in a state of uncertainty. With a lack of investment, our processors are now aging and unable to meet the demands of our market. We need market stability in order to garner proper investment in the processing industry in order to compete against the foreign milk that is invading our market. Without this investment, farms like mine won't be able to continue to grow and contribute to the economy.

● (1910)

My final point comes from my grandparents, who still live in Holland. They notified us about a debate that is taking place in their parliament regarding CETA.

In the last CETA agreement with Europe, Canadian beef farmers were given a new market share to export beef. We were told that this exchange was necessary for dairy access. However, the debate that is occurring is whether Europe feels that our Canadian beef meets their standards to be allowed into their supermarkets. If we have to make an import concession to create a new export market, should we not then allow our trading partners to close that market after the deal has been struck? Otherwise, what was the point of our dairy concessions? Now, both our beef and dairy farmers are no better off for it. There has to be a better way.

Dairy farmers in Canada have always been cherished as family farmers who produce the highest quality milk and take great pride in taking care of their herd. However, every time a new trade deal comes around, we are forced to sacrifice a portion of our market to complete the trade deal. We see very little in return for our sacrifice, and while we are appreciative of the compensation packages, we would much rather earn the money by supplying consumers with the dairy products they deserve. As a young producer looking forward to the future, I don't see the same thing my parents did 25 years ago.

As foreign governments demand my market shares and I see my costs rising for producing the same litres of milk, I worry about the sustainability of my livelihood, because farming isn't just a job, but a lifestyle.

I am proud to have been able to share with you the viewpoint of our family farm. My parents and I are still extremely proud to live in Canada, but we rightfully worry about the future and that of my kids. CUSMA will have a significantly negative impact on our dairy farm and on thousands across the country, not just now, but in perpetuity. I stand here feeling what my grandpa must have felt when his land was annexed so many years ago. Despite our best intentions, with 3:30 wake-ups, 14-hour days, and supporting our local communities, my farm will now struggle to grow, and I worry about our future.

Our farm has always had a saying: "If you're standing still, your going backwards." It's time for this government to let us move forward. I appreciate the opportunity to speak today, and I hope I was able to put a face to the negative impacts of signing this agreement and the impacts on dairy farms across Canada.

The Chair: Thank you all very much.

We'll move on to our questioners.

Mr. Kram.

Mr. Michael Kram: Thank you, Madam Chair.

I understand a couple of the witnesses here today are from Damien Kurek's riding. He is joining me here today. I would like to give my time to Damien so he can ask questions of the witnesses.

Mr. Damien Kurek (Battle River—Crowfoot, CPC): Thank you very much, Mr. Kram.

Thank you, Madam Chair.

I appreciate all of the witnesses taking the time out of their busy schedules to come to Ottawa to share their perspectives on what is a very important issue. I think all those around this table and all the witnesses would agree on the importance of trade in an integrated market, even though there are disagreements as to some of the specific aspects of it.

Mr. Hilgartner, I would be very curious to hear some of the negative impacts, not just the trade uncertainty, regarding this new NAFTA agreement that your family operation has faced, but the impacts of the overall trade uncertainty on Canada in a global marketplace and how that's affected your local family operation.

• (1915)

Mr. D'Arcy Hilgartner: As I alluded to in my opening remarks, trade agreements are so important for stability. As a farmer, I can work with supply and demand. I can read the charts and get a sense of where I need to be. It's those tariffs, and more importantly, non-tariff barriers that are a challenge for me and my farm. We ran into that with India. Overnight they slapped a tariff and phytosanitary bans on pulse products entering our largest import market for our pulses from Canada. Overnight that market disappeared. That was a crushing blow for our industry, and it's a segment in the pulses that we're trying to develop now. The same goes for China, where we had issues with black blight. Is that based on sound science, or is

there some other reason? Again, without having any kind of trade agreement with the markets, you can spend a lot of time developing a market and a relationship to have that end in a heartbeat.

Mr. Damien Kurek: I appreciate that very much.

I think you addressed at the end of your answer something that concerns many of us, and that's section 32 and the erosion of Canadian sovereignty in Canada's trading relationships, not just with our North American counterparts, but around the world.

Acknowledging the importance of free trade, the sovereignty of our nation needs to be respected in this process. Would you have further comments, Mr. Hilgartner, about the impact that erosion of sovereignty would have specifically on the grains and access to those markets globally?

Mr. D'Arcy Hilgartner: I'm not a trade expert. I'm a farmer from central Alberta.

