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# Standing Committee on Natural Resources

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Chair: Terry Duguid





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Thursday, November 6, 2025

• (1100)

[English]

**The Chair (Hon. Terry Duguid (Winnipeg South, Lib.)):** I call this meeting to order.

Everybody seems in very good spirits this morning. That's nice to see. It's nice to see that collegiality.

Let me start by acknowledging that we are meeting on the unceded territory of the Algonquin Anishinabe nation.

This is meeting 12 of the Standing Committee on Natural Resources.

Today's meeting is taking place in a hybrid format pursuant to the Standing Orders. I would like to make a few comments for the benefit of our witnesses who are online today. For those participating by video conference, 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. Do be mindful of our interpreters and their ears. Don't speak too quickly, and keep foreign objects away from your microphones.

Before we dive in, some time ago you requested that the minister come to see us. I know that the minister wants to honour that request. We're working on a time for him to come to talk to you about his mandate and the supplementary estimates. We're thinking either the week after the constituency week or the week after that. We're going to work with his schedule. As you know, the tradition is an hour with the minister and officials and then an hour with the officials alone. That's to let you know that we're trying to tee that up for you and honour the request the committee made some time ago.

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

I would like to welcome our witnesses on the first panel. They are all on Zoom today.

We have, from the British Columbia Council of Forest Industries, Kim Haakstad, president and CEO. From the Canada Wood Group, we have Bruce St. John, president; and, from the Independent Wood Processors Association of British Columbia, we have Andrew Rielly, the board chair.

To our witnesses, you will each have five minutes or less. Please do your best to stick to the time.

Ms. Haakstad, you have the floor for five minutes.

**Kim Haakstad (President and Chief Executive Officer, BC Council of Forest Industries):** Wonderful. Thank you, Mr. Chair and the committee, for the opportunity to appear before you today.

As the chair said, my name is Kim Haakstad, and I am the president and CEO of the BC Council of Forest Industries, or COFI.

COFI represents the majority of lumber, pulp, paper and manufactured wood product companies across British Columbia. It's a sector that remains a cornerstone of our economy and of life in more than 140 communities across B.C. Forestry in B.C. sustains nearly 100,000 good-paying jobs. That's one in 28 jobs in British Columbia and, importantly, it's one in six manufacturing jobs. That represents about 24% of B.C.'s exports.

In many towns, forestry isn't just an industry; it really is the community, but today B.C. is the highest-cost forestry jurisdiction in North America. Companies are contending with uncertain wood supply, regulatory complexity and, of course, the punitive U.S. duties and tariffs, which combine for an average of 45% on softwood lumber producers.

The result is, as I know many of you have seen, that mills are closing. Contractors and businesses along the value chain are struggling, and families are worried about their future.

However, British Columbians still believe in this industry. Eighty-seven per cent say resource development is key to our future growth, 84% agree that forestry plays a vital role in wildfire resilience and 73% have an overall favourable view of the forest sector.

Forestry can and must remain a cornerstone of Canada's economic and environmental future because forestry is a truly renewable industry. In parts of British Columbia, we are now harvesting third-growth forests. We have been at this a long time, and we keep getting better.

Forestry and all resource development in Canada can and has to be about “and”, not “or”—economy and environment, reconciliation and jobs, rural and urban prosperity—because forestry is a solution to many of the challenges we face as a society. For housing and carbon goals, wood is a renewable, low-carbon building material that we need, from family homes to tall timber towers. For wildfires, active forest management reduces the fuel that drives catastrophic fires. Salvaged wood, when harvested quickly enough, can become lumber—not just pulp, paper or other bioproducts.

For economic development, forestry supports contractors, transport companies and many other suppliers throughout the value chain in every region of the province of British Columbia and throughout our country.

For reconciliation in B.C., more than 20% of forest tenures are now held by first nations, with new partnerships embedding indigenous stewardship and ownership throughout our value chain.

To keep people working and communities strong, we need a team Canada approach that treats forestry as the strategic sector it is. As you have already heard and will hear from my colleagues across the country, the sector in Canada is more united than it has ever been, and we see federal and provincial governments working together. That is even stronger when industry is also in the room.

Coming out of this week's forestry summit with B.C. Premier David Eby and Minister LeBlanc, we're calling for a coordinated federal-provincial work plan focused on three priorities.

The first is a fair and durable softwood lumber agreement with the United States. The long-standing dispute undermines confidence and threatens jobs in every region of Canada.

The second is faster and simpler access to federal support programs. A single-window approach and timely rollout of the softwood response package will help companies keep operating and workers stay employed.

The third is regulatory and permitting reform. We support strong environmental standards and indigenous partnerships, but duplication between federal and provincial systems adds costs and delays. Streamlining those processes will improve competitiveness and maintain confidence.

Of course, there is also market diversification, which Bruce will talk more about. It's really important, when we think about getting more markets in Asia and Europe, that they complement, not replace, our core relationship with the U.S. market.

The strength of Canada's forest sector will depend on restoring predictability, securing fair trade and ensuring that companies can invest and operate with confidence, because forestry is not just an economic engine; it is part of the climate solution. Every year, we harvest less than one-third of 1% of B.C.'s forests. For every tree harvested, three are planted. That's sustainability in action. It's supporting jobs, storing carbon and renewing the resource for generations to come.

With governments working together and with industry and labour ready to be at the table, we can build the conditions for a strong and sustainable Canadian economy, where forestry continues to play a central role.

Thank you, Mr. Chair and the committee. I look forward to your questions.

• (1105)

**The Chair:** Thank you, Ms. Haakstad.

We're now going to Mr. St.John.

You have five minutes or less.

**Bruce St.John (President, Canada Wood Group):** Thank you, Mr. Chair and members of the committee, for the invitation today and for making a discussion on the state of Canada's forestry industry a priority.

The Canada Wood Group is a not-for-profit, industry-government partnership that was established in 2003 to focus on diversifying export markets for Canadian wood products and construction systems. Representing the full geographic and product diversity of Canada's forest sector, Canada Wood operates as a united team Canada platform, supported by industry, the Government of Canada and provincial governments.

With the current trade dispute with the United States and 45% combined tariffs and duties, it's critical for Canada to diversify its markets away from the United States and grow offshore export markets.

From 2015 to 2024, Canada's offshore lumber and OSB exports contributed over 126,000 job-years of employment across Canada, generated over \$10 billion of labour income earnings nationwide, delivered over \$690 million of government tax revenue, added nearly \$20 billion to Canada's GDP and delivered a return on investment of \$15 for every dollar invested in promotion. The Canada Wood Group has contributed to this using its staff located in China, Japan, Korea, Vietnam and the U.K.

We've communicated to all of our stakeholders the importance of increasing market share and growing offshore markets through our key strategic focuses. The first is regulatory alignment and code access. That is working with regulators, engineers and building authorities to align foreign codes and technical standards with the performance characteristics of Canadian wood products and systems, including seismic-resilient, fire-tested and energy-efficient assemblies.

The second is demonstration projects. We deliver and support high-profile demonstration projects that showcase Canadian timber and hybrid systems, catalyzing broader adoption and influencing local procurement and code decisions, as well as proof of concept.

The third is market activation and buyer engagement. Canada Wood connects Canadian manufacturers to international buyers through trade missions, seminars, road shows and business-to-business networking events, building trust in the Canadian wood brand.

The fourth is in-market infrastructure and collaboration. We are funding our lean, hybrid staffing model, which utilizes experienced technical staff and contractors located in offshore markets. They work in direction coordination with Canada's trade commissioner service and provincial government partners to maximize efficiency and impact.

It's critical to have consistent, long-term funding that allows for multi-year research and market development. When building relationships with governments, universities, technical organizations and trade, we cannot be in and out. Most programs take years to develop, since they are highly technical in nature and require multi-year funding.

While the industry has contributed consistently to offshore promotion, in today's current market circumstances it's not in a position to increase its funding. We ask that the government increase its percentage share of programming and contribute to increased market diversification. Increased government funding will strengthen Canada's ability to reduce reliance on the U.S. market and expand trade resilience; open commercial access in priority offshore regions, particularly in Asia and Europe; promote Canadian innovation in low-carbon, climate-smart construction systems; support rural and indigenous economic development through export-led growth; and align with federal priorities under the Build Canada Homes plan, the Indo-Pacific strategy, and the 2030 emissions reduction plan.

Again, thank you for your invitation today to present the opportunity for offshore market diversification. Thank you for your time. I look forward to your questions.

- (1110)

**The Chair:** Thank you, Mr. St. John.

Now we'll go to Mr. Rielly. You have the floor for five minutes.

**Andrew Rielly (Board Chair, Independent Wood Processors Association of BC):** Thank you. Good morning, everyone.

My name is Andy Rielly. I am the board chair of the Independent Wood Processors Association of BC. Our organization has 60 member companies, mostly located in the Lower Mainland and on Vancouver Island. Member companies are small and medium-sized firms, all non-tenured, engaged in the value-added manufacturing process of B.C. softwood. We represent roughly \$2 billion in sales and employ 3,800 people directly. Roughly 70% of our production ships to the United States.

I have been employed in the B.C. value-added industry since 1984, having worked at Sauder Industries and MacMillan Bloedel. In 1995, I started my own company, Rielly Lumber.

Over the past 41 years, I have witnessed a great deal of change in the forestry industry. This is the fourth time I have experienced a softwood lumber dispute with the United States. In my four decades of enjoyable and rewarding work in the value-added business, I have never seen a critical situation facing us like we have today. I would like to offer my perspective as the association board chair, employer, investor and business owner, particularly as it relates to the softwood lumber dispute.

I'd like to stress what the committee needs to understand. First is the critical urgency of the situation facing the forestry industry and the value-added sector; second, the financial and emotional strain small and medium-sized companies are facing; third, some ideas on how to resolve the present crisis; and lastly, the potential good news, if the right things are done quickly.

In the past 10 years, the forestry industry in British Columbia has been reduced by roughly 50%. If we want to reduce it by another 50%, let the situation continue that we have now, and that will happen in five months. The only companies left in the value-added sector here in British Columbia are the survivors. These are well-financed second- and third-generation companies that have established supply lines and customers. These companies react quickly to situations, but if they face an extended period of losses, they will close or move to the United States. The very bad news is that once they are gone, they are not coming back.

The committee needs to understand the raw numbers facing the softwood manufacturers in Canada. Most small and medium-sized companies need to secure a U.S. customs bond with cash or a credit line. In most cases, when Canadian companies ship to the U.S., they get a weekly bill for the duties and tariffs. That duty bill is due before the customer pays them.

Rielly Lumber manufactures western red cedar, which is the most expensive species in British Columbia. This week we shipped one truck of finished products to the U.S. The value of the truck was \$197,000 U.S., and the duty and tariff portion was \$61,000. That bill will come to us this morning, and it's due to be paid to U.S. customs next Thursday. Add in the threat of a retroactive increase in duties that have already been paid for in 2023 and 2024. This situation is not for the faint of heart. That bill could be over a \$1 million for our company alone.

What are the options to resolve this? There are two options.

We need a trade deal that involves softwood. The very best way to move forward is this option. If the U.S. says it does not want to talk about softwood now, Canada has to pivot and say, "If you want to talk about energy, critical minerals and the golden dome security strategy, we have to include softwood." We have to create some leverage, as the WTO and CUSMA are ineffective at this time. A trade deal provides certainty to enable companies to invest and employ.

