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• (1530)

[English]

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

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 18, the committee is resuming its study of Canada and the forthcoming CUSMA review.

We have with us today, as an individual, Joshua Meltzer, senior fellow, by video conference. From the Canadian Automobile Dealers Association, we have Tim Reuss, president and chief executive officer, and Huw Williams, national spokesperson—both people the committee has seen before. From the Mississauga Board of Trade, we have Trevor McPherson, president and chief executive officer.

Welcome to all of you today.

We will start with opening remarks, followed by rounds of questions. You each have up to five minutes.

Mr. Meltzer, I invite you to go forward. We'll give you the first five minutes.

Joshua Meltzer (Senior Fellow, As an Individual): It's a pleasure. Thank you. It's great to be here. I'm sorry I couldn't be there in person.

I'm Joshua Meltzer, a senior fellow at the Brookings Institution in Washington, D.C., and a leader of the USMCA initiative.

My testimony today focuses on the issue of China's circumvention of U.S. trade and investment restrictions by entering the U.S. market via Canada. Chinese circumvention can also happen via Mexico, but today I will focus on Canada.

The issue of Chinese circumvention has already become an issue in U.S.-Canada trade relations, and Canada has taken steps to address the issue, acknowledging that it is happening or seeking to prevent it from happening. Finding a more comprehensive approach to addressing Chinese circumvention will be a critical part of a successful USMCA joint review.

The incentive for circumvention is straightforward. It is created by U.S. tariffs on Chinese imports being higher than the same Canadian tariffs on Chinese imports. Since 2018, the U.S. has been raising tariffs on Chinese imports and further restricting Chinese investment in the U.S. At the end of 2024, the average U.S. tariff on Chinese imports was 11%, the tariff faced by Canadian products that were USMCA-compliant was 0%, and the U.S. average WTO

MFN was around 0.15%. These tariff differentials already created incentives for Chinese products to circumvent U.S. tariffs via Canada, and the incentive for circumvention has grown. Today, the U.S. trade-weighted tariff on Chinese imports is 43%, and the trade-weighted U.S. tariff on Canadian imports is around 10%.

The net result is that the incentive for Chinese circumvention will persist with respect to Canada, and in the event of better outcomes from the USMCA review, where U.S. tariffs on Canadian imports are lowered, the incentive for circumvention will only increase. The incentive for circumvention will also result in goods entering Canada from China via third countries, often in Southeast Asia. As a result, addressing the challenge of circumvention may not be limited to tariff rates on imports from China alone.

Before proceeding, I want to quickly define what I mean by circumvention, which encompasses three ways Chinese products can enter the Canadian market.

One way is transshipment, which occurs when an import from China passes through Canada on its way to the U.S. without any substantial transformation that would allow it to be classified as being made in Canada. A second way Chinese products can circumvent tariffs is by being incorporated into manufacturing and other processes in Canada—effectively an input into supply chains—to produce a good that is then exported to the U.S. A third way is Chinese direct investment in Canada that produces products for export to the U.S.

Chinese goods transshipped by Canada into the U.S. that do not undergo sufficient transformation required to qualify under USMCA yet claim the lower USMCA tariff, or are classified as made in Canada and then claim the lower U.S. MFN rate, are inconsistent with Canada's trade obligations. However, the other opportunities for China's circumvention by supply chains and investment are often not a matter of legality. Instead, the concern with circumvention via these other pathways reflects changed political tolerance in the U.S. for ongoing exposure to trade with China.

How to better address the incentives for circumvention created by U.S. tariffs on China is often less about better enforcement of existing trade rules than it is about requiring new approaches.

Canada has taken a range of steps to address Chinese circumvention, as mentioned, including a 100% surtax on Chinese-made EVs and the 25% surtax on imports of steel and aluminum products from China. These actions align with U.S. trade restrictions on Chinese EVs and tariffs on steel and aluminum from China.

The central policy choice for Canada will be the extent to which it is asked to replicate the U.S. tariff and investment screening regimes with respect to imports and investment from China, and possibly other countries as well. Failure to address U.S. concerns about circumvention risks a successful USMCA review and could lead to ongoing, or even higher, U.S. restrictions on trade with Canada.

While the policy solution is easy to state, determining the extent to which Canada should align with the U.S. on its China tariffs and investment restrictions will be challenging, particularly given the extent and size of the U.S. tariffs. In addition, current uncertainty surrounding U.S. policy toward China when it comes to trade also cautions against hastily expanding Canadian tariffs on Chinese imports.

As Canada considers calls for alignment, it should also assess what other commitments from the U.S. Canada would need that reflect the underlying implication that Canada would be tying its trade policy more closely to that of the U.S.

- (1535)

In order to better assess these concerns, the following pulls from a report that I co-authored with Maricarmen and that was published recently. It analyzes the extent to which we are seeing circumvention in the trade data. We could share a copy of this report with the committee. It is available online at the Brookings USMCA initiative.

The Chair: Mr. Meltzer, your five minutes are up, sir. If you could just—

Joshua Meltzer: I'm happy to finish there. That's fine.

The Chair: Thank you very much.

Mr. Reuss, go ahead, please.

Tim Reuss (President and Chief Executive Officer, Canadian Automobile Dealers Association): Thank you, Madam Chair, and thank you, dear members.

The Canadian Automobile Dealers Association represents 3,400 franchised car and truck dealers across Canada. Collectively, they directly employ 178,000 people, contribute \$28 billion to Canada's GDP and pay over \$6 billion in federal, provincial and municipal taxes. This year our members will sell over 1.9 million new vehicles and 1.2 million used vehicles, and will write over 31 million service and repair orders.

I want to thank you for inviting us to testify today, as the Canadian automotive industry is in the middle of one of its biggest and most complex challenges. The intricate supply and trading framework that is the foundation of our business is in turmoil due to the

changed approach by the current U.S. administration. During the course of these hearings, you will have heard from manufacturers, labour unions and suppliers in our industry who collectively design, engineer, source and build vehicles. We are here to convey the opinions and points of view of the consumers.

Our members are independent entrepreneurs in every rural, suburban and metropolitan community in Canada. A lot of you know the dealers in your respective ridings. Our members are intimately involved in providing the right mobility solutions that fit the very divergent needs of each individual customer—finding the right size of vehicle or the appropriate trim level and drivetrain, or working with financial institutions to facilitate payment options that fit their budgets.

We can tell you that the number one concern consumers have is affordability: Can I, or will I, be able to afford the vehicle I want or need for my transportation? Let me give you some numbers to underline what consumers currently face. According to the most recent automotive trends report from Deloitte, 67% of Canadians expect to pay less than \$500 a month for their vehicles. The average monthly payments are currently at \$770 for a lease and \$880 for loans. This is only starting to get worse as the full cost impact of the tariff and trade upheaval works its way through the different supply chains.

As you discuss the intricacies of formulating an adjusted industrial and public policy to cope with the changed international landscape, we urge you to not lose sight of our own homegrown issues, in particular the additional affordability pressures caused by the EV mandate. When the electric vehicle availability standard was introduced, the federal government made a number of statements and commitments specifically related to affordability that are not valid anymore. They said, "consumer purchases of ZEVs will be supported by \$2 billion invested by the Government of Canada in the Incentive for Zero Emissions Vehicle Program". That support was initially paused and has now been officially cancelled. The mandated targets were improbable to begin with, due to weak consumer demand, technology limitations across vehicle segments and use cases, as well as infrastructure shortfalls. Removing the purchase incentives moved those targets from improbable to impossible.

The federal government's most recent decision to pause the 2026 targets was a very good first step. Now is the time to take the next one and remove these unnecessary targets altogether. You already have greenhouse emission reduction targets in place that will achieve the original intent of reducing emissions without dictating to industry and consumers what technology to produce and buy.

While we're talking about unnecessary and inefficient regulation, let's not forget about the so-called luxury tax. I say "so-called" because, as mentioned earlier, vehicles are getting substantially more expensive. It is not uncommon for fully equipped work trucks to hit this particular tax threshold. This so-called luxury tax is a very inefficient tax. It costs more to administer the separate system of reporting and auditing that was set up for it than it generates in revenue.

These are all competitive disadvantages our businesses face before we even come to the larger global topics being discussed. Let's make sure we have our own house in order.

● (1540)

When it comes to the impending renegotiation of CUSMA, we urge you to consider the deeply integrated nature of our supply chain and businesses when thinking about how to act or react to the most recent developments out of the United States.

