HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

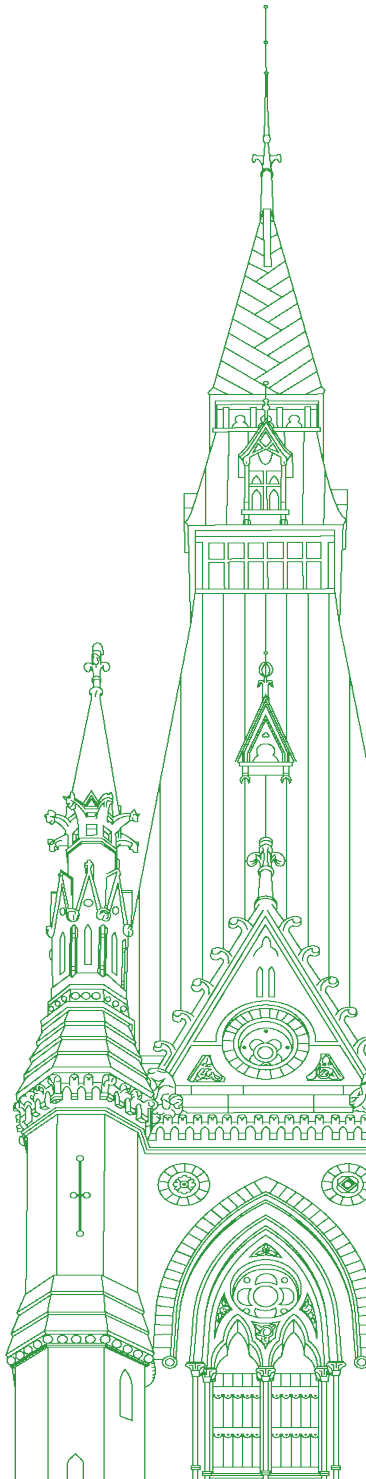
45th PARLIAMENT, 1st SESSION

Standing Committee on Natural Resources

EVIDENCE

NUMBER 017

Monday, December 1, 2025



Chair: Terry Duguid

Standing Committee on Natural Resources

Monday, December 1, 2025

● (1530)

[*English*]

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

We'll start, as we always do, by acknowledging that we are on the unceded territory of the Algonquin Anishinabe nation.

We have some new members joining us today.

Ms. Konanz, it's nice to see you. Welcome. This is a very agreeable committee most of the time. We have our moments.

Mr. Noormohamed, welcome.

We also have Mr. Rowe. He's kind of a regular. We consider him one of us now.

Welcome to meeting number 17 of the House of Commons Standing Committee on Natural Resources. This meeting is taking place in a hybrid format, pursuant to the Standing Orders.

Let me make a few comments for the benefit of the witnesses, most of whom are joining us on Zoom. 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.

This is a reminder that all comments should be addressed through the chair. Remember our amazing interpreters, who do such a great job. Don't speak too fast, and certainly don't bang around your microphones. Thank you so much for that.

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

I'd like to welcome our witnesses. On Zoom, from the Assembly Corporation, we have Geoff Cape, chief executive officer. Also on Zoom, we have Susan Yurkovich, president and chief executive officer of the Canfor Corporation. In the room, we have Scott Hughes, president of Hupaco Wood Products.

Thank you all for appearing today. We will begin with opening remarks. You will each have five minutes or less.

Mr. Cape, we're going to start with you. You have the floor.

Geoff Cape (Chief Executive Officer, Assembly Corporation): Thank you, Chair and committee members, for the opportunity to address this urgent issue: the future of Canada's forest industry and the critical role wood-based manufactured housing can have.

My name is Geoff Cape. I'm the CEO of Assembly Corp., a Canadian company that's been around for seven years and that designs and fabricates wood buildings. The products we build are closely linked to sawmills and secondary wood manufacturers, allowing us to translate Canadian lumber into high-performance housing systems.

Recently, Assembly participated in a tour of Swedish factories with the Canadian Wood Council. Through that experience, we learned a series of lessons related to how several new federal strategies in Canada—budget 2025, Build Canada Homes and the buy Canadian policy, together with the federal softwood lumber transformation and tariff response packages—can participate in solving some of our challenges.

First, on the development of new value-added wood products and market diversification, the Swedish experience shows that success comes not only from advanced technologies but also from a confidence in factory-based housing built through policy and customer experience. Factory-built houses are regarded as a higher-quality product in Sweden, as they are in many northern European countries. Canada is creating similar strategies and has committed $2.2 billion to help transform the softwood lumber industry in this regard.

Second is the importance of wood for housing and carbon neutrality. The recently launched Build Canada Homes program is mandated to scale modern methods of construction, including factory-built wood systems for housing. It's expected to generate hundreds of millions of dollars in new annual demand for Canadian wood products as it deploys its initial $13-billion investment. The softwood transformation agenda should be fully integrated with this plan.

Third, regarding public procurement, Canada must move from short-term programs to a platform for industrialized construction and economic development. The Build Canada Homes program will prioritize multi-year, shovel-ready housing projects that use Canadian wood and the buy Canadian policy framework to require federal contracts to prioritize Canadian materials, including lumber.

To make this real, I believe the procurement needs to commit to multi-year pipelines of manufactured housing projects to help incentivize the capitalization of factory programs. It needs to create a strategic industrialization fund with federal loan guarantees to de-risk private investment. I'm aware that BDC is considering this, but within the ISED family there are other channels at Industry Canada to support this industry strategy. It also has to reform RFPs and payment terms, the contract structures for these suppliers, so that they can get paid a meaningful share during the manufacturing process and not just on the delivery of housing. There is a series of policy initiatives that need to be made to help facilitate this industry's growth.

On the forest management issue and the notion of vertical integration, Canada has begun to pivot from raw log exports to a forest-to-factory-to-housing model. The federal softwood package includes loan guarantees and funding to incentivize and increase domestic processing, including support for indigenous forestry businesses and an opportunity to diversify products and markets, all of which should be linked to housing demand.

Respecting the provincial and territorial jurisdictions, I think the next big step is to harmonize codes and help fast-track approvals for certified factories using tools like CSA A277. By pairing digital permitting and pre-approved designs, Canada can reduce inter-provincial barriers and allow factory-approved wood housing to move more rapidly across jurisdictions.

Finally, on the need for training in the workforce, the sector needs targeted investments in training for off-site construction, industrialized design and logistics. Federal workforce and transition programs, along with budget 2025's skills investment, can be directed towards regional manufacturing hubs and high-profile projects to build skilled employment.

I'll end with this view. The effects on the Canadian lumber industry could be enormous. Federal policies such as those under the Build Canada Homes initiative emphasize certified Canadian wood systems. If this becomes the norm, I'll begin with the negative and end with the positive.

● (1535)

The lumber industry could—and this is the negative—see a decrease of 20% to 30% in per unit use of wood due to the efficient use of wood-engineered products and the optimization of material, but over the next five to 10 years the mass timber market should grow by well in excess of a billion dollars and, in the process, help cut embodied carbon by 40% and—

The Chair: Thank you for ending on that positive note.

Geoff Cape: That's always good.

The Chair: Thank you, Mr. Cape.

Now we're going to Ms. Yurkovich for five minutes or less.

● (1540)

Susan Yurkovich (President and Chief Executive Officer, Canfor Corporation): Thank you very much, Mr. Chair and members of the committee. I appreciate the opportunity to share some views on behalf of Canfor, as part of your study.

After looking at your record, I know you've heard from a number of people about the importance of forestry to the Canadian economy. There are 200,000 direct jobs that the sector supports, and families and communities across our country make a living and have a good life through the forest products industry. I think you've also heard about the critical importance of securing a trade agreement with the U.S. so that Canadian producers can fairly access our largest market. I share these views and would like to complement them with a few thoughts from Canfor's perspective.

Canadian Forest Products, or Canfor, is proudly headquartered in Vancouver, B.C. Our company started out as a single, family-owned sawmill on the banks of the Fraser River in the 1930s, initially employing about 28 people. Now, nearly nine decades later, Canfor has grown into one of Canada's largest diversified forest products companies, employing 2,700 people in Canada and operating globally, including facilities in the U.S. south and in Sweden. In B.C. and Alberta, our operations include eight sawmills, two pulp mills, specialty paper and lumber facilities, a tree nursery and a green energy plant.

Success in our sector depends on two critical things: secure, predictable access to sustainably grown timber; and secure, reliable access to markets, most notably the U.S., which is our largest trading partner.

For decades, however, our sector has faced unfair duties that harm both Canadian workers and U.S. consumers. As a mandatory respondent in the seemingly endless rounds of softwood lumber disputes, our company has spent thousands of hours and millions of dollars on litigation. We are one of the largest duty payers, having paid cash deposits now totalling more than $1 billion since 2016, and with our combined duty rate now at 57.6%, we expect to pay more than $100 million again in 2026.

Without question, this is placing a tremendous financial burden on our company and on companies across the country. We acknowledge and appreciate the significant efforts of the Government of Canada and the embassy in Washington to advance our interests with the administration and to work towards a new agreement. We also recognize the challenges involved in getting to the negotiating table. We know that U.S. protectionism on softwood is a bipartisan issue, and we have faced duties with both Republican and Democratic administrations alike.

To mitigate the impacts of U.S. duties and tariffs, we are focused on things that we can control: deriving more value from our operations, controlling costs, operating safely and exploring ways to retool some of our Canadian operations to create higher-value products for customers here and around the world. While we are controlling what we can, we also believe there are actions that the government can take to support companies in the near term. We offer the five following recommendations.

First, we appreciate the loan programs introduced by the federal government to support liquidity, including measures to aid workers. [*Technical difficulty—Editor*] meaningful and easy to access, and they must provide immediate relief.

Second, as we assess the potential investments in our Canadian operations that could further diversify products and markets, federal support could be instrumental in making this possible. Establishing a federal capital investment fund could expedite projects to retool facilities to create higher-value-added products and to expand into markets that are not subject to duties and tariffs. We're assessing potential investments in both our B.C. and our Alberta operations that could benefit from such a fund, and we would welcome the opportunity to discuss how a program like this could be structured.

Third, as a market leader in exports to Asia and as a company that operates in Canada, the U.S. and Europe, our team has a strong understanding of global opportunities for Canadian wood products. We support intensified overseas marketing and diversification efforts across all industries, including forestry, and we believe that restoring meaningful funding for market expansion initiatives is required to support this effort. We would also encourage the inclusion of the forest sector in any future team Canada trade missions.

Fourth, as government works to streamline approvals for major nation-building projects, we'd urge a similar approach for all industries working on the land base. We note the announcement of a new task force for the forest sector, which represents an opportunity to assess cost competitiveness, productivity, the regulatory burden and streamlined permitting, both federally and provincially. We'd be happy to contribute to this work, but we are mindful of the need for urgency. This work must yield outcomes and not simply be more thought and study.