If option one is not there, the federal government must buy the duty deposits that each Canadian company has at the border. This provides liquidity for the affected companies. It ensures the government has the incentive to retrieve the deposits. The expenses will be somewhat secured, as, historically, a good portion of these deposits have come back to Canada. At this time, our company has paid over \$13 million, and that money is at the border now.

The good news is that the possible silver lining is based on my historical experience. Once a softwood trade deal is reached, our biggest market will be more open to us than it is now. Some level of certainty will encourage Canadian companies to invest and employ in our country. The drain of companies relocating to the U.S. will be stopped. Any duty deposits that return to Canada will be reinvested at home, fuelling growth. After the 2006 settlement, the B.C. value-added sector flourished for 10 years.

The value-added business has been good to me. It's been good to our family. I'm proud of it. I think it's worth fighting for, and I hope you agree.

Thank you.

• (1115)

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

I thank all of our witnesses for their crisp testimony. All of you were on time.

We're now going to our rounds of questions.

We're going to start with Mr. Malette for six minutes.

**Gaétan Malette (Kapuskasing—Timmins—Mushkegowuk, CPC):** Thank you.

My question is for Ms. Haakstad.

In British Columbia, how many communities depend on forestry?

**Kim Haakstad:** Well, we say that there are forestry jobs in 140 communities in British Columbia. Often people think of forestry in B.C. as being a rural industry, but 25% of the jobs are in B.C.'s Lower Mainland, the greater Vancouver region. It's a massive contributor, and in some communities, we are still the largest employer.

**Gaétan Malette:** How many jobs would you say have been lost in the last six months?

**Kim Haakstad:** It's hard to tell, because most of them have happened in the last couple, and obviously those statistics lag. However, we are hearing news of curtailments and closures nearly every day.

**Gaétan Malette:** Thank you.

Mr. St. John, you talk of other markets. What would be the capacity of India and China if the government and your association pushed hard? What percentage would they take away from other markets?

• (1120)

**Bruce St. John:** Let's take a look at China as an example and consider that Canada has 250,000 building starts per year, Japan has 900,000 and the United States has 1.5 million. China has 6.5 million annual housing starts. We started in China 20 years ago, and it's been a slow process, because they had no wood building codes at that time. What we've been doing is investing and working collaboratively with them to put in building codes.

If you have 6.5 million housing starts, that's a huge potential. It's very slow right now, just due to the general economic circumstances in China and to the housing situation there and construction, so right now we most probably have somewhere in the neighbourhood of around 1% or 2% of the market. Therefore, we have a much, much larger opportunity to grow that market.

In India, it's a bit different, just because there are some climate issues, given the rain and humidity. Also, there are pests like termites and so on, so it's slower in India. We have done some work in India already to get started, but it's very, very slow to take off because of India's traditional building style, which is to use concrete.

**Gaétan Malette:** Wouldn't you have other markets in furniture manufacturing?

**Bruce St. John:** Yes, India is a very, very large furniture manufacturer. It has smaller manufacturing segments than what you'll see in North America, China or Vietnam, for example. We have staff in Vietnam, and they're very focused on furniture, the majority of which goes to the United States. It's under threat from duties—or tariffs—right now, but there's a large hub in Vietnam and in India. We work collaboratively with the B.C. government, and there's the High Point area in North Carolina that we work with collaboratively to develop that market for Canadian wood that goes into India and Vietnam.

**Gaétan Malette:** Would the industry in Canada have to retool to supply that furniture market in India?

**Bruce St. John:** There are some instances where it would make sense, especially with some of the value-added communities, for example, but they do a large.... Mostly they break everything down over there in India or in Vietnam, and then they have to process it correctly, dry the wood properly, to make the components for the furniture.

**Gaétan Malette:** I want to go back to China. You have the numbers on the housing starts. It's a tremendous market.

Do you have in your forecast...? How long would it take us to penetrate that market with a substantial...to replace a good part, a strong part, from the United States?

**Bruce St.John:** It's going to take a number of years; there's no question about it. As I said, we've been working at it for 20 years so far. Our focus right now is primarily on the non-residential construction, and we're starting to work on the urban renewal, which is building houses in the rural areas of China. We see that as a very large opportunity, but it's going to take a number of years. There's no question about it. It takes quite a long time to do these things. You know, codes and standards can take upwards of 10 to 15 years to get developed. If you're working on market development in terms of different building systems, you develop it, and it takes three to five years to develop a system. Then you have to promote it, and it can take another five to 10 years of work to do that.

It's not a short situation by any means.

**Gaétan Malette:** It's not a solution for the immediate future and the tragedy we're having with U.S. trade.

**Bruce St.John:** No. China is very cost-conscious as well. Especially right now, with the war over in Ukraine, there's a lot of volume coming from Russia and going into China right now. Russia's shipments into China have grown quite dramatically. For us, what we do is we focus on value, as opposed to volume, per se. The value makes more sense for us, because, if it's going to be strictly on competing with Russia, it will be very difficult to compete with them on their pricing.

**The Chair:** Your time is up, Mr. Malette. Thank you so much.

Mr. McKinnon, go ahead for six minutes.

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

I have so many questions but so little time. You've all spoken of the softwood lumber agreement and how imperative it is.

I'm going to start with Ms. Haakstad. Can you tell us this: What are the essential features that we need to see in that agreement, and what do you see as the chief impediments at this point?

**Kim Haakstad:** It's a bit hard to describe the conditions when we're in a venue like this—and we very much agree with the approach that the federal government is taking on not negotiating the terms in public—but we need to make sure that it's a good deal. We can't take just any deal at any percentage, just because we're at 45% combined duties and tariffs right now. We need a deal that actually provides long-term certainty and predictability and continues to allow a good share of our products into market. If we end up under a system with a very tight quota, it means that our provincial industries are fighting with each other to decide who gets the biggest share. We need to make sure that the terms of any agreement have that broad-based opportunity for the sector all across the country.

• (1125)

**Ron McKinnon:** My recollection is that this kicked off, originally, in the early nineties, because U.S. producers felt that Canadian stumpage fees were too low, and they felt that gave us an excessive advantage in the market. Is that still a concern, or has this progressed way beyond that?

**Kim Haakstad:** I think it's fair to say that's still a concern. We strongly believe that the way the U.S. calculates the stumpage and what they call “countervailing duties” is flawed. They're not comparing apples to apples, not only in the way that our stumpage system is built but also in the way that fees are calculated in the United States. You have a group that has much more expertise on this coming up in your next panel, so I would strongly suggest digging into it with them as well.

**Ron McKinnon:** Thank you.

I'll open up those very same questions to our other panellists.

Mr. Rielly, would you like to weigh in on that?

**Andrew Rielly:** Thank you. I can say that, yes, historically, going back to the early eighties, in fact, Mr. McKinnon, is when the initial complaints were lodged. I guess, just with my being a bit of a pragmatist, I would ask why, if Canadian companies have so much more advantage because of the low stumpage system, American companies aren't coming up here and buying our forest companies. It's basically the other way around. A lot of Canadian companies have relocated to the States to be behind the U.S. duty wall, so that is certainly a concern. It's still there.

I need to point out to the committee that this fight right now is about...it's actually U.S. trade law that is skewed towards a lobby group called the U.S. coalition for fair lumber imports, and they control what is being said and done.

There are a lot of value-added companies and non-tenured companies that export to the United States, and it's been proven time and again that we do not get any because we don't hold any tenure. Even if they could prove that there is an advantage to a low stumpage fee, which they have not been able to do, then the value-added people in particular do not get an advantage from it, because we pay the same price for our raw materials as a company from Seattle that takes our raw materials south of the border and produces them there.

One other thing I would like to point out to you is that when a value-added company buys lumber for \$1,000, we put \$1,000 of dry kiln—planing, chopping and everything—and we sell our product into the U.S. for \$2,200. We pay the duty on the \$2,200, not on the \$1,000 raw material bill. That is called the first mill disadvantage. In fact, a lot of value-added companies pay not only on the lumber; we also pay the duty on our processing. That is the critical situation we're in, as manufacturers here in Canada.

**Ron McKinnon:** I'll invite Mr. St.John to weigh in as well.

**Bruce St.John:** We don't deal directly with the softwood lumber situation, just because we're focused on the offshore.

However, it's critical for the industry to have that strength in terms of continuing to operate, and they're in a very difficult situation right now. We work hand in hand, together, and what we do is offer other solutions for the industry to go offshore, but we're beside the United States, and it's a critical market for us.

Without having that support, the industry overall is going to be in a very difficult situation for many years to come.

**Ron McKinnon:** Thank you.

I think I have about 45 seconds left, so I'll pass. Thank you.

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

[*Translation*]

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

• (1130)

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

I would like to thank my colleague Mr. McKinnon for giving me these 45 seconds.

First of all, there is one thing that is essential for the committee to understand: We are in a critical situation. Long-term measures can be put in place for the forestry industry, but before we see any effect, we must ensure that all players in the forestry ecosystem are maintained.

It is in this spirit that I put my first question to Mr. St. John.

I understand that it is essential to focus on developing new markets. However, I strongly doubt that this is possible in the short term for commodity products. First, the use of the imperial system rather than the metric system makes it difficult to consider sending commodities to European markets. Perhaps this will be possible for value-added products.

In your opinion, is it possible, in the short term, to bypass the American market in order to develop new markets specifically for commodities?

[*English*]

**Bruce St. John:** For us, when we look at the markets, we target markets that are not self-sufficient. For instance, if you take the United States as an example, it's 74% self-sufficient. They have to import lumber. It's the same as China, which is 56% self-sufficient. Japan is 71% self-sufficient.

We target the markets where, in the short term, we can at least get as much volume in there as possible, but we're competing against countries like Sweden, which is 400% self-sufficient. They have large volumes that they have to export. That's the same with us. It's the same with Russia. They have to export volumes because of where they're at.

If we're going to compete on price, we're going to be at a disadvantage, just because of the transportation and also because we're a high-cost jurisdiction, so we do try to focus on value and make sure that we can get as much volume with the highest value possible, because that's where we can find our niche into the markets.

That being said, there are low-grade opportunities. For instance, there's a lot of low grade that goes into China and is used for concrete forming and applications like that.

[*Translation*]

**Mario Simard:** Thank you very much for your response.

Mr. Rielly, you raised two options.

The first option is to include the lumber sector in the Canada-United States-Mexico Agreement, or CUSMA, negotiations so that we can put an end to countervailing duties and customs duties. Everyone wants that, by the way.

The second option is to buy back the duties. We discussed this in committee earlier this week with the representative from Chantiers Chibougamau. There is a proposal circulating in Quebec, and I would like to hear your opinion on it.

For your part, you mentioned buying back all the duties. I agree with you that this is the ideal solution. That said, it is currently estimated that Canadians have paid \$12 billion in customs duties, which are sitting in U.S. coffers. That would be a big pill for the government to swallow. The other proposal circulating is for the government to buy back 50% of the customs duties paid to the United States on a monthly basis, going forward.

Do you support this proposal?

[*English*]

**Andrew Rielly:** On the issue of purchasing the duty deposits, I speak to the provincial government here in British Columbia fairly regularly, and the way they look at the duty deposits the Canadian companies have put at the border is as almost a receivable to us. Historically, that has come back if we went through the regular legal channels or had a negotiated settlement.

This idea has been floated several times by people across the country in order to get liquidity, and, Mr. Simard, the one thing I would like to stress is that we are in an urgent situation. I would certainly like to hold out for a good deal for fear of taking a bad deal, but I need to point out to everyone on the committee that we are in the bad deal right now. We have companies that are facing 45%. Canfor, one of the largest companies in the country, is paying 55%, and they're virtually not able to ship to the U.S. very much anymore.

