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• (1535)

[English]

The Chair (Hon. Terry Duguid (Winnipeg South, Lib.)): Good afternoon, colleagues. I call this meeting to order, and as I usually do, I acknowledge that we are meeting on the unceded territory of the Algonquin Anishinabe nation.

Welcome to meeting number 11 of the Standing Committee on Natural Resources. Today's meeting is taking place in a hybrid format pursuant to the Standing Orders.

I'd like to remind members and witnesses in the room that you can use the earpiece on the table in front of you and select the desired channel for interpretation. All comments should be addressed through the chair.

Pursuant to Standing Order 108(2) and the motion adopted on Thursday, September 18, 2025, the committee will resume its study of the forestry industry.

I'd like to welcome our witnesses on the first panel.

We have, from the Canadian Wood Pallet and Container Association, Scott Geffros, chief executive officer. From the Forest Products Association of Canada, we have Derek Nighbor, president and CEO.

Welcome, Scott and Derek. You will each have five minutes or less for your opening remarks.

Mr. Geffros, we'll start with you. You have the floor for five minutes.

Scott Geffros (Chief Executive Officer, Canadian Wood Pallet and Container Association): Thank you all for allowing me to present here today.

As indicated, I am the CEO of the Canadian Wood Pallet and Container Association, Canada's only national organization representing the wood packaging sector. We've been around for about 60 years and currently represent about 200 members across Canada.

Our members produce the conveyances that move products through the supply chain: pallets, crates, dunnage, cable spools, agricultural bins and boxes. We contribute approximately \$1 billion annually to the Canadian economy, but it's really our indirect contribution that is astounding. Our products support about \$750 billion in trade of Canadian goods. Whether that's within Canada, within the U.S. or exported around the globe, it's pretty much all moving in or supported by wood packaging.

Strategically, we are the supply chain backbone. Our products are indispensable to our supply chain, and we make sure that our manufacturers can get their goods to market effectively and efficiently.

Our forestry linkage is kind of odd. We get pigeonholed as a forest product sector. Ultimately, we find ourselves as more about supply chain and logistics, but our raw material inputs are primarily lumber.

From a softwood utilization perspective, 80% of Canadian wood packaging manufactured uses Canadian softwood, particularly the low-grade material that is otherwise hard for the mills to move. Therefore, we're a key contributor to mill profitability and efficiency in lumber processing.

I've noted some policy challenges and recommendations that I am going to summarize quickly.

The first one relates to trade duties and softwood tariffs. U.S. trade actions are injurious to Canadian companies. There's absolutely no doubt about that. For our sector, they are directly affecting us or indirectly affecting us. Whether through CVD and AD on Canadian softwood products or through the tariffs associated with section 232, they hurt. They can hurt us directly, but they can also hurt the people we manufacture for.

As to some of the quick and dirty takeaways we have, we would really like to see assembled wood packaging excluded from any future softwood lumber agreement negotiations or as part of the CUS-MA negotiations. I think it's critical that packaging that carries our goods around the world can move freely and be located and moved to the places it needs to be to move goods in the supply chain.

We've also been asking various folks throughout government to recognize wood packaging as critical infrastructure. Without our products, goods simply don't make it through the supply chain. There's no need to duty a pallet. It's built with one purpose in mind, and that is to get goods where they need to go. That type of designation would be very helpful to the sector.

Lastly, the promotion of wood packaging in government procurement and supply chains would really help to support domestic manufacturing. It would also go a long way toward reaching our and your environmental goals.

Recently, Prime Minister Carney announced a goal to increase trade with the EU by up to 50% in the next 10 years. It's a great goal. However, for our sector, it poses some very unique and very special challenges.

European supply chains are not the same as North American ones, and they require different sizes of platforms and different types of lumber. There are also much stricter tolerances on production.

Obviously, most of our production is geared towards North American supply networks, and for us as an industry to pivot to support Canadian manufacturers in trade expansion will require significant investment in machinery upgrades. It could be \$2 million and a three-year wait time to get a machine. More importantly, the lumber components required are a lot more specific than what we currently utilize here in North America: metric-dimension material with very strict quality tolerances. We definitely need to upgrade our production and capacity to saw in order to make these components, make these platforms viable and make them available to Canadian exporters.

We're looking for support in modernization through targeted funding and incentives, as well as means to facilitate collaboration between our sector and the sawmill sector to make these components available to us so that we're not seeking offshore suppliers, such as Brazil, to support our industry.

The next one I would like to bring up is the ISPM 15 program. This is the phytosanitary program, which enables wood packaging to move globally and enter countries around the world. This is to protect against insect movement.

• (1540)

Our program is recognized around the world; it's very strong. However, we have come to find out after 20 years that it has been designed in a way that is largely unenforceable.

It is a voluntary compliance program to which our members belong. However, there's an awful lot of activity that goes on on the streets that is not policed, and the CFIA, which oversees this program, has admitted that they are unable to enforce it. We are seeking to gain assistance in enabling the CFIA to better undertake their role as overseer of the program in Canada and make sure we have a very strong and robust program that's able to carry and meet the needs of Canadian exporters.

I'm going to jump past the next one, because I am told that I am running over time.

I'm very happy to answer any questions, and I apologize for the overrun on time.

Thank you so much.

The Chair: We have your written brief here, Mr. Geffros, so it will be distributed. There will be a chance for things to come out during questions and comments, so thank you for that.

We'll go on to Mr. Nighbor.

You have five minutes or less.

• (1545)

Derek Nighbor (President and Chief Executive Officer, Forest Products Association of Canada): Thanks, Mr. Chair and members of the committee. I appreciate the opportunity to share time with some of our partners from industry and labour this afternoon. We at FPAC hold each of the individuals and their organizations presenting today in very high regard.

Our team at FPAC is proud to represent the forest products manufacturing industry across its entire value chain, from producers of lumber to panels and engineered wood to pulp and paper and bioenergy. It's an industry that creates nearly \$90 billion a year in revenues and represents 11% of Canadian manufacturing. It generates over \$37 billion in annual exports, which puts us in the top four of Canada's exporting industries. Most importantly, forestry means jobs right across the country. There are 200,000 full-time jobs supporting families in over 300 communities across Canada. Those jobs support another 200,000 indirect jobs across those same communities.

I want to thank all parties for your support. This has been an incredibly difficult time for our sector. Back on October 22, we were grateful to have representatives from every party at our annual conference, meeting with our executives and frontline workers. We appreciate the support that has been lent.

You know that we are facing serious headwinds given the current trade dispute with the U.S., which has our softwood lumber companies now facing combined duties and section 232 tariffs of over 45% on exports to the U.S., with repercussions already echoing across our value chain and starting to impact operating conditions for our pulp and paper mills and other facilities. Today, the federal and B.C. governments have met to discuss the softwood lumber file. I thought it would be appropriate to share some of the advice we shared with both governments heading into the meeting earlier today.

The first one is of a team Canada approach and prioritizing lumber in negotiations with the U.S. The Prime Minister rightly declared the forest sector a strategic one this summer and responded with a \$1.25-billion response package in early August in anticipation of duties going up to 35%. Then they went up to 45% plus.

The response package was an important first step. However, coming out of the Prime Minister's last meeting at the White House some three weeks ago, the readout and public comments from ministers following it stated that steel, aluminum and energy were the sectoral priorities at the negotiating table. This honestly fell incredibly flat for us and put us in a terrible position when called by media to be asked why forestry was no longer being mentioned in the same sentence as steel, aluminum and energy.

We've heard clearly from the government since that forestry remains a priority. We know this is a complex negotiation. We're not unreasonable people in forestry. We don't expect to know everything that's going on at the table, but we do need to know where we stand. It's a case of help us help you, because we need to stand up for our people and our businesses.

On the messaging pivot that happened a couple of weeks ago and lack of clear communication, members need to know we can ill afford to have that happen again. I am hopeful that the task force announced today by both the B.C. and Canadian governments will go some way to rectifying that.

Our industry has never been more united nationally. We continue to work closely with our partners. Unifor will be speaking later today. We have never had more cohesion in a softwood lumber dispute across the country. Unifor and United Steelworkers are our most active partners on the labour side. We would like to see a formal table established to support our sector and our workers to ensure that we can be supportive to the government going forward.

I just want to touch on the funding piece very quickly. The BDC loan guarantee program rolled out this weekend. We appreciate that. We'll watch that closely and share back with government the experiences of our members.

There's the large enterprise tariff loan program, which is the one Algoma Steel tapped into. I think they are the only company to date to do so on the larger company side of things. The Canada Development Investment Corporation is still a bit of a black box to us. We need a bit of help navigating that system, and a request has been put into government to help us do that.

One ask that we also made to government is especially on behalf of our smaller companies, which need a bit of help navigating the system, especially when there are multiple programs in place. A one-window point of access with the Government of Canada would be so helpful, especially to small companies. We've made that request to the PMO and NRCan. It has so far been favourably received.

Employee supports, which will roll out through the provinces from ESDC, need to get to people ASAP. We need to ensure that our contractors are not left behind. Often our forestry contractors, our truckers and our mechanics are among those hit first and hard. They must be protected.

Most importantly, should this dispute drag on, employees and businesses will need expanded supports. We asked the federal government to work with us and our labour partners on creative solutions for the go-forward. Some of that work has started, but we need to move with urgency.

The final piece I'll touch on is really about controlling the controllable. This is the stuff in the regulatory efficiency space.

• (1550)

As an industry, we might not fall into the major project definition per se, but our footprint and economic impact demand a serious relook at how the federal government is duplicating provincial government rules and regulations. There are way too many unforced errors here.

We need to move away from the moments that our foresters, ecologists and chemical engineers are often facing: a provincial government truck at a culvert saying "Approved" and a federal government truck at the same culvert saying "Wait a second". The province wants water or emissions variables reported one way; the feds want, in some cases, different information or a different reporting format. This stuff stifles investment, confidence and performance. To us, it's no longer acceptable.

Over 90% of our activities in Canada happen on lands under the purview of provincial governments. That work considers whole-of-ecosystem values, indigenous and non-indigenous engagement and feedback, local conditions and other values. After all that work is done, the province approves it. Third party certification and audits follow, often only to be followed by an eleventh-hour intervention by the federal government that upends the process.

In closing, if there is one good thing that comes out of this current trade dispute, beyond our new-found sense of national pride, let it be a commitment to being more serious about streamlining federal-provincial requirements.

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

The Chair: Thank you both.

We'll start the rounds of questions.

We'll start with Mr. Malette for six minutes.

Gaétan Malette (Kapusking—Timmins—Mushkegowuk, CPC): Thank you, Mr. Chair.

Mr. Nighbor, thank you for being here and taking the time to meet with us.