Finally, the Canada Revenue Agency could help our sector by expediting corporate tax refunds for the 2024 tax year. Canfor filed its return in June 2025 and is still awaiting a refund. Issuing refunds as early as possible would provide immediate liquidity that could help us pay the significant duty obligations we face today and in the months ahead.

Thanks for the opportunity to present, and I look forward to your questions.

The Chair: Thank you so much, Ms. Yurkovich.

Now we're going to Mr. Hughes. You have the floor.

● (1545)

Scott Hughes (President, Hupaco Wood Products): Thank you, Mr. Chair, honourable members and colleagues from across the forestry value chain, for the opportunity to speak today.

My name is Scott Hughes, and I'm a second-generation owner of Hupaco Wood Products Limited.

Canada's forestry sector employs 600,000 direct and indirect jobs, and it is the economic backbone of nearly 300 communities, yet we are losing ground in global markets. If we want a strong, sustainable industry today and beyond, we must act decisively on six fronts.

The first is countervailing and anti-dumping duties. The United States has imposed duties averaging over 20% on Canadian softwood lumber for decades. With the latest round, I thought it was 35%, but I was corrected. It's now 57.6%. These duties have already cost our industry more than $7 billion since 2017 alone. Raised housing costs in the United States shrink our market share and force more containments and permanent closures from British Columbia to Atlantic Canada.

This is the longest-running trade dispute in North American history. Over 40 years and five failed trade wars, Canada has won the legal argument at least 15 times at NAFTA, CUSMA and World Trade Organization panels, yet every time we win, the U.S. lobby restarts the clock. We must keep fighting legally, but we must also negotiate a long-term managed trade agreement that finally ends this cycle. Anything less is surrender.

The second is the federal government's role in market diversification and value-added production. Yes, we must diversify to Europe, Japan, South Korea, India and the Middle East, but let's be crystal clear: We cannot simply switch markets and walk away from the United States. The United States takes 77.5% of everything we cut. No other market or combination of markets can absorb that volume in the next five, 10 or even 15 years. Mills will close, towns will hollow out and thousands of families will lose their livelihoods long before new export corridors materialize.

Retooling a single mid-size sawmill to produce European spec lumber and pallets costs $50 million to $100 million and takes 18 to 24 months. That is money and time that many producers do not have when duties are eating at their cash flow. Meanwhile, Brazil is already shipping European pine and pallets into the European Union at a cost 20% to 30% lower than ours.

Diversification is not life support; it's a long-term growth strategy. In the short and medium term, our survival still depends on regaining full, duty-free access to the American market. This is why aggressive negotiations with Washington must remain job one. Everything else—value-added funds, trade missions and retooling grants—is vital, but it buys us time; it does not buy us survival.

The third is the unique importance of wooden houses and carbon neutrality. For over 20 years, I have worked hand in hand with architects and engineers across Ontario, designing roof trusses and floor systems for single-family homes, townhouses and low-rise buildings. My job is to squeeze every last square foot out of a load of lumber so that families can afford a safe, high-quality home.

I know first-hand that wood is the most versatile, cost-effective and climate-friendly building material we have. A typical 2,000-square-foot family home built with Canadian lumber stores about 30 tonnes of carbon dioxide. A 20-storey mass timber tower sequesters about 3,500 tonnes, which is the same as taking 900 cars off the road for a year. If we simply raise the share of wood-framed, single-family homes, mid-rise and tall wood buildings from roughly 12% today to 30% by 2035, we will cut millions of tonnes of emissions, while creating tens of thousands of rural jobs.

Right now, our home builders are the single largest consumer of Canadian dimension lumber, after pallets and crates, and they are being strangled by red tape. We cannot hit our housing targets or climate targets unless we fast-track builders who choose wood. Give them presumptive approval for proven systems and stop treating renewable Canadian lumber as if it was a problem, instead of a solution.

The fourth is a national public procurement policy that favours wood. A simple “wood first” policy for federally funded buildings will create stable domestic demand and show real leadership on climate and jobs.

The fifth is sustainable forest management practices. Canadian forests are among the best managed on earth. Over 90% of harvested areas are promptly regenerated, and over 160 million hectares are third party certified. Good management keeps the forests healthy in a changing climate. We need to tell that story loudly and proudly.

The sixth, finally, is to respect provincial and territorial jurisdictions. Forests are constitutionally provincial. Ottawa sets national goals and provides funding and coordination, never micromanagement. Real progress only happens when we work with true partners.

In closing, we stand at a crossroads. We can keep bleeding jobs while we wait for new markets that will take a generation to build, or we can fight like hell to keep the U.S. market open, while we diversify, innovate and build more Canadian homes, pallets, wood packaging and other wood products with Canadian wood. The choice is ours and the time is now.

● (1550)

Thank you.

The Chair: Thank you, Mr. Hughes.

Thank you to all our presenters.

We'll start our rounds of questions with Mr. Tochor.

Mr. Tochor, you have six minutes.

Corey Tochor (Saskatoon—University, CPC): Thank you to our witnesses for being here today.

Mr. Cape, I understand you're Zooming in. Are you at home, by chance, or at the office?

Geoff Cape: I'm at home.

Corey Tochor: Do you live in one of those prefab factory homes?

Geoff Cape: No. we're not there yet.

Corey Tochor: That's okay. Many Canadians don't. As much as the Brookfield model and the business they're trying to push is popular with some people, most Canadians have concerns.

Ms. Yurkovich, I understand it took decades to build your company, a family-owned business in British Columbia. Could you characterize what the last 10 years have been like for families who are employed with your company?

Susan Yurkovich: It's challenging to be working in the forest sector. It's a very competitive business, as you know. Of course, we've had periods of managed trade and we've had very few moments of free trade. Mostly, we've been operating under a tariff regime, which makes it extremely challenging. It requires our companies to be extremely cost-focused and to try to remain competitive in order to serve our customers and continue to compete in the global space. It's meant—

Corey Tochor: For the last 10 years, have there been that many raises for the workers?

Susan Yurkovich: We try to keep pace with the market so, yes, we've had adjustments. We continue to employ highly skilled workers and we pay them fairly, but we have fewer workers in Canada, for sure, because of the challenges of operating here.

Corey Tochor: You said, “decades”. Let's do a comparison with the decade prior, so before 2015. What was that decade like? You did reference decades. Was that a better decade?

Susan Yurkovich: In British Columbia, where we have been traditionally—it's where we started our business and where the heart of our business has been for many generations—we have, of course, experienced a very significant shift in the availability of fibre, mostly because of the mountain pine beetle epidemic, followed by a very difficult fire season. The cut has come down substantially in the province of British Columbia.

Corey Tochor: Comparing those two decades, are you saying that the last 10 years have been better than those Conservative government years that had tariff peace with the States, and especially the softwood lumber deal?

Susan Yurkovich: We had very good years during COVID. Everyone knows that. We had a black swan event where we had very strong lumber markets that would have been unseen in the industry, ever. We'd never seen prices that high.

Corey Tochor: Just talking a little bit about the American negotiations, you said we had trouble negotiating a deal, which I believe you called non-partisan, with both Republicans and Democrats. That was under past prime minister Justin Trudeau. Mark Carney hasn't been able to get a deal under either one. Is that correct?

Susan Yurkovich: The last softwood lumber agreement we had was done under Prime Minister Harper.

Corey Tochor: What year was that?

Susan Yurkovich: It ran from 2006 to 2015. Then there was a standstill period for one year. This latest round—“lumber five”, we affectionately call it—started in 2017.

Corey Tochor: I would assume that you'd say that the previous two decades were better than the last decade.

Susan Yurkovich: I mean, duties are not the only thinSusan Yurkovichg that makes the business good or difficult. We had a lumber agreement between 2006 and 2016 that created some stability. I would say we had very good years during the COVID years. Then we had challenging markets and a lot of uncertainty, with very high duties currently.

Corey Tochor: All right.

I'll switch gears now and go to our witness in the room today.

Mr. Hughes, thank you so much for being here. We talked about this last decade, the lost decade, under the Liberals. What was your experience with the workers who have experienced these two decades? This is along the same vein of comparing those two decades.

Scott Hughes: That's a very difficult to answer to give. The industry I'm in, which is the wood packaging industry, fluctuates depending on demand. Most of our clients cater to the U.S. market. It's hard to say whether or not things were better under Harper or better under Trudeau. I mean, we had good years under Trudeau and we had good years under Harper, but this latest round has resulted in almost an 80% loss in business for me. That's significant.

● (1555)

Corey Tochor: Did you have any years like that under the Conservative government?

Scott Hughes: If I recall correctly, I believe it was around 2010, give or take, when we had that real crisis with the economy worldwide—

Corey Tochor: We came through—

Scott Hughes: —but we managed to get through it without too much of an impact.

Corey Tochor: Right. How would you characterize it when you heard Mark Carney promise a deal by July 21? Was it encouraging news when you heard the Prime Minister say that?

Scott Hughes: I was encouraging news, but what I was seeing from my customers was a decline in orders. This started before the promise that was made.

Corey Tochor: And not kept.

The Chair: Thank you both.

We are going to go to Mr. Danko for six minutes.

Mr. Danko.

John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.): Thank you, Chair. My first question is for Mr. Cape.

You spoke in your opening remarks about “buy Canadian”. Of course the federal government is committed to a buy Canadian policy, and we're also expecting provincial governments to follow suit. Really, a lot of construction happens at the municipal level, whether it's rec centres or housing projects, private sector or institutional.

I'm interested in what recommendations you would have to ensure that private sector, institutional and municipal projects are also using primarily Canadian products.

Geoff Cape: There's no doubt that right now the industry is struggling with demand-side problems. A substantial push will come with the federal commitment—the Build Canada Homes initiative, under the Carney government. I expect it will catalyze the industry and begin to create some forward momentum. The showcasing of both modular and wood housing under this new approach to fabricated off-site construction, I think, should create confidence and create the momentum in the private sector to move in this direction.

Typically, the private sector is slow in this regard. They're governed under heavy banking relationships and contract structures that inhibit them in a strange way, more so than, say, government has the opportunity to operate in. I think the federal policy around procurement should catalyze and prime the pump, so to speak, for private markets to then follow suit.

John-Paul Danko: Thank you. The second question is for Ms. Yurkovich.

Canfor is known to have a very diversified market share. In particular, I heard in your opening remarks that you have facilities in Sweden, so you're selling to a global market, including Sweden, which is of course a world leader. You spoke about support programs for retooling facilities so that Canadian producers can be more competitive on mass timber and engineered wood products on the global stage.

I want to give you an opportunity to expand on what that framework would look like and what you need from the federal government to make that happen.