To me it seems unique that we would enter into trade agreements where any negotiations we might plan to enter in the future would be scrutinized by another government before even starting the negotiations, and then before we sign on to that. I do have some concerns with that: How would that play out? How is that going to work?

I know we've heard from our trade negotiators, who suggest that it won't be an issue. Again, the future will tell how that will play out, but it's a concern.

Mr. Damien Kurek: I appreciate that, and the comment you made about just being a farmer. There are three "just farmers" at the table there, but let me assure you that just being a farmer... It's a noble profession. I'm a fifth-generation farmer myself, and proud to farm in east-central Alberta. It's not "just a farmer"; it's a significant economic player involved in the community. I appreciate that you're all here sharing your perspectives before this committee.

I move my next question to Mr. Vermeer, on the same topic of Canadian sovereignty. It's very concerning, as Mr. Hilgartner has referenced. There's this erosion that another government—President Trump, for example—not only would have a role to play in Canada's negotiations with other countries in our trade agreements, but would also be involved pre-, during, and post-process in what those might look like.

Mr. Vermeer, would you have any further comments on any concerns related to that?

Mr. Jake Vermeer: My first question would be... I would flip it back to you. Would the Americans agree to an agreement like this?

Mr. Damien Kurek: That's a great question, and one, I would suggest, that should be asked of the government that was at the negotiating table for at least part of the time—I know they were locked out of some of those negotiations. It's a very valid one.

Mr. Jake Vermeer: I could speak more to the sovereignty. That was just a question.

Yes, it's a big deal for us. We were able to create new classes and change milk class modifications inside our domestic policy agreements. Now, with this new clause that seems to be in CUSMA, we no longer will be able to have a competitive advantage by creating new milk class modifications. That puts us at a serious disability.

The big thing in CUSMA for the dairy farmers of Canada is this new annex that's being forced on us. We're going to have an export cap now, not just to America but completely internationally. This is completely new in international trade agreements, that we're actually having an export cap without any regard to whom we're dealing with. That is of significant importance, I think.

• (1920)

The Chair: I'm sorry; the time is up.

We'll move on to Mr. Sarai.

Mr. Randeep Sarai (Surrey Centre, Lib.): I want to thank you all for coming out here.

Though I come from Surrey—Mr. Bose is here—and I represent a very urban riding, Surrey Centre, it's one of the largest trading cities in the country. It has a large border with the U.S. It also has dairy farms, including one right across the street from my house. It probably has one of the largest trucking logistics hubs in North America, and it's the second-largest city. It's also home to three trades schools from your local branch of B.C. trades. What you have said is a cross-section of what happens in Surrey. It's great to know.

I'd like to assure Mr. Vermeer, based on what Mr. Hilgartner said, that having certainty helps a lot. You don't always get exactly what you want. We heard our chief negotiator last week, who let us know that the very first thing the Americans wanted was supply management; that was their main target. I am proud to say that we were able to defend 96.1% of that. Yes, there are some sacrifices, but we're hoping that we can work with your sector and perhaps come to methods that can help relieve it.

You should be proud that Canadian milk is some of the best milk in the world. I think that's our competitive edge, and you need to market that, with whatever help the government can provide. I ask that you do that.

On that same note, I want to ask a question of Mr. Bose, whose farm I drive by as I go home. It's a household name, the Bose farms in Surrey. How can the government help the turkey or poultry sector, in your particular case, to sustain itself, to increase itself? I know it's always had a challenging time, but with this agreement, how can we help you?

Mr. Michael Bose: With this agreement, about the only way the government can help us now is by providing compensation for the loss of the value and helping the industry develop new products to regain some of our market share. As was pointed out by Mr. Ver-

meer, if we're standing still, we're going backwards. My father always said that. Unfortunately, he's not here today. Otherwise, he'd be the one sitting here talking to you.

We need to find a way to help the industry grow. We haven't been a growth industry, and with the TPP and CUSMA.... We know that England's coming, and South America. Chile hasn't signed on yet to the trans-Pacific partnership, and when they do, that's going to be a huge blow because they're a big producer of turkey. It's going to reduce our market share by a lot. We don't know exactly what, but when they sign on, it's going to hurt. There has to be a mechanism put in place to help the industry find a way to grow, and it will be financial.

I find it odd that a sovereign country would sign an agreement that would take five sectors of an industry like agriculture that are self-sufficient, and put itself in a position where it is now going to have to put tax dollars in to help those industries survive. The supply-managed sectors are vital to Canadian agriculture, just as the grain producers have always been.