From 2017 to six months ago, tariffs were roughly 14% or 15%. What has happened in the last six months? How hard has the industry been hit in the last six months?

Derek Nighbor: We've lost about 2,000 jobs in the last few months. That's the real job impact. The government package, the ESDC funding, was to support 6,000 workers, and we're quickly getting to that point. I want to make sure we're in the position, before it gets too bad, that we're planning if this thing drags out.

We've started to see more closures east to west in the last week. You heard about some of those in northern Ontario announced last week. We're a very integrated sector, so our pulp and paper mills rely on chips coming out of the sawmills. Let's not forget about the full value chain as we think about how we shore up, because there are opportunities to support our pulp and paper mills.

We're going to require different supports than the sawmills will, but the disruption is starting to happen across the value chain. When talking to Scott a little earlier, I heard this is starting to trickle through every part of our value chain now. As it goes on, it's going to get worse.

Gaétan Malette: You're quite right about the full value chain. We saw recently in Kapuskasing how disastrous that could have been.

Are there shortcomings to the \$700-million loan from BDC? Has the industry figured out how to access it?

Derek Nighbor: I just got a note that the website went live last night, so it's still new. We've been told by Minister Joly's office that they tried to make sure it had as little bureaucracy as possible. We will see, and we will give feedback if that's indeed the case.

That program caps companies at about \$20 million. That's the limit. We have some companies that are paying duties on their shipments of \$4 million, \$6 million, \$8 million or \$10 million a month. That's why the large enterprise tariff loan facility is going to be important for the larger companies.

Across the country, if this drags out, \$700 million won't go very far. We just need to be prepared for what might be coming next. We appreciate that it is an important first step.

Gaétan Malette: NRCan's \$500-million product and market fund rollout was in April. How does that help the forestry industry?

Derek Nighbor: We'd like it sooner.

That money would mainly fast-track innovation and support export market development. We're doing work with the prefab modular mass timber sectors to see how some of our mills can retool to support their work and increase domestic opportunity. We're going to do that.

The sooner the money flows, the better. We can get on with it. That is mainly about renewing the funding of some core programs with a bit of a top-up. Again, we appreciate it. We'd like to see it move a little more quickly.

• (1555)

Gaétan Malette: Going back to the \$700-million BDC loan, those are for modernization and improvement.

Derek Nighbor: I haven't gone through the full specs of the program. My understanding is that the program is to support liquidity and provide backstops for loans so that companies can have an assurance that they're going to be able to pay the bills.

Gaétan Malette: Your industry will be well informed about that, because the website just came out yesterday.

Derek Nighbor: Minister Joly's office has been really clear that they want to know how it's going, so I expect that in the next week or two we'll have a bit of information to share.

Gaétan Malette: What recommendations would you offer to the federal government to support the lumber industry that have not been talked about?

Derek Nighbor: I think the first one is about the negotiation. We get that this is really difficult. If there's some way we can support the government in coming to the table in a different way that's going to make the U.S. want to talk about lumber—I don't want to negotiate publicly—we're on board to help where we can.

I'd also say that we welcome the other supports. The housing play is important socially in this country for addressing the affordability crisis, and so is diversifying markets.

We sell \$8 billion a year of lumber to the U.S. We sell \$1 billion to Japan. We're not going to find \$8 billion overnight. That's not a reason not to lean in and do as much as we can, but we need to understand the context here. Steel has a massive domestic opportunity, and aluminum can pivot quite quickly to other markets. We have a bit more of a challenge on our hands in lumber.

Gaétan Malette: Thank you.

The Chair: You have 45 seconds. You don't have to use it all.

Gaétan Malette: It's fine. That's good.

Thank you, Mr. Nighbor.

The Chair: We are going to move on to Mr. Danko.

Mr. Danko, you have six minutes.

John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.): Thank you, Chair.

Thank you to you both for taking the opportunity to join us this afternoon.

My questions are mainly for Mr. Nighbor, but Mr. Geffros, if you want to jump in with any answer, by all means please do.

We spoke a lot about the scale of the sector and the meaning of the forestry industry to Canada, with the amount of export revenue being, I think you said, the fourth largest in the country. We also talked quite a bit about tariffs and the current supports.

I want to ask about market opportunities within both the North American context and a global context. We talked about sawmills, sectional lumber and pulp and paper, but do you want to expand a bit on opportunities for manufactured products for the value-add as part of the forestry sector?

Derek Nighbor: There's long been a bit of healthy tension between the primary manufacturers, which I represent, and the secondary manufacturers. They say, "I'm not getting the sticks I need, the quality I need, the size I need and the dryness I need." The pre-fab modular sector is in the single digits. Sweden is 85% modular. There's an advanced industry there. There's a bit of a chicken-and-egg thing happening here. Why would I sell four sticks over here when I can sell 400 over there?

As I said, it's not going to solve all our problems, but it's going to mean incremental opportunity and growth. Plus, it's going to address a social and economic challenge in this country.

I think the key here is what we're working on. FPAC will be working with the Canadian Wood Council, in collaboration with government, to bring the value chain together at a meeting in Toronto in a few weeks to talk about how we make connection points a bit better. Does an innovation need to happen at maybe a dozen or two dozen sawmills that might be in close proximity to an emerging modular factory?

I was at the Element5 opening in St. Thomas, Ontario. This mass timber manufacturer invested over \$100 million to expand their operations. It's not something we can do carte blanche across the country, but I do think we can look at hub models and where facilities are located. We have over 500 sawmills across this country. If we can find 20 of them that can be retooled to support an emerging sector and, in collaboration with government, can get some guaranteed sales or some commitments to give those businesses assurances, that's an opportunity.

I'm very careful when talking about it. That's not going to fix the problem, but it's one of the tools we have in the tool box to blunt the blow.

• (1600)

John-Paul Danko: Expanding on that a bit, I think Canadians see the forestry sector as one of the core industries that founded the country and are very proud of forestry as part of our national heritage.

I want to give you the opportunity to talk about our global competitiveness and how we stack up against competitors not only around the world but also within North America, with the quality of the products we produce being part of a competitive advantage for Canada.

Derek Nighbor: The quality of the product is why people want to turn to Canada, especially in the U.S. on the homebuilding side. You want to build with northern Canadian-grown softwood lumber because it's not going to warp. You want to frame your home with that stuff. You don't want southern yellow pine that you're going to throw onto a train in Tallahassee and that's going to be warped by the time it gets to Denver.

We have a natural advantage. This is also why the 6% market share we've lost since 2017 was lost to Sweden, Finland and Austria. We didn't lose it to the United States. Do you remember how lumber prices through the pandemic were skyrocketing? Even in that environment, the U.S. couldn't meaningfully increase their capacity. They could mow down every national park, but they don't have the boots on the ground. They don't have the mill capacity.

I don't want to be too cute here in saying this, but that's what's very frustrating. They actually need us, and they're filling the gap now by buying European wood. I'm not sure how that's in the best interests of North American prosperity and security.

John-Paul Danko: Thank you. I think that's a really important context.

Another context that I want to ask you about is that the forestry industry is now a sustainable, renewable resource. How do you see, as part of Canada's climate strategy, shifting some of our carbon-heavy construction methods to sustainable embodied carbon and that kind of thing? Where do you see the forestry industry fitting into our environmental goals?

Derek Nighbor: That's a good question.

It was before my time, but we were the first industry in Ottawa, as I understand it, that supported the Kyoto protocol. It was very controversial at that time for FPAC to do that.

When the Paris 2030 commitments came out, we were one of the first industries in the country to have a game plan that includes avoiding wildfire risk by managing more. That includes displacing more carbon-intensive materials in the built environment and using some of what would otherwise be wood waste and turning it into bioenergy. There are a lot of opportunities along and across the spectrum.

I think we're still committed to doing that work today. One of the things I'm very concerned about, too, is that if we see a decline in production and lose more mills, that's foresters. That's boots off the ground and that means more fires. Having been up to Mr. Malette's community, I know there are some parts there where, if we're not actively managing them, we're going to be in a heck of a lot of trouble in the next 10 or 20 years.

Forestry is a tool for meeting climate goals and at the same time driving the economic opportunity that's so important to rural and northern towns.

The Chair: Thank you.

[*Translation*]

Mr. Simard, you have the floor for six minutes.

Mario Simard (Jonquière, BQ): Thank you, Mr. Chair.

Mr. Nighbor, you correctly noted in your opening remarks that, in recent weeks, when the government spoke about the trade dispute with the United States, it referred to the steel, aluminum and energy sectors, but left out the forestry sector. I understand your disappointment. When we know the dynamics at play, it's quite frustrating.

Quebec aluminum is made in our area, in Saguenay—Lac-Saint-Jean. I certainly don't want to downplay the crisis. However, we know that aluminum smelters, with the Midwest premium, can pass on part of the tariff costs to the next player. It's unfortunate and it makes the situation challenging, but they can still keep their operations running. For example, Jérôme Péresse said over the weekend that the aluminum sector wasn't in dire straits. We can't say the same for the forestry sector.

I really appreciated your comments on the program offered by the Business Development Bank of Canada, or BDC. I may come back to this, but a proposal has been floating around for a few weeks now. This proposal is different from the BDC's proposal. About \$12 billion from the forestry sector is currently sitting idle in the United States. For a while, people were talking about buying back some of these debts, along the lines of what happens with hedge funds. I understand that the amounts involved are quite large. The proposal currently floating around is to buy back 50% of the countervailing and anti-dumping duties prospectively, meaning at the end of each month.

I would like to hear your thoughts on this. I know that you're aware of the situation. I don't want to place you in an awkward position. I know that your members don't all think the same way. However, would this albeit temporary solution help many players in the forestry sector continue their operations?

• (1605)

[*English*]

Derek Nighbor: Listen, it's a great comment and question. I appreciate your leadership in bringing this to the fore. I know that you hosted an event here last week that a couple of our members attended.

In principle, I'd say yes. You raise a point that's unique to our sector in this broader trade dispute, and that's that since we started paying duties in 2017, over \$10 billion has been sitting in the U.S. Treasury that will be disbursed if and when an agreement is reached.

Where your approach has been prudent—and we're still ground-testing this with our members across the country—is that you're looking at doing this on the payments going forward, not in the past. In principle, we're very aligned with that and are doing some

work based on what you started with Unifor—and Unifor as well—to see how we might operationalize that and get support for it more broadly beyond Quebec. That's what we're doing now.

I would say there's an active conversation about whether more could be done with existing dollars. That's probably a bit more challenging, for a lot of reasons. I think now is the time to be very creative and have all options on the table. If this dispute continues to drag out for weeks and months, we're going to have a lot of devastated communities and families.