Susan Yurkovich: What we would like to be able to do is to go higher up the value chain. We are dimension lumber producers. We have a lot of dimension lumber. We also have specialty lumber, but there are opportunities for us to go further up the value chain and look for market opportunities that would be duty exempt or would apply to markets that don't have tariffs or duties.

The challenge for us, as you can imagine, is that when you have a billion dollars on deposit, that's money that's not being spent on plant and equipment. That's sitting over in the U.S. Treasury or wherever it sits. It's not able.... We don't have access to invest it in a plant, equipment or our people. Capital, as you can imagine, is extremely constrained. As we look at these opportunities, at a time to diversify some of our production away from the U.S., it's a time when we don't have a lot of capital to spend. In fact, we are looking at every single dime, as many other companies are, of course.

Having some kind of matching fund, grant or forgivable loan that allows us to retool some of our operations to be able to meet, go into those additional product areas or diversify further away from the United States would be really helpful and would, I think, be a way for us to transition.

We talk about Build Canada Homes. These are other things that allow us to find different markets and to move our product to areas that are duty-free.

● (1600)

John-Paul Danko: Thank you. As a follow-up on that, I'm sure you've done detailed market sector evaluations. I'm curious if you would like to share what markets you see as having the most potential, and what products in those markets you see as preferable.

Susan Yurkovich: It's challenging, and it moves a lot. We used to send a lot of our product to China when we had more low-grade, beetle-impacted wood.

That's changed, obviously, and we have moved through the beetle-impacted or salvaged wood. We are now into more green stands. Those are higher-value stands. We want to take that fibre and maximize the value we can derive from it.

Also, of course, geopolitical shifts have occurred. There are sanctions on Russian wood and Belarusian wood. The avenues for them are closed. That wood does flow into China and, of course, that creates a challenge for us in terms of moving in there, because it's a very price-sensitive market. When they have access to that wood, it can change things.

There are other opportunities. There are more opportunities even with the declining population in Japan. We're switching more from traditional post-and-beam construction to two-by-four construction. Someone mentioned schools and rec centres. We think that's an area, along with seniors homes and institutional buildings. We build homes with wood, but there are more opportunities to do it in that space.

Those are the things that we are pursuing, as well as some other higher-value products that are used in decorative applications, etc.

The Chair: That's your time, Mr. Danko.

John-Paul Danko: Okay.

Thank you.

The Chair: It is now Mr. Simard's turn.

[*Translation*]

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

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

I'd like to give the witnesses a little time to put on their earpieces so that they can hear the sweet voices of our interpreters.

Before I begin, there's something I'd like to clarify. The English word “pellets” should be translated as “*granules*”. I wanted to point that out to my analyst friends, because the word “pellets” was translated as “pallets” earlier, but it's not the same thing.

Ms. Yurkovich, you spoke about the need to retool the forestry sector and expand into new markets. All of these things take a lot of time. The reason that I'm bringing this up is because I want to talk to you about a proposal, and then I'll come back to the idea of retooling the sector and expanding into new markets.

A number of players from Quebec's forestry sector and unions have made a proposal, and the idea is fairly simple. At the end of each month, they're asking that the government buy back 50% of the countervailing and anti-dumping duties given to the United States. That way, once the dispute is resolved, the government can pay itself back. We're not asking the government to buy back all of the debt being held captive. If we follow this logic, it currently amounts to about $11 billion.

I'd like to know whether you and all the other witnesses would support this kind of measure. Let me repeat, this is a 50% buyback of anti-dumping and countervailing duties at the end of each month. I'll start with you, Ms. Yurkovich.

[*English*]

Susan Yurkovich: Thanks for that.

Yes, I did read through the transcripts, and I understand that it is an idea that has been floated. We consider it. We've looked at all kinds of things and are looking at things that balance trade risk with meaningful assistance for the industry. I totally agree with you, sir, that it takes time to develop markets and build houses, etc.

From our perspective, we think that there is a variety of different programs that are going to be appropriate for companies. Our industry is very diverse. We have big companies, medium companies and small companies. It's an ecosystem. We all live and coexist and need each other. Each company is going to have things that are better suited to them.

From our perspective, that would not be something we would pursue, particularly, but we understand that some companies are pursuing that. The things we are looking at are things that are going to allow us to transform and to thrive, going forward. Our focus is not on transitioning away from the forest sector. We have to transition—and we are—and that's going to take some time. Supporting some workers while we do this transition and helping us do these retoolings are the things that we would prefer, being a company of our scale and scope.

● (1605)

[*Translation*]

Mario Simard: If the other witnesses would like to give us their responses, I ask that they please do so in writing, because my speaking time is limited.

Ms. Yurkovich, I'd like to pick up on something you said earlier. You spoke about some rather interesting measures. They could be of interest to the government, because they don't cost anything. That's what the government likes: something that doesn't cost anything. One of the things you propose is to fast-track tax refunds by the Canada Revenue Agency. How much do these refunds amount to? I guess that it's one way to access liquidity that would make your life easier.

[*English*]

Susan Yurkovich: It's actually very significant. For us, it's about $65 million, which then levers some provincial returns as well. In total, it would be about $80 million for us. When you think about what we're paying in duties, that's very significant. That would help us. I agree with you. It doesn't cost money. It's due back to us through our properly filed returns, so I would be grateful if the government could take a look at that.

[*Translation*]

Mario Simard: I assume that you've applied to the federal government for financial assistance in the past, either to revamp your production line, retool or develop new markets. Have any programs previously been used to answer requests that you submitted to the federal government?

[*English*]

Susan Yurkovich: I think the government has responded. They've created a loan program, which was announced a couple of weeks ago, one through BDC and a larger one, so that's available. Of course, we have been very focused on—

[*Translation*]

Mario Simard: I'm sorry to interrupt you, but I want to emphasize the words “in the past”.

Before the Business Development Bank of Canada's liquidity program was announced, did you have any access to federal financial support programs for the forestry industry to develop new technologies or new markets?

[*English*]

The Chair: Give a quick answer, please.

Susan Yurkovich: Yes, there have been programs for market diversification. There's IFIT to help with the pulp and paper industry. There have been programs available.

The Chair: That brings our first round of questions to a close.

We're going to go on to the second round.

[*Translation*]

Mr. Martel, you have the floor.

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

Ms. Yurkovich, I'd like to talk about a matter that my colleague just raised. You recommended fast-tracking tax refunds. I'm curious: How long does it take to get a refund?

[*English*]

Susan Yurkovich: That's a question I cannot answer. I could get that answer to you, sir, but I know that we have made several inquiries and have been told there are a number of reviews going on related to another program, so we won't have access to those until that review is complete. We have asked, and we've already sent a letter to Minister Hodgson with respect to that.

[*Translation*]

Richard Martel: Thank you.

Mr. Hughes, as everyone knows, the softwood lumber industry has gone through some very hard times in recent years in the absence of a new agreement. To what extent has this situation affected your activities and the activities of your colleagues?

● (1610)

[*English*]

Scott Hughes: What recently happened is that, for my customer base, which is other manufacturers that are shipping products to the United States or the rest of the world, their orders have dropped significantly—about an 80% drop. With other companies, sometimes it's more or sometimes it's less, but the biggest impact is that the American customers are not buying our products. My products that are going to the other manufacturers are not being used.

[*Translation*]

Richard Martel: You talked about bureaucracy. Can you give me some concrete examples of bureaucratic complications?

[*English*]

Scott Hughes: What do you mean by bureaucracy?

Maybe I'm misunderstanding what's being said on the interpretation.

[*Translation*]

Richard Martel: I'm talking about the fact that to qualify for funding or subsidies, your industry has to go through a very long process and meet various criteria.

[*English*]

Scott Hughes: From what I understand here, you're asking about the funding of subsidies. Is that correct? I can't quite understand what's being said on the—

[*Translation*]

Richard Martel: Yes.

[*English*]

Scott Hughes: We have not really asked for subsidies to help our industry. The last subsidy we got was to upgrade our lighting system to a more energy-efficient thing, but most of the equipment we buy is always self-financed. We don't get any subsidies or rebates from the government for it, if that's what you're asking.

[*Translation*]

Richard Martel: Ms. Yurkovich, you said that the COVID-19 period was a good time for the forestry industry. Can you tell me why it was a good time? I know that there weren't any tariffs back then.

[*English*]

Susan Yurkovich: COVID wasn't a good time for any of us, from a global perspective, in terms of life or business, but what it did was constrain supply chains and, of course, everybody went home and started to do projects like redoing their deck, finishing their basement or creating space for themselves to work from home. At that time, prices shot up to a level we had never seen before. Lumber prices went up to $1,600 per thousand board feet, which was just extraordinary. I don't expect we will see that ever again—hopefully not in my lifetime.

It went very far up, and now it has come back down very significantly. Obviously, prices running up meant we had very good markets for a period of 18 to 24 months, and then, of course, it fell.

[*Translation*]

Richard Martel: Mr. Hughes, a number of companies in the sector have mentioned that the combination of tariffs and certain charges, like the carbon tax applied to industries, made it very difficult to compete. Can you explain how these cumulative costs affect your investment decisions and your competitiveness?

[*English*]

Scott Hughes: The carbon taxes that have been put into place have driven up the costs of lumber and shipping. It's very hard to break down what the actual costs are. I will have to look into that a little bit more and get back to you later.

The Chair: Thank you both.

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

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

Thank you to the witnesses for being here.

Mr. Cape, I want to tell you that we've heard you, and I hope it's going to be in our recommendations to pay you through the building and factory.... You're not the first to mention that.

One question I have for you—and after that, for Ms. Yurkovich—is this: The government, in budget 2025, announced what we call the superdeduction, to be able to write off additional tooling for productivity and new equipment in the first year. Is this something you're taking advantage of, and if not, why not?

Geoff Cape: Yes, it's very important. The capital investments we need to make as a company are on the order of $20 million for equipment and probably the same again in the factory building and infrastructure, so the opportunity to write that down quickly is a big advantage.

● (1615)

Claude Guay: Ms. Yurkovich.

Susan Yurkovich: We would take advantage of anything that supported our capital program and capital investment.

Claude Guay: Mrs. Yurkovich, another measure that was put in place was $500 million allocated for the next fiscal year for programs to help with transformation, buying new equipment, new products and training employees. Is that something you've looked into or started to inquire about?

Susan Yurkovich: Yes, we saw the announcement and, of course, it's relatively new. We're looking for details on all of the things that were recently announced, including the ones that I think were announced last week or 10 days ago—all the days blend together—around transportation and the availability of those kinds of programs. We are looking for details, and I expect we will hear more from the line ministries in the next few weeks. Obviously, those are things we would be interested in.

Claude Guay: I'm curious. Mr. Cape mentioned his trip to Sweden in terms of learning, but you actually operate in Sweden. What can we learn from that market?