The way I put it to a federal minister recently is that our main trading partner has just shot us in the foot. Taking out a gun and shooting ourselves in the other foot might not be a winning strategy. By that, we mean that imposing retaliatory tariffs will not help with the affordability crisis—quite the contrary.

Additionally, we would encourage the government to continue along the path of diversifying Canada's economy away from an over-dependence on the United States. For our industry, we have recommended that Canada consider expanding its automotive regulatory framework, particularly concerning safety and emissions standards, to accept vehicles that have been deemed safe and environmentally compliant in other jurisdictions with which Canada has a free trade agreement, specifically the European Union, South Korea and Japan.

Thank you very much.

● (1545)

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

Mr. McPherson, please, you have up to five minutes.

Trevor McPherson (President and Chief Executive Officer, Mississauga Board of Trade): Thank you very much, Chair Sgro.

Thank you to all committee members for the opportunity to address this very important standing committee of Parliament, especially at this critical moment for our economy and the business community.

I'd also like to give a quick shout-out to the member for Mississauga South, MP Peter Fonseca.

I hope my comments can be helpful to the committee. I will note that we work closely with our colleagues at the Canadian Chamber

of Commerce, which of course serves as our chamber network's lead on this file.

As president and CEO of the Mississauga Board of Trade, I lead an organization that represents businesses in a variety of industries, including life sciences, aerospace, post-secondary education, food and beverage, transportation and logistics, information technology and advanced manufacturing. Really, that's a sampling of many of Canada's most prominent industries. Mississauga is often seen as a suburb of Toronto, and we are proud of our deep relationship with Toronto and our position in the GTA—in particular, as home to the Toronto Pearson International Airport.

I need to highlight that there are some unique aspects of the city of Mississauga that make it stand out, though, especially in the current tariff war. The city's population represents 5% of the province of Ontario's population and 7% of its economic output. More people commute into Mississauga than leave it daily. The city's economy has undoubtedly been impacted by the trade war and the loss of efficient access to the U.S. market, or at least the threat thereof. Mississauga's unemployment rate rose from 7.3% in 2023 to 9.8% in Q1 of this year. Industries that are heavily connected to Canada-U.S. trade, such as food and beverage or transportation and logistics, have been especially hurt.

At the same time, Mississauga's economy is diverse. We are fortunate to be home to a number of multinational Canadian headquarters, such as Mitsubishi Heavy Industries on the aerospace side and many global life sciences companies that continue to be resilient, make investments and add key roles to their Canadian workforce. These are companies like AstraZeneca, with its \$820-million investment earlier this year to expand its R and D facilities and move to a new, larger corporate headquarters, and Roche Canada, which made new commitments in the area of AI with its new global informatics hub, creating 250 jobs. In short, the CUSMA review as it pertains to life sciences in particular—and any related tariff or regulatory policies—is an area of great importance to our members in this sector, both large and small.

I mentioned a couple of large entities, but the same holds true for our SME innovators. I'll acknowledge that this is Small Business Week in Canada, and we were fortunate to host Minister Valdez and our provincial small business minister this morning to talk about how we can support our small businesses at this time.

Microbix is another highly innovative company. It produces cutting-edge biological and technical infectious disease diagnostic solutions and vial-filling solutions for the global industry. There's also Seaford Pharmaceuticals, which develops niche products in therapeutic areas. Other members more directly impacted by tariffs would be companies like Mississauga's High Strength Plates and Profiles, which is dealing with the impacts of current steel tariffs imposed by the U.S. Just this morning, I spoke with one of our newest members, a small business called Corpex. They provide end-to-end industry 4.0 and AI solutions, with custom-built machine-vision solutions for the manufacturing sector. This company is also impacted by the current copper and aluminum tariffs that go on the cabling used in their applications.

At the moment, we're playing defence on many levels. We're trying to hold on to what we have, certainly, but there are still areas of promising growth. We at MBOT are working to support our members with evolving market and supply chain diversification strategies. At MBOT, we have always tried our best to make the case for preserving the Canada-U.S. relationship. We've consulted with chambers and other business groups in the U.S. where our members are doing business.

We would prioritize three things with the Canadian chamber.

Prioritize the continuity of CUSMA not with one-year reviews but with something more permanent. Certainty is so important for business.

Implement targeted measures to strengthen the agreement. There are opportunities to strengthen the agreement. The North American competitiveness committee exists within the agreement. We think there's opportunity to expand upon this and find alignment across all three nations in areas such as automotive, aerospace and defence, life sciences, energy and advanced manufacturing.

We also need to strengthen North America's economic integration by reducing or eliminating tariffs against each other. We already have side letters that shield Canada and Mexico from certain unilateral trade actions. We should look at whether there are other opportunities to protect Canada and Mexico from these potential unilateral actions. There's an opportunity here to look at ways we can all be stronger together. I think that's the goal.

● (1550)

These points are particularly relevant in Mississauga, given our strong integration with global and domestic supply chains. We have the Pearson economic zone, employing 500,000 people. It's responsible for 6.3% of Ontario's GDP and \$42 billion in economic output.

Whether it's with regard to Mississauga's transportation and logistics industry or other sectors, it's certainty that drives investment. This should be an underlying theme in the CUSMA negotiations. Certainty drives investment on both sides of the border.

I realize I'm at time. I look forward to the committee's questions and discussing how we can support the relationship going forward.

Thank you.

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

We'll go to Mr. Chambers, please, for six minutes.

Adam Chambers (Simcoe North, CPC): Thank you, Madam Chair.

Welcome to our witnesses.

Mr. Williams, it's nice to see you again. Mr. Reuss, thank you for coming.

If I heard correctly, you represent 3,400 dealers across the country. Is that for all the manufacturers, or is there a group that is not included in that?

Tim Reuss: That's correct.

We represent all manufacturers and all brands with the exception of those that have what I'll call a direct-to-consumer business model, which is Tesla. All other brands that deal with a dealer network are represented by us, be they North American, Korean or Japanese.

Adam Chambers: Okay.

Just so I'm clear, Tesla doesn't have any manufacturing in Canada, does it?

Tim Reuss: Not to my knowledge, no.

Adam Chambers: That's fine.

Go ahead.

Huw Williams (National Spokesperson, Canadian Automobile Dealers Association): Mr. Chambers, if I may add an editorial comment about Tesla, I spend a lot of time on television talking about how they're a subsidy company and how they get a subsidy on both ends of the equation. They get a sales subsidy when they buy vehicles from here, and they also get a subsidy from the other manufacturers for projected sales in the EV market.

Adam Chambers: Would it surprise you to learn that the subsidy they're getting from the other manufacturers has been in the hundreds of millions of dollars already?

Huw Williams: It doesn't surprise me at all. I'm aware of those numbers, but I think it would surprise the average taxpayer that this scheme has been developed and Tesla's taking advantage of it. It's not helping small businesses in your riding or dealers in your riding. Tesla has been a subsidized competitor.

Adam Chambers: Elbows up.

You don't have to comment there.

Your position on electric vehicles and the mandate hasn't really evolved that much. You've been warning the government for some time that it's been challenging. Is that correct?

Tim Reuss: That is correct. However, we'd like to differentiate between our opinion on electric vehicles and our opinion on the electric vehicle mandate.

Adam Chambers: Okay.

Tim Reuss: We are very much for electric vehicles. Electric vehicles are currently a big part of the market solution and will be a growing part of the market solution, but they're not the only technological solution. This is the critical difference.

Our members are selling and servicing electric vehicles as much as they are internal combustion engines, although not as much percentage-wise. They're very much committed and have invested millions of dollars in the expectation of being able to sell and service more.

To give you one concrete example and get into the weeds, a rural dealer in Alberta, Sherwood Ford, made an \$800,000 investment in electric vehicles, meaning charging stations, special tools, lifts, a forklift to be able to take a battery out of a vehicle and things of that nature, plus training, etc. This year, they sold seven vehicles. You can see how that investment doesn't necessarily pencil, but he's committed, as are all of our members, to the path to electrification.

We're not against electric vehicles. We're against the electric vehicle mandate.

Adam Chambers: Obviously, you favour the recent pause, but you would go further. Do I understand correctly?

Tim Reuss: That is correct. We would say that now is the right time to repeal it and look at other solutions, if they're even necessary.

We don't think an additional solution is necessary. There's already a greenhouse gas emissions system in place that obligates the manufacturers to continuously keep lowering emissions, but it doesn't prescribe the technology to get there. Whether you get there by a combination of electric vehicles and internal combustion engines with hydrogen, hybrids, plug-in hybrids or others—pedalled cars—whatever solution you come up with, you let the market and technology decide.