Mr. Randeep Sarai: Thank you.

Mr. Shoan, you said that the trucking industry expects to have gains in this with more trade. What percentage in gains do you expect, or is it just the certainty and then the growth? Also, does Mexico gain any access to trucking routes or ability compared with what we had before?

Mr. Lak Shoan: In terms of the gains themselves, I think the gains come with certainty. The trucking industry is very much tied to how the economy is going. If the economy is under a state of uncertainty, the trucking industry tends to suffer from that as well.

In terms of some of the positive things that have come out of this agreement for our industry, anyone who's dealt with the cross-border customs process would know that doing anything via paper is extremely cumbersome and onerous, so there is a commitment to move more border processes to an electronic process.

There is also a commitment to look at shared facilities and customs inspections when it comes to goods that are regulated by either the CFIA or the USDA. At the current time, it could take multiple hours to conduct inspections, whether related to meat or other products at the border, so having the ability to do these inspections at one location, with both U.S. and Canadian officials, will really cut down the amount of time the truck drivers and trucking companies have to spend at the border.

Those are definitely some of the highlights that we've seen from the agreement, but the main highlight, I think, is having that certainty in place, because the trucking industry really runs on whether the economy itself is hot or cold in the moment.

• (1925)

Mr. Randeep Sarai: Mr. Kucheran, you guys have done a great job of creating trades for the future apprentices and whatnot. Does this agreement protect you from unskilled and low-paid workers who would come in from other regions around the world? Would this protect higher-paid, properly legislated wage jurisdictions in a better way after this agreement has been modified?

Mr. Robert Kucheran: We're getting there. We're not quite all the way there, but we're getting there. The more we raise the standards in other places, the better we are to be able to compete in Canada. We have a great apprenticeship system in Canada, a great accreditation system, and that system more or less matches the one in the U.S., so there's quite a nice transfer of skills and knowledge, at least from us and the United States. Mexico is a little bit behind the eight ball and has some catching up to do, but with these revisions and modifications, it puts us on a much better playing field.

The Chair: Thank you very much.

On to Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you all for coming. It's good to hear your presentations, which are always very useful for our study of the new agreement.

In my constituency, there are many dairy farmers. My constituency is a real dairy processing centre. My questions are therefore for Mr. Vermeer.

The dairy farmers I spoke to told me that they were very disappointed, as you are today, with the turn of events. They spoke of the elimination of class 7, the export controls and the opening of 3% of the market. Despite their disappointment, they understand that we can't turn back the clock. However, they're still asking for compensation and for a reasonable adaptation period.

What do you think would be a reasonable adaptation period?

[English]

Mr. Jake Vermeer: As CUSMA comes into effect, I think that compensation needs to happen very quickly.

To give an example, in the last few years our industry has seen significant growth when we created special milk classes. Our markets were growing. A lot of dairy farmers invested in their farms, anticipating growth and new markets. I want to say that dairy farm-

ers have been very good at adapting to the increases in markets and have been able to fulfill the demands of the market.

On a personal note, we built a brand new barn to be able to handle market increases. We spent close to \$3 million. These are the types of investments that dairy farms are making to handle market growth.

If we don't see market value compensation soon, for a lot of dairy farms, depending on where they are in their business cycles, especially our youth who are coming into dairy, as I am, it will be a very difficult time.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: In terms of the type of compensation, would you prefer direct financial compensation?

• (1930)

[English]

Mr. Jake Vermeer: Yes, there needs to be direct compensation for market value for the quotas that were lost.

We don't believe in programs that are built for innovation as a form of compensation. That is not compensation; that is a program for innovation and efficiencies. When we lose market shares, we need to receive compensation. We can talk about programs for efficiencies and innovations at a later point.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: In recent years, these types of programs have been implemented to a certain extent, often with very mixed results.

The first compensation payments arising from the previous trade agreement came a short time ago. Do they really make up for the losses?

[English]

Mr. Jake Vermeer: No. Lots of times the compensation is less than market value, and that sets us back. As I have said before and mentioned in my speech, Canadian farmers want to produce the market milk production that is needed. Truly, we'd rather just see no concessions and allow Canadian dairy farmers to produce for the domestic milk production need. As was said before, we have one of the highest qualities of milk in the world. It's unparalleled. That would be my answer.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: In the dairy industry, is there any discussion about a strategy to compensate for the elimination of class 7?