Susan Yurkovich: We've expanded. We moved into Sweden in about 2019 and, if you're a global company, you want to continue to serve your customers. As your customers are big and global, you want to be able to have the products to be able to serve them.

I would say that there are quite a few things that are different about Sweden. Where it's located is one. It has access to many markets. Obviously, freight and logistics are a big thing when you are producing a product like ours. You're shipping it a long way. If you're shipping it to Europe, they have access to many markets, whether they're in the European Union, the U.K., the Middle East, north Africa or even into the U.S. east coast.

They have a lot more market diversity. They also have highly specialized products that are sort of country-specific, so we have more product diversification there. We have very good and secure fibre there as well.

Claude Guay: Thank you.

Mr. Cape, I'm coming back to you.

You talked about training the workforce as an important topic for you. Do you mean for tradespeople? In the budget, there is quite a bit of money for the different trades organizations. Are we talking electricians, plumbers or in general? What are we talking about here? Do you think you can take advantage of that?

Geoff Cape: I know we can take advantage of it, and we've had a number of discussions with the various trade unions in the Ontario area to understand what they think needs to happen. These are both skilled and unskilled trade interests.

The carpenters union alone is a useful partner in all of this work. The production of off-site housing is a different way of building, and there's a transitional process required there, but it's a manageable process and one that shouldn't take too long. It creates a safer, more predictable employment opportunity with fewer risks for life safety and job security. It's a worthwhile endeavour to engage in this training program.

The Chair: Thank you.

We're going to Mr. Simard.

[*Translation*]

Mr. Simard, you have the floor for two and a half minutes.

Mario Simard: Thank you very much.

Mr. Cape, in your opening remarks, you talked about your company's prefabrication activity. You also talked about the fact that the government was going to roll out a big program called “Build Canada Homes” or “Homes Canada”—I don't know what to call it anymore.

We looked at the government's proposal concerning the liquidity program, which had encountered a few hiccups. On receiving feedback, however, it seems that access to the program became easier because the criteria were reviewed.

Before the much-touted Build Canada Homes program was rolled out, did the government consult people like you? Have you had any discussions with the department? Since you operate in the prefabrication field, I suppose the government should hear your proposals before rolling out measures like these.

● (1620)

[*English*]

Geoff Cape: Yes, we were openly invited to participate with a series of consultations, but we also took the initiative to organize a group of about 106 companies from across Canada related to the supply chain associated with prefabricated housing. Those 106 companies organized and designed, over a three- to four-month period, a series of 19 recommendations for short-term recommendations and 17 long-term recommendations. They were addressed comprehensively in the policy put forward in the budget.

[*Translation*]

Mario Simard: Can you tell the committee the names of those companies and the short and long-term recommendations that you've made? Can you give us an idea of the key recommendations?

[*English*]

Geoff Cape: I would be happy to supply that. Some of the simple recommendations were related to procurement, which was to mandate the requirement or make “wood first” a priority in procurement.

Another would be to align policies across the country and across different political jurisdictions—municipal, provincial and federal—to enable faster approval processes.

A third was to create not just market pull through procurement but also market push to incentivize the federal government through BDC to invest in building the industry with an economic development agenda.

[*Translation*]

Mario Simard: It's important that you send the committee these various recommendations, to include them in the final report.

Thank you very much.

The Chair: Thank you, Mr. Simard.

[*English*]

Mr. Rowe, you have five minutes.

Jonathan Rowe (Terra Nova—The Peninsulas, CPC): All right. Thank you very much.

My first question is for Mr. Hughes.

Last week, our witness explained the uncertainty in the industry. He said the uncertainty was so bad that he'd rather have a bad deal now than a good deal later. What are the struggles in your industry that come from the uncertainty for investors and whatnot, and how urgent is it to get a deal?

Scott Hughes: I'm not exactly saying to take a bad deal as opposed to a good deal. What I'm saying is that I don't think there's enough effort on the part of the Canadian representatives in negotiating with Washington.

Jonathan Rowe: The message we heard was that we were going to be building things and moving at speeds we've never seen before. It must have been very disappointing to hear the Prime Minister say, “Who cares? I mean, it's a detail. I spoke to him. I'll speak to him again when it matters”, when we're talking about trade deals.

Do those kinds of statements build trust and certainty for investors in Canada as well?

Scott Hughes: I decided a long time ago not to put a lot of faith in politicians' promises. Although it was nice to hear, I knew it was not going to be possible at the speeds he was promising. It was unrealistic.

I know that negotiating with the Trump administration is going to be tough, but they're businessmen. As businessmen are well aware, you have to pull up your pants, discuss it and come up with a solution that works for both parties. Sometimes it means a great deal. Sometimes it means a deal that's not so good. Sometimes it's going to be a bad deal.

Jonathan Rowe: You talk about making a deal and getting to that point, and you mentioned that we've typically won in these court cases we've had in the past with the Americans.

Do companies like yours get reimbursed for the struggles they went through, or are they left to have to deal with it on their own? Is the damage already done?

Scott Hughes: My industry does not ship directly to the United States. We don't deal with the United States. We deal with other manufacturers that put their products in my wood packaging and ship them to the United States.

The taxes or the duties don't really impact us. They impact our customers, which in turn results in lower orders.

Jonathan Rowe: You're left out in the cold, as some may say. It's very tough to get that....

You talked about diverting to Europe and the struggles with that, but you also mentioned—feel free to build on this—that Brazil is selling to the EU for 20% to 30% less. Why is that? How is it able to do that in this market?

● (1625)

Scott Hughes: Brazil is able to do it because it started producing European-spec lumber many years ago. Brazil's biggest market is the European Union. Canada's biggest market is the United States. They're two completely different markets that we're dealing with. For us to pivot, it's going to take time and it's going to take a lot of money and effort.

Jonathan Rowe: Do you think having a lot of regulations—all of the red tape that we have and the industrial carbon tax for harvesting the wood products—plays into it, or is it mostly just that they've been ahead of the game?

Scott Hughes: I believe it does.

Jonathan Rowe: I have one last question for you. The Conservatives have been very adamant that we can improve the environment and reduce carbon emissions at the same time, while supporting industry—especially the forestry industry. Last week, a Liberal MP who is on this committee—I won't say his name out of respect—chuckled and alluded to our Conservative idea of increasing forestry to improve the environment as being silly.

You mentioned carbon capture in your presentation and the potential of helping the environment through proper forest management. I'm wondering if you could set the record straight and talk more about how proper forest management can help our environment and reduce CO2 emissions to help climate change.

Scott Hughes: Canada sits on one of the largest forests in the world. We had a very good program managing our forestry. The association it belonged to has fought many battles over the years related to people who did not think that using trees was very smart. I don't know if you remember that many years ago, we were dealing with an issue with the spotted owl, which basically caused lumber production to slow down considerably because people were worried about the dangers.

Now it's been proven that the forestry industry is actually very good for the country. The more we cut down, the more we grow and the better it is in terms of carbon storage and environmental issues, but the forestry industry has to be on the ball. We have to maintain these forests properly and we have to ensure that fires are minimized as much as possible.

Through some of the information that was gathered, we've heard that more than 50% of the forest fires were started by arson. Whether that's true, I don't know, but it's a very disturbing number.

Jonathan Rowe: Thank you.

The Chair: Thank you, Mr. Hughes.

Thank you to all of our—

[*Translation*]

Richard Martel: Mr. Chair, I'm sorry to interrupt.

[*English*]

The Chair: I'm sorry.

Go ahead, Mr. Martel.

[*Translation*]

Richard Martel: Mr. Chair, I asked Ms. Yurkovich how long it takes to receive a tax refund, and she told me that she could send us that information. I want to make sure that she sends that to us, along with the letter she sent to the minister.

[*English*]

The Chair: Ms. Yurkovich can send that to the clerk, and we'll respond to the best of our ability.

You have my apologies, Mr. Noormohamed. It's a pleasure to have you on the committee this afternoon. This isn't the first time that I've had a lapse, but the committee members are so forgiving. I hope you will be too.

Taleeb Noormohamed (Vancouver Granville, Lib.): Absolutely.

The Chair: You have five minutes, sir.

Taleeb Noormohamed: Thank you, Mr. Chair.

Thank you to the witnesses for being here.

Ms. Yurkovich, it's good to see you. I haven't seen you since your BC Hydro days. It's nice to see you.

I want to start with Mr. Cape.

You talked about the work that's being done in modular housing. I just want to talk a bit about that, because my friend opposite seemed quite condescending in respect of the modular homes you are building. I want to point out that Premier Ford in Ontario, Premier Moe in Saskatchewan, my friend's home province, Premier Houston, Premier Smith and Premier Lantz—these are all Conservative premiers—have put, between them, over $50 million or $60 million in recent months into building modular housing. It's a big part of the housing strategy for their regions.

In fact, there are companies like Tru-North homes, Prairie Castle, Laser homes and Grandeur homes, all of which are from Saskatchewan.

Mr. Cape, when you hear that type of misinformation or the denigration of the modular homes that are being built to create homes quickly for Canadians, what concerns does this pose for companies like yours that are doing this work, when the entire industry and the work you're doing is somehow misrepresented or is seen to be less than other types of housing?

● (1630)

Geoff Cape: It is misinformation. It's unfortunate because it kind of hearkens back to the portable classroom in a schoolyard or these kinds of tin-can trailer-park homes. The reality is that I would prefer to live in a manufactured home. They are the preferred choice in Sweden because they're of higher quality. I'm in a 120-year-old house that leaks a lot, and I have little breezes in virtually every corner, especially on cold days.

The building envelope, the R-value and the energy efficiency for a passive light house we build is a superior product in every regard. This is the preferred solution for most people. Quite frankly, that is one of the stigmas we need to move beyond as quickly as we can. We need to establish the high quality of these units.

Taleeb Noormohamed: I want to give you a bit more time to respond to this, because a number of these companies are based in Saskatchewan, the home province of my friend opposite who made some of these comments.

What would you say to Canadians who are watching this—apart from what you've already said—about the importance of supporting these Canadian companies that are doing great work in this space?

Geoff Cape: I'd say that Canadians used to build housing by chopping down logs in a forest and squaring off the logs. Then we learned about two-by-fours and dimensional lumber. All we're talking about is taking the next level of completion into a factory, into a predictable space, and making a higher-quality product.

It's economic development. It's productivity that the country needs. We, as a nation, are known to be good-quality house builders. This is just taking the next step to be global leaders.

Taleeb Noormohamed: Thank you, sir.

Ms. Yurkovich, if I could just switch to you now—

Corey Tochor: I have a point of order, Chair. This is almost an advertisement for portable homes from Brookfield, and this is not—

The Chair: That's debate, Mr. Tochor, as you know.

We'll go back to Mr. Noormohamed.

You have one minute and 48 seconds.

Taleeb Noormohamed: Thank you, Mr. Chair.

I'm going to take those four seconds back as well, if I may.