• (1555)

Adam Chambers: In your view, the only way the electric vehicle mandate would work is if the government continued to subsidize the purchase of the vehicles as well. Is that also correct?

Tim Reuss: We don't think any type of EV mandate works, because it's prescribing a technology instead of an outcome. The outcome's already prescribed, again, with the existing greenhouse gas emissions regulations. There is no need to layer something on top of it.

We're all in agreement with the outcome that we want to achieve, which is to reduce emissions and have a better and safer world for everybody—absolutely. Everybody agrees with the outcome. It's just the tools being chosen to get there that we disagree with.

Adam Chambers: It's not like the industry has not achieved emissions reductions over the last 20 years. My father still drives an old Toyota 4Runner from the early 2000s. That same vehicle today is probably 30% to 40% more fuel efficient with the existing framework.

Tim Reuss: That's absolutely correct.

The good thing is that when you look at the actual marketplace, this is being achieved by different sets of technology. You have certain manufacturers optimizing to an extreme the internal combustion

engine. I don't want to necessarily promote one manufacturer over another. Certain manufacturers do it by reducing emissions, reducing the weight of the vehicle and using other composite materials on the vehicle to get the emissions and consumption down. Others do very well with fully electric vehicles. Other manufacturers do very well with hybrids in different iterations.

Adam Chambers: Our job is to make recommendations to the government. You would recommend to repeal the mandate totally. That's your testimony.

Tim Reuss: That's right. It is unnecessary.

Adam Chambers: Are you in favour of reducing the tariffs on Chinese electric vehicles?

Tim Reuss: Regarding the reduction on Chinese vehicles, that is a discussion to be had with the manufacturers on where they currently stand on that topic.

We would like to outline an example from a different part of the world, what we called the Australia scenario, which we transmitted, in our trade mission in Washington, to the U.S. senators whom we met and our counterparts. When Australia no longer had an automotive manufacturing sector—the last one to pull out was General Motors with the Holden brand it had there—the Australian government was faced with a choice. It could longer protect the jobs on the automotive manufacturing side, so what did it do? It tried to achieve maximum affordability for consumers by opening up the market. That has led to Chinese brands having about 18% to 19% of the marketplace in the last five years.

Adam Chambers: Thank you, sir.

I think we're well over time. I appreciate the chair's indulgence.

The Chair: Thank you.

Mr. Fonseca.

Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Madam Chair.

Thank you to all of our witnesses. We've had some really excellent and expert witnesses here providing testimony.

We approach this committee as team Canada. For everything that comes to this committee, the recommendations are to make us stronger and more competitive as we get into the CUSMA review, as we look at our economy and as we look at diversification.

I want to thank all the witnesses that are here. We have the Mississauga Board of Trade and good friend Trevor McPherson. Trevor is somebody who is always there to make those linkages between business and government. He tries to find ways to take away that friction and to overcome some of those challenges, and he always looks for those opportunities. I know there have been many.

Trevor, looking at all the diverse businesses that we have in Mississauga...and you said we have large businesses, some of the Fortune 500 companies, all the way down to our small and medium-sized enterprises. We are celebrating and championing those enterprises because it's Small Business Week here in Canada.

Where have those businesses, whatever their size, been resilient with innovation and been able to adapt and continue to grow, especially in these turbulent times?

Trevor McPherson: There are definitely some areas of real promise and some sectors that are doing quite well. Think of Mississauga's technology sector right now, employing 44,000 individuals and approaching 1,000 companies, both large and small, across the board. In many cases, they're less affected when they're on the software and service side. We have homegrown companies like PointClickCare in Mississauga, which has dominated its niche market in health care and been a true success story.

We have a really strong food-processing manufacturing sector here—the large companies we know but also some very specialized companies like Brar's. They were serving the Canadian market. They recently ventured into the U.S. market before the tariffs really took effect. Because there's real opportunity, we've been working with them to reach out to our counterpart chambers of commerce in the states they're doing business in.

In terms of growth opportunity, a lot of the opportunity for Mississauga can be tied to some of these major infrastructure projects. We are going to see a big expansion of the Toronto Pearson Airport. They're going to require a lot of suppliers, and they'll be looking for Canadian suppliers, as many large enterprises are. We're also embarking on the largest hospital build in Canada. We have a number of companies.

When I think of sectors in Mississauga that can do very well, I'm thinking about education, certainly, but I'm also thinking about the engineering services that are tied to some of these big, nation-defining projects, if you will. Our companies in Mississauga are ready and willing to be a part of those projects.

On the international side and on the U.S. side, it's those companies.... Quite frankly, we're still in the early days of understanding where things may go here. Those companies that are already diversifying their supply chains and that already have a fairly diversified market base—the U.S. is likely still their number one market—are faring better, and they're doubling down on those other markets.

• (1600)

Peter Fonseca: Thank you, Trevor.

We've had discussions about harmonizing regulations. We talk about that with regard to interprovincial trade—things that we can do, that we have control over here in Canada—as well as when we look at the CUSMA review and some of the regulations between Canada and the United States, some of that harmonization to help the flow of goods and services. Can you expand on that?

Trevor McPherson: Yes.

Peter Fonseca: I know we've had some talks about that, about how important that is and about what that means to business.

Trevor McPherson: It's very important. We talk about breaking down barriers here domestically and reducing red tape. At any level of government, it's important to business.

Harmonization, too, whether it's in internal trade across the country...and it's great to see the progress being made there. Certainly, in certain sectors like life sciences, regulation and harmonization

could play a key role in speeding up things like access to innovative medicines here in Canada, where a patient can wait up to two years before an innovative drug is listed.

If we had better integration—and I think the CUSMA can play a role there on regulation—we could protect and really support the growth of these highly innovative firms that are already investing here in Canada. It does remain a risk if the end result of the CUSMA is additional regulation that makes it more difficult for Canadian companies to do business—in this case, the life sciences sector but others as well—in the U.S. That's what our members are watching out for.

Peter Fonseca: We did get your three—

The Chair: You have eight seconds remaining.

Peter Fonseca: We thank you for the recommendations that you've given us for the CUSMA review, and thank you very much for all you do for business in Mississauga.

Thank you, Trevor.

Trevor McPherson: Thank you so much.

The Chair: Monsieur Savard-Tremblay, you have six minutes, please.

[*Translation*]

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

Mr. Meltzer, you're a senior fellow. You're also an expert on major trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Canada-United States-Mexico Agreement, the focus of our study.

You're also an expert on World Trade Organization issues. I think that we should talk about the World Trade Organization as part of our study. If ultimately the agreement with the Americans doesn't continue—an almost unthinkable scenario—the World Trade Organization rules would still apply.

Is that right? Can you confirm what I just said?

• (1605)

[*English*]

Joshua Meltzer: I think that's correct. If I understand the question correctly, it is about what the various options for Canada would be in the event the USMCA was to not continue.

I agree with your statement. I don't think this is going to happen. I don't think the U.S. is looking to pull out of the agreement. I think the agreement will run until 2036, even if there's not a successful review next year. Canada, of course, is a member of the WTO and has various other free trade agreements and regional trade agreements. The CPTPP is one of them, and there are the bilateral agreements with Europe, Japan and other countries. Those agreements would obviously remain.

The world of the WTO has changed considerably this year, but it has also changed over the last eight to 10 years. What's clear is that the MFN or most favoured nation principle, which has been central to WTO membership and the operation of the WTO, certainly with respect to the U.S., no longer exists. Even Canada, in small ways, as it has raised tariffs on EVs from China, for instance—I know that's under review—essentially did that inconsistent with its WTO commitments.

I think countries are very much walking back from the WTO. The dispute settlement mechanism has stopped working. The WTO as a foundation for governing trade exists, but it is a lot weaker and a lot more fractured than it has been in the past. It would obviously remain, though, in the event of there being no USMCA.

[*Translation*]

Simon-Pierre Savard-Tremblay: Let's take a brief look at the history of the World Trade Organization, or WTO, which was created on January 1, 1995.

First, we know that the United States pushed for and backed this institution. The United States had come to accept, and even welcome, China's entry into the WTO, believing at the time that this would transform China into a market economy. However, China ultimately joined the WTO in order to take advantage of the openness of others rather than to extend that openness to itself.

The WTO then ran out of steam after the utter failure of the Doha round. The United States then concluded that this institution, which it wanted so badly to work to its advantage, had ultimately benefited China more. So it dismantled the institution.

Do you agree with my summary? I would appreciate a fairly brief response, please.