[English]

Mr. Jake Vermeer: I am just a dairy farmer. I am here as an individual on behalf of my farm. I am not privy to any information that is above my head, so I would direct your question to Dairy Farmers of Canada.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Unfortunately, those witnesses aren't here because of the storm. That's too bad, because we would have liked to hear from them.

Thank you for representing the dairy sector today.

[English]

The Chair: We expect them probably next week. Hopefully the weather will be good at that point.

Thank you very much.

I'll move on to Mr. Blaikie.

Mr. Daniel Blaikie: I'll start by saying thank you to all the witnesses for making time to be with us here today, particularly those who had to travel long distances.

Mr. Kucheran, we talk about the labour mobility provisions. It is a frustration of mine. If you look at the CPTPP, for instance, you see that chapter 12 has a lot of labour mobility provisions that might not look terrible on paper but are quite open to abuse. I know there are some follow-up discussions happening to try to get adequate record-keeping of who's coming into the country under chapter 12 and for what purposes. Chapter 16 of CUSMA allows for temporary entry for a business person. I wonder if there are similar concerns about chapter 16 in CUSMA as we saw with chapter 12 in the TPP. Beyond that, it's a frustration for me, and it might well be for you. We see labour mobility provisions that have something to do with bringing people into Canada to provide wage competition. But when you have comparable certifications and you could actually facilitate the movement of labour across a border without its being about wage competition or about bringing in folks who don't have the same level of certification and therefore charge less for their labour, or when it's easier to get people in large numbers if the threshold for certification is lower... When we actually have what could be a fair trade in labour, we can't seem to get provisions that facilitate that, which makes it hard.

I'm an IBEW 2085 member. I'm a construction electrician. I know that work is sometimes short out here and that there's work in the States. Guys can't go to a sister hall in the States and work out of there, and vice versa when there has been an abundance of work in Canada sometimes. Employers have been complaining about skilled labour shortages and we have brothers and sisters in the United States who are out of work and would love to come to Canada and work on a job after Canadians have had their first crack at it. Do you have any sense as to why it is we can't get labour mobility provisions for non-competitive labour and why we only seem to get it when it's about under-cutting Canadian workers' wages?

• (1935)

Mr. Robert Kucheran: There are two things, and one you picked up on. It has always been a challenge if you have a market that tends to be so unbalanced between us and Mexico—and even

in the States it can be unbalanced in certain areas—because just invites more of an underground economy, which is very alive and well, in certain sectors more than others. Without trade provisions and protections, that's exactly what you get, a thriving underground economy, and nobody wins. Nobody gets the taxes, nobody gets the revenue and nobody gets the product.

We had lobbied for better access to the U.S. because our training is based on the same model. Our members belong to 15 international unions, and the same training standards and accreditation go back and forth across the borders. There's not an issue there. The problem is some of the lack of accreditation and understanding on the Mexican side. Again, that just invites more of an underground economy. Then nobody wins, and nobody can really judge what that level is because then you get into a situation where companies are undermining each other based on the cost of labour and really trying to make a profit off the backs of working families.

I hope that has answered some of your questions.

Mr. Daniel Blaikie: Some of them, yes, enough for now, because we do have limited time.

I want to ask a question of some of our farming folks. First, I want to say thanks again for coming, and by no means does anyone here think that you're just farmers. That's good information for us to have. I don't have a farming background, but I do come from the Prairies; and the NDP has a long history of supporting supply management, which I think we've continued to do in this debate.

There's something I've been trying to understand, and maybe either of our supply-managed farmers would like to contribute. We heard some discussion along these lines already. I find it really frustrating, as someone who is often in the position of arguing against the so-called "parties of business" for supply management. The parties of business who say they want low taxes and don't want direct subsidies are the very same parties that have been undermining an industry that has been able to supply, at fair prices, the products Canadians need, and to sustain itself. In international markets, it's doing that against competitors who are very heavily subsidized by taxpayers in the other jurisdictions. How does that fit with parties that say they want low taxes and don't want government subsidies yet undermine the supply-managed sector in Canada that accomplishes that? I can't square that circle. I'm wondering, given your experience in the industry, if you could help me do that.

Mr. Michael Bose: I don't think you can square that circle. During these negotiations, when dairy was brought up—because dairy's the biggest part of the supply-managed sector—we always looked at the New Zealand model. In 1984 New Zealand went broke. The International Monetary Fund forced New Zealand to abandon supply management. In Australia, it was the same thing—they abandoned supply management. In both those countries, when they abandoned supply management, prices for local consumers went up. They have been forced to subsidize. New Zealand is a big contributor to the world's oversupply of milk, and yet they continually build new farms, eliminating sheep production in favour of producing more milk that's not needed on the world market.