The idea of the purchasing of the deposits is just a way to provide liquidity that is not a loan and is secured somewhat by the money that Canadian companies have already put in.

Yes, I agree that it's a hard pill to swallow to say, "Yes, there's \$13 billion out there that we have all paid". In fact, as you know, there are hedge fund companies from the United States that are coming to Canadian companies and saying, "We're going to give you guys 30% of what you paid for the first four years if you sign over that receivable to us", because they are expecting more than 30% to come back.

It's funny how politics works sometimes. The financial markets sometimes don't lie. There is a receivable out there somewhere, and I think that what you suggested is probably a good idea.

• (1135)

**The Chair:** Thanks to you both.

Colleagues, we're going to our second round of questions, and we're going to start with Mr. Tochor for five minutes.

[Translation]

**Mario Simard:** Thank you.

[English]

**Corey Tochor (Saskatoon—University, CPC):** Thank you very much to our witnesses.

My first question is for Mr. Rielly.

In B.C., even the NDP has criticized the federal government for not having a sense of urgency about the tariff threat to the lumber industry, especially when compared to responses to other industries. Why do you think that is? Why have the government and somewhat the national media ignored the plight of this sector? Why do you think that is?

**Andrew Rielly:** I was in Ottawa in July for a meeting with ministers LeBlanc and Hodgson, and at that time they told a Canadian lumber trade association group, including the value-added companies, that they considered lumber to be as important as steel, aluminum and auto parts. We came out of that meeting, and we were quite encouraged. One of the things that Minister LeBlanc said was that every time he turned around, he was hearing about softwood, softwood, softwood.

We were a little disheartened when they had a mission down to visit President Trump, and after the meeting, Minister LeBlanc said that the three main things they had made headway on were steel, aluminum and energy. At some point between July and this meeting three weeks ago, softwood lumber was not discussed.

It's a contentious issue, as you know. It's never been included—

**Corey Tochor:** On that same front, about being disappointed, I would suspect you and many Canadians were encouraged when Mark Carney claimed that he knew how to handle Trump and guaranteed a trade deal by July 21. Would that be another example of where words don't match up with actions? Obviously, we never got a trade deal by July 21 from Mark Carney.

**Andrew Rielly:** Hey, I'm cheering for Mr. Carney to get a trade deal for us as soon as he possibly can, but I will sort of acknowledge that the present administration in the United States is quite protectionist. They're probably not the easiest. I know that Ambassador Hillman is working day and night to try to make headway on this, and one of the things I would like to highlight is that we need to package lumber in with some of these other issues, because they do want things from us.

**Corey Tochor:** Mr. Rielly, I understand that you're the board chair and an investor in the industry as well. If you knew that tariffs were coming, would you have divested your interest a bit to protect yourself?

**Andrew Rielly:** That's a great question. We all kind of knew this was coming, but, as I said, I've been through this four times before. It has never gone this long, and I do think there is some responsibility on the federal government for not dealing with it, particularly during the COVID time, when lumber prices were at an all-time high. That was the best time to do it.

**Corey Tochor:** On prices, though, were you aware that Brookfield divested its interest in forestry products? I couldn't find any of your members who had involvement with Brookfield. If you could go back in time, they had different funds for it, and then they divested. Is that true?

**Andrew Rielly:** Yes, that is true. I think Brookfield was instrumental in buying the Canadian coastal company, which was MacMillan Bloedel before, so we were—

**Corey Tochor:** There wasn't a personal interest for Mark Carney to get a deal in this industry after they sold the shares in those companies, which is a little suspicious.

**John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.):** I have a point of order, Chair. This is a personal allegation against the Prime Minister. It is extremely offside.

• (1140)

**Corey Tochor:** It's accurate.

**The Chair:** Yes, that's debate.

Please continue.

**John-Paul Danko:** It's offensive; that's what it is.

**The Chair:** You have a minute and 29 seconds.

It is debate, Mr. Danko.

**Corey Hogan (Calgary Confederation, Lib.):** I have a point of order, Chair. I'm looking at the motion for this report, and I fail to see how this is in there.

**The Chair:** Mr. Tochor, if you could steer towards the topic that we're discussing today, I would appreciate it.

**Corey Tochor:** The topic is Mark Carney's inability to get a trade deal, especially in softwood lumber. His former company sold its shares in lumber before these tariffs hit, so this is very much in order with the study that we're on.

Switching over to Canada Wood Group, earlier this year, did you hear that China was the number one threat to Canada in the election?

**Bruce St.John:** We've read the news in the papers and so on, but it hasn't—

**Corey Tochor:** It was from Mark Carney, saying the number one threat was China. Is that correct?

**Bruce St.John:** I can't really speak to the—

**Corey Tochor:** He made that promise during the election, and now, just to clarify, you're planting the hopes of the forestry sector on building more homes, not in Canada but hopefully in China. Is that correct? What has changed?

**Bruce St.John:** Our focus is offshore, and we look at the best returns possible. We don't look at it from a political perspective; we look at it from an opportunity perspective. We obviously work with people who are working within Canada. The Canadian Wood Council is very focused on building homes in Canada, but we're focused on the offshore markets. We're focused on Japan, Korea, the U.K., Vietnam—multiple markets, not just China.

**Corey Tochor:** Then why did you mention China and that building homes there was the growth strategy, when earlier this year we heard that they are our number one threat? This doesn't really jive with reality.

**The Chair:** Give a quick answer, Mr. St.John.

**Bruce St.John:** We do work in China, but as an example, we implemented the two-by-four housing system in Japan, and we built over three and a half million houses there.

**Corey Tochor:** Don't you think you should be building houses in [Inaudible]?

**Bruce St.John:** We built over 140,000 in—

**The Chair:** Gentlemen, that's your time.

We're going to go on to Mr. Hogan for five minutes.

**Corey Hogan:** Thank you, Mr. Chair, and thank you to our witnesses. It's good to see those of you whom I've met before again.

On Monday, there was a forestry summit in Vancouver between the governments of Canada and British Columbia. Four ministers and two parliamentary secretaries, including me, attended from the Government of Canada, with officials. We met with the premier and ministers, we talked about a need for coordinated enhanced supports for the forestry sector, and we agreed that there would be coordinated enhanced supports for the forestry sector, including more funds. The need to deliver and the intent to deliver is true, not just in B.C. but across all provinces, and one of the things we discussed is that jurisdiction was going to be a component of it.

Jurisdiction was a hard-fought right for provinces, including my own, Alberta. Certainly, the federal government doesn't want to step on it, but that does create complexity, because as the federal government is working within jurisdiction on taxes, trade, environmental regulations and industrial policy, that has to be coordinated, and it can get confusing for the forestry companies that are affected.

Ms. Haakstad, you noted the complexity, and I wanted to ask you about this. You talked about faster, simpler access through a one-window approach, which is something I think makes a lot of sense. Can you expand on how you see this functioning?

**Kim Haakstad:** Yes. Thanks, PS Hogan, and thanks so much for being part of the delegation that was here in B.C. earlier this week.

I absolutely spent time as a consultant, as well as working in a clean technology company. At the time, we accessed a program the government already has, called the clean growth hub, which is basically a concierge service for companies that need to work with the federal government to make sure they have product-market fit and that their IP stays in Canada, etc.—the things that worry most companies in the innovation space.

I think we can do the same here, so companies have a place they can go that helps them understand where they fit within the innovation programs that are going to be within NRCan and where they can reach out to BDC and EDC and the right people for the programs and credit facility opportunities that exist.

For many years, largely because of the duties situation, forestry companies have been very reluctant to ever access government programs, because they've been worried about the potential repercussions on countervailing duties.

We're not used to this. They need help. Having a single window within the department of NRCan or something like that would be an excellent opportunity for companies.

**Corey Hogan:** Thank you. I agree. I think it's something we need to explore.

Another thing we talked about in British Columbia was about the fact that our action couldn't just be a response to the U.S. It had to meet the moment, but it also needed to set up the sector for continued success, to grow and to prosper. We've talked about this. My firm belief is that Canada has a fundamental advantage in wood. When you get down to it, we have great high-quality fibre, access to that fibre in an economic sense, and access to capital and to markets, the essential ingredients for long-term success.

I guess this is for all our witnesses. I'm wondering what your thoughts are on things the federal government should be doing specifically to increase access to economic fibre, to increase access to capital and to increase access to markets.

Maybe we can start with Ms. Haakstad.

• (1145)

**Kim Haakstad:** Sure. I'll start with something I mentioned in my opening comments, which I think is a fundamental thing the federal government can do, and that's to just get out of the areas where the provinces already regulate and have jurisdiction, for species at risk and the Department of Fisheries and Oceans.... I think there was mention of this in the budget.

Really, we need to stop having a DFO truck and a B.C. Ministry of Water, Land and Resource Stewardship surge of trucks side by side and disagreeing on what the company needs to do. That just adds complexity and cost. It doesn't protect the environment.

**Corey Hogan:** Mr. Rielly.

**Andrew Rielly:** I would like to point out that I know there's a lot of talk about pivoting and going to new markets. I know Bruce St.John. He's done some fantastic work in developing new markets overseas and things like that.

As I said, for our companies in the B.C. value-added sector, 70% of what we make goes to the U.S. market. A pivot to a new market is two things. Firstly, it's a five- to 10-year program. To try to take a company that's making cedar components in Delta, where all of a sudden things are going not to the U.S. but somewhere else, is a big endeavour.

I might point out that nobody knows anything better about how to repivot than the company itself. While I think it's a great idea to have some help from the federal and provincial governments in support to access markets, I don't think it's a feasible idea to get a bunch of guys around a table and say, okay, this is the way we need to go with some of our wood products to relieve.... I would just say—

**Corey Hogan:** I'm sorry. For clarity, Mr. Rielly, on access to markets, I did mean also our existing market and opening it. Just as a fundamental ingredient, we need to be able to access markets, and there is no replacing the U.S. market.

**Andrew Rielly:** Agreed.

**The Chair:** We have to move on to Mr. Simard for two and a half minutes.

[*Translation*]

**Mario Simard:** Thank you very much, Mr. Chair.

Let's return to the American market. As one witness who appeared before the committee this week told us, life may become a little easier for the forestry sector when interest rates fall in the United States, which could lead to a resumption of the construction cycle.

However, we are not there yet. At the moment, the combined countervailing and customs duties amount to 45%. If we stretch the situation out over a year, do you think there is a high possibility that we will lose players in the forestry industry, particularly in your province of British Columbia? My goal is to present a clear picture of the situation. I would like to hear your opinion, given the time we have to resolve the critical situation we are in.

The witnesses may answer the question in turn.

You may begin, Mr. Rielly.

[*English*]

**Andrew Rielly:** That's a great question. It goes right to the heart of the situation we're facing right now.

As I said, for companies that are primary producers, that are large—the West Frasers, the Canfors, the Domtars—nobody is enjoying this. Nobody can afford to pay this, but they sell on the market. As I said to you, we had a truck with just one order that went this week. We have to charge that \$61,000 to our customer. There is no “We're going to ingest it, and we're going to pay it.” That is going to last only so long.

Two things may happen, Mr. Simard. These tariffs in some cases are going to price Canadian products out of the U.S. market. Customers will start substituting cheaper alternatives. That's a real risk, especially for value-added and produced finished products. They'll price themselves out of the market.