[*English*]

Joshua Meltzer: Yes, broadly speaking, I think I am. What's currently going on between the U.S. and China is reflective of a range of dynamics that are under way. What happened in the WTO with respect to China was partly a reflection of some of the limits of the WTO rules. It was also a reflection of decisions that have been made by various Communist Party leaders to take China in a different direction when it comes to the way they think about trade and integration in the global community, which was, ultimately, very much at odds with the broader-based trading system based on a comparative advantage.

The Chinese model is fundamentally premised on overcapacity in manufacturing, which gets exported to the rest of the world, and an increasingly closed internal market. For the world's second-largest economy, this is very much at odds with and not sustainable in the context of a trading system built largely—not completely, but largely—around lower tariffs and leaning into competitiveness and a comparative advantage.

You then have the geopolitical competition between the U.S. and China. The U.S. is responding in various different ways. Part of it is informally pulling out of the WTO and recognizing the limits of what the WTO can do in addressing the China challenge, and looking for alternative ways to work around that. This is where we get to the role of North America in this context.

• (1610)

[*Translation*]

Simon-Pierre Savard-Tremblay: My question needs further development, so I'll come back to it later. However, I'll ask it right now. You can keep it in mind and respond during the next round of questions.

How much do you think that the mistrust of China plays into the American mistrust of Canada? Canada would be seen as weak compared to China, and this would affect Canadian-American relations.

[*English*]

The Chair: Perhaps you can answer that question when Mr. Savard-Tremblay gets his next round.

Mr. Mantle, please go ahead for five minutes.

Jacob Mantle (York—Durham, CPC): Thank you, Madam Chair.

Thank you to our witnesses for appearing.

Mr. Meltzer, my first questions will be for you.

We've heard a lot from our government that, despite punishing sectoral tariffs on steel, autos and aluminum, regardless of those, we in Canada have the best deal with the United States right now. However, according to your analysis, which I read, you indicated that, according to your review, Canada faces a trade-weighted average tariff of about 9.8%. At the same time, Mexico's trade-weighted average tariff is about 5.2%.

Is it correct, according to your analysis, that Canada actually currently has a worse deal than our other primary partner in North America, Mexico?

Joshua Meltzer: Yes, it is, more or less. We're seeing developments recently where tariffs on Canada went up, and they didn't on Mexico. They went from 25% to 35%. That's been one of the implications there. Some of the section 232 tariffs have hit Canada more than Mexico.

I will say that, going forward, when you look at the 232 tariffs that are under way, the large truck tariff and potentially tariffs on pharmaceuticals, semiconductors and so forth, the assessments are that these tariffs are going to hit upwards of 40%, if not close to 50%, of Mexico's trade with the U.S. I think that will change, but I think we saw that shift under way because Canada got hit with a higher, effectively, IEEPA 35% tariff than Mexico did.

Jacob Mantle: Thank you.

You've also written quite extensively about the U.S.'s purchase commitments, requirements in other trade deals that it signed, whether that's with Japan or with the United Kingdom. If the United States were to request purchase commitments in any of the deals, or whatever might come in the future, do you think Canada should accept that?

Joshua Meltzer: It's hard to say in the abstract. Our concern with the purchase commitments was very much targeted, not entirely, to the China deal because, effectively, it does two things. It made U.S. exports basically dependent on a government decree in China, which essentially gave China leverage over the U.S. You've seen the back and forth on the soybean front, where those decisions get fulfilled or where they don't get fulfilled.

Also, it's a bit of a zero-sum deal on China's end because a lot of countries are selling to China, so often, it means that you could substitute an American product for maybe a Canadian product or an Australian product, whatever it may be in the agricultural sector. It also creates tensions with allies when you make this happen, rather than just allowing the market to work out the products that are ultimately going to succeed.

I think that, in the Canadian context, I could really only add to that in the context of what was on the table and what was at stake.

Jacob Mantle: Mr. Williams, I have a question for you. I want to ask you about the so-called luxury tax that was imposed on vehicles by the current government. Could you give me your view on the so-called luxury tax and how that affects affordability in Canada?

Huw Williams: Thank you for the question. Thank you for meeting with our dealers. Even before you were signed into office here, you took a meeting when our board was in town.

I would say this. The luxury tax is a borrowed idea from the U.S. during the 1990s when they taxed cars, boats and airplanes. It failed in the U.S. They had to withdraw it because of the economic damage. It's just not consistent with our tax system. One of the beauties of our tax system is that we have HST. When you spend more as a consumer, you pay more in tax. It's neutral as to what you spend on.

I think the idea behind targeting those three particular industries just doesn't make any economic sense. We've seen a real perversion of it in the marketplace, where you have auditors trying to investigate whether you bought snow tires before or after and whether those were included in the deal.

For those members who don't know, we get auditors coming in. If you buy a car during the wintertime and we include summer tires, some auditors say those should be included. However, if you buy the tires six months later from the same dealership, you should retroactively pay that tax, but if you buy them across the street from Canadian Tire, there's no tax on them. There are some really nonsensical items.

I want to give credit to previous minister of finance Bill Morneau because he listened to our pleas to start the tax at \$100,000, as opposed to dollar zero, which has lessened that element of it.

As we're under all of these pressures from tariffs, all of these pressures from inputs on steel, aluminum, copper and other things, it's just untenable that we would live in a world with a luxury tax. The cost to produce this luxury tax is more than they're collecting. It doesn't make any sense.

• (1615)

Jacob Mantle: To confirm—

The Chair: I'm sorry. You're 10 seconds over.

Jacob Mantle: I think I have a few seconds left.

The Chair: Do you? Okay. Go ahead.

Jacob Mantle: Is it your testimony today that the luxury tax should be repealed?

Huw Williams: It absolutely should be repealed.

The Chair: Thank you very much.

Madame Lapointe.

[*Translation*]

Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you, Madam Chair.

I want to welcome all the witnesses.

My questions are for the officials from the Canadian Automobile Dealers Association.

You said earlier that 1.9 million new cars and 2.3 million used vehicles were sold in Canada. Is that right?

Tim Reuss: Thank you for your question. I'll answer it in English to be more specific.

[*English*]

What we mentioned is that our members sell 1.2 million vehicles. In addition to that, there are other used vehicles being sold from individuals to individuals and other dealers who are not franchised by a brand.

[*Translation*]

Linda Lapointe: You said that people expected to pay \$500 per month for a car. Unfortunately, the average monthly cost of leases and loans ranges from \$770 to \$880.

What percentage of the 1.9 million cars cost around this average?

[*English*]

Tim Reuss: I don't have that specific statistic with us. What I can say is that of the total 1.9 million that our members sell, about 75% to 80% are either financed or leased. The other portion is cash payments. Not cash at the dealership, but what we call "cash deals"—

[*Translation*]

Linda Lapointe: On average, what would a new car sold in Canada cost?

[English]

Tim Reuss: The average transaction price in Canada is already above \$50,000 Canadian and getting close to \$60,000, but most consumers don't think in the total number. They think in monthly payments.

[Translation]

Linda Lapointe: I agree that people think in terms of monthly costs, but my question was about the total cost.

What proportion of the 1.9 million cars sold are luxury cars?

[English]

Tim Reuss: We would have to come back with that exact data. I don't have it in front of me. We can get it within this meeting.

[Translation]

Linda Lapointe: In my opinion, this number shouldn't be too high. The cars that cost between \$50,000 and \$60,000 should account for at least 85% of car sales.

Huw Williams: Our chief economist is here, so he'll answer your question.

Linda Lapointe: Okay, but I would like to know how many Canadians can afford to buy this type of car.

[English]

Tim Reuss: The threshold for the luxury tax is \$100,000 and has been at that level, by the way, since it was implemented. There is not even an inflationary escalation on it, and vehicle prices are constantly creeping up.

[Translation]

Linda Lapointe: Did the introduction of this luxury tax cause car sales to decrease? I know that it also applies to airplanes and boats. Did sales decrease at that specific time?

[English]

Tim Reuss: Yes, definitely. In the vehicles over \$100,000, the sales have decreased since then. People have started what we call “shopping around the tax”.

That was even outlined initially by the Parliamentary Budget Officer when the luxury tax was introduced: that consumers would react to this tax and would buy around the tax, with “buy around the tax” meaning that they might not buy a new vehicle. They might, if they have a secondary residence in the U.S., for example, buy the vehicle there and register it there—that has happened—or just delay the purchase.

• (1620)

[Translation]

Linda Lapointe: That's good to know. However, if you need to live in two places, the United States and Canada, it shouldn't affect that many people.

Let's get back to the figures. Is 1.9 million cars sold the figure for 2024?