I appreciate the initiative. I actually talked to Unifor about this earlier today. We will continue to work to see if we can turn this into something more final and robust.

[*Translation*]

Mario Simard: Thank you.

In my discussions with stakeholders in the forestry sector, most of them emphasized one point. The forestry sector is a chain. When certain players are lost, such as sawmills or wood chip consumers, part of the chain goes off track. It then becomes difficult to maintain this ecosystem. Many forestry entrepreneurs have told me that they're currently afraid that the major players that export wood to the United States will collapse or enter the Canadian market. This would hurt the small players whose main market is the Canadian market. The forestry sector chain would then be completely disrupted.

I would like to hear your thoughts on this.

[*English*]

Derek Nighbor: I think it's an important point. That's why I also think that in the interim we have to make sure supports and the ability for smaller companies to access them are there.

That being said, I am seeing a lot of alignment, with the small and big companies working together. There's always fear in a downturn like this. If it drags out, who is going to survive? Who might not survive? I think that's a business reality, but I am seeing a lot of alignment in values and in what people want to see for both small and large companies.

Again, we get that it's tough, but getting to some kind of agreement sooner so that we can have some stability is the key. That's our number one priority.

In the interim, how do we support small and large companies alike? There's the large enterprise tariff loan program that I mentioned, but also the BDC dollars. If we need to extend that, we should be thinking about what it looks like.

[Translation]

Mario Simard: To this end, I know that the government wants to launch Build Canada Homes. I'll give you the example of the Chantiers Chibougamau model because I'm quite familiar with it. Before many companies can replicate this model, we must wait a few years to see this transformation, which will generate greater added value. It won't happen in five or six months.

In the meantime, how could the government help generate more added value and more transformation in the forestry sector?

[English]

The Chair: You have 30 seconds, Mr. Nighbor.

Derek Nighbor: I'll be very quick.

There are a lot of policy...relooking at building codes. Safety, fire and seismic are all critically important. The science and the technical stuff need to rule the day.

There is an opportunity, I think, to expand building codes. Why are five- to six-storey units built with wood more prevalent in B.C. than they are in Ontario and Quebec? I think this is the time to do some navel-gazing domestically to see what's important, understanding that it's going to take a bit of time to get there. It doesn't mean we can't commit to doing that.

You'll hear from Frédéric later today on that.

• (1610)

The Chair: Thank you both so much.

Colleagues, we're going on to our second round. We'll start with Mr. Tochor, and then it's Mr. McKinnon and Monsieur Simard.

Mr. Tochor, you have five minutes.

Corey Tochor (Saskatoon—University, CPC): Thank you.

Mr. Nighbor, how many jobs in forestry have been lost since the April election?

Derek Nighbor: We're at about 2,000. That was my last count.

Corey Tochor: They're on EI right now, I'm assuming.

Derek Nighbor: I can't speak to that. There have been some in more recent days. Our hope is that waiting periods will be waived.

I can't comment. Unifor might be able to help you with that later today.

Corey Tochor: We hear about all of the money the Liberals are throwing at the sector, but of the \$1.2 billion they've announced, \$700 million is for loan-backed guarantees for companies if they don't survive Carney not getting a softwood deal. There's \$700 million in loans, and the \$500 million that was supercharged was really just renewed funding from NRCan through the Canadian forest service.

Isn't it safe to say that this \$1.2-billion announcement is just a band-aid over what is a serious problem for the industry?

Derek Nighbor: Well, we called it a good first step, but you could call it a band-aid. I'll say this: At 45%, if this continues for another one, two or three months, \$1.2 billion is not going to be enough.

Corey Tochor: Who was the last prime minister to get a softwood deal?

Derek Nighbor: Prime Minister Harper did.

Corey Tochor: If Carney does not get a successful deal, we're talking about thousands of jobs lost across Canada. Is that correct?

Derek Nighbor: Yes.

Corey Tochor: We talked about domestic supply and a little about the team Canada approach. You highlighted that steel was one of the strategic industries—not wood—talked about down south. We know the steel industry is pretty upset that the government is underwriting the ferries in B.C. that are coming from China with Chinese steel, which has to be infuriating. For you not to be listed as even a partner in those communications is frustrating.

Then there are reports from the media, such as the BlackRock report. I'm not sure if you've read this one. It talks about some of the buying processes. You talked about it domestically; we have to look at how we can use more Canadian wood.

Have you read this report?

Derek Nighbor: I haven't seen it.

Corey Tochor: On the quality of our Canadian wood, is Brazilian walnut wood better than Canadian softwood?

Derek Nighbor: No, not for building a home.

Corey Tochor: It's not better for building a home, but I mean in general.

Derek Nighbor: It may be better for furniture or something.

Corey Tochor: That's what this report talks about.

We do build some furniture out of softwood. Is that right?

Derek Nighbor: Yes, but—

Corey Tochor: Would it be a benefit to use more Canadian wood, then?

Derek Nighbor: Yes.

Corey Tochor: I ask because what we found was that the National Research Council's collaboration centre for green energy materials in Ontario, a \$58.9-million project completed last year, had a cost overrun of up to \$77 million. What wood did they use in their picnic tables or lawn furniture? It was Brazilian walnut, and 290,000 dollars' worth.

As a member of team Canada, you know we're supposed to buy Canadian. How do you square that circle when the government itself is buying furniture made from Brazilian walnut versus a Canadian-made product?

Derek Nighbor: I wouldn't mind getting that from you. I hesitate to comment too much on it, but we should be buying more Canadian here. That's where it should start. Hopefully the commitments around the new procurement approaches will do that.

Corey Tochor: They've had 10 years to improve those procedures, and they've failed. I believe this government's default position is to buy anything but Canadian. Right now, we're feeling the pain from their not getting the softwood deal done. We have workers sitting at home wanting to work, but they can't.

For your own reference, and for the people at home watching, this report came out on October 27, 2025—this year—from Black-Rock. It's about the cost overruns and the craziness of the federal government claiming to be team Canada and then going overseas for their wood needs. It speaks volumes about their motives.

Going back to one of the—

The Chair: You just have 30 seconds, Mr. Tochor.

Corey Tochor: All right. We'll wrap this up.

Manufactured wood products aren't currently counted under the buy Canadian policy. Would you provide the committee with more information on why they should be included?

Derek Nighbor: Yes, I'd be happy to do that. We've been engaging with government on the procurement guidelines, so I'd be happy to share some of our thoughts on that with the committee.

Corey Tochor: Thank you very much. That's great.

The Chair: We'll go to Mr. McKinnon for five minutes.

Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): Thank you, Mr. Chair.

Thank you, gentlemen, for being here today.

I first have to respond to Mr. Tochor's questions.

Mr. Nighbor, did Chrystia Freeland not negotiate a softwood lumber deal when we first took office in 2015-16?

• (1615)

Derek Nighbor: The new dispute started in 2015, and the duties started kicking in in 2017, so the lumber for the last settlement was done under the previous government.

Ron McKinnon: All right.

I'm going to switch over to Mr. Geffros.

I have to confess that you startled me, because when we're thinking of forestry, we're thinking generally of framing. It's a realization that we're dealing with other things such as packaging.

You indicated that you want packaging to be excluded from duties and tariffs when we're talking about exports and so forth. Is it something that's called out separately when we export? How is that done right now?

Scott Geffros: Thank you for the question.

Right now, wooden packaging that's moving a consignment under load is considered an instrument of trade. It has been and always should be exempt, for lack of better words.

When we're moving products from Canada into the United States as consignments or when we're selling wood packaging as a commodity, that's when the duty aspect comes up. Under CUSMA or the former NAFTA, wood packaging has been exempt from that and we have not been dutied or tariffed, but there are some rumblings right now that we could be included in scope coming up. I think it's critical for our supply chain and supply networks that we keep this out. We do not need added cost on the items that underpin the supply of retail and consumer goods.

Ron McKinnon: If we were to export a boatload of pallets, they would be dutiable, but if we export something that's on a pallet, the pallet would not be dutied.

Scott Geffros: Right now, a boatload of pallets going to the United States would be non-dutiable.

I'm not sure about other countries because there's a complete lack of data on any trade that exists in other countries. It's kind of hard to ship assembled packaging because you are shipping mainly air when you're looking at an assembled pallet. Typically, the exported goods ship as components or cut stock, as we call it.

Ron McKinnon: With the pallets you deal with, you're shipping all kinds of material. You're shipping lumber, certainly, but you're going to ship stereos, microwaves and so forth as well.

What kind of problem do you have in dimensioning your product? Do you have a standard North American configuration? How would that change if you have to start focusing on Asian trade or European trade?

Scott Geffros: Currently in Canada and North America, the 48-inch by 40-inch platform is what drives most of the retail supply chains. Obviously, depending on the type of good that's used, customized products and platforms are available. Different sizes serve different industries.

When we start dealing with European and Asian countries and other supply chains, we're looking at metric sizing. The standard large size in the EU would be 1,200 millimetres by 800 millimetres. That's where our industry will suffer when we look to diversify trade. We're not positioned to build these types of platforms in large volume, nor is our sawmilling industry equipped to provide the metric and very precise size components that we require to build them.

In order for us to supply these different areas and regions, and for our manufacturers to get their goods there, we certainly need a shift here in Canada. We need to make these products available.

To put this into context, I was in Texas about a week and a half ago, and I visited one of the larger pallet producers in the United States. They produce for the petrochemical industry, with 80% of their product going to the European Union. They cannot get the feedstock for their pallets in North America. They rely on nine containers of Brazilian material per day to fuel their machines. That is simply because we do not cut precise enough components.

When we hit the EU and the Asian markets, their distribution networks operate with a lot less tolerances than ours do. Therefore, our 48-by-40 platform built with low-grade softwood is just not going to cut it.

Ron McKinnon: What kinds of investments do we need to make to facilitate trade with these other dimension sorts of markets?

The Chair: Give a quick answer, Mr. Geffros.

Scott Geffros: Helping small to mid-sized producers automate to produce these platforms is probably key. They're not huge investments by any stretch of the imagination, but they will help facilitate trade.

Resourcing sawmills to cut different dimension would be another way we could help.

• (1620)

The Chair: Thank you.

We'll go to Mr. Simard for two and a half minutes.

[*Translation*]

Mario Simard: Thank you, Mr. Chair.

Mr. Nighbor, the forestry sector is facing a major issue. It's difficult to obtain financial support from the federal government.

In 2022, I believe that we calculated that the forestry industry in my region, Saguenay—Lac-Saint-Jean, contributed more to government revenues than the total government support provided to the forestry sector across Quebec. Of this support, 75% came in the form of loans.