To get to the heart of your question, a year for our 60 companies, I honestly think.... This isn't companies going bankrupt. This is probably people my age, who have had a good run and been in business for 30 years, saying, “You know what? This formula doesn't work anymore.” If established companies that have well-financed balance sheets, supply and customers say that they can't make it, by the end of the first quarter they will start closing. On the timeline, without some kind of support in the form of buying the deposits back, at the end of the first quarter, I would bet you that 20 of our 60 companies will close.

• (1150)

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

We'll come back to you later, Mr. Simard.

[*Translation*]

**Mario Simard:** Thank you.

**The Chair:** Mr. Martel, you have the floor for five minutes.

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

Mr. St. John, my understanding is that without the Americans, the forestry industry is not viable. Is that correct?

[*English*]

**Bruce St. John:** Yes, of course, the U.S. market is extremely important to the Canadian industry. There's no question about that. Eighty per cent of the volume goes down to the United States today, and to make that kind of a change is an extremely difficult, if not impossible, thing to do.

[*Translation*]

**Richard Martel:** You said earlier that Sweden's timber production meets 400% of its needs and that it has to export a lot.

What is that percentage for Canada?

[*English*]

**Bruce St. John:** In Canada, we're at 280%. It's the consumption versus self-sufficiency. An additional 180% of Canada's production has to go to other markets.

[*Translation*]

**Richard Martel:** The last softwood lumber agreement was concluded in 2006. I still wonder why renegotiation in this area is so complicated, given that in sectors such as steel, aluminum and energy, we always manage to find common ground and reach an agreement. How is it that no one wants to touch the softwood lumber agreement? It's complicated. There are certainly reasons for that. What do you think?

It has been almost 20 years since there have been any new negotiations on softwood lumber. So you've been living under the terms of the 2006 agreement for a long time. Today, because of the tariffs that have been imposed, there is a sense of urgency. So why is it that this agreement, which has been talked about for ages, is not being renegotiated?

[English]

**Andrew Rielly:** Would you like me to—

[Translation]

**Richard Martel:** My question is for Mr. St.John or Mr. Rielly. Either one may respond.

[English]

**Andrew Rielly:** I will just quickly say that, in 2006, we had a bit of a different situation from the one we have now. We had a strong WTO ruling in our favour. The NAFTA panel was ruling in our favour, and that dispute was going to literally end in a litigation forced by NAFTA and the WTO.

This time, the WTO is pretty much toothless, because nobody has been appointed to the appellate body, and as for the administration in the United States right now, we're not even sure they'd agree to a NAFTA ruling, which is troublesome. That's the difference we have now.

That is why I say that our government has to use the tools we have, with energy and critical minerals, with things the Americans want, and say that this time, we have to lump softwood lumber into it, because, as you guys see, that market is vital to us.

[Translation]

**Richard Martel:** Mr. Rielly, I would just like to—

[English]

**Bruce St.John:** Would you like my comments?

[Translation]

**Richard Martel:** Yes, excuse me. I'm listening, Mr. St.John.

[English]

**Bruce St.John:** I'd just like to add that, from our perspective, we continue to work, regardless of what the market conditions are or what duties or tariffs are in place. That's why the industry has continued to invest in offshore market promotion. We have to build a foundation for the long term and take away the risks that we continually have. Just because there's a situation right now with the United States, it doesn't mean that we have to stop when there's no situation with the United States. We have to continue to look at market diversification to get the best possible return for the industry and for the companies.

[Translation]

**Richard Martel:** Is the forestry industry consulted by the government?

I think you raise some good points today, Mr. Rielly and Mr. St.John. Have you been consulted by the government?

• (1155)

[English]

**Andrew Rielly:** As I said to Mr. Simard, we met with the ministers in July, and we have been consulting. The Canadian Lumber Trade Alliance, the primary group across the country, has tabled three different alternatives that the group could live with, if the federal government wants to engage the Americans and start talking about trade.

Committees like this are important to nudge our federal government along, to remind it how important this file is to so many people, and to say that, while we all would like to pivot to new markets, the vitally important thing is that the biggest, richest market we have is right next door to us.

**The Chair:** Thank you.

Mr. St.John, we're out of time, but I will give you 30 seconds to respond, if you wish.

**Bruce St.John:** We engage with the government on a regular basis. I was just in Ottawa two weeks ago, meeting with the government, having discussions on potential programming on a go-forward basis, and they reacted positively about funding on a go-forward basis with us.

**The Chair:** Colleagues, that brings our first panel to a close.

[Translation]

**Mario Simard:** I'm sorry to interrupt, Mr. Chair, but I would like to say something. It will only take two seconds.

[English]

**The Chair:** I'm sorry. It's Mr. Guay. I'm going to cut you off there. I'm treating my colleagues worse than I'm treating the opposition.

I'm sorry, Mr. Guay. Pardon me.

**Claude Guay (LaSalle—Émard—Verdun, Lib.):** Thank you, Mr. Chair, and thank you to our distinguished panel.

The government has announced the different programs, and you also talked about the different programs. There's a \$700-million liquidity program from BDC. You mentioned that. Also in the budget that was presented yesterday was a \$500-million program for innovation and market diversification. I know it means different things to different people. It's a program that would start in the new fiscal year, with the budget. There's one that exists today. It's already subscribed. I want to make sure that I actually understand what it can be used for, how it could be modified, whether it should be modified and how your stakeholders are using it. The question is slightly different for everyone because, if you're in the U.S. market today, it could be diversification, changing products or expanding in the United States. Outside of the U.S., Mr. St.John, it's Asia and the United Kingdom.

Is the program helpful? The question that I would like to submit to each one of you is how your stakeholders view that program and how we could make it better.

Why don't we start with you, Ms. Haakstad?

**Kim Haakstad:** I think what's really important in the programs that you mentioned is the renewal of funding for Canada Wood Group and the Canadian Wood Council, which do international and domestic market development for the industry. They're partnered with industry because they're programs that are built by industry for industry, to make sure we're doing the right thing. It's really key to getting that funding going.

The other programs that are in that allocation that was in the budget are sort of programs, as you say, to help retool facilities to meet the needs of the future of the industry. Think about taking something that today primarily makes dimensional lumber to make mass timber in order to build tall timber towers. Sometimes companies do need support in order to retool for the future market needs.

Right now it is challenging to get predictable access to economic fibre in order to actually make the products we need. In order to invest in innovation, you have to have certainty. Government programs rightly fund a portion of what you're doing, not all of what you're doing. It's a principle I believe in as a Canadian, but that means it doesn't allow you to invest unless there are good conditions to invest in. We need a softwood lumber deal, and we need to make sure that we're looking at ways to reduce costs in Canada so that companies can be competitive with international markets and not have international products coming into Canada instead of using our own wood products.

**Claude Guay:** Mr. Rielly.

**Andrew Rielly:** I think what Kim said is very important. I think programs like that are very valuable. If you're going to support Canada Wood Group, you're going to support Supply-Build Canada and BC Wood. That's important stuff.

As I said to you, our 60 member companies have all been maybe second- or third-generation companies. Just to sort of shed some light on it, I've been in business for 30 years. The first month we've ever broken even, or almost lost money, was October 2025. From the BDC program, we don't really need an inexpensive loan. We're okay, and that's the situation for most of the companies that are manufacturing products in Canada now. They're well-financed companies, so I'm going to side with Ms. Haakstad and say that the most important thing that we do now is really roll up our sleeves and try to get some kind of softwood lumber deal with the U.S., so that we can buy some time, continue to ship our products and then pivot to new markets.

• (1200)

**Claude Guay:** Mr. St. John, how is the program being used in terms of market diversification, if it is at all?

**Bruce St. John:** I think it's important, first, that when you talk about market diversification, you don't necessarily think of just new geographic locations. You have to look at existing markets and then diversify within those markets.

For instance, I said earlier that our programs helped to build 3.5 million houses in Japan, but we realized that it has plateaued, so what we're doing now is diversifying within Japan to mid-rise construction. In B.C., as an example, 80% of four-storey to six-storey buildings are built out of wood. In Japan, we've initiated it, and so far we've worked on 156 projects there.

The important thing for us is that, from the industry perspective, a lot of them are on the ropes right now. They're really having a difficult time, so when we ask for funding from the government, what we'd like to see is for the government to increase its funding percentage for programs to help the companies. The companies have been there for good and bad markets, regardless of the situation, but they're on the ropes right now. Their ability to turn around and invest more money into offshore marketing or into anything right

now is very difficult. I'd ask that the federal government contribute a higher percentage into the programming we're looking at doing.

**The Chair:** Thank you, Mr. Guay and Mr. Rielly. That does finally bring our first panel to a close, and we will be—

[*Translation*]

**Mario Simard:** Excuse me, Mr. Chair.

[*English*]

**The Chair:** Is it a point of order?

[*Translation*]

**Mario Simard:** No, but it will be very quick.

I think I may have misrepresented the proposal currently circulating on the repurchase of customs duties earlier. The information will be sent to Mr. Rielly by email, and I would like him to respond in writing to the committee.

[*English*]

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

I also advise the panellists that we welcome briefs you may want to send in that amplify some of the points you raised today.

Those were excellent presentations and good questions by my colleagues.

We will now recess for about five minutes while we get ready for the next panel.

• (1200)

(Pause)

• (1210)

**The Chair:** I call the meeting back to order.

Let me start by making a few comments for the benefit of the witnesses. We have a very fulsome panel. We have six people from different groups.

For those participating by video conference today, please click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. 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 to select the desired channel.

As a reminder to all colleagues, comments should be addressed through the chair.

I'd like to welcome our witnesses on this second panel.

On Zoom, from the Alberta Softwood Lumber Trade Council, we have Jason Krips, co-chair. In the room, from the Canadian Forest Owners, we have Andrew de Vries, chief executive officer, and Vincent Miville, vice-chair. On Zoom, from Domtar Inc., we have Luc Thériault, president of wood products. In the room, from the Ontario Forest Industries Association, we have Ian Dunn, president and chief executive officer. Finally, on Zoom, from Tolko Industries Ltd., we have Brad Thorlakson, executive chairman.

You will each have five minutes or less for your opening remarks. If you could stick as close to the time as possible, we'd appreciate it. I know my colleagues will be anxious to provide comments and ask you questions.

We are going to start with Mr. Krips. You have the floor for five minutes.

**Jason Krips (Co-Chair, Alberta Softwood Lumber Trade Council):** Thank you, Mr. Chair and committee members. It's a pleasure to be here in front of this committee on behalf of the Alberta forestry industry.

The Alberta Softwood Lumber Trade Council represents sawmills in Alberta that export their products to the United States. The council is made up of nine companies, ranging from publicly listed companies to family-run mills. As mentioned by the chair, I am one of two co-chairs. In my other day role, I'm the president and CEO of the Alberta Forest Products Association, or AFPA. AFPA represents 29 forestry companies in Alberta, ranging from publicly listed companies to family businesses that have been passed down through generations. They range throughout the forestry value chain, from sawmills to pulp and paper mills to wood pellets and everything in between.

Our industry in Alberta creates 30,000 jobs and has a \$14-billion impact on the province's economy. We're proud to be part of a Canadian forestry industry that stretches from coast to coast—an industry that creates 200,000 jobs nationally and is one of the largest employers of indigenous people in the country. We're equally proud of our environmental record and the fact that we grow three trees for every tree we harvest.