The popular concept out there is that supply management causes high-priced food. That's actually not true. The difference between Canada and the U.S. is that in Canada you're paying full value for your food and in the U.S. you're not. The government is paying well over 50% of the value of the food. The only argument, for me, against supply management that holds any water is the fact that the disadvantaged in our communities, those who are struggling to get by and can't put food on the table, are still paying full price, whereas in the U.S. they aren't paying full price but neither are those who have no problem paying full price. Our cost of production is, in most cases, lower here. The difference is that you're paying the actual value, and it's really hard to square the circle to undercut supply management. There are only five supply-managed sectors because they're the only five sectors that can, 12 months of the year, supply 100% of the needs of Canada.

• (1940)

The Chair: Mr. Bose, I'm sorry. We're all listening to every word you say, but it goes way over your time. It's very interesting. I'm sorry I had to cut you off.

Mr. Lewis.

Mr. Chris Lewis: Thank you very much.

How much time do I have, Madam Chair?

The Chair: You have five minutes, and it will be just five.

Mr. Chris Lewis: I'm going to do this committee a favour and probably not even use it all. I'll try to get us back on track, but I make no promises.

My question is for Mr. Shoan. I'm not going to keep repeating myself, but this, again, falls right in line with what I've been preaching all day. My riding is Essex, which is very close to the new, hopefully soon to be built, Gordie Howe International Bridge. As a matter of fact, just last week I got an update on that bridge, which for all intents and purposes is trending in the right direction, although it's never quite quick enough. Also in my riding, the transport industry is huge, as you are well aware, be it for shipping grain or for the auto industry. Another huge one for us is the produce industry. We are one of the largest ridings "under plastic" so to speak—the greenhouse industry. It's huge for our area, so I've kept myself relatively up to speed on that.

One interesting thing that came out of my update meeting about the Gordie Howe Bridge was specific to what you mentioned about the electronic process. I understand the paperwork process dearly, because for many years with our business, that's what I did. Friday afternoons were just lovely. What was worse was Monday mornings when I would get a phone call at three, four-thirty or five o'clock in the morning saying, "Chris, your temporary import bond doesn't go through." I'd have people waiting to go to work who are sitting at the border. The reason I continue to bring this up today is that I know how many years I did it for, how many times things changed and how many of my owner-operators were less than pleased with the situation many times.

My question to you is this. Notwithstanding the fact that we—the government, so to speak—are very much going to the electronic process and getting away from the paper, at the end of the day it's of my belief system that unless our CBSA border officers are taught properly and are knowledgeable of the new tariffs, unless it's the people like me who sit at the desk and write all these new tariffs out, eventually it's going to fall in the lap of the person who's spending the most time away from home, the owner-operator. They're stuck at the border. What kind of provisions and/or concerns from your association have been brought up, and if not, do you think it's a good idea that we bring that forward?

Mr. Lak Shoan: When you're looking at cross-border trucking, border wait times have been a historical issue for many of our members going back a number of years. A lot of this goes back to the lack of staffing at the border and the cuts that have been happening on that front. The benefit of going fully electronic, whether it's using technology such as facial recognition or licence plate readers, is that it really speeds up the amount of time a truck has to spend at the border. For instance, an ongoing pilot project at the Ambassador Bridge, which does employ the use of RFID and licence plate readers, cuts the time it takes for a truck to cross the border by more than two thirds. Looking at technology and employing technology in the absence of staffing at the border and the absence of resources for that is something we've definitely been behind in the industry.

Again, technology is going to be ever-increasing in the border process. We have some members who currently conduct a few paper processes for cross-border shipments, and some of the paper has more miles on it than the actual load that's going across the border. Anything that will speed up the amount of time a truck has to spend at the border is definitely something we'd be in favour of. Looking at electronic options is definitely a no-brainer for our industry moving forward.

• (1945)

Mr. Chris Lewis: Very well. Thank you.

I'll promise to go very quickly, Madam Chair.

The Chair: You have 30 seconds for the question and the answer, sir.

Mr. Chris Lewis: That's perfect. That's very quick. I'm now down to 27.

Because I don't know what the government has put in place for training and those types of things, I guess my comment without an answer is: if they haven't done a whole lot on that front, I hope they have some anger management sessions ready for our owner-operators because there will be a lot of very upset people.