A primary processing company—such as a sawmill—that wants to modernize its facilities and that tries to do business with federal government funding agencies, including Canada Economic Development for Quebec Regions, is immediately referred to Global Affairs Canada. Generally, the answer is no. The risk of violating our trade agreements with the Americans is considered too high. This leaves little room for primary processors in the forestry sector to obtain financial leverage from the federal government.

I would like to hear your thoughts on this. Have your members also found it difficult to access funding?

[*English*]

Derek Nighbor: I think time is going to tell if the BDC dollars will roll out. I can't emphasize enough the CDEV dollars for the larger companies. We have to find a path there. I believe Algoma Steel is the only large player that's been able to access those dollars. That's a bit of a red flag to me, so we're digging into that.

In the last softwood lumber package that then minister Jim Carr rolled out in 2017 for the sector, there was not a lot of uptake with some of the stuff in it because of the challenges with the loan guarantee program. We've been assured that this program is better than that one, so we'll monitor it. I would be happy to report back to you once we have a bit more experience under us.

[*Translation*]

Mario Simard: I'm curious about this.

We received some figures from the Business Development Bank of Canada on Friday. If I do the math for all the players in Canada—including the players in British Columbia, Quebec and Ontario—a total of \$700 million in loan guarantees seems quite low, with a maximum of \$20 million.

Since the sawmills in question are often smaller, with fewer employees and fewer people who can take these steps, I'm afraid that the most vulnerable players will end up running out of money. Instead of operating on a first-come, first-served basis, shouldn't a more detailed analysis take place in order to give a helping hand to the companies that really need it?

This question will ultimately remain unanswered, since my time is up.

[*English*]

The Chair: Thank you. That's your time, Mr. Simard.

[*Translation*]

Mario Simard: If Mr. Nighbor wants to submit a written response, it would be appreciated.

The Chair: Good idea.

[*English*]

Mr. Martel is next, followed by Mr. Guay, wrapping up this round.

[Translation]

Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Mr. Chair.

I'll be sharing my time with my colleague, Mr. Malette.

Mr. Nighbor, I'm wondering something.

The Americans need our wood. The Americans need our aluminum. The Americans have needs. Yet so far, these needs haven't been felt here. We're seeing the Americans getting their materials from other places. Doesn't it worry you when people say that they need us? If they really need us, what do you think will happen in the long term? People say that they really need us. However, it seems that they're getting along just fine by sourcing their supplies from other places.

[English]

Derek Nighbor: It's a good comment. We're starting to see signs of softness in the U.S. economy. It's taken a painfully long time for the impacts of these tariffs to flow through to consumers. In the homebuilding space and the home renovation space, we are seeing it.

The U.S. housing market is a huge indicator for us. For every house that's built in Canada, there are seven built in the U.S., and that's why the scale of the U.S. market is so important to us. They have proven that they can go elsewhere, such as Europe, but right now the Europeans, through the negotiated deal the Europeans have with the United States, are paying a 15% tariff on their exports to the U.S., while we're paying a 45% tariff. Unfortunately, the Europeans have not only the wood but also a 30-point advantage in the market right now.

That said, the European fibre basket is getting tighter. The commitments on the fibre basket, or the wood supply, are getting tighter. I'm not sure about the years ahead, but in the immediate, yes, the U.S. is finding other options.

• (1625)

[Translation]

Richard Martel: I want to make sure that I understand correctly.

The Americans need wood. They need 30% of our production to meet their needs. Is that right?

You're telling me that, since 2017, we've lost 6% of the market. In your opinion, if the expected agreement drags on and nothing gets resolved, as is currently the case, how much market share will we lose within a year?

[English]

Derek Nighbor: It's a good question. It's tough to answer, but there are couple of factors here.

First, does the U.S. economy bounce back? The market is very weak in the United States right now. If it picks up a bit, that's an option for us.

Second, if we see, after hurricanes and natural disasters in the U.S., that we can get wood there quicker, what does that look like for the next year? The third piece is, what does the European forest basket look like?

At some point, we'll need to rebuild Ukraine and Gaza, and Europe is probably going to supply those markets. The other thing we're already thinking about is this: If and when that does happen, how can Canada backfill where the EU is selling?

It's a good question, but it's probably too difficult to give you a clear answer.

[Translation]

Richard Martel: So far, since the current Prime Minister took office, \$47 billion in investments have left the country in all kinds of sectors.

Have any people in your organization left Canada to settle in the United States?

[English]

Derek Nighbor: No, we're a bit different, and it is because of the.... There have been closures, but we've also seen a lot of closures on the U.S. side in the last year or so, which speaks to the weakness in the market, both in pulp and paper and on the solid wood side.

We have seen mill closures. It's a bit tougher to just up and move to Illinois, like an auto plant. You're not going to do that because the wood is here, for the most part.

The big ask we have is to get moving on the trade stuff. Let's fix the regulatory impediments and get moving. Also, hopefully, markets are going to pick up to give some of our communities a fighting chance.

The Chair: There are 30 seconds left if you want to hand it off.

[Translation]

Richard Martel: Okay. I'll give the rest of my time to my colleague, Mr. Malette.

[English]

Gaétan Malette: There are all these measures in place, but if we do not have a trade agreement, we're in big trouble. What the government seems to not recognize is that for some of these 300 communities, there are no other options. When you're shut down, it's a disaster.

How long can we survive? Coming from your sector, we're seeing it every week.

Derek Nighbor: As I've said, we've lost almost 2,000 jobs in the sector since April. If this drags out, if markets continue to be slow, there are going to be thousands more. There's no doubt about that.

Gaétan Malette: We need an agreement. It's the only way out. It doesn't matter what program.

Derek Nighbor: We would love to see the best agreement we can get for Canada.

The Chair: Thanks to both of you.

Mr. Guay, you will wrap up this hour. You have five minutes.

Claude Guay (LaSalle—Émard—Verdun, Lib.): Thank you, Mr. Chair.

I am glad that Mr. Malette has a magic wand and knows exactly how to deal with Mr. Trump to have an agreement.

Corey Tochor: That's what Carney claimed.

Claude Guay: I suggest you talk to Mr. Martel about getting the presentation that Mr. Martel, Monsieur Simard and I all participated in with the BDC on Friday, which explained the program to us.

Gaétan Malette: We just heard from the experts.

The Chair: Go through the chair and no banter.

Claude Guay: Mr. Nighbor, you talked about competing with the Europeans and diversifying. What is required to compete with the Europeans and what should the government do to help the industry compete with the Europeans?

Derek Nighbor: I think the challenge now is that the Europeans have a huge cost. They have a huge market opportunity because of the delta between the tariffs they're paying and the tariffs we're paying. If that gets levelled out somehow, that's going to help.

It's not just Europe. The B.C. government or one of the Crown corporations in B.C. has just opened up an office in the U.K. What are the opportunities there? No stone can be left unturned now.

Canada Wood Group, which does a lot of export market work with the support of industry and government, is looking at what more we can do in Japan and what more can we do in China. We have an almost \$4-billion business in China, but unfortunately, after the Russian invasion of Ukraine, Russia didn't have any more places to sell its wood because of trade actions or markets being closed to them, and we lost a lot of market share in China. That was another geopolitical thing that happened beyond our control.

There are opportunities in India and opportunities in Vietnam and South Korea, and there can be in the case of Japan. Japan wants high quality. We have some mills that have retooled specifically for a Japanese customer. I share that because it's possible. It's probably not possible at scale for all 500 mills, but that's not a reason not to do it. What mills can realize that incremental benefit and innovate for the future?

• (1630)

Claude Guay: What can the government do specifically to facilitate that transformation? Does the \$500-million program help in that case?

Derek Nighbor: It's a good start. As I said, we'll find out. That's not rolling out until April. It would be nice if we could move on that a little more quickly, but those dollars are exactly for that.

I'd prefer not to see a sprinkling of money all over the place, but have some very dedicated focus on connecting the value chain and meeting opportunity. I hope that in the application process, that's the lens through which the applications will be looked at.

Claude Guay: Well, the \$500 million is dependent on having a budget. Hopefully, the opposition parties will support it so you can get the \$500 million.

You talked about the transformation of markets. How about the transformation of products? What can the industry do for both the primary producer and pulp and paper? What kind of product transformation can we encourage to help the industry in general?

Derek Nighbor: I'll start on the pulp and paper side.

I was talking with a mill in western Canada. They can go up a grade to a new, in-demand paper of high quality, and they know they can take out a U.S. competitor in doing that. That's not a massive investment, but that's a great opportunity.

We're seeing a cogeneration of energy. We're seeing biogenic carbon capture and storage ideas in parts of the country where that's possible.

On the lumber side, I talked a bit about mass timber modular pre-fab. How can we support those connection points in a really strategic way?

There are a lot of innovative opportunities. That's the money coming through the IFIT program and some of the other NRCan funding, and hopefully the strategic response fund funding out of ISED as well, which is pretty robust.

Our home, per se, in government is at Natural Resources Canada. Over time, a lot of the big money has moved to industry. We need to remind industry that we love being at NRCan. There is a lot of great support there. However, when it comes to the dollars, we have to get our elbows up a bit more to get our fair share of the money. I think Minister Joly gets that, but we'll continue to hold her and the government to account for it.

Claude Guay: I suspect you're in conversation with Minister Joly's office, us and NRCan about the progress of the \$700-million distribution. Have you been told that, no, there won't be more money, or is everyone watching how the program is going?

Derek Nighbor: Yes, everybody is watching the program. The program was just launched, so again, I'm happy to share back....

I think we need to be doing some very collaborative scenario planning at a common table with government, labour and industry to get ready. In case this thing gets really bad, we need to start working on it now—on what the other programs might be. Mr. Simard talked about just one example of them.

The Chair: Thank you.

This brings this hour to—

[*Translation*]

Mario Simard: Sorry to interrupt you, Mr. Chair. I would like to ask Mr. Nighbor a question. He just said something important about cogeneration.

Mr. Nighbor, I believe that you had a brief on this topic, unless I'm thinking of the Quebec Forest Industry Council. We can see a disconnect with the clean fuel policy. Could you send the committee some information on this matter? It's for our study report. It would be quite useful.

[*English*]

The Chair: As Mr. Simard said earlier, we appreciate any amplification briefs on responses, with more fulsome answers to some of the questions you were asked today. They are all welcome.

Let me thank both of you, Mr. Geffros and Mr. Nighbor, for appearing before our committee today. It was a very informative hour. We really appreciate you coming to see us.

Colleagues, we're going to suspend for about five minutes to receive our second panel.

- (1630) _____ (Pause) _____
- (1640)

The Chair: Colleagues, we're reconvening.

For the benefit of those joining us by video conference, please click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. Also, at the bottom of your screen, you can select the appropriate channel for interpretation: floor, English or French. Those in the room can use the earpiece and select the desired channel, but there is no one in the room at this time.