It's a good time to be having a conversation about the health of natural resource sectors like ours. You'll hear themes that are very similar to those you heard this morning from the earlier panel. As you know, we're approaching combined duties and tariffs of approximately 50%. For products that go to market, that takes nearly half of our production. The urgency of the situation cannot be underscored enough. We're beginning to see mills curtail shifts and lay off workers. With the remoteness of many of our communities, there's a risk that once these jobs leave town, they'll be hard to recover. The associated industries supported by forest jobs also will have a challenge to recover.

There are things we can do, both at home and abroad. Job number one, as you heard this morning, is crafting a durable agreement with the Americans. It's not just Canada that will be able to gain from a deal. American consumers are struggling with housing affordability. In fact, Americans already cannot afford to buy their first house until they're an average age of 38 years old. Adding costs through trade barriers exacerbates the situation.

Hundreds of thousands of Americans make their living transporting, retailing and building with our lumber. The confusion and uncertainty caused by tariffs has decimated the U.S. housing market. That's hurting people on both sides of the border. The United States supply 70% of their own lumber, but they need to import 30%. Our species, especially spruce, pine and fir play a unique role in structural building applications.

In making a deal, it's absolutely critical that our industry has a seat at the table and is part of regular two-way communications on the state of play. We have seen government amp up to support other industries, such as steel, aluminum, auto, dairy and energy. We need that similar level of urgency to achieve a deal for forestry, and for forestry to be treated as a priority sector along with these other keystone industries.

On the domestic side, we're starting to see positive signs that competitiveness and certainty are being taken seriously. For too long, our industry has had to navigate a maze of overlapping regulations between the provinces and the federal government, causing unreasonable delays and moratoriums that kick the can down the road. These delays do not achieve environmental objectives. Environmental objectives are already robustly regulated, but we need a system that offers a much quicker go-ahead when legislation is compiled with.

In addition, we can and should be using more of our resources at home. That is one sure way to protect from trade barriers. Countries like Sweden, Norway and Austria have taken the lead in wood building. Here in Canada, the Province of British Columbia has taken the lead with legislation on wood building. We should have similar legislation that applies to federally procured projects nationwide. We should also absolutely continue to support market diversification and innovation to create new products for new markets.

We need to realize that we cannot diversify our way out of this problem. We need to work on a solution with our American friends and customers. It's time to roll up our sleeves and get a deal done—a deal that works for both countries.

Thank you very much, Mr. Chair and committee members.

• (12:15)

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

We'll go now to Mr. De Vries and Mr. Miville, who will be doing their opening remarks together, in French and English.

You have the floor. You have five minutes between you.

**Andrew de Vries (Chief Executive Officer, Canadian Forest Owners):** Thank you, Mr. Chair and members of the committee.

Thank you for the opportunity to appear before you today and to join our colleagues from across the country. My name is Andrew de Vries. I'm the chief executive officer of Canadian Forest Owners. I'm joined by Vincent Miville.

Canadian Forest Owners is a national association representing 480,000 private Canadian forest owners who own 10% of Canada's managed forests but are responsible for 20% of Canada's forestry production. Our members actively manage their forests to produce timber, conserve biodiversity, sequester carbon, mitigate fire risk and support rural economies. These landowners provide an important local source of timber supply to almost every mill in Canada, yet their contributions are more often than not overlooked in policy discussions.

[*Translation*]

**Vincent Miville (Vice-Chair, Canadian Forest Owners):** Forest owners are collateral victims of the softwood lumber dispute. Although the duties imposed by the United States are primarily intended to penalize royalties on timber from public forests, they have the effect of creating a depressed price environment for all those who harvest softwood lumber, reducing sawmill revenues and weakening demand for Canadian forest products.

These duties act like a hidden tax on forest producers. When sawmills close or reduce their operations, producers' incomes fall sharply.

Furthermore, these producers are not protected by social safety nets such as employment insurance, and they are even excluded from support programs offered to the forestry industry. This is an injustice that must be corrected if we want to preserve the integrity of the supply chain.

We are therefore calling on the federal government to introduce tax support and private forest development assistance programs. In addition, the Canadian government must negotiate a softwood lumber agreement that provides tax and quota exemptions for all lumber produced from softwood lumber sourced from private forests.

Of course, we support government initiatives to diversify markets, develop value-added products, promote the use of wood in construction, and implement public procurement policies that favour wood. However, these initiatives must be designed to strengthen the entire supply chain, including by creating partnerships with forest producers who supply local softwood lumber.

• (1220)

[*English*]

**Andrew de Vries:** Working with private forest owners is key to unlocking the full potential of Canada's forestry sector. Crown land forests are pressured by pests, the creation of protected areas, public interest in other uses, and aboriginal rights, while private forests remain largely underexploited. Nonetheless, these landowners are ready to invest in silviculture, fire mitigation, regeneration, carbon capture, habitat management and climate adaptation, but they need the right tools and incentives to be provided by government.

We would like to make four recommendations to the committee, which we believe would strengthen the forestry sector through a better use of the potential of private forests.

First, the Canadian Forest Service must deepen its understanding of private forest ownership and management. This includes recognizing the diversity of ownership models and the economic realities of small-scale producers and the ecological services they provide. With better data and engagement, CFS can develop policies that are relevant, equitable and globally innovative. A current lack of knowledge prevents this.

Second, we agree with our colleagues that resolving the softwood lumber dispute is critical for the government. Exempting private forest lands would be helpful. We should secure an exemption for lumber made from wood harvested from private lands. These woods are not subsidized and should not be penalized under trade agreements that target Crown timber.

Third, ensure the federal government supports private landowner rights when negotiating indigenous claims and enacting federal legislation. We suggest that private lands be explicitly exempt from indigenous land claims and that the federal government continue to support policy measures such as "no expropriation" and "willing buyer, willing seller".

In terms of federal legislation like the Species at Risk Act, the federal government should work with provinces to ensure that critical habitat measures are found first and foremost on Crown land.

Finally, to stimulate long-term investment in forest management, we recommend the creation of a personal silvicultural savings and investment plan, similar to an RRSP. This fiscal tool would allow forest owners to set aside income from timber sales in a tax-deferred account that is earmarked for future silvicultural work. It would enable greater investments in working private forests that are local to mills, therefore generating a cheap flow of accessible timber.

In conclusion, we call on the federal government to adopt a more inclusive and comprehensive approach to forest policy—one that recognizes the unique role of private forest owners and ensures they are part of the solution.

Thank you.

**The Chair:** Thank you both.

Mr. Thériault, I believe you are doing the opening remarks for both yourself and Mr. Thorlakson.

You have five minutes or less. Please proceed.

**Luc Thériault (President, Wood Products, Domtar Inc.):** Thank you, Mr. Chair.

Good afternoon, Mr. Chair and members of the committee.

Thank you for the opportunity to appear before you today. I've had the chance to meet with several committee members in recent weeks, and I appreciate the ongoing dialogue about the challenges and opportunities facing Canada's forestry sector.

My name is Luc Thériault. I am the president of the wood products business at Domtar, but I'm here today in my role as co-chair of the Canadian Lumber Trade Alliance. I would like to acknowledge my fellow co-chair, Brad Thorlakson, who is here today as well.

The Canadian Lumber Trade Alliance was formed in 2001 and today includes provincial associations and companies from across Canada, representing nearly 80% of Canada's softwood lumber production that is exported to the U.S. The forestry industry is more aligned than ever before with companies, industry associations, labour and everyone throughout the value chain working together.

Our industry directly supports over 200,000 jobs and sustains more than 300 forest-dependent communities across Canada. The stability of hundreds of rural and northern communities depends on a strong and predictable forestry sector. Our industry generates \$87 billion annually, ranking among Canada's top five export industries. Across Canada, the forestry sector employs approximately 11,000 indigenous people, and, as of 2022, an estimated 395 indigenous-affiliated vendors were actively engaged in Canada's forestry sector. The sector is committed to deepening the partnerships with indigenous people throughout the value chain to advance economic reconciliation in a meaningful way.

Beyond economics, the forestry sector is a national asset contributing to housing affordability, indigenous economic opportunities, decarbonization and wildfire resilience. These are national priorities that rely on a healthy, competitive forestry industry.

However, our ability to deliver on these priorities is being constrained on multiple fronts. The ongoing U.S. duties, coupled with the use of section 232 tariffs on Canadian softwood lumber and derivative products, have driven average combined tariffs and duties to over 45%. The reality is straightforward. The American industry produces about 70% of what the U.S. consumes, while Canadian wood products supply roughly 25%. Our products fill a gap in the market, ensuring that the U.S. has the lumber it needs to build homes and communities.

Despite efforts by the federal government to find a resolution, the lack of a deal has persisted for far too long. As a result, companies are being forced to make difficult decisions. They're curtailing production and closing facilities, and it is negatively impacting workers and families across Canada.

Diversifying away from the U.S. market will take decades. We need an environment in which we can compete now. We need a long-lasting softwood lumber trade agreement that brings stability, predictability and confidence back to this critical sector.

Our industry faces one of the most complex regulatory systems in the world. This challenge continues to erode competitiveness, deter investment in Canada and put jobs at risk. It is duplicative, outdated and difficult to navigate. We need a modern and streamlined regulatory framework.

I look forward to discussing other challenges in more detail this afternoon, but I want to highlight one more issue of importance to the sector. Liquidity and investment pressures are growing fast. While we appreciate the support from government announced to date, we need programs and access to liquidity that matches the re-

alities we face. In addition to faster and more flexible programs from government that support our ability to invest in our operations and maintain jobs, we support efforts that would allow the sector to access the over \$11 billion Canadian currently held by U.S. Customs.

To ensure a globally competitive Canadian forestry sector that can deliver economic, environmental and social value, we must address these challenges now.

Mr. Chair and members, Canada's forestry sector has the potential to be a cornerstone of a sustainable low-carbon economy. To do so, we need fair access to markets in a modern, efficient regulatory system that enables and does not hinder growth and innovation.

Thank you again for the opportunity to appear before you today. I look forward to your questions.

• (1225)

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

To finish, Mr. Dunn, you have the floor for five minutes.

**Ian Dunn (President and Chief Executive Officer, Ontario Forest Industries Association):** Thank you, Mr. Chair.

Thank you, committee members.

The OFIA represents 55 member companies that make forestry products and sustainably manage 27 million hectares of public forest in Ontario, contributing \$5.4 billion in provincial GDP and supporting 128,000 direct and indirect jobs.

I'm going to leave you with four key messages today. Number one, we continue to experience an evolution and consolidation of the North American pulp and paper sector. In 2005 there were 16 pulp and paper mills in Ontario. There are currently three operating. In the last two years alone, we have seen the closure of a containerboard facility in Trenton, Ontario, affecting 150 jobs; the closure of the Espanola pulp and paper mill, the largest employer in town, affecting 450 jobs; and the continued idling of the Terrace Bay pulp mill, impacting 400 workers. In 2003 there were 103,000 people directly employed in paper manufacturing across Canada, and today that number is 46,000.

Message number two is that lumber producers are facing unprecedented challenges. The forestry sector is highly integrated: Sawdust, woodchips and bark produced at sawmills become the feedstock for pulp and paper mills and bioenergy facilities. With the consolidation of the pulp and paper sector, this market has shrunk dramatically, leading to this material being stockpiled, land-filled or shipped further away, adding additional costs to lumber producers at a time when they simply cannot stand it. In addition, homebuilding markets on both sides of the border—

[*Translation*]

**Mario Simard:** I apologize for interrupting, Mr. Chair, but I would like to ask Mr. Dunn to slow down a little so that the interpreters are still alive at the end of his presentation.