Thank you so much.

The Chair: Thank you very much.

We'll move on to Mr. Sarai.

Mr. Randeep Sarai: Thank you, Madam Chair.

Mr. Bose, I'm glad you mentioned that poor Canadian families have to pay a high price for expensive milk. Canada is a trading nation. The richness, the high standard of living we have today, basically has come from trading. Sixty per cent of our GDP is from trading. It is from exporters like Mr. Hilgartner and others that we continue to have this richness in Canada.

You already mentioned the New Zealand dairy farmers. You said milk is expensive there. Nonetheless, we have to appreciate how the New Zealand dairy industry changed and has grown to be a significant player in the world. If we don't allow imports into some sectors inside Canada, how can you ask other countries to open their markets for our exports?

Mr. Hilgartner, you mentioned some trade barriers with respect to India. I think it is important that we know both the tariff and

non-tariff barriers faced by exporters like you. Before going to other markets like China or India, do you have any concerns or are there any non-tariff barriers in the North American market?

Mr. D'Arcy Hilgartner: The NAFTA we established in 1994 helped with so many of them. We had duty-free access to the U.S., and then into Mexico. An area that I, as a producer, see some concern with is the harmonization of regulations. The grain industry has become extremely efficient, but that means subtle changes in market input costs can be a huge disadvantage for us. In terms of crop protection products, stuff is available on the U.S. side that is maybe not available here in Canada. The challenge is harmonization. We look at those crop protection items. With the moving of value added into the U.S., sometimes you see the differences. We're seeing a lot of that now with regulations on packaging. I know with the value-added products, whether they be ingredients or nutrition, we run into difficulties with labelling. Those are some areas of harmonization that would be helpful for the agri-food market.

Mr. Chandra Arya: You mentioned the non-tariff barriers in India. Some time back, I was told that the biggest export from Canada to the fastest-growing market in India is lentils. I don't know if that's still the case.

What is the current situation with respect to those?

Mr. D'Arcy Hilgartner: There were two items there. There was a tariff imposed on peas and lentils as well as chickpeas entering the Indian market, as well as a fumigation requirement. Canadian farmers along with provincial organizations, Saskatchewan Pulse Growers, and Pulse Canada, along with CFIA, have been working really hard to promote the value and high quality and the steps we take here in Canada to address some of the Indian government's concerns about the introduction of foreign species or parasites, nematodes, into their region.

I know that discussion continues, but again, it hasn't really been resolved. So what's the next step? The lack of a trade agreement with India makes that a longer process because we don't have that dispute mechanism or any way of trying to start that conversation.

• (1950)

The Chair: I'm sorry, Mr. Arya. Your time is up.

Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Madame Chair.

I want to thank the witnesses for being here.

Mr. Vermeer, Mr. Hilgartner and Mr. Bose, when you say you're just farmers, well, I'll tell you, for all of us around the table here, without you we'd not be eating, and Canadians rely on the work you do. We want to make sure with this agreement.... The concern that we've been bringing forward is that this is going to affect families, businesses and sectors, some of them negatively. Earlier today the committee heard from the minister, and again, we've been asking for economic impact studies since December 12th—over two months—and we're still not getting them.

The minister's mandate letter says that she wants to maximize the implementation of...I could probably read it to you here. It's CETA and CPTPP, but it doesn't mention in there maximizing the benefits of the new NAFTA. The agreement was actually being discussed just as the mandate letters were being sent out.

So I believe it was you, Mr. Vermeer, who talked about CETA and how the Europeans are actually trying to change things there, and we're concerned. We just want to make sure that Canadians such as you have an opportunity to come to committee because we want to make sure that, if there are going to be negative consequences, we've got the proper support programs in there, even though you would ideally want to continue doing exactly what you're doing.

So my question to you is this. What does the government need to do to make this right? I've heard of challenges with the implementation dates that we need to have a look at. You mentioned the compensation package.

Could you comment on how they're doing with the CETA and CPTPP agreements as well, if you have that knowledge?

Mr. Vermeer, you brought that up and so maybe you could start off.

Mr. Jake Vermeer: I think first of all, one of the ways that government could help us with the CUSMA implications—and this is something that Mr. Shoon actually brought up—is that right now we have a very porous border and there is a lot of diafiltered milk coming across our border, and this is not being inspected. Anything that looks white is just coming across as powder, getting across our tariff limits. So that's something that our government could really do, if it could help out with the CBSA and make sure it's more strict on products that are already coming in to Canada. That would be significant and would really go a long way in helping Canadian dairy farmers and a lot of other industries in regulating our borders and making sure they're tight and up to date with what is allowed.