[English]

Tim Reuss: The 1.9 million is our estimate for this year.

[Translation]

Linda Lapointe: Compared to the previous year, 2024, how many electric cars were sold? What percentage did that account for? Bear in mind that zero-emission vehicles received fewer subsidies.

Tim Reuss: Last year, 1.84 million vehicles were sold in Canada. Of this number, 14.6% were zero-emission vehicles. This year, that percentage stands at 9.7% for the second quarter.

Linda Lapointe: Thank you.

[English]

The Chair: Thank you very much, Ms. Lapointe. Your time is up.

[Translation]

Linda Lapointe: I wanted to know the difference between Quebec and Canada.

[English]

Tim Reuss: We can provide all of that data.

The Chair: We'll move on.

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

[Translation]

Simon-Pierre Savard-Tremblay: I'll just ask you my question from earlier again.

[English]

Joshua Meltzer: If I understand the question, it was about justifying U.S. concerns with respect to China and the response that it's taken to Canada.

[Translation]

Simon-Pierre Savard-Tremblay: Is the China issue a major factor in the deterioration of relations between Canada and the United States?

[English]

Joshua Meltzer: I'm not supportive of the actions that the administration has taken with respect to Canada. I think that the view coming into the Trump administration was that we needed to build a stronger, more integrated North America that was more capable of addressing the threat from China and that this would have to be done as a more integrated partnership. The fact that tariffs and other measures were taken against Canada in the first few days of the administration's office took a lot of people by surprise.

The question going forward is this: Will the administration get back on to this broader notion of building a more integrated, unified North American market to compete with China, and what can we unwind in the process to make that a reality?

I realize a lot of damage has been done in the interim.

[Translation]

Simon-Pierre Savard-Tremblay: I understand that, in your opinion, this isn't the best idea. I agree with you. I think that the best way to overcome our dependence on China and Asia in general would be to establish a North American supply chain. This would involve co-operation, since no North American country could do it alone.

I'm not asking you to agree with me. However, do you believe that this is one reason for the deterioration of our relations with the United States?

[English]

Joshua Meltzer: I don't think it's been a primary driver to date. I think concerns about China circumvention are there, but we've obviously seen action taken both in Mexico and in Canada to address some of these concerns, particularly around steel and aluminum and around SUVs and other products. There is action that has been taken. I think everyone recognizes the issue. There is a debate about the scope of the challenge and what to do going forward, but steps have been taken.

I don't think this was the primary driver of what led the administration to put tariffs on Mexico and Canada. This is a bigger conversation about what the administration is doing with its trade policy and what it's seeking to achieve, but I do think it's notable that, notwithstanding the tariffs, most Canadian and Mexican trade remains zero tariff when compliant with USMCA.

I think the fact that the U.S. has stuck to USMCA and has enabled that to happen also sends a good signal.

The Chair: Thank you very much. For the remaining two speakers, it will be two and a half minutes.

Mr. McKenzie, you have the floor.

• (1625)

David McKenzie (Calgary Signal Hill, CPC): Thank you, Madam Chair.

Mr. Meltzer, it's my understanding that Australia has recently entered into a multi-billion dollar agreement with the U.S. in respect of critical minerals. Can you comment on that?

Joshua Meltzer: No, I can't comment in detail. I am Australian, and I did spend a number of years in the Australian foreign service, but I've been long enough in Washington that it's not an issue I follow closely. I could do my best to answer any specific questions you have.

David McKenzie: What is Australia doing right and Canada doing wrong?

Joshua Meltzer: It's a great question, and I don't know enough. There are important differences between where Australia sits and where Canada sits. The trade relationship that Australia has with the U.S. is significantly smaller, and the U.S. has a surplus with Australia. It's a very complementary relationship. Australia doesn't really sell many manufactured products to the U.S. There are a lot of primary projects in energy, so it raises different types of issues for the administration. I think that's the first thing.

Australia and the U.S. also have a very deep and long-standing security relationship. Australia plays a different role in the security landscape from Canada, particularly as you look more closely at China and the role that Australia plays in that part of the world. I think Australia has a different level of strategic importance for the U.S. as well. These factors mean that doing deals on critical minerals and on AUKUS take on a different resonance in the administration.

David McKenzie: That's fair enough, Mr. Meltzer, but clearly we—Canada—have a close relationship with the U.S., and Canada has a great interest in critical minerals.

Joshua Meltzer: I agree 100%, and I think this is a key area that Canada needs to be leaning into and developing. The U.S. is clearly going to need to partner with Canada on critical minerals, but my sense is that Canada needs to be building out its critical minerals mining and refining capacity in order to create its own leverage in this relationship as well.

David McKenzie: You used a key word that President Trump uses quite a bit, and that's "leverage," which is something we need to work on here.

Joshua Meltzer: Yes, I think so.

David McKenzie: Thank you.

The Chair: Thank you very much.

Next is Mr. Lavoie, please, for two and a half minutes.

[Translation]

Steeve Lavoie (Beauport—Limoilou, Lib.): Thank you, Madam Chair.

My question is for you, Mr. McPherson.

You speak a great deal about certainty. I understand why. When I was president of a chamber of commerce, I wanted our businesses to operate in an environment of certainty.

I often ask witnesses the same question, and I'll ask it again.

First, I would like to quote this maxim: "Life isn't about waiting for the storm to pass. It's about learning to dance in the rain." This is the new reality in business. Given the circumstances, we can't continue to wait indefinitely. The uncertainty is too great.

Given the current situation, without knowing when predictability and certainty will make a comeback, how can the government help businesses keep moving forward regardless?

Furthermore, can organizations such as the Canada Growth Fund or the Canada Infrastructure Bank help businesses? Are there other organizations?

[English]

Trevor McPherson: That's a very good question, and I thank you for it.

It's a complicated matter when it comes to mitigating this uncertainty for firms, and it probably varies by industry as well. The best way at the moment is that, in the short term, we see all levels of government looking at how they can provide support through the short term to reduce that uncertainty. In the longer term, though, it's really working at the areas where we have more scope of control, and those are in diversifying our trade and supply chains.

The other thing I'll add is that upskilling is also a key component of this. We need to keep our eye on ensuring our workforce is skilled up in all of the areas that are transforming our business community, like AI and technology but also in ways that better enable them to take advantage of international opportunities.

One thing we observe here at the board of trade, which I think others have observed as well, is that Canada enjoys many free trade agreements globally, but the uptake—similar to our expertise in AI itself—and the adoption from the private sector has been less than optimal. I'm encouraged that the government is looking at ways to open up new doors in other markets, but it's one thing for the door to be open and another thing for a company to walk through it.

We very much would like to continue to work with all levels of government to ensure that the incentives are there—beyond the incentive of its being difficult to do business in the U.S.—for companies to truly pursue a longer-term international diversification strategy with regard to their sales.

• (1630)

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

To all of our witnesses, thank you very much. We appreciated the valuable testimony from everyone.

I will suspend for a moment while we change witnesses.

Thank you very much.

• (1630)

(Pause)

• (1630)

The Chair: I'm calling the meeting back to order.

Thank you very much to our witnesses for coming today.

From the Canadian Coalition of Aluminum Extruders, we have Mike Kilby, chief executive officer, Dajcor Aluminum Ltd. From the Canola Council of Canada, we have Troy Sherman, senior director, government and industry relations. By video conference, from Global Automakers of Canada, we have David Adams, president.

Welcome to you all.

Mr. Kilby, I invite you to speak to the committee for up to five minutes, please.

Mike Kilby (Chief Executive Officer, Dajcor Aluminum Ltd., Canadian Aluminum Extruders Coalition): Thank you, Madam Chair.

I'm here today to represent a coalition of aluminum extruders from Canada. This coalition of eight represents a majority of the aluminum extrusion industry in Canada.

Today, we come together with an urgent voice because the U.S. tariffs have created a crisis for our Canadian operations. This situation is already causing a severe disruption and is threatening thousands of good-paying jobs. The future of our industry is in jeopardy. We are seeking support at this critical time.

Our companies are downstream aluminum companies that purchase primary aluminum, mainly from smelters in Quebec. We extrude it and we often add value-added services, such as machining, fabrication, paint and anodizing. We are not primary aluminum producers and therefore our situation needs quite a different treatment from that of the primary aluminum smelting industry.

The companies I represent today represent approximately 80% of the Canadian extrusion industry capacity. We serve a variety of industries—automotive, building and construction, consumer products, distribution, industrial, medical, military and electrical. Our aggregated sales are approximately \$2.5 billion annually and we directly employ approximately 3,500 people across the country.