[*English*]

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

Thank you, Mr. Simard.

**Ian Dunn:** The forestry sector is highly integrated. We've talked about that. In addition, homebuilding markets on both sides of the border remain soft, and pricing is depressed despite pent-up demand and a housing affordability crisis.

In the last month, we have seen sawmills in Gogama, Nairn Centre, Ignace and Atikokan announce curtailments and extended downtime around the Christmas holidays. Two weeks ago, the Ear Falls sawmill announced that it would be indefinitely curtailing its operations, affecting 150 jobs in a community of 1,000 people. That's 15% of that community that has been laid off. If 15% of the people in the city of Toronto were laid off, that would be half a million people. Since 2001, we've seen direct employment in the saw wood sector in Ontario go from 28,000 to 17,000. With a combined 45% duty and tariff rate on lumber and other exports, we anticipate further curtailments will be announced.

That brings me to point number three. There needs to be a settlement of the ongoing lumber dispute, section 232 tariffs, and adequate support measures. There has never been a greater sense of urgency to resolve this dispute for all the workers, families and communities who have paid the price for inaction on this file.

Forestry products cannot be left behind when negotiating with the United States, and we need adequate support measures in place to keep mills open during this crisis. This is a national industry, and I applaud Premier Eby's leadership on the lumber dispute and organizing this week's lumber summit with Minister LeBlanc, but this has to be a united front, with every province and premier at the table. This is a national industry with regional representation, and it deserves a national response.

Finally, point four is that we can be global leaders in making sustainable forest products once again. The U.S. is targeting us because its industry cannot compete with ours. This competitive edge is reflected by massive private sector investments coming into Ontario's forest products sector—\$7.6 billion in capital and repair expenditures between 2012 and 2022. Many of these investments come from American companies.

Our industry is also looking at new markets, but, of course, the best customer that we have is ourselves. Ontario has a target of

building 1.5 million homes by 2031, and we can supply construction materials, leveraging Ontario's advanced wood products sector. We can also power our economy using wood-based energy systems, be it district heating, transportation fuels, biochar for steelmaking, or forced biomass electrical generation. Ontario needs 75% more electricity by 2050, and forced biomass can provide a sustainable, low-carbon solution while reducing the risk of wildfire.

The unique wood fibre from northern Canada is a premium product, and we can attract multi-billion dollar investments in the pulp- and bioeconomy sectors. This is our moment, and we're counting on you. To protect jobs, restore stability and unlock a sustainable future, we need urgent action on trade, on support and on seizing the opportunity right in front of us.

Thank you.

• (1230)

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

Thanks to all of our witnesses for having painted a very stark picture of not only some of the challenges we face but also some of the opportunities.

We're going to go to our first round of questions.

We are going to start with Mr. Tochor for six minutes.

**Corey Tochor:** Thank you, Chair.

Thank you to our witnesses today.

It's quite clear that we need a softwood deal. There are thousands of jobs across Canada. It's impacting people's lives and livelihoods.

In the context of the budget that was just released, I understand that the Liberals are cancelling the two billion trees that were to be planted.

To Canadian Forest Owners, you had members who took part in this program. Do you have a rough number? Was it half of your members or a larger number who took part in providing the land for these trees?

**Andrew de Vries:** It would be a smaller percentage than that.

I can speak specifically to New Brunswick, where we planted over five million trees. We have contracts out to 2027. I think we were less successful in other provinces, given the slow rollout of that package.

**Corey Tochor:** They are still planting trees into 2027.

**Andrew de Vries:** They are, until 2027, yes.

**Corey Tochor:** How many trees would be planted in New Brunswick or...?

**Andrew de Vries:** In New Brunswick specifically, the New Brunswick Federation of Woodlot Owners has been successful in planting five million trees. I expect it will be able to get another two million or three million into the ground.

**Corey Tochor:** It won't ramp up; it will go down.

**Andrew de Vries:** If the program ramps down, it will ramp down.

**Corey Tochor:** If it ramps down...

There are senior Liberal MPs who didn't know the program was going to be wound down days before the budget. How did you find out it was going to be wound down?

• (1235)

**Andrew de Vries:** It was in the budget announcement.

**Corey Tochor:** Okay.

Our major dispute is with the States and the unfair tariffs it put on our industry.

Does the federal government in the States plant trees in private forests, similar to that program?

**Andrew de Vries:** That's a good question. I don't know the answer to that. I do know that the States—

**Corey Tochor:** It doesn't.

When we talk about the Canadian industry, we need that softwood deal to be successful, but here's a way the Canadian government was subsidizing some of those trees that were being planted and that were going to be harvested here, versus in the States. Their federal government doesn't plant trees on private land for production. That is one of the irritants that I suspect is maybe not publicly known, but it's why Mark Carney wound down that promise. It was because of the subsidy going to private industry. Have you heard about that?

[Translation]

**Vincent Miville:** I would like to make a correction. It is true that there may not be any federal tree planting programs in the United States. However, American states have programs, whether property tax rebates or other incentives, to encourage forest owners to invest in silviculture in their forests, including investments in tree planting.

Throughout the western world, states support forestry and forestry activities among forest owners in one way or another. In fact, this is not a program or idea that is unique to Canada.

[English]

**Corey Tochor:** It is a concern, and I would hope that we get that softwood deal. We were promised that by July 21, Mark Carney would have this deal, and here we are today, suffering. We know that the outlook for the next couple of months, if these tariffs continue, is for a whole bunch of Canadians to be unemployed, which is a shame.

I'm going to cede the rest of my time to Mr. Malette.

[Translation]

**Gaëtan Malette:** I have a question for you, Mr. Thériault.

First, your message is clear: We need an agreement. We understand that, but what should we do in the meantime?

I would like you to tell us a little about the strategy for buying back cash deposits related to the lumber trade in the United States. Can you explain how that would help your association or your industries?

**Luc Thériault:** As we mentioned earlier, approximately \$11 billion is being held up at the border. Every month, companies pay substantial amounts in taxes and customs duties.

There are two sides to this issue: past deposits and future deposits. The suggestion that was recently put forward only addresses future deposits. From what I understand of the proposal that is circulating, it would involve having an amount equivalent to 50% of the deposits so that the repurchase of these deposits would provide companies with liquidity.

As mentioned in other testimonies, there have been situations in the past where these deposits had a certain value. There was a refund of up to 80% of the value of the deposits. Currently, finance companies are buying back these deposits at a rate of about 30% to 40%.

We can therefore easily say that this is an asset that exists. These are amounts that we cannot currently reinvest in our activities. Domtar, for its part, has approximately \$1 billion Canadian tied up. For the industry as a whole, the figure is \$11 billion Canadian. These are sums that we cannot currently reinvest to diversify our activities, become more competitive and envisage a more prosperous future.

The proposal on future deposits is therefore very interesting, but I think we also need to look at previous deposits.

**Gaëtan Malette:** So that could be a solution, in the meantime.

**Luc Thériault:** This solution would provide short-term liquidity. Currently, these deposits are not used as collateral. They are therefore an unused asset. For most companies, the majority of their assets are already used as collateral for loans or other purposes. That is why this idea is interesting.

**Gaëtan Malette:** Thank you.

[English]

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

We're going to Mr. Guay. I didn't forget about you this time.

Go ahead. You have five minutes.

[Translation]

**Claude Guay:** Thank you, Mr. Chair. I am very grateful to you.

I would like to thank our distinguished guests for joining us today.

Mr. Thériault, it is a pleasure to see you again.

I would like to continue a discussion we had together, on behalf of all your members and in light of your knowledge of the activities of Domtar, a company with facilities across America. Indeed, it is present not only across Canada, but also in the United States. You therefore have a significant understanding of the market. You have a shareholder who takes a long-term view of the situation. You think a lot about how the industry will evolve.

I think all the members of the committee agree that we need to reach an agreement with the Americans. It's nice to want to ensure predictability, but as we've seen in the past, the Americans tend to renege on agreements, using all kinds of excuses. So who knows if, in five or seven years, we won't have another tariff war with the Americans, assuming we settle this one right away.

You must spend time thinking about what the industry should look like in five or ten years. How should we encourage the industry to transform itself? I know we're doing some specific things right now. For example, Mr. Dunn mentioned biomass, and perhaps he could give us his comments on that later. The budget announced investment tax credits for biomass projects. That said, I'd like to look at the situation a little more broadly.

Mr. Thériault, I would like you to tell me a little about what you see in your crystal ball and what your strategic suggestions would be to help the industry in general, so that we don't find ourselves in exactly the same position in five or seven years.

• (1240)

**Luc Thériault:** First, there is no magic solution.

We've talked about this. I think we're looking at opportunities for diversification, particularly in secondary and tertiary processing. We want to have products that use a lot more engineered wood. So we want to push diversification or integration further into the system. However, this will still take several years, and it will only consume part of the processing.

In fact, the programs we are currently discussing in Canada, which focus on increased house building, will only occupy a fraction of the market. We have to remember that there is a bit of everything in there. We need to be able to diversify into foreign markets, which will take more time. We need to use our products for many other applications. We are working extensively with organizations such as the Canadian Wood Council to increase the use of wood in construction. I am thinking in particular of certain types of housing for which wood is not currently used. I think we need to push in that direction.

Obviously, the biofuel aspect is also being considered. We are talking here about derivative products such as pallets, for example. There is even talk of sustainable aviation fuel. However, we are still several years away from achieving such things.

I think we should not delude ourselves: the United States needs Canadian wood, and we need them as a customer. This business relationship will continue for a very long time.

On the other hand, we must do everything we can to diversify. If we are able to transfer a certain percentage of what is sent to the United States to other countries, to make other products or other ap-

plications, I think that in a few years we will be in a much better position than we are today.

**Claude Guay:** Mr. Dunn, may I ask for your comments on investment tax credits for biomass projects?

[*English*]

**Ian Dunn:** I know that was an ask of the Forest Products Association of Canada. That is something it has been working very hard on.

From the Ontario perspective, as I said, forest biomass electricity generation, primarily, is an important outlet for the solid wood producers. It's great that we have the tax credit in place. There are products other than electricity that could be made using forest biomass.

The other part of the equation is that the utility has to buy the electricity that's generated. In Ontario, we have four or five facilities that have a contract with the Independent Electricity System Operator. We probably rank among the worst jurisdictions in terms of biomass-fired electricity in North America and Europe, so we want to do more on electricity generation, but it requires that the utility buy that electricity.

[*Translation*]

**Claude Guay:** Thank you, Mr. Dunn.

I have another question for you, Mr. Thériault. Perhaps Mr. Krips will also be able to answer it afterwards.

You touched on this subject. Through programs such as Build Canada Homes, we want to be proactive and act quickly. If we redirect a few percentage points of production destined for the American market to other countries, whether it be 1%, 2% or 3%, do you think that could prompt a reaction from the Americans and cause prices to rise in the United States?

• (1245)

**Luc Thériault:** Currently, the biggest problem is that demand is low in the American market. However, a few percentage points could certainly have an effect. In a market based on supply and demand, it usually doesn't take a 20% change to create movement. Every little bit counts. If we are able to redirect a few percentage points of what is sent to the United States to other products or other countries, I think it will certainly have an effect.