As for your compensation question, I think I've answered that a few times. Of course, Canadian dairy farmers, as you mentioned, would just prefer to fill market share themselves. I think we worry about the future. As was mentioned before, Brexit is around the corner. The U.K. will be looking to negotiate its own trade deal and, of course, it was part of CETA when we agreed to that, where we had already given dairy market concessions. So we worry about what the U.S. did during the CPTPP agreement, which was pulling out of it, and then, of course, we gave them new concessions.

So we really want to be clear with the government that this will not happen with the U.K., because we're sitting on an industry now that's going to be faced with death by a million paper cuts. You

can't keep giving out small increments of percentages of dairy market shares. There won't be an industry left.

Mr. Colin Carrie: Mr. Bose, I can see you're nodding your head. Do you have anything to add to that?

Mr. Michael Bose: I'm just agreeing with what Mr. Vermeer said.

My family has been very proud of the fact that for over 130 years, roughly, we've not taken government money. We've not had to use government money. Regarding the comment that we need to allow access to our markets because we're a trading nation, I don't see anything in this agreement that's going to allow us to trade south in the supply-managed sectors without subsidies. Again, I don't understand why we would throw government money into industries that don't need it if they were left out of this agreement, as they were in NAFTA.

Mr. Colin Carrie: I think you mentioned, too, these new American oversights and how they affect our sovereignty.

Are you aware of any trade agreement that was ever negotiated that had something like this in it, or is this like a first...

Mr. Jake Vermeer: As I mentioned in my speech, it's the first of its kind. I think I asked Mr. Kurek if the Americans would agree to a clause like this. Mr. Kurek said no. I would agree. I don't understand why we agreed to it. That would be my rhetorical question for that.

● (1955)

Mr. Colin Carrie: As I said, my colleagues and I have been asking for these economic impact studies over and over again because we realize that small businesses and families will have to make investments. Business decisions are going to have to be made. Without knowledge of the implementation or the compensation, it's going to be extremely difficult.

I want you to know that you're exactly the witnesses we need to hear from, and I think you'll be welcome, and we're hoping that more of you come forward to help us. Ultimately, as I said, this is about families, about businesses, about sectors that are going to be negatively affected and we really want to do the best job we can on this.

How am I doing for time?

The Chair: Thank you. You've got 12 seconds.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

Thank you to all the witnesses for coming to the committee and sharing your thoughts with us. I come from beautiful Surrey and so does Mike.

Mike, you have worn many different hats with your family being the pioneer family in Surrey, as you mentioned. Also in agriculture, you have seen your crop base changing from time to time. Now blueberries outstrip every other aspect of farming. You have also worn the hat in charity, and volunteered in many different organizations. Last but not least, your great-grandfather was the mayor Uncle Bose, and you have put your name on the ballot previously. I am sure you will do that in future as well because you've been involved on the ground.

You mentioned the turkey industry and how it's going to impact you and your farm. You have asked how the government can offer support.

If we look at the overall scheme of things, Surrey being the fastest-growing municipality in Canada, and you yourself always being in the forefront of public service, do you see the benefits that CUSMA will bring when it comes to small businesses, including women who are running the majority of the small businesses in Surrey, and the trucking industry, which is another key, and lumber, going back and forth to the U.S.

Can you give me your thoughts from a Surrey perspective?

Mr. Michael Bose: Without question, many aspects of this trade deal are important and are going to benefit the city of Surrey and Canada hugely. It's going to give the grain sector stability. My only issue is the instability it's going to cause within my industry and for my family. I can give you the date. March 2023 is when we have to make a decision on whether our family is going to continue to farm or not. We know that. We can only move forward if we have market stability and industry stability, and this agreement takes that away from us.

Mr. Sukh Dhaliwal: The NAFTA was fine. Was it the other way around, or did it offer that time than with CUSMA?

Mr. Michael Bose: NAFTA did not include a supply-managed segment of the agricultural industry. We always knew that this was going to come up. Even before talks started, we all knew that it was going to get renegotiated. We all knew that we were going to get thrown under the bus, so to speak.

It can't be a surprise. When the Pacific partnership was negotiated, we were hoping that it would include the U.S. For the turkey industry, the U.S. is our biggest threat. There aren't a lot of countries in the world that produce turkey. Chile is the next biggest threat.