This is a reminder that all comments should be addressed through the chair. There was a little banter starting there, but that is okay.

Let me welcome our witnesses on Zoom for our second panel. We have, from Chantiers Chibougamau, Frédéric Verreault, vice-president, corporate affairs. We have Michel Vincent, chief economist for the Quebec Forest Industry Council. Finally, from Unifor, we have Simon Lavigne, national representative, research department, and Daniel Cloutier, Quebec director.

- (1645)

Claude Guay: Good job, Mr. Chair.

The Chair: Thank you, Mr. Guay.

Witnesses, you will have five minutes or less for your opening remarks. I understand that some of you are together, so it is five minutes per group.

We're going to start with you, Monsieur Verreault. You have the floor.

[*Translation*]

Frédéric Verreault (Vice President, Corporate Affairs, Chantiers Chibougamau): Thank you, Mr. Chair.

I want to thank the committee for taking the time today to delve deeper into the issue of our industrial sector and the disruptions and perfect storm under way. We appreciate your interest in our sector, given your key role, of course. I heard witnesses on the previous panel refer to the budget. However, you play a key role in public policy in Canada. With that in mind, I want to thank you for taking this time.

I'll start by introducing Chantiers Chibougamau. We're a family business with 1,700 employees, mainly in Quebec. We have facilities in Chibougamau, in Lebel-sur-Quévillon, in Landrienne near Amos, in La Sarre, in Béarn in Abitibi-Témiscamingue, in Matagami and in Montreal.

We process just over 15% of Quebec's coniferous forest. This amounts to around 700 million board feet of lumber leaving our sawmills each year. This places us in the top 10 largest softwood lumber producers in Canada. We also have a major presence in the engineered wood, light-frame floor systems and I-joint sectors.

Our Chibougamau plant produces floor joists that can be used to build 55,000 new homes per year. For the record, Quebec builds 14,000 new residential units per year. We make a huge contribution to residential construction across North America. We also have a kraft pulp mill. Every place that you visit in Ottawa may contain kraft pulp from our Lebel-sur-Quévillon mill. The mill also generates renewable energy to supplement the process. That's our organization in a nutshell.

I'm here today to talk about the aforementioned perfect storm and what we can do about it. In the forestry industry, we've always talked about this topic by focusing on the industry, the workers and companies such as ours. We lose sight of the medium-term and long-term perspective, meaning the supply chain to which we belong.

However, now more than ever, as we stand at a crossroads in this perfect storm, mobilize for Build Canada Homes, face a housing shortage in the country and in the North American market and hope to see reconstruction soon in Ukraine and Gaza and a revival of a Russian economy currently under pressure, an exceptional amount of wood has become available.

That said, let's take a step back and remember the year 2021.

In 2021, there was no Ukraine or Gaza to rebuild. We didn't have the current construction backlog in the United States. The economy wasn't slowing down. We didn't have a lumber shortage in North America. We believe that our current focus should remain on the pressure facing the supply chain. This should drive our efforts to support the response to this perfect storm.

Our companies are quite large and solid. However, the problem lies with our subcontractors. They can get lost in the fog of this perfect storm. Remember that a chain is only as strong as its weakest link. We need to keep these companies in mind now as we search for ways to weather the storm.

We have a great deal of work ahead of us. Certain government measures are currently being implemented. We're saying [*Technical difficulty—Editor*] that we need to step up our efforts to address the current crisis. I would be happy to elaborate on this in the next few moments [*Technical difficulty—Editor*].

Thank you, and [*Technical difficulty—Editor*].

• (1650)

The Chair: Thank you, Mr. Verreault.

[*English*]

We will now go to Monsieur Vincent.

You have five minutes or less.

[*Translation*]

Michel Vincent (Chief Economist, Quebec Forest Industry Council): The Quebec Forest Industry Council serves as the voice of the forestry sector in Quebec. We represent the pulp and paper and sawmill industries. You just heard from one of our members, Chantiers Chibougamau. We're proud of this company.

We want to thank the committee for giving us the opportunity to speak today.

This summer, Prime Minister Carney announced \$700 million in assistance. This led us to believe that the government immediately recognized the economic value of our industry in terms of employment, economic benefits, the trade balance—an often overlooked factor—and the fight against climate change. We would also like to acknowledge the work of the Business Development Bank of Canada. In just a few weeks, it managed to turn the announcement into a fully implemented program.

With this in mind, we in Quebec find it hard to understand the federal government's strategy. It overlooks the forestry sector in its negotiations and fails to consider the sector as valuable as the aluminum or steel industries. At least, that's our impression.

For example, a softwood lumber mill in Canada or Quebec that exports to the American market must currently pay a tax that amounts to 30% more than it paid last June, even though prices have increased by only 5%. The additional tax has risen from 14% to 45%. The industry is currently absorbing over 80% of this tax. This places a significant strain on sawmills, as you can imagine, but also on the entire forestry industry. As we heard earlier, the sawmill industry is the gateway to fibre.

These challenges could lead to the temporary or permanent closure of sawmills. This could force pulp and paper mills to shut down owing to a lack of supplies. This could create a vicious cycle, leading to the closure of even more sawmills. We're in a precarious situation. As Mr. Verreault said, it's a perfect storm that will lead to job losses and devitalization.

Prime Minister Carney's announcement also included a plan to build over 500,000 homes per year in Canada. We fully support this plan, of course. Although the goal of increasing production from 250,000 homes per year to 500,000 homes per year is quite ambitious, it would allow Canada to maintain a volume of around 2 to 2.5 billion board feet. Compared to the 10 to 12 billion board feet currently exported to the United States, this may seem small. However, the United States absolutely needs our wood and this volume is not insignificant. We must boost our efforts to achieve this goal as quickly as possible.

For the fourth time in 40 years, the softwood lumber industry is facing free trade negotiations between Canada and the United States, or among Canada, the United States and Mexico. This follows similar negotiations in 1989, 1993 and 2020. For the fourth time, it seems impossible to include softwood lumber in the trade agreement. We're asking the Government of Canada to show that it sees the forestry sector in the same light as other key sectors, such as aluminum and steel. We want it to succeed where every other government has failed in the past, by including softwood lumber in the next version of the Canada-United States-Mexico agreement, under conditions acceptable to all parties.

Thank you.

• (1655)

The Chair: Thank you, Mr. Vincent.

[*English*]

Now we will go to Monsieur Lavigne.

You have the floor for five minutes.

[*Translation*]

Simon Lavigne (National Representative, Research Department, Unifor): Mr. Cloutier will be making our presentation. Thank you.

Daniel Cloutier (Quebec Director, Unifor): Thank you, Mr. Lavigne.

Mr. Chair and members of the committee, thank you for welcoming us here today and giving us the opportunity to contribute to your study on the forestry industry.

I am the Quebec director of the Unifor union. I am accompanied by my colleague Simon Lavigne, national representative in the research department.

Unifor is the largest private sector trade union in Canada. We represent more than 325,000 members, including 55,000 in Quebec. In forestry, Unifor has 24,000 members across the country, including nearly 14,000 throughout Quebec. Our members work in all stages of the forestry chain, including silviculture, firefighting, forestry operations, sawmilling, pulp and paper manufacturing, engineered wood, bioenergy and more.

I will get straight to the point, as I know your time is limited. Here are some of our main concerns at this time.

First, if the Government of Canada considers forestry to be a strategic sector of the Canadian economy, its actions must reflect that importance. Forestry must be a central link in the ongoing negotiations with the United States. It must also be a priority in the government's engagement with labour and industry partners. This dialogue with the parties must be strengthened. As we have seen with steel, aluminum and automobiles, it is necessary to establish formal forums for consultation. Partners in the forestry sector are increasingly talking to each other and coordinating their efforts. It is imperative that these efforts be expanded and that they include greater government involvement.

Secondly, if the Government of Canada wants the forestry sector to weather the current storm, it must ensure that support measures are adequate and can have a concrete impact on the ground. We are facing an unprecedented trade attack, with 45% tariffs on softwood lumber since mid-October. In less than two months, tariffs will reach 30% on furniture and 50% on wood cabinets. The worst part is that there is no guarantee that this list will not grow. As a result, the response to this attack must be direct and targeted, first and foremost for workers. The implementation of income support measures is essential. This assistance must go beyond employment insurance to ensure the economic security of our members, who are facing slowdowns, stoppages and closures.

If you want to retain workers and have a skilled regional workforce available for the recovery, you need to protect their incomes with enhanced and direct assistance. Think of it as a direct transfer to Canada's rural economies, which are footing Mr. Trump's bill for all Canadians. Few industrial sectors are under such direct attack as forestry. The danger of industrial dislocation is very real: if we lose these people, they will not come back, it will be over. Many forestry contractors, the first link in the harvesting chain, are also facing a catastrophic situation. Some are on the verge of throwing in the towel. We need to find additional ways to help them.

There are also ways to support employers. The smaller players are wondering when and how the money announced this summer will reach the field. The deployment of aid measures is opaque, and this unpredictability is hurting them. This will have to be addressed.

For the larger players, who have greater resources, the recommended solutions are different. They are less interested in receiving new loans or guarantees. What they want, above all, is to get back their own money, which is currently being confiscated at the border.

Unifor therefore supports the proposal to buy back 50% of the anti-dumping and countervailing duties every month from now on until the dispute is resolved. These sums have value. The government must show solidarity with producers, and it will be the first to

be repaid when the dispute is settled. This solution has the merit of maintaining current production activities, protecting future ones and keeping our members at work.

Third, if the Government of Canada wants to build a more resilient forestry industry, it must act decisively. It must first review its industrial strategy and reduce our dependence on U.S. exports. We support the diversification of export markets, but past experience tells us that these efforts are neither easy nor quick. In the current context, we believe that the first step is to promote demand for Canadian wood here at home and focus on added value. This demand must be guided by public policies that support the development of domestic manufacturing and consumption.

• (1700)

The strengthening of Canadian purchasing policies and the establishment of a national residential construction project are encouraging developments. However, more needs to be done. Here are some possible solutions.

First, an exceptional revision of the National Building Code is needed. The use of wood products must be increased significantly, particularly in the commercial, institutional and industrial sectors, where the gains to be made are greatest.

Second, recognizing and regulating the intrinsic carbon content of buildings would be a way to send a concrete signal to producers and builders and have a direct impact on national demand, while meeting our greenhouse gas emission reduction targets.

Finally, targeted investments must be made in the conversion and adaptation of production sites. Companies are often wary of the risks associated with developing new markets. The government can play a key role in facilitating this transition and transforming manufacturing capabilities. It must at all costs avoid spreading money too thinly and taking half-measures—

[English]

The Chair: Mr. Cloutier, you're over time. Perhaps you could wrap up in a few seconds.