Ms. Yurkovich, I wanted to lean a bit into some of the challenges, of course, we're facing in British Columbia. As you pointed out, and as we all know, there are a lot of dollars—billions of dollars—now sitting in abeyance as a result of duties and tariffs.

Can you perhaps walk some of the members of the committee—who may not be as familiar with this—through some of of the issues that are provincial in nature and have to be dealt with in respect to supporting the industry more substantially? Where can provinces be doing more to ensure they are making it easier for your industry and the workers you employ?

Susan Yurkovich: Sure.

I think we have an opportunity to address the hosting conditions. It's a very competitive marketplace, and I think we could have a focus on regulatory regimes. We want to have good, strong regulation. That's what we want as Canadians. We want to have good sustainable forest practices, which we do, but I think there's an opportunity for us to streamline permitting to reduce the duplication of some of the regulations we have and to create more hosting conditions that allow us to compete on the global marketplace.

Of course, as I mentioned in my remarks, the most important thing is access to fibre. We have a cut that stands at about...based on the chief forester's.... The chief forester sets the allowable annual cut. We are not cutting up to that level. We're at about half of that right now. That's putting a real strain on having secure access to fibre. I think there's more work we have to do there.

The Chair: Thank you both. That does bring our time to an end with this panel.

Once again, thank you to our witnesses. It was very informative testimony. Also, as we do at every meeting, we invite you to submit briefs for things that you didn't get a chance to say today. The committee would welcome them. Once again, thank you so much.

Colleagues, we'll take a five-minute break and then we're back with the second panel.

● (1630)

_____(Pause)_____

● (1635)

● (1640)

The Chair: Colleagues, I call the meeting to order for the second panel.

We're about to hear from our witnesses. On your behalf, let me welcome our guests on Zoom.

I will make a few comments for the benefit of the witnesses.

For those participating by video conference, and there are a number, 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. This is a reminder that all comments should be addressed through the chair.

We have with us this afternoon, from the PowerWood Corporation, Jake Power, managing director. We have Dr. Martin Luckert, professor emeritus, forest economics and policy, from the University of Alberta. We have Jeff Bromley, chair of the wood council, United Steelworkers.

Welcome, everyone. Thank you for being here. You will each have five minutes or less for your opening remarks.

We're going to start with you, Mr. Power. You have the floor for five minutes or less.

Jake Power (Managing Director, PowerWood Corporation): Thank you for the opportunity to appear.

My name, as you mentioned, is Jake Power, and I am the director of PowerWood. We're a value-added manufacturer employing 60 British Columbians.

I want to focus my remarks on three themes that matter to the questions this committee is studying.

First, speaking to the reality of our export markets, because of our costs, the characteristics of our forest logistics and our limited domestic market, the U.S. will remain Canada's number one customer for forest products, especially high-value products. No amount of market diversification will change that, and trade certainty with the U.S. should be our number one priority. Any effort that diverts government resources or messaging away from the U.S. market for political optics ultimately devalues our resource.

Our competitive leverage in softwood lumber negotiations comes from a simple fact: U.S. consumers are willing to pay top-of-market prices for Canadian products, even with duties. We are seeing that today. In many of our wood products, the U.S. consumer is paying the lion's share of the duties.

Second is policy that can strengthen value added. I would urge leadership to apply government power where it moves the needle: cost reduction and traceability. There are practical things the government can do that would improve competitiveness at home and support the committee's objectives. The federal and provincial programs that have lowered the cost of capital for companies like ours have made a real difference. When capital becomes affordable, value-added manufacturing has opportunities to grow. I want to acknowledge that support and encourage refining these programs so the money flows to companies that manufacture here in Canada.

One major area to address is traceability and data that will bring us all in line with the EU's new requirements and provide value at home. Europe's EUDR rules will soon require full traceability back to the stump. Large companies can absorb the cost of tracing. Small and medium-sized value-added manufacturers cannot. Right now, blockchain tracking services are being sold to SMEs at prohibitive prices. In my company, it costs us over $1,000 per container just to meet the tracing obligations.

The simplest solution would be for Canada to own the national forest products tracking system and provide access to all businesses. That would level the playing field with large producers, keeping SMEs in the EU market.

Finally, give Canada visibility into what happens after the sawmill. Governments already have strong data from forest to mill, but after that, the visibility is not so strong. I understand that this work is in part under way in Quebec through QWEB, and I encourage further development of that so it can get to the offices of all our entrepreneurial forest products companies.

Third, policy choices at home can either support value-added manufacturing or drive them out. There are clear recent examples that have impacted my business that I want to speak about.

First, it's not a huge one, but removing the carbon tax on natural gas immediately freed enough cash for our company to hire another skilled worker. It had no impact on our emissions. Those emissions are driven by production realities, not by tax rates.

[*Translation*]

Mario Simard: I'm sorry, Mr. Chair, but the sound quality isn't good.

[*English*]

The Chair: Yes, I think we're having trouble with your microphone, Mr. Power.

Let's suspend for just a moment.

Mr. Power, we'll be right back with you.

● (1640)

_____(Pause)_____

● (1645)

The Chair: We're good.

We stopped your time, Mr. Power, so please continue.

Jake Power: The removal of the carbon tax, as I mentioned, did allow us to hire another worker. At the same time, the previous government's public health messaging about coming to work only when feeling a hundred per cent really has hammered our industrial attendance, as an unpredictable workforce is simply less productive. Those cultural signals matter, and they've impacted our business in a real way.

Finally, I'd like to caution about putting rose-coloured glasses on all trade diversification. In our sector, it often means commoditization of wood products that can otherwise support much more productivity here at home. In my career, I've seen how policies meant to diversify markets or encourage innovation sometimes create the opposite effect. In the early 2000s, the push toward China resulted in manufacturing equipment being unplugged in British Columbia and restarted offshore. Today, the same dynamic exists, just with different countries.

Our biggest competitor in the U.S. northeast is not another Canadian mill; it's Canadian old-growth fibre shipped to New Zealand, manufactured there and shipped back into the U.S. 100% duty-free. Our second biggest competitor is Canadian wood routed through U.S. value-added facilities using pricing structures designed to minimize duties. It's leakage. It drains value away from Canadian workers and Canadian manufacturers, and we need federal policy that focuses on defending against it.

I just want to leave you with two points in closing. Canada must become relentless about reducing costs for input materials and manufacturing. Productivity should be rewarded, not penalized. Second, Canada must safeguard our market access, especially to the U.S. When government steps too far into the marketing, we can oftentimes create commodities out of specialty products.

Canada's forest products are exceptional. When we combine them with competitive costs, direct market access and real support for value-added investment, our industry can compete anywhere in the world.

Thank you. I look forward to your questions.

The Chair: Thank you, Mr. Power.

We're going to Dr. Luckert.

You have five minutes or less.

Martin Luckert (Professor Emeritus, Forest Economics and Policy, University of Alberta): Thank you.

Mr. Chair and members of the committee, thank you for inviting me to this forum. I apologize for not attending in person, but I teach a forest policy class tomorrow morning that I cannot miss.

My background in forest policy is largely focused on economic considerations related to the role of governments and how forests are used and managed. As a student of forest policy who tries to embrace the complexities of potential government roles, I will not be so rash as to suggest in a five-minute brief specific changes to forest policies. Instead, my approach will be to first describe emerging challenges related to the resilience of the forest industry in Canada's forests, and then I will suggest general policy strategies the federal government may wish to consider to help face these challenges.

In Canada, we have the unusual situation of having over 90% public ownership of forests, yet we have private industry largely responsible for harvesting and management, regulated by provincial—

The Chair: Dr. Luckert, if you could just slow down a little bit, that would be appreciated by our interpreters and others.

Thanks so much.

Martin Luckert: I will. Thank you.

In Canada, we have the unusual situation of having over 90% public ownership of forests, yet having private industry largely responsible for harvesting and management, regulated by provincial forest tenure arrangements. This situation implies that the resilience of the forest industry and the resilience of Canada's public forests are intertwined. Moreover, with provinces in control of forest tenures, there has historically been little room for federal policies to influence outcomes.

However, circumstances have changed the situation markedly, which makes the work of this committee of paramount importance.

Central to discussions of forest industry and forest resilience are concerns about the role of climate change in influencing future forests and the role of forests in influencing future climate change. Concerns tend to be focused on the resilience of three sets of values that define sustainable forest management—that is, economic, ecological and cultural.

Climate change can significantly affect the profitability of the forest industry, because it influences wood supply by affecting ecological processes such as regeneration, insects and disease, and fire. Responding to climate change is also central to maintaining social licence to manage public forests through the effective management of forest resources such as biodiversity and recreation.

Though most discussions of resilient sustainable forest management centre on considerations of climate change, a more recent and potentially more pressing consideration is the resilience of the forest industry—and therefore forests—to changing trade patterns. The new geopolitical order—or disorder—has enormous implications for the forest industry and beyond. Though trade disputes with the United States over software lumber go back to the early 1980s, the level of trade restrictions now being faced is unprecedented and will require a more diversified strategy that will involve new trade flows and alliances.

With provincial governments largely in control of forest policy with forest tenure arrangements, federal forest policy has historically had little scope for substantial impact. However, these new sources of volatility clearly overreach the current scopes of provincial tenure policies. Therefore, we are at the beginning of a new era of federal forest policy, where key issues that face the forest industry are more related to federal jurisdictions than ever before.

With respect to climate change and carbon considerations, policies are needed to facilitate planning for new dynamics of forests associated with changing climates. Part of this approach could consider how to incent forest managers to include carbon flows in management decisions. A prerequisite for such incentives is to delineate which party, i.e., which level of of government or industry, has rights and/or responsibilities to manage carbon. Incentives could come from carbon policy directed specifically at the forest sector or from more general policies that affect numerous sectors, such as biofuel initiatives.

Yet another important component is to support research to better understand how alternative forest structures will function and produce under new dynamic conditions, and how life cycles of carbon are impacted. At a global scale, tensions about the role of forests in climate policy continue to indicate an important role for federal involvement.

With respect to trade disruptions, diversification away from trade with the United States and diversification towards new products such as biofuels will be an ongoing priority. Along these lines, careful attention will be needed to assess potential policy impacts across sectors, such as how biofuel policies may impact forestry operations.

These two emerging areas of challenges have a key characteristic in common that suggests an increasing role for federal forest policy—neither respect provincial boundaries. Trade considerations are obviously so, but as a case in point for climate change issues, consider the case of wildfire, which has largely been a provincial government responsibility. The fire in Jasper National Park highlighted the need for more coordination among federal, provincial and municipal governments. Moreover, with indigenous peoples disproportionately influenced by wildfires, consultation with these governments becomes even more important.