Are their standards going to match ours? These are the questions. I've been here for the whole five hours, and harmonization of others' standards with ours has been brought up many times, not lowering our standards, but raising everybody else's standards, because those standards come at a huge cost.

On our farm 12 years ago, we built a new barn, and it lowered our carbon footprint. We burn half as much gas to produce the same number of birds. We use way less than half the electricity. We've put in LED lights. We've made significant investment. Being included the way we are in this agreement has impacted our security.

• (2000)

Mr. Sukh Dhaliwal: Thank you for all the great work that you and your family have done in Surrey. It's always inspiring.

The Chair: Thank you.

Mr. Savard-Tremblay for two minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I have another question for the farmers here.

As my colleague did earlier, I want to emphasize the importance of your role. Farmers probably have the only occupation that we all need three times a day. There are all sorts of jobs. We need accountants once a year, and lawyers as little as possible. However, we need farmers three times a day. The first thing that we all do every morning is open our refrigerator. Thank you for your major contribution. You have every reason to be proud.

That's why we must pay attention to your sector. It can't be treated the same way as an auto plant or a market that satisfies only the laws of supply and demand. The sector needs oversight and regulation.

We won't repeat what you said and what has often been said, which is that the new agreement will affect you. You've spoken to us many times about compensation, but I want to focus more on the transition period.

Mr. Vermeer, you said that, as soon as the vote takes place, the compensation must come through the mail as soon as possible. In your opinion, what would be the best time to vote on the ratification so that you have time to prepare?

[*English*]

Mr. Jake Vermeer: I think that the first ramifications we're going to feel are those of the class 7, because that ends six months after CUSMA is ratified by all three countries. If that would be in line with the compensation package, because we will feel the effects of that class 7 inside our industry....

Further to that, with the CETA agreement, we were guaranteed one full year of payment, but the next seven years' payment were not guaranteed. Any sort of compensation package that was to be rolled out for supply management producers would need to have guarantees in it. We can't make any sort of investment, innovation or efficiencies based on the promises of a government.

The Chair: Thank you very much.

We'll move on to Mr. Blaikie.

Mr. Daniel Blaikie: Thank you.

Mr. Vermeer, I know we heard earlier from my Liberal colleague, Mr. Arya, that Canadians are paying high prices for milk. I think the evidence suggests otherwise, that Canadians pay a fair market price for their milk. The difference is that we're able to support our producers doing it, and where other people are paying comparable prices, they're not necessarily able to support an industry in the way that Canada has been able to do.

He also talked about opening up export markets. What I find odd, if you take milk, for example, is that the world has a number of countries with systems that produce massive quantities of milk, to the point where, in some cases, producers can't stay in business. I understand that for Canada, where we're particularly good at growing grain, for instance, that's a natural export market, because Canadians aren't going to eat enough grain to keep grain producers in business. Correct me if I'm wrong, but it seems to me that the model doesn't work for milk. If everybody becomes a massive milk exporter, then we're not going to be able to sustain producers and people aren't going to be able to make a buck.

It seems to me that there's something wrong with the free trade model we're trying to push across the world, which says that everybody should be overproducing and bringing the price down to the point where the producer can't make a buck. What does the future of the industry look like if the idea is that everybody is supposed to become a low-cost exporter instead of producing to meet demand?

• (2005)

Mr. Jake Vermeer: It's a great question. There are some good points you make.

In regard to your export question, we're not looking to mass export dairy products. We were able to innovatively create a milk

class that solved a need for us, and so we were able to use export markets to complete that need. That worked very well for us, and it was fair for free trade agreements. That's one of our issues, and that's what we'd lose first with U.S. dairy sovereignty and having American oversight inside of our dairy policies. We can't create innovative policies like that without notifying our competitors, so that's a really big issue.

To your point about mass-producing milk, I think it's a race to the bottom, to the lowest cost price available. That will very often lower the levels of animal welfare and environmental sustainability. One thing that Dairy Farmers of Canada are most proud of with our proAction initiative is that we hold some of the highest animal welfare standards in the world, and we have one of the lowest carbon footprints for environmental sustainability in the world. It's very, very important for us. We're able to keep those levels because of the supply management industry.

The Chair: Thank you very much to all of the witnesses. It was very interesting.

We've had a full day of this. Of all of the panels that have appeared before us, I think this is the panel that most of us found most captivating. Thank you for taking the time to care, and thank you for being not just farmers but great Canadians. Thank you all very much for being here.

Voices: Hear, hear!

The Chair: The meeting is adjourned.

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