[Translation]

Daniel Cloutier: I've finished.

[English]

The Chair: Okay.

[Translation]

Daniel Cloutier: Thank you for your attention. We are available to answer your questions.

[English]

The Chair: Well done, and well done by all of our witnesses. Thank you very much.

We'll move on to our round of questioning, and we'll start with Mr. Malette for six minutes.

Colleagues, I was remiss in not welcoming both Mr. Dawson and Mr. St-Pierre to our committee. I understand they will be participating in this round, so we look forward to their questions.

Go ahead, Mr. Malette.

[*Translation*]

Gaétan Malette: Mr. Verreault, thank you for joining us. Your company, Chantiers Chibougamau, is certainly a model for the rest of Canada in the forestry sector supply chain, whether it be sawmills or pulp and paper mills. That's interesting.

If I understand correctly, you have a production capacity of 700 million board feet. Is that correct?

Frédéric Verreault: That is indeed our annual production capacity.

Gaétan Malette: So a good portion of the money sitting in American coffers belongs to you.

Frédéric Verreault: Yes.

Gaétan Malette: Can you explain how the repurchase of customs duties currently paid to the United States would work in practice?

Frédéric Verreault: Absolutely. Thank you for focusing on that aspect.

First, we need to explain what customs duties are. I don't think all committee members are aware of the difference between customs duties and tariffs. A tariff is a tax. When materials are sold that cross the American border, a bank levy is immediately made at the border crossing for the value of the tax. The tariff is therefore the amount that goes, like all taxes, into the U.S. Consolidated Revenue Fund to support the operating needs of the U.S. government.

In the case of customs duties, which represent 35%, or more than one third, of the revenue from a sale, they are automatically deducted from the bank account. The money from these duties is paid into a kind of trust fund at the same time. This preventive measure was introduced by the U.S. Department of Commerce. It is as if, because of certain claims regarding Canadian timber, the United States took money and deposited it in a parallel account. On the day of settlement, as was the case in 2006 in the context of trade negotiations, the distribution of these sums would be agreed upon.

As an indication, in 2006, 80% of what we had deposited in the United States to sell lumber there was returned to our businesses, our communities and the Canadian tax system. It is extremely important to note this, because we are talking about \$12 billion. Obviously, every dollar that returns to the Canadian tax system has a material impact on public finances. If all these funds remain in the United States, we are naturally depriving ourselves collectively of a significant material inflow of funds. On the other hand, in 2006, the remaining 20% remained in the United States.

In this case, the amounts paid in customs duties are an asset in the same way as a customer account in a company's accounts. For example, I could sell a customer account to private firms, my bankers, American firms, or Export Development Canada. More specifically, it is an invoice owed to us. Here is an illustration: until a customer pays me, I leave a little money on the table for another

customer. On the day the money comes in, that new customer will have priority in recovering their money.

This is the philosophy behind the repurchase of customs duties. Of course, today, if you gave us a magic wand, if there were no public finance issues whatsoever and we lived in a country where everything was optimal, we would work to buy back the \$12 billion in customs duties that the Canadian wood products industry has collectively paid to the United States. However, since there is no option or means to do so, that is where the idea of buying back 50% of the customs duties comes in.

Let me explain the reasoning behind the 50%. An analysis was conducted of all customs duty buybacks or resales made in recent years by companies and shareholders holding paid customs duties, whether they were American or Canadian companies and American or other shareholders. These customs duties were treated as an asset, without subsidies, without government assistance, without giving any advantage to any industry, simply on the basis of the market, and were valued at between 29% and 80% of their amount.

That is why we believe that this approach is fair and equitable. It is also fair for the Americans. For example, today I can sell customs duties to American financial product firms. This is an asset that is legitimately recognized as such in the American economic and business world.

By splitting the difference and showing solidarity, the Canadian government is temporarily taking on 50% of the responsibility. For our part, we are returning 50% of our diverted revenue in customs duties. This is done at no cost. The government is taking security on this asset, which has no impact on my accountability to my bankers, whether in terms of ratios, performance, balance sheet, or anything else. By returning this revenue, we are significantly offsetting part of the revenue losses, which temporarily translate into operating losses as long as the funds remain in U.S. coffers.

Please forgive me for this lengthy explanation, but the subject is relatively complex. This approach has several advantages, which we can come back to later. However, I hope I have answered the question about the customs duty buyback formula in broad terms.

• (1705)

Gaétan Malette: Thank you, you answered my question very well.

Mr. Cloutier, we have just lost 2,000 jobs. You have 300,000 members. What would be the multiplier effect on the industry?

Daniel Cloutier: With regard to the indirect jobs you mention, we generally talk about three to four to one.

The Chair: Thank you, Mr. Malette.

[*English*]

Next is Mr. Guay for six minutes.

[*Translation*]

Claude Guay: Thank you, Mr. Chair.

Thank you very much, Mr. Verreault, Mr. Vincent and Mr. Cloutier.

Mr. Verreault, it's good to see you again. Thank you for joining us.

Tell us a little about the investments Chantiers Chibougamau has made to transform itself. Without giving away your magic formula to the competition, tell us a little about what you have done to transform yourself and what the industry could do similarly.

Frédéric Verreault: Mr. Guay, I had the pleasure of welcoming you to our Chibougamau facility, and I invite all members of the committee to visit us at their convenience. It would be my great pleasure to welcome them.

These investments have been made over a period of some 30 years, but I will narrow down the story. Export barriers already existed in the 1990s. As our mill was the northernmost in Quebec's entire forestry industry, we noticed that our wood was smaller and had esthetic defects. That's when we started joining wood. One thing led to another, and we began manufacturing floor joists. Today, we produce 90 million linear feet of floor joists. I would like to point out to the members of the committee that 90 million feet of joists could cover Canada five times over from coast to coast. That is a lot of floor joists.

In Chibougamau, we also have the largest solid wood plant for the production of beams, glued laminated timber columns and cross-laminated timber panels. We talk a lot about solid wood as a tool for diversification and decarbonization in construction. In fact, this adventure began more than 20 years ago. One project at a time, we cut our teeth and developed our craft. At the time, only solid wood buildings with four storeys were authorized, but today, in Canada, it is possible to build up to 18 storeys in solid wood. In the space of twenty years, the initially very restrictive context has completely expanded.

When it comes to investments, there is one thing I want to emphasize. I am referring to FPInnovations, a private research centre whose activities cover all of Canada and which has played a key role in developing this basket of products, technical know-how and regulatory expertise for all practices related to wood construction safety.

We humbly note that our Nordic Structures products are well known and have a global reach. That said, if we are now producing cross-laminated timber and it is generating strong interest across the country and around the world, it is because of another perfect storm in 2009, which combined a global economic crisis with a forestry crisis. At the time, FPInnovations was monitoring technological developments and told us to go on a mission to Austria and Germany. So, more than 15 years ago, we went on that mission and, when we returned, we invested in this program.

It is extremely important to note that companies like ours are under pressure today. Most of our products are under intense market pressure, and maintaining our corporate contributions to FPInnovations' funding requires a tremendous effort on our part. I sincerely believe that maintaining or even increasing the Government of Canada's support for FPInnovations would have a nationwide im-

act. This is an extremely critical issue in terms of the development of these products.

Ultimately, we have made private investments ranging from \$200 million to \$300 million over the past 20 years to develop this industrial structure. Of course, it all sounds great today, but there have been many mistakes and trials, and perseverance and stubbornness. In the end, that is what led us to this basket of products.

• (1710)

Claude Guay: Thank you, Mr. Verreault.

Mr. Vincent, you mentioned a possible sum of \$12 billion for Build Canada Homes. For my part, I spoke with an executive from one of the major paper companies in the wood industry. Since the Americans need our product anyway, he told me that transferring two or three points from the American market to the Canadian market would create enormous pressure on American market prices, which the Americans would find difficult to bear. Explain to us how prices are changing in the market. Also, please tell me if that statement is correct.

Michel Vincent: You're absolutely right, Mr. Guay. When I talk about a volume of 2 billion to 2.5 billion board feet to build the additional 250,000 homes, I don't think that's a lot. That's a huge volume, even though it's only about 20% of the \$10 billion to \$12 billion that we export. You have to understand, that volume represents 4% to 5% of what the U.S. uses in a year. That's huge.

Traditionally, the softwood lumber sector has kept stocks very low, as they're expensive to maintain. Companies often cut wood in November, December and January to build roundwood stocks. That wood can be cut in May, delivered in June and paid for in July. So it's very expensive to keep that wood, and that's why stocks are kept at the lowest possible level. That's typical of our industry.

A two-billion board foot drop in the U.S. market would have a huge impact on prices. Our industry is what we call a perfect competitive industry. It's always the combined forces of supply and demand that dictate what prices will be. Removing \$2 billion from the U.S. market—

• (1715)

[*English*]

The Chair: Thank you, Mr. Vincent.

[*Translation*]

Mr. Simard, you have the floor for six minutes.

Mario Simard: Thank you very much.

Witnesses, I don't want to take a lot of time and I'm going to step back a bit to let you explain a proposal from the community that seems to have a broad consensus, both among worker groups and businesses.

Mr. Verreault, you already explained it a bit in response to Mr. Malette. I'd like you to focus on the benefits of the proposal you've developed. I know that you have prepared a document detailing your proposal, and I'd like you to submit it to the analysts so that it can be an integral part of our upcoming report. I'd also like to hear a bit about the BDC's proposal and, if possible, I'd like Mr. Cloutier and Mr. Vincent to add to it afterwards.

Frédéric Verreault: Okay, I'll submit it right after the end of the committee meeting.

I will explain how this proposal got started, which is a bit like a bottle thrown into the sea. As Mr. Cloutier, who runs Unifor, knows, four of our mills have teams, workers who are represented by Unifor. In 2025, in the industrial sector, we've come a long way from the caricature of a business leader and a union leader fighting like cats and dogs. We're united in the success of our operations and the success of our business. I read that Mr. Cloutier was concerned about the situation and we talked about it a few days later. I told him that, in an ideal world, yes, there would be a complete buyout of timber rights, but I told him what I was explaining to Mr. Malette a few moments ago. Since Mr. Cloutier saw the benefits of my idea, he took the bull by the horns with the strength of a central labour body to firmly shove that bottle into the sea, which led us to talk to you about it today. That's where the idea came from. There's very fluid co-operation between the union leader, Daniel Cloutier, and our organization.