In summary, Canada's forest industry and forests are being increasingly challenged by emerging sources of volatility at unprecedented scales. These larger scales point towards an increasing importance in federal forest policy. However, for the federal government response to be effective, it will be vital that this emerging situation does not result in new attempts at power shifts in forest governance within and among provincial and federal policy-makers and indigenous peoples. Instead, a new era of co-operation and coordination over multiple scales of government will be necessary.

Thank you.

● (1650)

The Chair: Thank you, Dr. Luckert.

Finally, Mr. Bromley, you have the floor for five minutes.

Jeff Bromley (Chair, Wood Council, United Steelworkers): Thank you, Mr. Chair.

Thank you for the opportunity to appear before the committee. Like my counterparts, I apologize for not being there in person. However, meetings here in Vancouver require that I must appear virtually.

My name is Jeff Bromley. I am the chair of the United Steelworkers' wood council. The wood council consists of 14,000 members working in Canada's forest industry across six provinces and in many aspects of the forest industry. I myself have spent 31 years in this industry, 18 years of it in manufacturing and the last 13 years servicing directly those members across this country.

Up until recently, our membership surpassed 20,000, representing mostly rural but high-paying and pension-supporting jobs with lots of health and welfare benefits. The impact of the most recent round of U.S. duties and tariffs on our products going to the States have had a massive impact on that membership, on those communities and on those families.

I don't need to reiterate what you've already heard here today in terms of the amount of duties since January 1, 2017, totalling close to $10 billion that the industry has paid on the products going into the United States. On the impact of those duties and the number of jobs that have been lost, there is a direct correlation. While it's not the only reason for those jobs being lost, it has had an incredible impact.

The forest industry in Canada, in my opinion, seems to get a bit left out of the conversation when it comes to trade. It certainly garners enough attention, but when it comes to wide-ranging trade agreements, especially with the United States, softwood lumber has always, in my history, been left out. That's to the detriment of our industry. Over 220,000 folks make their living in this industry across the nation, and 11,000 of those people are indigenous. The impact is far-reaching.

I'll focus on British Columbia. In our northern local in the Prince George area, that area has seen 15 operations close over the last five or six years, with a massive amount of job loss. I think what our government needs to do is focus on making sure we find a trade deal that supports the industry. As much as programs have been announced in terms of short-term loans for companies that need to access them, training to upskill workers for other industries or within the forestry itself, and market development offshore, those will move the needle somewhat in terms of finding new markets within Canada's forest industry, but the impact of the U.S. demand, taking 75% of Canada's forest products, is too great for us to be able to pivot enough to move that needle to continue to provide these high-paying jobs.

There are opportunities in terms of value added. When we talk about softwood lumber, many of my members across that 14,000 do produce two-by-fours and two-by-sixes and building products. They also produce massive amounts of value added, whether it be laminated veneer lumber, plywood, finger-jointed products or mass timber products. The markets are expanding, but the opportunities for those jobs to grow are growing at a smaller pace in terms of the opportunity that's provided by those softwood products going into the United States.

Our industry is a net carbon sink. For those who believe the forest shouldn't be managed, I say that if you do not manage those forests the way the industry does, Mother Nature will manage it for us. There will be fire. There will be disease and bugs that will do the damage we wouldn't do if we were managing those forests properly, which I believe our forest industry does. Support of that forest industry across the nation is paramount.

● (1655)

As I mentioned, the development of markets is super important. In the procurement and development of government buildings, using Canada's wood is pretty much a no-brainer in terms of any wood products within any government buildings and the promotion of Canadian wood products.

The Chair: Mr. Bromley, could you just wrap up, unless you have a few more things to say?

Jeff Bromley: Those are my comments.

Thank you.

The Chair: Very good. Thank you, Mr. Bromley.

Thank you, all.

We're going to our first round of questions. We're going to start with Mr. Tochor for six minutes.

Corey Tochor: Thank you, Chair.

Thank you to our witnesses.

Mr. Bromley, you were talking about buy Canadian. I just want to revisit a decision by the Mark Carney government to underwrite BC Ferries in your home province. Would that be an example of a poor policy choice by the government?

Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): I have a point of order. This has nothing to do with wood. It has nothing to do with this government.

The Chair: Mr. Tochor, if you could relate it to forestry, I think that would be helpful.

Corey Tochor: The witness is a steelworker, so it is related.

The Chair: This study is about forestry.

Corey Tochor: How much time do I have left?

The Chair: You have lots. Let's keep this to forestry.

Corey Tochor: I have five minutes and 51 seconds, but that's okay.

Mr. Bromley, you were talking about buy Canadian and the importance of supporting Canadian goods. We highlighted the BC Ferries debacle, where your taxpayer dollars are underwriting that program. How do your members feel about that?

Jeff Bromley: It would be hard to comment directly on that. I don't want to speak for all of my members—

Corey Tochor: How do you feel?

Jeff Bromley: In general, I think it's pretty clear that I support using Canadian steel, Canadian products and Canadian wood in all government procurement. That would be my answer.

Corey Tochor: Thank you.

I'll have some questions for you shortly, but I'll switch gears and go to Mr. Power.

If you could, explain quickly the carbon capture idea with forestry. There are some people on the committee who don't understand how this works. Could you, in a minute or less, explain how carbon capture works with wood products?

● (1700)

Jake Power: No, it's not my area of expertise. I'd rather not touch on that.

Corey Tochor: The idea, in premise, is that if we can lock the carbon into the wood and can build something, then that carbon is captured. Is that the essence of what you're referring to?

Jake Power: I wasn't referring to carbon capture in any of my testimony.

Corey Tochor: Okay.

On the carbon issue, by removing the carbon tax, how many employees were you able to hire? Was it one, and you had 20-some employees to start with?

Jake Power: We have 60, and the elimination of the carbon tax saved us enough money to hire a skilled worker.

Corey Tochor: That has been our point for the last 10 years that we've been fighting against the consumer carbon tax. It hurt companies like yours and your ability to hire more Canadians and pay better wages. They've shifted now, though, to the industrial carbon tax, which is more of a hidden tax that would affect different manufacturers.

Have you been looking into what an industrial carbon tax, once implemented at $150 a tonne, would mean? If the carbon tax was removed at $50 on the consumer side and if you were able to hire one person, what would happen when they jack up the industrial carbon tax to $150?

Jake Power: I haven't done any research on that specifically. I would expect that it would hurt our cash flow. It would reduce our available money to invest here in Canada.

The biggest thing I pay attention to is just the policy asymmetry. If we are paying a carbon tax here and if there's an opportunity for our competitors to ship wood to an offshore location where there's no carbon tax, then that hurts our workers and the environment. I don't have any figures for you, but I can tell you that's where I come down on it. Policy asymmetry hurts Canadian manufacturers.

Corey Tochor: We've heard for weeks now that the tariffs—taxes being applied to Canadian goods—hurt our industry and our workers, similar to how the carbon tax has. For over a decade, the Liberals have implemented a tax on the consumer side that has hurt workers and paycheques throughout Canada, and policy does matter.

In talking about policies in government and picking winners and losers, you would say that the government shouldn't be making decisions on who succeeds in business. Would that be fair?

Jake Power: I didn't say that, so I'd rather not.

Corey Tochor: I said that, though. It's the idea that policy does matter, and when governments pick winners and losers, more times than not, they pick losers.

Jake Power: I would rather look at it as a metaphor. Using policy to pick winners and losers becomes a game of whack-a-mole. Unfortunately, if you try to pick one winner, it hurts someone else; you have to whack somewhere else.

The softwood lumber dispute is a great example of that. They're picking winners and losers in the U.S., using the softwood lumber dispute. My example would be how the wood gets shipped to New Zealand and then all the way back around through the Panama Canal. That just adds tons of costs. They don't get any tax money from that, but they get a winner of a company in New Zealand. That is totally different from the original intention of it.

I would just say that when government gets too deep in the weeds in policy, it creates that whack-a-mole.

Corey Tochor: That's not to mention that it's worse for the planet. We heard the example of the Liberals pushing production offshore. Those ships are burning diesel to bring the same products that we used to make back to Canada, and the net result is no reduction in emissions—

The Chair: Mr. Power seems to be frozen on the screen. We'll suspend for a second. We'll freeze your time.

● (1700)

_____(Pause)_____

● (1700)

The Chair: We're back.

Mr. Power's back. We'll start the time again.

Corey Tochor: You mentioned how it's a folly to think that Europe is going to backfill our products. You said that focusing away from the States would not be the right choice. Can we unpack that?

Jake Power: I don't want to say that the efforts to focus on other markets are a bad decision. There's certainly opportunity in other markets, but stealing resources that help add value or increase the price we can command in the U.S. would be an unintended consequence. We want to be seen to be supporting other markets that aren't attacking us.

Some of our marketing and product expertise organizations that rely on government funding have started to lose funding, which goes toward the U.S. market, drives the value up in the U.S. and tries to have it pushed to other markets. I would caution against this type of behaviour.

One of our strongest pieces of leverage in the negotiation with the U.S. is that our products get some of the highest value out of any product in the U.S. market, and the consumers want them. We want to continue to market to those U.S. consumers so that they want those products and it gives our negotiator the leverage to say, “Look, your consumers are paying the duty, so you need to come to the table.”

● (1705)

Corey Tochor: Thank you very much.

Mr. Bromley, I'll go back to you. I want to hear a little more about these jobs in the sector. These are powerful paycheques. People can raise a family and have a comfortable life.

Can you unpack how the lives of those workers have been for the last 10 years in the forestry sector? Are we on a decline of quality of life for those individuals?

The Chair: That will have to be a quick response, Mr. Bromley.

Jeff Bromley: My quick response is that, yes, I believe it has been impacted. As I said, most of these $100,000-a-year jobs are in small, rural communities. It's not like you can go down the street in Vancouver, Montreal or Toronto and find another job. It's harder to do. Many of them have to work away, fly into camps and into mines, or find other work elsewhere. It has a major impact.

Corey Tochor: Thank you for your public service.

The Chair: Thank you, both.

We are going to Mr. McKinnon. You have six minutes.

Ron McKinnon: Thank you, Mr. Chair.

Mr. Power, I've been poking around on your website, and I see that you do a lot of work with Alaska yellow cedar, western red cedar and other fibres, including from salvage and recovery operations.

What are the main challenges you face in securing a predictable, high-quality fibre supply? What changes in forest management permitting or incentive programs would best support fuller utilization of wood, while still protecting biodiversity and working respectfully with indigenous rights and title?

Jake Power: I'm not a forester. I don't spend time logging or creating forest management plans, so I want to make it clear that I'm not an expert on that side.

The one thing that is consistent is that our partners up the value chain see the costs continue to escalate, and the costs that escalate oftentimes come from long and complicated permitting processes. The number one driver of cost in fibre procurement is probably being able to get a logging plan that is acceptable and approved and to get fibre out to facilities like ours. That would be my number one answer.