[*English*]

**The Chair:** Thank you.

[*Translation*]

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

**Mario Simard:** Thank you very much, Mr. Chair.

Several witnesses have told us that we are experiencing a perfect storm in the forestry sector. As Mr. Thériault just said, construction in the United States is at an all-time low due to high interest rates. Even though it is a natural market for us, given the countervailing duties and customs duties that add to the picture, we can see that the situation is difficult. Mr. Dunn demonstrated this well in his opening presentation when he spoke of a sense of urgency. Everyone can agree on that.

I am telling you this because, in my opinion, we need to distinguish between a government bailout, which I believe is necessary, and the transformation that the industry must undergo. If we want to transform the industry in 10 or 15 years and develop new markets, there must still be players in the field. Unfortunately, if the current situation continues, we will lose players, and it will be difficult to transform the industry, since those people will no longer be there.

On this subject, Mr. Dunn and Mr. Krips, I will not ask you any direct questions, but I will ask the clerk to send you a document outlining the proposal currently circulating in Quebec concerning the prospective repurchase of customs duties. I would like you to provide a response to the committee, because it will be important for us in the context of our report.

Mr. Thériault, I will focus on you instead. I would like you to explain to the committee the dynamics specific to the forestry sector. Domtar is a major player, but behind you there are small forestry entrepreneurs who do the work in the forest. We know that the forestry sector is a chain. If one link in the chain is cut, the whole chain stops working, unfortunately. I would like you to explain this dynamic to us, so that we can fully understand the central importance of the forestry sector to many communities, as well as what the current challenges may mean for the entire chain.

**Luc Thériault:** It's a very integrated industry. Just two days ago, I was at the Gaston-Ouellet forestry camp in northern Côte-Nord to meet with forestry contractors. Everything starts with the forest and the construction of roads by forestry contractors. These are often small family businesses involving a handful of people and passed on from parent to child. However, they have to take out millions of dollars in loans. We need these companies to harvest wood, which is then processed in sawmills and paper mills to make by-products such as paper. The wood is also used to produce energy in power plants. It quite quickly becomes clear just how integrated everything is.

There are 300 villages that depend on the economic activity generated by the forestry sector. It isn't just sawmills and paper mills. There are also all the small entrepreneurs who do business with other companies to buy parts or carry out repairs. Some examples were mentioned earlier. Mr. Dunn talked about a village in Ontario that has been greatly affected. I think it's important to keep those things in mind.

It has taken decades to build the forest industry in its current form. We're only as strong as our weakest link. Tomorrow morning, if there were no more forestry entrepreneurs or people to carry out those activities, I could try as much as I like to keep the sawmills and paper mills running, but it wouldn't work. It's crucial to take care of everyone in the chain.

**Mario Simard:** I also understand that the slowdown in activities at your facilities has a direct impact on these people.

• (1250)

**Luc Thériault:** Absolutely.

**Mario Simard:** Mr. Miville, in your opening remarks, you said that forest owners are collateral victims. Countervailing duties apply to you too, because it's thought that governments subsidize wood harvesting in public forests. You have to pay those duties, then, even though you own private forests. I imagine that's a difficult situation for many of your members.

I believe I've already spoken with people from your association about the tax arrangements that the government could put in place. Private producers harvest wood maybe once every 25 years. They then end up with a huge income that they can't tax over time. I'd like to hear you talk about what the government could do in that regard.

**Vincent Miville:** It should be noted that it's ultimately our clients, the forestry industry, who pay the lumber taxes. However, it's no secret that this reduces the money supply for the entire sector. We heard Mr. Thériault talk about forestry contractors, such as truckers, people who provide services, as well as forest owners, who sell the wood. It's clear that this has an impact on all those people.

Allow me to explain one of the problems faced by private forest owners. Because of the mechanization of activities, they now harvest once every seven, eight, nine or ten years. Moving all the machinery takes an enormous amount of time and money. Forest owners don't live solely off the income from the harvest, which takes place once every nine years. It's a second income on top of their main income. However, in harvest years, they have a very high marginal tax rate because they have a high income that year, but the way the Canadian tax system works doesn't allow them to spread that income over time.

Forest producers have annual expenses. Every year, they have to maintain the roads, tend to their plants and invest in their forests, for example. For several years now, we've been proposing a silvicultural savings and investment plan, which would enable forest owners to deposit the income from their wood harvests into a tax-deferred savings account and withdraw money from it when they have to make such expenditures. That would enable forestry producers to generate income and spend money in the same year and ultimately reduce the marginal tax rate.

That would encourage more forest owners to invest private capital in their forests. We would then be able to generate more wood products at a lower cost for the industry as a whole. The forestry industry could source wood from forests located near the mills.

[English]

**The Chair:** Thank you.

[Translation]

**Mario Simard:** Thank you very much. I would like that information to be submitted to the committee in writing as well.

[English]

**The Chair:** That brings our first round of questions to an end, colleagues.

Welcome, Mr. Lawrence and Mr. Dawson, to our committee today.

We're going to start with you, Mr. Malette, for five minutes.

**Gaétan Malette:** Thank you.

Mr. Dunn, you represent the Ontario Forestry Industries Association. Of course, many of those sawmills are in communities I know well, such as Hearst, Chapleau, Kapuskasing, Cochrane and—I could go on—Elk Lake. How much money would you think this group from your association has in the Department of Commerce in the United States?

**Ian Dunn:** For the entire—

**Gaétan Malette:** The entire...yes, from Ontario.

**Ian Dunn:** For the entire forestry industry, all the lumber producers in Ontario—and we represent all the primary manufacturers—it's about \$1 billion.

**Gaétan Malette:** There have been discussions—in British Columbia, mostly, and in Quebec—of a special purpose vehicle whereby the government would buy back assets with those dollars. Has there been discussion with the Ontario sawmillers?

**Ian Dunn:** It's a very preliminary discussion. We work very closely, of course, with the Quebec association. We have members who operate in both Quebec and Ontario, so we're looking at all options, and this is one of them.

**Gaétan Malette:** Thank you.

I have a question for Mr. Thorlakson. You are certainly one of a few rare companies that go back to the late 1940s under probably one management, and you've seen many trade wars. How would you say this one is affecting the producers in British Columbia, compared to others?

• (1255)

**Brad Thorlakson (Executive Chairman, Tolko Industries Ltd.):** I would say that what's different from previous disputes is that there's been a big strategic shift change in competitive access to U.S. markets. Right now, we're paying, as you know, 45% duties to access the European market, and the Scandinavians and the Europeans are entering that market with similar products at a 10% duty.

The fallacy of the Americans becoming self-sufficient quickly in lumber is challenging. It's not going to happen. I've calculated that they need to build 55 sawmills to replace the Canadian industry, and that's just not going to happen quickly. Also, our customers in America use different species and value our SPF from Canada.

I guess what's different is that Canada has had probably the least competitive access to U.S. markets and been one of their largest suppliers, and other parts of the world, I think, are displacing the Canadian industry. That's really a shame.

I guess what we look for in a durable solution with the federal government and between Canada and the U.S. is getting us access

so that we can reinvest and grow our business. As you've said, our family has been through all five rounds of lumber disputes. I know it's hard, but all previous disputes were resolved through negotiation, and we expect our government, both the opposition and the sitting government, to find a durable solution for our industry.

**Gaétan Malette:** Thank you.

On a level playing field, would you say the Scandinavian countries and the European countries could outperform us and sell into the United States on an equal basis?

**Brad Thorlakson:** I mean, they supply a different product. I think they have a high-quality product. They have very modern mills. I think they're supplying about... When we went into this current dispute with the Americans, we were at about 32% market share. Canada is at around 24% right now, and the Europeans are shifting about 7% into the U.S. market. The total supply hasn't changed. We live in a global market, and products move around the globe quite effectively. We're faced with a situation now with just supplying about 7% of the market share, and that's creating quite a challenge.

I would say that the other issue we have is that we need to grow the market, and I think that's why a negotiated solution will allow us to expand the market for southern yellow pine and all species, which is a better outcome than ongoing litigation.

**Gaétan Malette:** Thank you.

Mr. de Vries, how has this latest trade war affected private landowners?

**Andrew de Vries:** It's very difficult for private landowners if people have invested in a woodlot 30 years ago and are hoping to harvest in this last time frame. Obviously, that retirement money is not available for them at this time. Vincent spoke to that earlier as well.

This is a very difficult period for us, and we would like to be part of the solution.

**Gaétan Malette:** Thank you.

**The Chair:** Thanks to both of you.

We'll go on to Mr. Danko for five minutes.

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

My first question is for Mr. Dunn. It's good to have a representative from Ontario here. Of course, Ontario has a long-standing historical forestry industry.

I'm sure you've seen the budget. In the budget are \$51 billion for the build communities strong fund for housing and infrastructure, \$13 billion for the Build Canada Homes fund to double the pace of homebuilding, and the productivity superdeduction, which allows for immediate tax credits for productivity assets.

We're expecting a significant portion of that investment to be in Ontario, with the Ontario forestry industry having a direct competitive advantage in terms of proximity to that massive Canadian market for high-quality lumber for housing and low-rise, secondary grade for concrete forming and falsework, value-added products, mass timber, LVL, trusses and prefab; and in Ontario, I think, even hardwood for trim, flooring and things like that.

My question for you is, what opportunities do you see for the Ontario forestry industry, specifically with the projected growth and investment in the Ontario housing sector and construction markets?

**Ian Dunn:** In my opening remarks, I talked about a couple of different issues. One of them was the consolidation of the pulp and paper sector. For the Ontario industry, the markets and products that represent the highest value will be the products that consume the largest amount of that material. We see a huge opportunity on the energy side via liquid fuels or electricity, which we talked about earlier, and heating some of those homes and infrastructure projects you're talking about.

You're right. Ontario, I think, is probably the largest homebuilding market in the country. The proximity to that would be beneficial to our members. I have just a couple of cautions, perhaps, about that. Ontario has a homebuilding target of 1.5 million by 2031. That was a 10-year target. That's 150,000 homes a year. That works out to be about 390 million board feet of lumber, if every house was built using lumber and the size was about 1,800 square feet. We produce and export about 1.35 billion board feet of lumber every year, so even if we were to hit that annual homebuilding target of 150,000 each year, it wouldn't solve the issue. It would help, certainly, but the other issue is that we built about 80,000 homes last year—well below the target. I talked to a developer yesterday, and in the GTA, new home sales, a better metric than home starts, are down about 90% year over year.

Absolutely, it is an opportunity, and it is part of the solution, but it is not going to fix the problem.

• (1300)

**John-Paul Danko:** Thank you.

My second question is for the representatives from the Canadian Lumber Trade Alliance. Mr. Thorlakson in particular mentioned the fallacy of the American forestry industry's becoming self-sufficient. That's something we've heard from other witnesses as well: It's actually impossible for the U.S. to meet their demand for forestry products within the U.S.

I wanted to give you an opportunity to expand on that. I think it's important, in the context of the broader discussions, to look at the differences between the Canadian product and the U.S. product and why the U.S. markets rely on Canadian products.

**Brad Thorlakson:** Thank you.

First of all, I want to say that we have operations in Canada and the U.S. We understand how the species are used on both sides of the border.

I would say that for an industry to be successful—I think Ian Dunn mentioned this—you need a pulp mill, and you need the off-

takes for all your products. Even though you have trees, you can expand your market if you have the capacity. We need all the hosting conditions to build sawmills. The other thing is the capacity to build these mills. They can maybe build three or four scale mills a year, and they need 55. Clearly, there is an opportunity in America to grow their forestry sector, and we should not stand in the way. We should support that. That's why I'm so passionate about growing the industry and focusing on our competing products, such as steel and concrete.