Before I talk about the benefits, I'd like to say a few words about the loan guarantee program that was announced. Don't get me wrong: We're not criticizing this initiative and we recognize its merit. However, it's not an initiative that we'll use, because it doesn't meet our needs. Our company is healthy and doing well. We're not short of access to credit. Basically, our problem is that our revenue is being diverted. It's not a lack of access to credit. That's why, unfortunately, we have to force ourselves to temporarily close a mill, such as our mill in Témiscamingue-Béarn. We must address a very different need or issue. Yes, the program has merit, and we recognize the agile rollout. So we have no criticism of that, but it's not a tool that would enable us to keep the mills operational, like buying out the timber rights would.

What's the benefit of buying out the rights? The buyout program allows the mills to maintain day-to-day production activities and thus enables them to contribute to the tax system. It helps people keep their jobs and maintain their purchasing power, while avoiding the need for employment insurance. It helps protect the industrial structure and the thousands of subcontractors in an ecosystem that's been extremely weakened by the perfect storm, with a view to recovery. I want to point out that there will be a recovery, if not an increase in demand from the 2021-22 threshold, where there was a shortage. There are fewer raw materials in British Columbia because of an insect infestation, and in Quebec because of the 2023 wildfires. If we want to protect the ability to manufacture homes with our renewable materials, equip resistance in this context of a trade dispute that can get bogged down, and above all intervene at no cost based on the market with a tool offered by the U.S. financial community, a rights buyout initiative will make it possible to check all those boxes.

Mario Simard: Thank you very much, Mr. Verreault.

I invite Mr. Cloutier to add to that.

Daniel Cloutier: For our part, during the pandemic, softwood lumber had some very good years: Prices were very high and production rates were high. However, since the 2023 wildfires, the situation has become much more problematic. Our members are experiencing uncertainty and temporary job losses, not really knowing when business will pick up. Many of them have used up their employment insurance, given the successive job losses.

In fact, we've seen this in all sectors. We represent contractors and forestry equipment operators, among others, who have to buy equipment that costs \$3 million, \$4 million or even \$5 million. They have big mortgages, and that puts a huge strain on them. We represent people who work in almost single-industry communities and earn their living from their sawmills and the forest.

If the current uncertainty and job losses continue, we know full well that we'll no longer be able to ask our members to wait. Traditionally, they were used to having a few weeks off in a year. Everyone was fine with it, but now the situation is getting so out of hand that they're starting to desert the sector. If we don't find a solution quickly, we'll no longer be able to inspire hope among our members by telling them that they need to hang on. They're going to go somewhere else, and we won't be able to get them back. We may find them in other industrial settings, since we represent people in 23 industrial settings, but it will be a disaster for this sector.

Mr. Verreault's solution is excellent, as long as it keeps people working. That's the first of the conditions. If we keep people at work, they no longer need employment insurance and we no longer need—

• (1720)

[English]

The Chair: Thank you, Mr. Cloutier.

Colleagues, we're going to start the next round.

We're going to start with Mr. Tochor, who will be sharing his five minutes with Mr. Dawson.

Corey Tochor: Thank you, Chair, and thank you to our witnesses.

I'll carry on with the unfortunate situation that workers across Canada find themselves in right now. Any job loss is heartbreaking, especially for good-paying union jobs that let you buy a home and raise a family.

To our friends at Unifor, why do you think Mark Carney promised that you would get a deal by July 21?

[Translation]

Daniel Cloutier: Until we see the agreement, it remains hypothetical. We would have liked an agreement like this to be signed last year or, even better, two or three years ago. The sooner the better.

However, even if an agreement is reached by the date you mentioned, we will have to be able to get to that point. What I feel and what I understand from our members is that the elastic is fully stretched out. If something doesn't happen very quickly, the elastic will simply break, and we'll all have to bear the consequences.

[English]

Corey Tochor: Thank you so much for that.

I'm going to cede my time to Mr. Dawson.

Mike Dawson (Miramichi—Grand Lake, CPC): My questions are for Mr. Lavigne and Mr. Cloutier from Unifor.

How many workers in the forestry industry in New Brunswick are represented by Unifor? What types of concerns would you have for those members? How many jobs do you expect to be affected by the current softwood lumber dispute if things continue under this government?

[Translation]

Daniel Cloutier: I don't know the exact number of members we represent in New Brunswick, so I will ask my colleague Mr. Lavigne to answer you. If he doesn't have the answer, we can commit to getting it to you as soon as possible.

Simon Lavigne: We don't have the exact number, but we can certainly estimate the number of members we have in New Brunswick at over 1,000, if not almost 2,000. I can get back to you with the exact number. Certainly, the impact is the same everywhere, be it in New Brunswick, Quebec, Ontario or British Columbia.

[English]

Mike Dawson: What's the message you hear from mill workers, especially in New Brunswick, about the real cost of federal climate policies? Are they seeing investment and jobs flow into the U.S. because of the red tape here at home?

[Translation]

Daniel Cloutier: Again, I don't have specific data on that. Are jobs moving to the United States? That remains to be seen. The first step is to cut down the trees, and the trees can't be transported to the United States. It has to be cut here. I have no information to indicate that New Brunswick would be exporting full trees to the U.S. market. In any case, that's not the impression we get.

Mr. Lavigne, would you like to add to my answer?

Simon Lavigne: No, but I don't think we're necessarily qualified to talk about the specific situation in New Brunswick. You have to understand that, here, we're speaking for Unifor Quebec in particular. We're more concerned about the situation affecting Unifor members in Quebec. However, as I said, the same situation applies in many places. If you have any questions about New Brunswick, we'll be happy to provide you with the exact figures for that province.

• (1725)

[English]

Mike Dawson: I appreciate that.

For the last 10 years, this government has failed to properly address the issue of softwood lumber tariffs with the United States.

We are facing the repercussions of it now. What do you believe the federal government should be doing to protect the livelihoods of the forestry workers across Canada?

[Translation]

Daniel Cloutier: I think that, in the immediate term, the federal government should consider the proposals we're making today.

Now, we understand that the major industrial players in the various regions of Canada have finally agreed on a consensus approach to addressing the softwood lumber dispute. That's certainly a basis for resolving the conflict. The way we see it, we also understand that the Americans are showing a lot of bad faith in applying political pressure to pursue the softwood lumber dispute.

[English]

Mike Dawson: When the government locks up more land under Bill C-5, do they even consult with the workers in the communities whose livelihoods are dependent on the sustainability of the forestry industry?

[Translation]

Daniel Cloutier: At Unifor, we remain convinced that there's absolutely a way to maintain a strong industrial relationship with forestry, while observing sustainable development practices that would allow future generations to continue on this path.

[English]

The Chair: Colleagues, moving on, we have Mr. Danko for five minutes, and then on deck we have Mr. Simard for two and a half minutes.

John-Paul Danko: Thank you, Mr. Chair.

The focus of today's committee discussion has been mainly on the current crisis with U.S. tariffs and the U.S. government. Of course, Canada is facing a threat from a hostile and unreliable administration—the U.S. Sad and quite revealing is that Donald Trump enjoys the support of about 45% of Conservative members of Parliament, including the current Leader of the Opposition, who personally emulates MAGA America.

Shifting this conversation from the current situation to looking forward to investments in the housing industry, in construction, in manufactured forest products and in the global market with Europe and Asia, the purpose of this committee is to grow this sector and expand employment.

My question is for Mr. Lavigne and Mr. Cloutier from Unifor. What opportunities do you see in employment in the forestry industry and in the evolution of this sector to grow the Canadian market and the one Canadian economy?

[Translation]

Daniel Cloutier: I'll answer very quickly, and then I'll ask my colleague to add some details.

Obviously, a building program that favours wood products would be a huge help to our sector. I'm not just talking about a residential construction program; I'm also talking about an institutional construction program.

Mr. Lavigne, can you add your comments?

Simon Lavigne: I think it's a very relevant issue. We've put forward a number of proposals. We have to try to work on what we control right now. Currently, one of our trading partners that gets most of our exports is unfortunately unreliable and at war with us.

We want the Canadian government to continue to make it a priority, but we believe in trying to work in the Canadian market. That's where we believe we have the most flexibility to use the most wood, to consolidate the most jobs in forestry and to develop new types of products with high added value that we could also export when we reach a certain maturity and scale. Right now, let's focus more on meeting Canadian demand than on diversifying our markets abroad, because we know that increasing exports is a complex issue.

Earlier, I heard Mr. Nighbor talk about the fact that Russian production was directed to the Chinese market and that this had led to a decrease in our exports. In addition, our machines are calibrated to imperial measures, and the metric system in Europe is complicated. So we can't imagine that we'll be able to redirect our production to Europe or Asia so easily.

However, we believe that there's a lot of potential here at home, particularly if the national building code undergoes a review. I think it's possible to do an exceptional review of that document to maximize the utilization of wood for the construction of institutional, commercial and industrial buildings. A lot of wood is already used in the residential sector, but much less is used in other sectors. More can be done.

We also believe that recognizing embodied carbon is an interesting way to link our climate objectives with wider utilization of wood. All in all, we want the government to make targeted investments that will enable the conversion of certain mills, unionized mills that offer high-quality jobs, where employers provide good working conditions and are reliable partners in collective bargaining. That's what we want to see maintained at this time. I would say that's one of the elements we're putting forward.

We want to pivot strategically. Let's use the crisis as an opportunity to pivot. However, it's no secret that we will still be partially dependent on a large share of exports to the United States. It's a geographic reality and we can't escape it.

• (1730)

[English]

John-Paul Danko: As a follow-up to that, having a bit of an optimistic and forward-looking view is productive. The goal of this committee is to expand industry and employment.

Speaking from a labour perspective, what investments can we make in the skilled trades and labour in this sector to make sure we have the workers available to expand the industry?

[Translation]

Simon Lavigne: I think you're absolutely right. With this transition, pivot or industrial strategy, training will have to be reviewed. So it's very important that we continue to invest in our resources. In Quebec, the Commission des partenaires du marché du travail to a great extent manages this match between industry needs and workforce training needs. We have to keep moving in that direction.

That said, I think that electromechanics specialists, for example, or other people in a skilled trade will be able to do similar work in the context of slightly different or higher added value production. Is there a need for more? The answer is yes. We need more apprenticeship programs. We need to further develop this workforce. We're on exactly the same page when it comes to that.

However, as Mr. Cloutier said earlier, it's important at this time to retain current workers in the sector who are in remote regions. As we know, it's more difficult to attract these people, because they tend to gravitate around the major urban centres. The market is not good right now, but it could improve. If we lose these people because we don't guarantee their income and financial security, but the market is recovering, where are we going to get these people? Where will Mr. Verreault get his workers? It's going to be complicated.

[English]

The Chair: Thank you, Mr. Lavigne.

Mr. Simard, you have two and a half minutes.

[Translation]

Mario Simard: Gentlemen, thank you for your very enlightening comments.