With all of these things we do that drive costs up, we have to remember that there's policy asymmetry. It's great that we want to be the world leader in all of these different areas, but as we pursue that, it drives our costs up, and competing regions don't necessarily have those same costs. With all of these things we do and all of these policy initiatives we take on, we need to ask ourselves if our competitors are doing the same thing. If not, will it hurt our cost structure?

Ron McKinnon: You were speaking with Mr. Tochor about softwood lumber disputes and tariffs. Of course, there's climate change and policy uncertainty.

How do trade disputes and shifting climate and environmental policies affect your willingness to invest in new equipment, people and products? What should we, as the Government of Canada, focus on to give companies like yours the confidence to invest long term in low-carbon, wood-based products?

Jake Power: I would say that in this climate, the disincentive to invest cannot be understated. There is such a strong disincentive to invest in Canada due to the softwood lumber dispute. That becomes a stronger incentive to move existing assets into the United States or offshore. We're seeing it happen. This isn't a new problem.

I've been in the industry for 20 years. It was going on long before I joined and it's continued now because of this continued pressure from the U.S. coalition. Any time a manufacturer sees the opportunity to move its value-added process across the line to the United States, it takes it. It's as simple as that. Right now, it could not be stronger.

There are things the government is already doing. Programs for creating more access to capital for companies like ours, as I mentioned in my talk, are important and they do help. The amount they help is very small compared to the amount that trade certainty would help. We know we can get access to capital that's well-priced through loan programs and things like that and that's great. However, now I need to take that loan, put in equipment and know that the equipment will make a profit. Under these trade conditions, oftentimes, if I'm given the equipment for free, I still can't make a profit on it compared to my competitors in different jurisdictions.

That software lumber dispute is a major disincentive to value-added investment.

● (1710)

Ron McKinnon: The software lumber dispute has been going on since at least 1982. Of course, Mr. Trump said just a few months ago that they have no need for Canadian lumber; they have lots of trees and they don't want to buy our lumber, which puts us at a disadvantage in negotiating with them.

What would you like to see in a softwood lumber agreement? What would help you?

Jake Power: We are value added. Look at our website. We work on high-value products. It is a very different sector of the industry than the commodity, big mill, two-by-four, two-by-six world. What I would really like to see is some bifurcation of the way the agreement looks at different products. Right now, if it's softwood lumber it gets lumped in and we're paying 45% duties and tariffs.

The products I make come from species that they don't have in the U.S., so if the consumer wants the product, they have to pay for it. Selfishly speaking, for businesses like ours, some type of separation of the high value from the commodity to at least isolate the commodity.... That's the issue.

For the duty rate we're paying, they take CanFor, West Fraser and a number of major producers and they average the dumping they've done. They say they're going to average it and then PowerWood, which is this little company that does specialty products that go into architectural homes, is paying an average of those. It doesn't make any sense. We're just caught up in the drain, so to speak.

Selfishly speaking, for my business and businesses like mine, it would be to have some way to separate us from that commodity piece and then allow a conversation about the commodities and have a separate conversation about specialty lumber.

Ron McKinnon: Is that a differentiation of the kind of fibre, or is that a differentiation of the kinds of products you produce with that fibre?

Jake Power: It could be a little bit of both. It could certainly be the type of fibre, or it could be the types of products as well.

The Chair: That's your time, Mr. McKinnon.

[*Translation*]

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

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

Gentlemen, I'm going to take a few seconds to make sure you can hear me. Have you selected the right channel, and can you hear the interpretation? You can nod your head.

Mr. Chair, I see that Mr. Luckert can't hear the interpretation.

[*English*]

The Chair: We'll pause for a few seconds while we work that out.

● (1710)

_____(Pause)_____

● (1710)

The Chair: We're back in session.

[*Translation*]

Mario Simard: Thank you very much.

Mr. Power, I really liked your opening remarks. I want to come back to them to clarify something, since they're going to appear in the report. If I understand you correctly, we can work on diversification, which will help your company or your industry, but you don't think that we can replace the American market. I want to make that clear; a number of witnesses came and said the same thing.

Am I putting words in your mouth or is that what you mean to say? The U.S. market can't be replaced.

● (1715)

[*English*]

Jake Power: No, you're certainly not putting words in my mouth. I would agree with that statement.

I'm sure that some sectors and some businesses can do away with the American market.

My business focuses on architecturally specified wood products. Just the logistical realities of trying to ship those overseas are very difficult. We talk to an architect or a specifier on Monday, and the following week we deliver them the product they need. I can't do that in Europe.

[*Translation*]

Mario Simard: Absolutely.

In other words, we have to work on expanding into new markets and you'll be a little more resilient in the future. However, that's not the key to solving the problem for industry players by and large. At least, that's my understanding. This implies that government action should focus on negotiating an agreement with the Americans. I don't want to play partisan politics, but the Prime Minister recently said once again that he was working on steel, aluminum and energy. However, the softwood lumber issue was being somewhat overlooked.

I understand that you want an agreement that lets you keep access to the American market. A proposal on that has been in the works for some time now, and I'd like to hear your opinion of it. Do you support the idea of the government buying up 50% of countervailing and anti-dumping duties at the end of each month? That would ease the pressure on your cash flow. I know that this is being done already: Big hedge funds are buying up the countervailing and anti-dumping duties of certain companies for speculative purposes. They've practically turned them into a commercial commodity.

Would you approve if the government had a program that allowed that?

[*English*]

Jake Power: I think, ultimately, what you're talking about is reducing our costs through a policy mechanism. That's one of the things I'm trying to hammer home here: Our costs are exceptionally high. We pay 45% at the border. If we were to pay 22.5%, yes, I would absolutely welcome that.

I'm not a policy expert. I don't know what that does to negotiations, but if you're telling me that I could, during my transaction, reduce my transaction cost by 50% at the border, where do I sign, sir?

[*Translation*]

Mario Simard: Yes, that's it, but you explained more candidly and directly what I was trying to say.

Earlier, you spoke of an idea that I don't think we've ever considered. People may have thought about it, but we've never considered it in committee. As part of an agreement, we could study different products so that the pricing system applied varies by species or product.

There's a possibility that some wood species and some products are being dumped in the United States, but I've never heard from a witness that we should be thinking in terms of specific products during negotiations. We know that Americans don't have lumber, structural lumber, that compares to what Canada produces. The reason why they can turn up their noses at our forest industry is because their mortgage rates are sky high and construction is virtually at a standstill.

I think it would be good to talk more about the point you raised. Could you go over that in a bit more detail?

[*English*]

Jake Power: Sure.

I used the term “whack-a-mole” earlier, and that would always be the concern I'd have—this species or that product or that product. It becomes very difficult for people in policy to do that.

In the last softwood lumber agreement, we actually had a mechanism that did just what we're talking about here. It was a first-mill requirement. You only paid your tariff or your duty—export tax, I think, at the time—on the portion that you paid the mill. If you're a value-added producer, whatever you paid that mill, that's what you paid.

There was also, I would call it, a speed bump over the print price of the commodity product. You didn't pay any further export tax. That would be a perfect solution for a company like ours. We're selling into the United States products that are, in some cases, $10,000 per thousand board feet, so we're paying duties on that $10,000. It's a massive amount, but the duties are based on products that sell for $500, $600 or $700. If the duties were cut off at $600 or $700, then so many of the products that add value wouldn't be as impacted, and the value-added behaviour and activity wouldn't be penalized.

The problem we have now is that it's *ad valorem*, because it's just a tax at the border. When I pay my BC Hydro, when I pay my workers, when I pay my property taxes, I am then paying duty on all those to add value. We have no subsidy. Our value-added producers are not subsidized. At the forestry level, it's beyond my scope. I don't believe there's a subsidy there either. It's just a very different mechanism.

● (1720)

The Chair: Thank you to you both.

We are going to our second round. We are going to start with Ms. Konanz for five minutes.

Helena Konanz (Similkameen—South Okanagan—West Kootenay, CPC): Thank you, Chair.

It's a really interesting subject, especially for where I live in southern B.C., Similkameen—South Okanagan—West Kootenay. We have towns that are being decimated by the current situation. I have had many meetings, round tables and town hall meetings with affected workers and the owners or CAOs. I think we need to look at the human aspect of what's happening right now. There are a lot of decisions being made from cities that don't understand what's happening in these small towns.

My first question is for Dr. Luckert.

You're teaching your students about forestry, which is the future of that....

Dr. Luckert, can you hear me?

Martin Luckert: I can.

Helena Konanz: Yes.

It's the future of the industry. I just wondered if you are teaching them the cultural effects of what's happening in these small towns that are having to close and the families that are being decimated and having to split up. How are you presenting this to your students?

Give a quick answer, because I know you could probably teach a class on this. Tell me what you're teaching your students about what is happening on the ground to these families that are not able to put food on the table.

Martin Luckert: You're right. That could be the scope of many lectures, but, in a nutshell, community stability and community welfare are part of the sustainable forest management paradigm, which the forest industry has been trying to move towards for more than a decade now, away from sustained yield. Culturally and socially, those are considered to be part of sustainable forest management. The difficulty we face there is how to integrate that into the incentive frameworks.

Helena Konanz: I'll interrupt you. I'm sorry about this, but I just want to interrupt because I don't have a lot of time.

Do you think your students understand what's happening to these families? You'd have to say that it's been a lost decade here, with the Liberal government's policies on forest products and so little advocacy. Now we're hitting the brink of that disaster.

Do you think your students understand what's happening in these small towns?

Martin Luckert: They understand that there are big concerns over community stability and over the perpetuation of those communities. As a forest policy person, I have to deal with both sides of this. They also understand that it sometimes requires subsidies and that there are some political decisions that are tough about whether or not you should keep open a mill that doesn't necessarily make it on its own. There are some serious trade-offs to be considered.

Helena Konanz: There's a lot involved, for sure. Thank you.

My next question is for Mr. Bromley.

I'm hearing across B.C. from the workers and from the mill owners, CEOs and managers that they've had to cut back on their shifts. For example, in my riding, Grand Forks closed their mill or shut it down. Now they're down to one shift. The people who live there are very scared and are looking at their options, which means possibly leaving the town but hopefully not.

What discussions has the United Steelworkers had with the Government of Canada about threats of future job losses in the sector?

Jeff Bromley: In the last week, we've had meetings with various MPs in terms of the impact and the job loss. In your example in Grand Forks, it's one of our mills. It's an Interfor mill that was down for a couple of months. Thankfully, they recently announced that they were bringing back one shift with about half of the workforce coming back. We were in the midst of trying to negotiate transfer agreements so that some of those folks, those members, those workers, could commute and work over in Castlegar at the sister mill of Interfor there. Nonetheless, we didn't have to because they came back, but I think that's temporary.