The hosting conditions aren't there to support 55 mills. Our customers use the SPF for framing and trusses because it's light and strong. The Southern yellow pine, which is currently oversupplied, is used in treating. It's a very, very good treating species. Every species has a specific application for which it's well suited. We don't use Canadian species for treating.

Another issue we see is that we talk about housing, but in the U.S. retail market, such as Home Depot and Lowe's, business is down due to consumer confidence.

**The Chair:** Thank you.

**Brad Thorlakson:** If we had more confidence in the North American economy, we'd be using more wood products.

Those would be my comments.

**The Chair:** Thank you to you both.

Colleagues, we're going to go a little past time. I would ask you all to be on time with your questions. We're going to go a bit past 1:15.

We'll go to Mr. Simard for two and half minutes, then to Mr. Martel, and then we'll wrap up with Mr. Hogan.

Mr. Simard.

[*Translation*]

**Mario Simard:** Thank you very much, Mr. Chair.

The government has already announced a \$700-million liquidity program through the Business Development Bank of Canada, or BDC. That's already a good start.

I'd like to ask Mr. Thériault and Mr. Dunn whether they think that's enough, under the circumstances, or whether it would be better to consider a buyback program, as we discussed earlier.

Mr. Thériault could answer first.

**Luc Thériault:** Yes, the liquidity program that was implemented is a good start. I think it can be more appropriate for smaller players in the industry. It has certain limitations for bigger players, including a cap of \$20 million per company, which is quite a significant issue. For companies like mine, \$20 million doesn't last two months. However, it can be useful for certain players.

The program was officially launched last week. People are currently reviewing it. We appreciate that.

However, once again, these are loans that will have to be protected and guaranteed. Many companies already have guaranteed assets. That's where the deposit buyback strategy, which you're proposing, becomes useful.

I personally think we have to keep looking at new measures, because the ones that are in place won't be enough.

• (1305)

**Mario Simard:** Mr. Dunn, can you quickly give us your opinion?

[*English*]

**Ian Dunn:** Thank you, Mr. Simard.

The program was announced on August 5 by Prime Minister Carney, and it was just this weekend that the program went live. I talked to three of our lumber-producing members this morning, just to see how the experience has been, and it has to be done through the financial institutions, through the banks. So far, our members have not been able to access the loans, but the program and the discussions are continuing.

We are going to keep providing the ministry with feedback on the rollout of that program. Mr. Thériault is entirely correct that the money is going to be fully utilized very quickly across the industry.

**The Chair:** Thank you. That is the time.

We will move on to Mr. Martel for five minutes.

[*Translation*]

**Richard Martel:** Thank you, Mr. Chair.

Mr. Miville, your members depend on the U.S. market; that's for sure. However, I'd like us to be honest here: Is it really feasible and realistic for them to diversify their products to target other markets such as Europe and Asia?

**Vincent Miville:** In fact, our members supply the forest industry with logs. It is conceivable that it could diversify in order to penetrate other markets, but only to a certain extent. It takes an enormous amount of time to develop those markets, even in Asia. In spite of everything, that's what we've seen at certain times. For example, when British Columbia was producing a lot of softwood lumber, it supplied a lot of lumber to the Asian market, particularly China and Japan.

It would probably be possible to break into the European market through value-added products or certain products of that kind.

However, there's no denying that the Canadian forestry industry will never be able to completely free itself from the American market. I think we're going to have to have no choice, and we'll have to put some pressure on the United States and find common ground with them.

**Richard Martel:** Mr. Miville, I noticed that forest owners weren't eligible for the \$1.2 billion in funding that the federal government proposed to help your sector. Is that correct?

**Vincent Miville:** That's correct.

It's important to understand that there's currently a certain lack of awareness when it comes to private forests and forest owners in Canada, which leads to the adoption of public policies, particularly

in the forestry sector, that neglect a whole segment of people and businesses. For example, I'm thinking of all the businesses that are part of the supply chain, including forest owners and forestry entrepreneurs. That means that when those major programs are implemented, it's a good thing in the sense that it helps support our forestry industry clients, but if none of the programs support the owners, the entire supply chain is at risk.

During the last forestry crisis, which took place from 2006 to 2008, forestry producers lost 50% of their market in the span of three years. It took nine years to rebuild that supply chain. At the time of the crisis, the whole forestry sector, including forestry producers, entrepreneurs and truckers, lost the equivalent of \$8 billion to \$9 billion in revenue in Quebec alone.

I think it's important, then, to support the entire sector, including forest owners.

**Richard Martel:** Do you think the government is underestimating the economic and environmental contribution of private forests in Quebec?

**Vincent Miville:** I don't know if it's underestimating that. There could also be a lack of knowledge; we're in a blind spot. We would definitely like more recognition.

**Richard Martel:** The government won't be able to offer programs every week. If no agreement is reached with the United States and things drag on for a year, for example, what will that mean for you?

**Vincent Miville:** The current situation is putting a lot of pressure on everyone and causing uncertainty. People are delaying their investments. Even a forest owner is going to wonder whether they should plan a logging operation in three to six months' time, given the current economic situation. It's really very worrying.

**Richard Martel:** There won't be any investment, then. When there's uncertainty, there isn't any investment, and the outlook is more pessimistic. If there isn't an agreement, it won't do much to advance the industry. If it drags on, I don't know what the situation will look like in a year's time.

Are you able to quantify what a closure can mean?

• (1310)

**Vincent Miville:** Are you talking about mill closures, for example?

**Richard Martel:** Yes.

**Vincent Miville:** No, I don't know.

I can still tell you that, according to the data for Quebec, at this point, eight or nine months after the tariffs were imposed, forestry producers have seen a decrease of about 15% in their volume of harvested wood. The decrease is slightly greater when it comes to revenue. That's quite considerable. If next year is as complicated, it's certain that nearly one-third of the volume will have disappeared.

**Richard Martel:** Do you believe that federal programs apply equally to all provinces? In other words, do the programs offered by the federal government benefit certain provinces more than Quebec?

**Vincent Miville:** I don't have enough knowledge on the matter to answer that question.

However, I think that the federal government has a role to play in supporting forest owners and producers, particularly in terms of taxation.

**Richard Martel:** Thank you very much, Mr. Miville.

[English]

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

I'm going to our last questioner, Mr. Hogan, for five minutes.

**Corey Hogan:** Thank you, Mr. Chair.

It is a pleasure to see all of our witnesses again. This is deep and broad forestry knowledge in front of us. This committee and all Canadians should be grateful for it.

The softwood dispute is both long-standing and, of course, now rapidly moving. Government programs will need to adapt. I want to take a moment here to say that we welcome written feedback as a committee, of course, but because of the speed at which it's moving, I hope you are, in parallel, going to reach out to NRCan or my office. We will continue to evolve programs and the levels of support.

The United States is the world's largest economy. Our softwood lumber meets a demand the U.S. can't fill. We've heard that from many witnesses. The current situation of unjustified tariffs and duties needs to be resolved. There's absolutely no question. It hurts us, and, as Mr. Krips noted, it also hurts U.S. consumers. We can't replace their demand. They can't replace our supply, not on any sensible time frame.

Their leverage is reduced and ours increased with every per cent that we diversify markets, which includes new export markets and also the domestic markets that Mr. Danko was starting to talk about. On that point, I have a few questions.

One of the government's priorities outlined in the budget is to make the Government of Canada a bigger consumer, to "prioritise projects that use Canadian lumber". There are commitments "to prioritise Canadian materials [and] require companies contracting with the federal government to source Canadian lumber."

As we're doing this, I'm curious as to what the federal government needs to keep in mind for that to be successful. It's obviously an ecosystem. Obviously, we have to think in terms of clusters and access to those homebuilding markets. Maybe we'll start with Mr. Krips. Any thoughts you have on that would be greatly appreciated by this committee.

**Jason Krips:** Thank you very much, Parliamentary Secretary Hogan. It's great to see you.

One thing we really would love support from the government for is regulatory streamlining. There are a number of federal pieces of legislation—whether it's the Fisheries Act, the Species at Risk Act

or the pulp and paper effluent regulations—that actually, in our view and in the broadly held view across the country, dive into provincial jurisdiction where there's actually already really strong regulatory oversight.

It's not uncommon to see a fisheries official alongside a provincial environment official looking at a culvert, one saying yes and one saying no. We have really strong regulatory frameworks in the provincial domain. We would certainly ask the federal government to streamline as much as possible its regulatory oversight, so that it showcases harmony with the provincial regulatory framework and allows the provinces to have that oversight, which they constitutionally do.

Doing that would certainly have a huge impact on more access to fibre and, therefore, more use of fibre, not only domestically but also—eventually, when we get to a softwood lumber agreement—through diversification into other markets.

**Corey Hogan:** As Albertans, we can both appreciate the need for clear jurisdictional lines here. Actually, both of us, working in the Alberta government, have lived that.

Access to economic fibre is one condition for that Build Canada Homes program to be successful. In terms of how we construct it and how we might put forward that directive and incentive to use Canadian lumber, are there things we need to think about in terms of markets and products? Are there opportunities you see, either in Alberta or across Canada, that would allow us to build faster and build more in order to meet that commitment, both to the forestry sector and to all Canadians, to build more homes?

**Jason Krips:** I think we should be looking at innovative ways to increase the use of our products. Maybe it's modular home building. Maybe it's looking at mass timber. I know that mass timber is niche, but it's a growing, important niche that actually can consume a lot more of our product. Those are a couple of areas that I certainly think we should look at in terms of streamlining.

• (1315)

**Corey Hogan:** I want to broaden the question about buying Canadian to the rest of the east we have here.

Does anybody want to take a grab at it? Mr. Dunn?

**Ian Dunn:** I'll bring it back to the energy side.

In the GTA, we import about 6 billion dollars' worth of U.S. natural gas every year, largely to heat homes, institutional buildings and industry. There is a huge opportunity to decarbonize that sector using syngas created by Ontario sustainable forest biomass.

The homebuilding side is always very important, particularly for our lumber producers, but I don't want anyone to forget about the opportunities in the energy space.

**Corey Hogan:** You raise an interesting point about the ecosystem. Building Canadian homes uses dimensional lumber, and modular wood uses some of the sawdust and other offtake, but we do need to think about the overall environment to have an economical forestry sector.

Do you have any thoughts on that as it might pertain to Build Canada Homes?

**The Chair:** Give a quick response, please.

**Ian Dunn:** There is a sector strategy in place in Ontario to accomplish all that, but market access for the lumber producers and the consolidation of the pulp and paper sector are the two biggest barriers to achieving that.

**Corey Hogan:** Thank you.

**The Chair:** Colleagues, that brings our second panel to a close. Let me thank our witnesses. I'll echo your remarks, Mr. Hogan: Witnesses, you have been a very rich source of knowledge and, I would say, wisdom, and I know we've really benefited from having you share your realities with us.

I would recommend that if you want to amplify or expand on some of the points you made today, please submit a brief. We

would welcome that and consider it in our recommendations for the report that we are required to do for Parliament.

Colleagues, next week, three committee members are travelling to Saguenay and Sudbury in relation to the critical minerals study. We hope to bring back some insight into what is happening on the ground for the committee's report. I know that closer friendships will result from that travel, and you're going to have a lot of fun together.

Safe travels. We know you're going to bring back a lot of insights and important information that we're going to consider in our critical minerals study.

With that, colleagues, we are adjourned.

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