The 45% tariff, plus another 10% potentially, would bring the total to 55%, making wood the most heavily tariffed product. Market access is very difficult. If I understood you correctly, even the Europeans are more competitive than we are in the market.

Mr. Verreault, how are things working for you right now in the American market? Also, could you explain to the committee that the possible implementation of a fee buyback program would not be a violation of our trade agreements?

Frédéric Verreault: In short, the Europeans do not have to bear a 45% loss of revenue like we do. They are losing just 10%. That we know.

I also want to point out that Europe's timber production ambitions are very clear, as are those of Quebec, where the goal is to produce clean power that serves as the first link in an industrial system. Incidentally, the raw material, cubic metres of lumber, costs about half as much in Europe as it does here to produce the same quantity of end products. Europe therefore benefits from solid support for competitiveness in terms of raw materials upstream and net revenues that are 35% higher than ours downstream. That results in significant pressure that is highly cyclical. We have every reason to believe that this will not be the case forever. That is an extremely important point.

Hardly anyone talks about interprovincial trade. Nobody talks about it nowadays. Some Ontario sawmills are still operating because the woodchips, a by-product of sawmilling, are processed at our facilities in Lebel-sur-Quévillon, Quebec. That kind of interprovincial coordination is part of the value chain. Today, construction is happening in Vancouver using I-beams that are manufactured in the United States, even though similar products are manufactured in Quebec. Access to east-west rail transportation is critical and could be greatly improved. There are many markets to optimize and develop, and Build Canada Homes, the major national construction project, will amplify that. The provinces need to work together in all of our strongest sectors. We have to combine our skill sets.

• (1735)

[English]

The Chair: Thank you both.

[Translation]

Mr. Martel, you have the floor for five minutes.

Richard Martel: Thank you, Mr. Chair, I didn't realize I would have time.

This is interesting. We got an overview of the situation.

Mr. Verreault, which part of the supply chain is most vulnerable in this crisis?

Frédéric Verreault: Contractors, subcontractors and small businesses.

If we make a cautious but unfortunate decision after several months of absorbing the income losses caused by tariffs, we'll survive just fine because we have deep roots.

On the other hand, forestry contractors operating with a backhoe, a harvester and a logging truck to transport wood have only one type of activity and only one customer: us. The worst part is that, in many cases, these businesses have been passed down from one generation to the next so there's a lot of business succession in the country's economy in general. These are entrepreneurs who have taken over the family business, so they're subject to the usual financial obligations associated with succession, which puts them under extreme pressure. They are forgotten in all this.

New regulations, like the ones we're proposing today, are designed to get more commercial and institutional buildings built taking into account embodied carbon, and Build Canada Homes is taking off, so we need these people and their businesses to survive. We need these workers, who will not be incentivized or encouraged to change careers because opportunities are opening up for us. We strongly believe in the sector's vitality and potential.

These smaller companies, which are the most vulnerable, are being forgotten. We absolutely have to talk about them and come up with a collective solution to get them through this crisis. Their situation is a bit like during the COVID-19 pandemic lockdown because they cannot work.

Richard Martel: Okay.

Some people say we should be less dependent on the Americans. That's really tough because of our geography. You asked whether

the national building code could be changed for construction purposes. You said that would be extremely helpful. What's your opinion on that? Would that be enough? Would that measure be sufficient to absorb a large part of our supply? I don't imagine it would.

Frédéric Verreault: It would be a shot in the arm, it really would.

It wouldn't be preferential treatment given to one building material at the expense of others. Otherwise, the steel sector would want its fair share because it is also under pressure at the moment. The key element here, now, one that is sustainable for generations to come, is embodied carbon, which is measurable. It is a rational and pragmatic fact. California has made the shift to embodied carbon. So have Colorado, British Columbia and the City of Toronto. The phone is ringing because people want our products. People don't care about forestry workers, forestry companies, or forestry regions. They just want the best materials to build the best structures in 2025.

People are talking about overhauling the national building code starting in 2030, but we have the power to take action today. Google wants our products. Amazon, in the United States, is building data centres with products from northern Quebec. These customers want our products because they are concerned about embodied carbon.

The Canadian government can certainly be a customer that specializes in factoring in embodied carbon. Can we start revising the national building code sooner? That is a good question. The critical mass and volume that would be generated by the Canadian government as a customer would be hugely significant. It would immediately give the sector some momentum and improve the situation.

• (1740)

Richard Martel: I know you've talked about a lot of things so far, and we have a better understanding now. Given that the industry is cyclical, what would help it achieve its highest productivity potential?

Frédéric Verreault: Interest rates in the United States. People need to know that, in the United States, mortgage interest rates are not fixed for five years as they are in Canada, where you can get a variable rate. In the United States, you sign up for a fixed 30-year term. If you build a house in the United States today, you sign a mortgage, and the interest rate is fixed at 6% or 6.3% for 30 years.

Naturally, despite the housing shortage in the United States, people are holding back. They are waiting for a rate correction. This is where inflation and the U.S. macroeconomic situation come into play. It would be different if borrowing costs in the United States were just half a point or one point lower. This could happen in 12, 24, or 36 months.

Let's look at the shortage in 2021. That should be the baseline we keep in mind as we decide on the best response and establish a normal business environment. It's the perfect storm that we will emerge from with market conditions.

[English]

The Chair: Thank you.

[Translation]

We'll wrap up with Mr. St-Pierre for five minutes.

Eric St-Pierre (Honoré-Mercier, Lib.): Thank you, Mr. Chair.

Mr. Cloutier, I find your comments very interesting. Mr. Martel raised the subject of revising the national building code. Would you please elaborate on that? Do you have any specific recommendations for a new version of the code?

Daniel Cloutier: First, once requirements are in place for calculating the embodied carbon value of a building and the obligation to reduce it or maintain it at the lowest possible level, wood will naturally become a very effective substitute for steel, aluminum and concrete used in construction.

In terms of residential construction in Quebec, homes are primarily made of wood, and this is likely the case across Canada. Bungalows and small apartment buildings contain a lot of wood. Now we have to make sure this requirement applies to large institutional, industrial and commercial construction projects. This will obviously create a market that companies will fill. We're sure of that. Taken together, these changes will increase resilience compared to what we're doing today.

Obviously, we agree with Mr. Verreault's comments about a market recovery. The timing of that recovery is uncertain, but there will certainly be a market recovery in the United States. In the meantime, if we develop these sectors ourselves, we'll be less dependent on U.S. residential construction needs in the future. This is actually something that should be done immediately, well before 2030. Provincial governments, including Quebec, should also draw inspiration from this proposal and adopt changes to their building codes to make this possible.

Eric St-Pierre: Thank you, Mr. Cloutier.

Mr. Vincent, I'm from Sudbury, Ontario, which is near my colleague's riding, Kapuskasing—Timmins—Muskegowuk. I'm very familiar with the forestry industry and its impact on the economy. I even have family members who have worked in this sector.

Can you comment on how forest fires, which are increasing in frequency every year, are impacting your organization and its members?

Daniel Cloutier: Obviously, we have little control over forest fires. That's often up to Mother Nature. That said, it's important to boost our capacity to prevent and fight forest fires. We also need to speed up the process of recovering burned wood after a forest fire and getting it into the processing system more quickly. Burned wood can be very valuable in the production of products such as biofuels, but there's very little time to retrieve it. We need to increase our capacity to retrieve it quickly.

• (1745)

[English]

The Chair: Mr. Cloutier, I think the question was actually directed to Mr. Vincent.

I'll allow a little extra time for you, Mr. Vincent.

[Translation]

Michel Vincent: Forest fires burn hectares of forest, which has an impact on the calculation of forest potentials. Each hectare of burned forest reduces the forest potential by about one to two cubic metres, not for one year, but for 75 to 100 years. The millions of hectares of forest that have burned in recent years therefore represent a loss of millions of cubic metres of forest potential, that is, wood volume that will not be harvested in future years. That's huge.

In Quebec, where approximately 20 million cubic metres of wood are harvested each year, forest potential is down by about one million cubic metres. This means that 5% of the forest potential has gone up in smoke—no pun intended—for a long time to come.

In the past, provincial foresters, such as those in Quebec and British Columbia, did not factor in the effect of future forest fires when calculating forest potential. Today, they are required to take forest fires into account, knowing full well that, due to climate change, we don't know where fires will occur, but we do know they will occur and will have a negative impact on forest potential. Foresters predict this impact and reduce forest potential even before a fire occurs.

In short, repeated forest fires have a very significant impact on harvesting potential.

[English]

The Chair: Thank you, Mr. Vincent.

You have time for one quick question, Mr. St-Pierre.

[Translation]

Eric St-Pierre: Mr. Verreault, your company, Chantiers Chibougamau, is impressive. Could you talk briefly about the economic benefits it generates for Quebec communities?

Frédéric Verreault: Our company employs 1,700 men and women. Our payroll is between \$150 million and \$170 million. That many people with very high incomes means very attractive tax revenues for both levels of government. That's one way we contribute.

As Mr. Cloutier pointed out earlier, proximity to trees is key to our industrial model. That also means proximity to supplies. We spend more than half a billion dollars of our considerable revenue on goods and services in Quebec, in the local market. For over a year now, we've also been spending tens of millions of dollars on woodchips and other products from Ontario. We also spend smaller amounts elsewhere. Fellow industry members have business models with a similar supply structure. Very few industries generate as many economic spinoffs near their production activities as ours does.

[*English*]

The Chair: Thank you.

Thank you to all of our witnesses for their excellent testimony today.

Gaétan Malette: Mr. Chair, can I ask if the witnesses could send in submissions—

The Chair: I was going to do that.

Gaétan Malette: Okay. Thank you.

The Chair: Again, thank you to our witnesses. I think you painted a picture of some very stark realities you're facing. I think you've heard concerns and some very good questions from all our colleagues. Thank you for your recommendations.

As Mr. Malette was referring to, we would welcome briefs or amplification on any of the points you've made today, and also spe-

cific recommendations. That would really help the committee with its considerations on moving forward and growing the sector.

Go ahead, Mr. Malette.

Gaétan Malette: I would like to put a question to one of the witnesses.

• (1750)

The Chair: Sure. Go ahead.

[*Translation*]

Gaétan Malette: Mr. Cloutier, many of these reports overlook the workers. Your union represents approximately 300,000 workers in 300 communities. Most of those communities and sawmills are located in remote areas.

We talked about the multiplier. Would you tell us more about that so it can be a significant part of our report? When a sawmill like the one in Ear Falls closes, how can it be reopened?

I invite you to send your written response to the committee.

[*English*]

The Chair: Mr. Cloutier, you'll take that under advisement, I'm sure. We look forward to a brief from you and others.

Colleagues, thank you for a great meeting.

We are adjourned.

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