We also purchase and further process millions of kilograms of Canadian-made primary aluminum every year. The North American extrusion demand of approximately four billion pounds is mostly in the U.S. We rely on unrestricted access to this market.

The tariffs have materially impacted our ability to export to the U.S. and have resulted in job losses and an uncertain future for our industry. To make matters worse, foreign aluminum extrusions that can no longer find their way into the U.S. market are diverting into the Canadian market.

We are asking to be supported and consulted with as Canada works to resolve current trade issues and negotiate future ones. The tariff impact to downstream aluminum producers is very different from the primary producers, and we need support to protect this vital part of the Canadian aluminum industry.

Specifically, we're requesting the following: negotiate for the elimination of tariffs on Canadian aluminum exported to the U.S.; stop the diversion of extruded products into Canada, both direct and indirect; ensure us a seat at the table as Canada formulates a policy and negotiates CUSMA 2.0; and provide us the same support and considerations available to other important industries such as steel and automotive.

Recently and prior to the U.S. imposition of tariffs, the U.S. aluminum extruders association launched an anti-dumping case against 15 nations. Most of these are low-cost countries and Mexico was included amongst those. I'll talk about Mexico separately in a moment.

The U.S. trade commission found that there was dumping from each of those nations, but did not go as far as imposing anti-dumping duties at that time. This finding is currently under appeal.

Our industry in Canada took note of this situation and began discussing launching a similar trade case, as we see similar dumping into Canada. The threat of a U.S. anti-dumping finding already causes companies to shift their business and start bringing product into Canada, which is weakening our industry and potentially creating a perceived back door into the U.S. market. This Canadian trade case initiative was overshadowed by the U.S. aluminum tariffs, but has not gone away. In fact, it is more critical than ever that something be done to stem the flow of foreign extrusions coming into Canada at considerable price advantage.

The tariffs have changed the market cost structure, making Canada an attractive market for foreign metal. Our industry seeks an immediate barrier to provide time to bring forward a trade case. A trade case will take a couple of years and we simply don't have that amount of time.

With respect to Mexico, at the conclusion of the CUSMA negotiations, a last-minute change was requested by Mexico to remove the 70% North American-sourced raw aluminum content from autos. This was odd because Mexico is not a smelter of aluminum. At the time, there was significant concern that this could create a back door through Mexico for Chinese aluminum to enter the North American market. At the time, Rio Tinto and I attended a trade committee meeting here to present this concern. The entry of Chinese aluminum through Mexico did occur and is occurring, and this was part of the U.S. anti-dumping case that included Mexico. As an industry, we believe it's important to have a voice at future CUSMA negotiations to help avoid this type of outcome in the future.

- (1635)

I would like to convey one final point. As a significant downstream market for the aluminum smelting industry in Canada, it is imperative that the aluminum extrusion industry survives. If it does not, the sourcing of aluminum extrusions will move offshore to the least-cost countries. That will have a direct impact on the primary aluminum market here in Canada, as well as on other Canadian businesses. A vertical integration of aluminum processing will be lost.

On behalf of the Canadian Aluminum Extruders Coalition, I'd like to thank the committee for allowing us to appear here today. I'm happy to take any questions.

- (1640)

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

Mr. Sherman, please go ahead for up to five minutes.

Troy Sherman (Senior Director, Government and Industry Relations, Canola Council of Canada): Thank you, Chair Sgro and members of the committee, for the invitation to join you today.

My name is Troy Sherman. I'm the senior director of government and industry relations at the Canola Council of Canada.

The Canola Council of Canada is a national value-chain organization representing approximately 40,000 canola farmers, together with exporters, processors and life sciences companies. As a value-chain organization, our goal is to ensure the industry's continued growth and success, and to do this by meeting domestic and global demand for canola and canola-based products, including canola seed, oil and meal. Our industry represents \$43.7 billion in direct, indirect and induced economic activity annually, supports over 200,000 jobs across the country and provides \$16 billion in wages annually. Canola also represents one of the largest sources of farm cash receipts in the country.

International trade is vital to the success of the industry. The vast majority of canola products are destined for international markets, with exports totalling \$14.5 billion in 2024. For the Canadian canola industry, the Canada-U.S.-Mexico agreement, or CUSMA, is essential to tariff-free and rules-based continental trade. Exports to the U.S. and Mexico totalled approximately \$8.26 billion in 2024, with the U.S. representing \$7.7 billion and Mexico representing \$559 million. The U.S. is the canola industry's top market for canola oil and meal, and canola exports to Mexico are often the top agricultural export from Canada.

Like a number of other industries and sectors, the North American canola industry is highly integrated. For example, canola grown in the Prairies may have been researched in the United States, harvested here in Canada and exported to Mexico to be crushed and transformed into oil or meal. You may find that Canadian-grown and -processed canola is exported as oil to the United States for use in food manufacturing, as a feedstock or to produce biodiesel or renewable diesel.

CUSMA is the linchpin that enables the smooth, predictable and free-market trade of Canadian canola across the continent. It also provides the trade architecture that allows Canada, the U.S. and Mexico to address issues of concern, find opportunities for collaboration and raise the level of ambition for the growth of industries in each of our three countries.

As Canada prepares for the upcoming CUSMA review and the possibility of negotiations, the canola industry has the following priorities: maintain tariff-free trade for agricultural products, including canola and canola products; maintain the trilateral nature of the agreement to ensure continental trade is governed by a common set of rules; preserve CUSMA's dispute settlement mechanism so the parties have recourse in the event of a trade policy that is disruptive, restrictive or counter to sound, science-based decision-making; maintain or raise the level of ambition for the sanitary and phytosanitary chapter, ensuring that sanitary and phytosanitary measures are aligned with science-based and risk-based principles; and move the Canada-U.S. Regulatory Cooperation Council under CUSMA to provide it with a formal governance structure and regular work plan. These measures will help the Canadian canola industry maintain and, indeed, grow markets in the U.S. and Mexico through predictable, rules-based trade while being uncompromising in the level of ambition we set for continental trade.

In summary, CUSMA has been a foundational agreement that has served the Canadian canola industry well. While there may be a need to modernize or update targeted elements of the agreement, on the whole, it should be preserved and continue to serve as a benchmark for future free trade agreements in both structure and ambition.

Thank you again for the opportunity to appear today. I look forward to the discussion and answering any questions the committee may have.

The Chair: Thank you very much.

It's on to Mr. Adams for five minutes.

David Adams (President, Global Automakers of Canada): Thank you, Madam Chair.

I apologize for not being there in person today, but I do thank you and the members of the committee for the opportunity to speak to you on behalf of the 16 member companies of the Global Automakers of Canada.

The Global Automakers of Canada is a national trade association representing the interests of 16 of the world's most significant automakers. Our members are collectively responsible for more than 62% of vehicle sales in Canada. Our two manufacturing members, Toyota and Honda, are Canada's largest and second-largest vehicle producers, representing through the end of September 75.5% of Canadian light-duty vehicle production. In fact, Honda and Toyota have built more vehicles in Canada so far this year than the Detroit three combined.

Additionally, GAC member Volkswagen and its partner PowerCo remain in the process of building up the \$7-billion factory in St. Thomas, Ontario. It's slated to employ up to 3,000 individuals directly in that battery facility. Importantly, the members and their dedicated automotive parts suppliers employ more than 110,000 people. The activities of the members support more than 106,000 additional jobs across the country, including close to 18,000 auto parts manufacturing jobs in Quebec and Ontario.

While this picture of the membership's activity in Canada is positive, it is being challenged by the current section-232 tariffs situation, and the U.S. administration's seeming disregard for the provi-

sions of the CUSMA, which was the product of hard-fought negotiations six-plus years ago.

With respect to section 232 tariffs on autos, we need a solution on both sides of the border on tariffs and retaliatory tariffs as soon as possible. With respect to CUSMA, Canada's position needs to be one of strongly defending a trilateral CUSMA as an agreement that works and provides tangible benefits to the U.S. auto industry.

The CUSMA has the most stringent rules of origin of any modern trade agreement in the world with a super core parts requirement, a very aggressive regional value content requirement and a labour value content requirement. Presumably, these attributes led President Trump to state that the USMCA at the time was the fairest, most balanced and beneficial trade agreement—

• (1645)

The Chair: Hold on, Mr. Adams. We seem to have lost the connection.

Maybe we'll move on to questions, and then go back to Mr. Adams when we get him back online. He has two and a half minutes left.

Mr. Adams, we have you back. Please, go ahead.

David Adams: I'm sorry about that. I don't know what happened there. Let me continue.