What we've been talking to the federal government about is that we are hitting a crisis mode here in terms of the manufacturing part of things. The levers of loan guarantees and stuff that I mentioned previously around the announced programs by the federal government are really good; however, I don't know if they go far enough.

I think there is an immediate need for expanded EI access so that these folks don't miss mortgage payments or car payments or, as you put it, miss putting food on their tables. I think it's going to get worse before it gets better.

● (1725)

The Chair: Thank you.

Colleagues, we have Mr. Guay for five minutes and Monsieur Simard for two and a half minutes. Then, because we're going a little over time—we had a couple of interruptions, as you know—I'm going to give Mr. Rowe and Mr. Danko a couple of minutes each, which will probably be time for a question and a response, and then we will end the meeting.

Mr. Guay, you have five minutes.

Claude Guay: Thank you, Mr. Chair.

I want to thank the witnesses for taking the time to be with us today.

Mr. Power, this is just a comment. I really like your idea of traceability and making it affordable for all, depending on the size of the company. I would invite you, if you want, to submit your proposal to the committee. That would be much appreciated.

I have a question for Dr. Luckert.

In terms of forest management practices, which I'm sure are also part of your curriculum, I have a couple of questions. How can the federal government assist? Also, more specifically on the mulching, what do you think about that? Is that a good practice?

Martin Luckert: On the role of the federal government and forest management practices, that is going to be a tough one because, as you're probably aware, the provincial governments are in control of almost all of the regulations and the rights and responsibilities associated with forest management. The only place I can see where there's a clear government responsibility has to do with helping to assign carbon values and how those will be integrated into the policy, because that has some clear federal connections.

Working with the provinces on how carbon would be integrated into forest management is a big consideration. It's something that does not happen right now for the most part, which might trickle in through some other policies, but understanding exactly how to get carbon into forest management is not something that.... We know something about the flows, but we don't know how to make incentives for tenure holders to do that.

Claude Guay: Thank you.

I guess it's sort of related. If I may ask you a question about biomass, there are some estimates out there that biomass production should triple by 2030 compared with 2021 levels. How do you think the country is positioned to meet this demand and participate in this source of energy? What risk might there be for us?

Martin Luckert: When you talk about biomass, I assume you're talking about it as an input for biofuels. Is that correct?

Claude Guay: That is correct.

Martin Luckert: That is a million-dollar question with respect to the potential future role of forests. We've done quite a bit of work on this. It starts out from a very good footing in that, right now, a lot of slash is burnt and released into the atmosphere, and forest companies actually have to pay to do that. Not only are we not capturing the potential value there, but it's actually costing the forest industry money to do that.

The problem is that the technology to turn that into cellulosic ethanol is still very expensive. There are some tough decisions to be made about what types of incentives to put in place if you want to start an infant industry in that direction. There are some tough decisions about whether or not that's a good bet for the government—some people have been talking about winners and losers—but it is an area where there is a lot of forest biomass out there, which, right now, sits on the ground. It sometimes contributes to wildfire, and it sometimes contributes to, of course, woody debris and the ecosystem functions of the forest.

There are a lot of decisions there about carbon flows, what the best use of that is and what the technology might be to do that. Right now, I would say it's way too expensive, but figuring that out as technology improves will be important.

Claude Guay: What about mulching and forest management?

● (1730)

Martin Luckert: I'm not sure exactly what you mean by mulching and forest management, but if you mean grinding up residue from a harvest to go back into the forest floor, that's very ecosystem-specific, as I understand it.

For example, here in Alberta, most of that is piled and burnt, as I was just explaining, because mulching isn't as good for that type of ecosystem where they're growing aspen. I'm not an expert in silvicultural practices, but it depends very specifically on the type of forest you're talking about, what you're trying to grow there and which resources you're trying to promote.

Claude Guay: I have a quick question for Mr. Bromley.

You mentioned that 11,000 people who are part of your union are indigenous. Did I understand that correctly? Is there any example or model you've seen of partnership and ownership with them that you're aware of?

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

Jeff Bromley: Of the 220,000 people who make their living in the industry, 11,000 are indigenous. It's not of the 14,000 members of mine. As for partnerships, there are a lot of them. We could spend a lot of time. The Meadow Lake first nations in Saskatchewan and, out on Vancouver Island, on the coast, the Huu-ay-aht First Nations all have partnerships within harvesting. Meadow Lake actually has a wholly owned sawmill. There are a lot of examples we could use.

The Chair: Thank you both.

[*Translation*]

Mr. Simard, you have the floor for two and a half minutes.

Mario Simard: Thank you, Mr. Chair.

Mr. Power, in your opening remarks, you talked about the labour challenges you're facing, in other words, the lack of predictability. I was wondering whether you use temporary foreign workers in your operations.

[*English*]

Jake Power: No, we do not.

[*Translation*]

Mario Simard: Your labour problems relate to difficulty in retaining people in your industries. Is that correct?

[*English*]

Jake Power: It's not difficult to keep people. Actually, we have an excellent track record for retention. The challenge we have is with attendance, and the rates of attendance have shifted dramatically in the last five years.

[*Translation*]

Mario Simard: Thank you, Mr. Power.

Mr. Bromley, many temporary layoffs are currently under way at a number of Quebec sawmills and pulp and paper plants.

For a lot of people, employment insurance is the best program for workers temporarily laid off. Some people have floated the idea of a program comparable to what we saw during the pandemic, a program like the emergency wage subsidy. It would keep people employed during these kinds of transition periods.

Do you support that? In your opinion, is this a possible solution that deserves to be studied, considering the crisis currently confronting the forestry sector?

[*English*]

Jeff Bromley: I certainly do. In terms of EI supports right now, the maximum EI that someone can take home as 55% of their income.... As of January 1, it will be about $730 per week. For those jobs across the nation, the unionized jobs I represent—and probably others—that's about 40% to 45% of their income. When a member or a worker has to access those EI programs, it's a big hit to their weekly income, so I certainly would support an initiative such as that.

The Chair: Thank you, both.

Our last questions go to Mr. Rowe and Mr. Danko.

You have two minutes each. I'm going to wrap you up after two minutes.

Jonathan Rowe: I had my time cut down a little bit, so I'm going to ask the big question, the one of life or death.

Mr. Bromley, I believe you said that 15 operations closed in Canada. That surprised me. Where are those jobs going? What other countries are they going to? We heard from our last witness that a lot of stuff is coming from Brazil and other countries. My father is part of Carpenters Union Local 579, and I've worked alongside many unionized trade workers. There's a high level of safety in the workplace and a high level of workplace harassment prevention amongst unions—second to none in Canada and throughout the world. It's so much so that I'm a firm believer that Canada has some of the safest working conditions in the world, whether they be through policies that unions have or also through the regulations the government has.

Would you like to share the benefits of having wood products that come from Canada, where there are much safer regulations—more than any other country—which we may not see in other places?

● (1735)

Jeff Bromley: Well, there's the economic benefit. The quality of the fibre in Canada, I believe, is bar none. If you do a direct comparison with southern yellow pine in the United States, which competes with Canadian softwood products.... If you ask anybody who's building a house or any type of structure, they'll want to use our products. They're in demand.

In terms of safety in the workplace, that's something that's near and dear to my heart. I've negotiated safety language. We monitor it closely, and we try to make our workplaces the safest in the jurisdiction.

Just with regard to your earlier question, those 15 facilities were in northern B.C. alone, not across Canada. I could add on more, but those were in northern B.C.

Jonathan Rowe: Wow, that's a lot.

I think in our lumber and across our industries there's a lot less blood than we see in other countries.

My next question is for Mr. Power.

You mentioned that we sell raw product to other countries, and then they sell it to the U.S. and other markets, competing against our own companies and causing economic drain. Is there a larger markup on the manufacturing side—rather than the raw economics—and are we losing more jobs in that industry? I've been told that we've lost 6,000 jobs since 2014, and 30% of those have been in the past six months. That's 2,000 in the past six months.

Is a big part of the jobs we're losing and the investment leaving from Canada in secondary manufacturing?

The Chair: Be really quick, Mr. Power.

Jake Power: Yes, absolutely. When you sell the raw product without doing the manufacturing, you're losing all of those jobs. We had an export tax added in B.C. to stop the raw material of certain products in 2021, and my company has been able to hire 40 people since then, all in secondary manufacturing.

The Chair: Thank you.

Wrapping up is Mr. Danko for two minutes.

John-Paul Danko: Thank you, Chair.

Of course, the softwood lumber dispute has been a 40-year conflict with successive governments—both Liberal and Conservative, to their credit—addressing this issue, winning trade disputes at the tribunal level and refusing to capitulate to the U.S.

In the current context, $500 million in financing and credit supports for the softwood lumber industry was just announced, as well as a 50% cut to rail transportation costs, combined with the government's buy Canadian policies, infrastructure spending and housing spending, that is creating a truly Canadian market for Canadian forestry products.

In the time I have left, I would ask—maybe starting with Professor Luckert—if there are any areas of optimism that you see for the Canadian softwood lumber industry in the future.

Martin Luckert: That's a tough one. When I look at the current trade environment we're facing, I put it at a bigger magnitude in terms of disruption than the COVID epidemic, because the COVID epidemic lasted two years or so and this one could last much longer. Even if Trump gets put down by the Supreme Court in terms of his trade decisions, there's a long history of the ITC and ITA having political influence anyway.

You talked about our “winning” over the past four decades. I'm not so sure we were winning. We weren't losing as badly as we're losing right now with the current tariffs, but we have been paying tariffs for a very long time. We have lost decisions with the ITC and the ITA, even when NAFTA and GATT gave us the thumbs-up. It's been a prickly process.

The Chair: I'll allow a quick response from the other two, if you wish.

Mr. Bromley.

Jeff Bromley: In terms of fairness and in terms of the market, Canada traditionally has had about 30% of the U.S. market for those products. It has now dwindled to about 23%. That's 7% of demand in the U.S. market that is still there. It's being filled largely from the European Union, which enters the market almost tariff-free.

The Chair: Mr. Power, do you have any last words?

Jake Power: Yes. I think Mr. Luckert put a good nail on the reason not to have optimism in the near term. If you zoom out over decades, we have some of the best forest-growing conditions on the planet. We have, as Mr. Bromley alluded, some of the safest and highest standards of workplaces on the planet. We have a country that people all around the world want to deal with. We have a lot going for us, but if you zoom in on the current decade, I don't see a lot of reason for optimism, absent a trade deal.

The Chair: Thanks to all of you for your excellent testimony.

Thank you, colleagues, for good questions and a good exchange today.

That brings our meeting to an end, but just before we go, I want to remind members that the deadline to submit your witnesses to the clerk for the energy study is this Friday, December 5, at 5 p.m.

This is our final meeting of the forestry industry study. At the next meeting, we will be giving drafting instructions to the analysts for the report on this study.

With that, we are adjourned.