All businesses need certainty and, in this regard, the elimination of the sunset clause, article 34.7, would be an ideal way to enshrine this.

A case in point is that the United States has chosen to completely ignore the binding automotive side letter specifically designed to insulate Canada from the application of these 232 tariffs to Canada's benefit, while also effectively capping automotive exports to the United States for the benefit of the United States. If such seemingly win-win provisions arising out of the negotiation cannot be counted on, it calls into question the credibility of the agreement.

The CUSMA was key to securing additional investment in North America, as all automakers needed to consider how to meet the challenge of moving up from 62.5% of regional value content to 75% regional value content. While these provisions benefited the U.S., they also benefited Canada and the Canadian parts makers. Moreover, the labour value content requirements, while primarily benefiting the United States production, also benefited investment in Canada.

Meeting the requirements of the agreement has not been easy, as evidenced by the fact that 12 automakers petitioned for alternative staging regimes to provide them with additional time to meet the requirements of the agreement.

A key goal of the CUSMA review should be to ensure that Canada continues to enjoy tariff-free access to the U.S. market for automotive products, provided the stringent negotiated provisions of the agreement are adhered to. It is imperative for Canada to maintain a vehicle manufacturing footprint. With autos and auto parts being the nation's second-largest export sector, we can ill afford to lose this sector and the nearly half a million jobs that rely on it.

The implementation of the agreement is still relatively new and, as such, we do not recommend any wholesale change to the agreement at this time. If there are any specific changes or areas of coverage that need to be made to the agreement, we would suggest a surgical approach to integrating such changes. This is, after all, a review and was not intended to be a wholesale renegotiation.

Canada has played its part as a key partner in an integrated North American automotive sector through the adoption of harmonized safety and emissions standards with those of the United States and in adopting a similar stance regarding challenges posed by Chinese electric vehicles. More than 40% of Canada's sales are American-built product and, despite assertions to the contrary, the United States has an automotive trade surplus with Canada. These points need to continue to be emphasized to the U.S. administration to underscore the benefits to the United States of having Canada as a core automotive trading partner.

Madam Chair and members, thank you for your time. I look forward to your questions.

• (1650)

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

Mr. Groleau, please, go ahead for six minutes.

[*Translation*]

Jason Groleau (Beauce, CPC): Thank you, Madam Chair.

I want to welcome the guests.

Mr. Sherman, thank you for being here.

You're a senior director at the Canola Council of Canada.

I want to talk to you a bit about tariffs and the issues currently facing your industry. China has imposed extremely heavy 100% tariffs on canola.

How will these tariffs affect farmers right now, and what major issues will they cause?

[*English*]

Troy Sherman: Thank you so much for the question.

It's no surprise to members of this committee that we are facing a very serious challenge with China. As you mention, we are currently facing 100% anti-discrimination tariffs on canola oil and meal, as well as a provisional anti-dumping duty of 75.8% on canola seed.

China is our second-largest market. It's our top market for canola seed and our second-largest market for canola meal, and there aren't that many \$5-billion markets out there. I think we're going to have a pretty good harvest this year, better than many had even expected, which typically is great news for farmers, but these impacts are immediate.

We're seeing impacts in terms of farmers and what's happening at the basis for them. We saw a significant hit in futures when these tariffs and anti-dumping duties were announced. Also, then, there's a lack of predictability for farmers about where that product will be able to go. Farmers are trying to figure out whether we're going to hold onto that crop and not be able to sell, so there are cash flow concerns. There are people who are looking at potentially buying new combines and new sprayers. Those are usually \$1.2-million expenses. Also, for large parts of the country, canola is the single largest farm cash receipt.

It's very impactful right now, and I will say that it's impactful for farmers, but it's also extremely impactful for exporters and processors as well, who also face potentially underutilized assets.

[*Translation*]

Jason Groleau: Do you feel that the Liberal government is truly supporting farmers during this crisis?

[*English*]

Troy Sherman: We've had, obviously, some significant discussions with the federal government on this issue. As members of the committee might know, the Prime Minister announced some support measures on September 5. We did feel that those support measures missed the mark. We need to make sure that they are right-sized to be able to account for the impact we are facing both now and going into the fall and winter, when typically a lot of sales happen in our industry.

We are hopeful that we can get some changes to some of the programs and policies the federal government announced at the time, including on the biofuel production incentive and some changes to the clean fuel regulations as well.

[*Translation*]

Jason Groleau: I come from the Beauce region. In my constituency, agriculture is the main industry, and we're very proud of it. Since coming here a few weeks ago, I've been talking to many people in the agriculture industry. This week, I met with people in the grain industry. Unfortunately, these people are telling me that the current government doesn't seem to prioritize them.

Do you also feel this way?

[English]

Troy Sherman: I think if you talked to the western Canadian farmer, they would feel that, absolutely. When all this happened and we were faced with anti-discrimination tariffs back in March, we had urged the government to react quickly and swiftly, given the impact on our industry, in the same way that they were reacting quickly and swiftly for other sectors of the economy as well. I think we are always in this struggle between different sectors of the economy and different regions. We all want Canada to be successful. We all want our sectors and industries to be able to grow, but I think the sentiment, if you were to ask a western Canadian farmer right now, would be that they are often overlooked.

• (1655)

[Translation]

Jason Groleau: I gather that you nevertheless represent 40,000 farmers.

[English]

Troy Sherman: Absolutely.

[Translation]

Jason Groleau: That's a huge number. Your industry is worth \$43 billion, and you don't feel heard. That's quite serious.

[English]

Troy Sherman: We continue to engage with ministers. We did have a meeting with the Prime Minister back in September as well. We are encouraged that the federal government is putting in significant efforts in working with China. The Prime Minister met with his counterpart on the margins of the UN General Assembly back in September. That was based off a call they had in June. Minister Anand was there last week as well. Premier Moe and Parliamentary Secretary Blois were in China also.

This engagement is important. We think we need more of that. We're encouraged by where we're going, but we need to resolve this issue as soon as possible.

[Translation]

Jason Groleau: For us Conservatives, agriculture is the top priority.

In their election platform, the Liberals proposed a new carbon border tariff.

What would be the impact of imposing this type of additional tax on Americans at this time?

[English]

Troy Sherman: Yes, border carbon adjustments have been discussed for a while. Obviously, the Europeans have decided to move forward in that space. Your colleagues over in the agriculture committee did a study on this as well.

We have concerns about how that could be implemented, particularly if it means an additional administrative burden on an already very burdened industry when it comes to administration and red tape. Anything that would be disproportionate in that area would be significant for us at a time when we need to be even more competi-

tive than we have been historically as a result of the current geopolitical trading environment we find ourselves in.

The Chair: Thank you very much.

Mr. Lavoie, go ahead, please, for six minutes.

[Translation]

Steve Lavoie: Thank you, Madam Chair.

Good afternoon, Mr. Kilby. Thank you for joining us.

My question is simple, but I would like you to provide a detailed answer.

What do you think of the government's decision to eliminate interprovincial barriers in order to promote trade?

[English]

Mike Kilby: In our industry, I don't see any real competition or barriers between us as colleagues and competitors for aluminum extrusion. I was together with some colleagues yesterday at a smelter in Quebec. We're all the same. We're all buying our metal from them. This is the time of year when we set our contracts for next year. We have all come together in the past to get anti-dumping duties in place against China. We don't typically have any issues moving metal across provincial boundaries.

[Translation]

Steve Lavoie: Thank you, Mr. Kilby.

Mr. Adams, I'll repeat a question that my colleagues are tired of hearing. However, I find it relevant in the current situation.

Some people may not know this, but I worked in the banking industry for 20 years. The companies that I worked with prioritized certainty. This is especially true for bankers who lend money. I then went on to head a chamber of commerce, where certainty was the only topic of conversation. However, the world has changed. We spoke to other stakeholders, who told us that they had never seen this type of situation in over 50 years. Certainty is still a priority, but we don't believe that it can make a comeback anytime soon. Yet our companies need to keep doing business and developing new markets.

While we continue to dream of a return to predictability, the government has already established the Canada Growth Fund and the Canada Infrastructure Bank. However, in your opinion, what choices should it make to help businesses continue to move forward despite this uncertainty?

Given that predictability won't come back tomorrow morning, but that we must keep moving forward, what advice and requests do you have for the government?

• (1700)

[English]

David Adams: The reality, as you say, is that everyone is looking for certainty regardless of business. What the government has been doing in terms of trying to provide support to businesses—whether ours or the canola sector—that are affected by the tariffs is important, but it's temporary relief. It's not certainty. I think getting to a review of the USMCA or CUSMA that re-establishes a rules-based environment for our trade with the United States is key given that, in the automotive sector, 85% of the product, regardless of manufacturer, goes into the U.S. market.

Getting the relationship sorted out with the United States on a tariff basis and a trade basis through the USMCA would be key.

[Translation]

Steeve Lavoie: Thank you, Mr. Adams.

[English]

David Adams: Thanks.

[Translation]

Steeve Lavoie: Mr. Sherman, thank you for joining us.

I've spoken at length about our current exceptional circumstances. The United States and other countries, such as China, are imposing tariffs on our products. You're experiencing this first-hand, since China has imposed tariffs on Canadian canola. These days, we aren't just at the mercy of the United States. Other countries can slap tariffs on us at any time to disrupt a market and an industry.

You spoke a great deal about the United States and Mexico, but I would also like you to talk about the diversification of our export markets. For example, in the short or medium term, would it be possible to open up markets and increase our exports to Europe?

If so, does the supply chain allow for this? If not, what investments would be needed to make this happen?

[English]

Troy Sherman: The European Union is a long-standing trading partner of ours, a long-standing market, but it's not without challenges. In fact, 100% of what we export to the European Union is for biofuel, not for food consumption. There are significant challenges with that market, including their most recent vision for agriculture, which was announced back in February of this year and which talks about a new trade policy that they will be exploring around reciprocity and near clauses, which would further undermine the global trading system. When we look to Europe, we have to do so with eyes wide open. It is not an easy market to work in. We are comforted that they are making some progress on key policies that are important for us, including new genomic techniques, but Europe is not a panacea when it comes to diversification for the Canadian canola industry.

[Translation]

Steeve Lavoie: Okay.

You're telling me that—

[English]

The Chair: You have 14 seconds, Mr. Lavoie.

[Translation]

Steeve Lavoie: I'll give the rest of my time to my colleagues. Thank you.

[English]

The Chair: Thank you.

Monsieur Savard-Tremblay, please go ahead for six minutes.

[Translation]

Simon-Pierre Savard-Tremblay: Mr. Kilby, I can remember my first term. Six years ago, of all the members here today, only the chair and I sat on the Standing Committee on International Trade. We were studying the Canada-United States-Mexico free trade agreement, or CUSMA, at the time. We thought that this agreement would be around for a long time. However, it will soon be up for review.

I remember that the aluminum issue was the focus of a major debate when we arrived in the House of Commons. When I say “we”, I'm referring to my colleagues in the Bloc Québécois. We had 22 more members than in the previous Parliament. We made this issue a key battle because we noticed that steel and aluminum had different statuses in CUSMA.

In the case of steel, I believe that a minimum of 70% was required for automotive parts. We talked about steel as a material, the metal itself. In the case of aluminum, we talked about aluminum parts of North American origin, not cast and molten aluminum. We figured that China would simply continue to use Mexico as a dumping ground. We thought that China would send its aluminum to Mexico, that the parts would be assembled in Mexico and that the product would then be marketed as a North American part, when in fact it was of Chinese origin and, in some cases, of Indian origin.

Do you believe that aluminum should have been given the same status as steel, and that this would have helped your industry?

• (1705)

[English]

Mike Kilby: At the conclusion of CUSMA, we did raise this concern regarding Rio Tinto and the extrusion industry, which I represented myself. We came forward with this exact concern, that Chinese aluminum would enter the U.S. and Canadian market through Mexico. Both Canada and the United States have anti-dumping duties in place for extrusions with China. Canada went first in 2009. It's been upheld for 15 years, and, recently, a couple of months ago, it's been upheld again for another five years.

The U.S. went second in 2011. I entered this market in 2010. I can tell you first-hand that metal was coming through the United States and into Canada at that time, when the anti-dumping duties were in place in Canada but not the United States.

We already saw what happens when you don't have a good policy in place to prevent some of that. The exclusion of the 70% content at the conclusion of CUSMA was a concern. It did, in fact, result in metal coming in from China into Mexico, which found its way into Canada and the United States on vehicles. That's something we would like mitigate in the future.

[Translation]

Simon-Pierre Savard-Tremblay: Obviously, there will be all sorts of negotiations and debates on rules of origin, for example.

As part of this review, would you ask that aluminum be given the same status as steel right now?

[English]

Mike Kilby: Yes, that would be a great outcome.

Recently, Canada put a 25% tariff on raw aluminum coming from China. That has some effect in helping our market because those parts that use China-sourced raw aluminum that enter the North American market come at a premium because of that 25% duty. However, many do not.

The arbitrage, the price change for the difference between Canada and Europe and other low-cost countries, has gotten significant enough that we become an attractive market again. All these things are always moving, especially when there's been a disruption like we've had with the tariffs where things are being repriced and cost bases are changing. We're seeing the negative impacts of that.

[Translation]

Simon-Pierre Savard-Tremblay: I think that you made it clear that the dumping had continued and that this marked a missed opportunity five years ago. That's quite clear to you.

I don't think that you even need to explain the benefits of promoting local production for taxpayers, for jobs and for the spinoffs. There isn't any debate here.

Tell me about the environmental aspect. I know a bit about aluminum smelters in Quebec. They're very eco-friendly. We aren't yet carbon neutral, but some people are talking about it more and more. We're starting to talk about technology that would help produce carbon-neutral aluminum. Even though we aren't there yet, it means that we're still ahead of the game.

Is there any real added value in aluminum from China, for example, which is often produced using coal?

You might say that the question holds the answer, but I welcome your comments.

[English]

Mike Kilby: Yes, it is true that, if you look at Quebec's smelted aluminum, it's around four tonnes of carbon per tonne of aluminum produced versus what you would find in China, which is around 17 tonnes per tonne. There's no accounting for that difference in the regulations and things that we do here in Canada, including paying carbon tax, which, thankfully, for the moment has been suspended, so we can muddle through here during all this turmoil.

Yes, that disparity is a cost factor in our industry, and it creates an unfair disadvantage for North American suppliers of aluminum extrusions.

The Chair: Thank you very much.

Mr. McKenzie, please go ahead for five minutes.

David McKenzie: Thank you, Madam Chair.

Mr. Adams, first of all, I have a question for you, if I may, sir.

The Liberal government has been—I might describe it as—warming our relationship with China. I wonder if you could comment on what you might see as an outcome if protective tariffs on Chinese EVs coming into Canada are lowered.

• (1710)

David Adams: What I would say is that, if you look at what's happened in other jurisdictions, if tariffs are lowered, the Chinese enter into the marketplace aggressively and take over a large chunk of that marketplace. The penetration in Europe right now, with Chinese automakers, is around 15% after being in that market for, I believe, two or three years.

I think the prospect for Canada, when we're trying to grow our own EV ecosystem here, is daunting. It would also undermine our manufacturing base in Canada.

David McKenzie: It seems to me as well that our government has provided supports to industry to grow our capacity for domestic EV production. I presume that would be put in peril.

David Adams: I believe so, yes.

What we do have is an opportunity, with the tariffs in place, to grow our EV ecosystem, but we need to get on with it. We need to proceed with the provisions to get the minerals out of the ground faster, get swifter environmental assessments completed and so on and so forth.

David McKenzie: That would be about developing our own domestic supply chain, if you will.

David Adams: That's correct.

David McKenzie: Thank you very much. I appreciate those comments.

Mr. Kilby, I'm wondering if you're feeling, on the whole, that your segment of the industry is not receiving a great deal of attention.

I can't escape the image of you and other extruders being the little guys watching the ball go back and forth over top of you and being caught up in that battle. Is that something you're concerned about right now, a lack of attention from our federal government?

Mike Kilby: Yes, that's very accurate.

Our industry is integral to the primary producers but is very different. There's a global commodity, and it ships anywhere in the world as ingot or logs, whatever product they're selling. Our is more geographic. It's limited by trucking distances and those types of things that make it only competitive, to an extent, in our country. We all have our little zones of influence in our extrusion company, so yes it's....

I'm sorry; I lost my train of thought. Could you repeat your question, please, just the essence of it?

David McKenzie: That's no problem at all.

It's a big industry to be lost in, and I'm just wondering if the extruders are, perhaps, not given their due in the bigger picture.

Mike Kilby: Coming back to the beginning here, yes, the primary aluminum smelters are the recognized industry in Canada. Everybody knows that industry.

What they don't realize is that there are aluminum casters and extruders that take that product and turn it into parts that go into the autos we drive, the trains we travel on and the office furniture we sit on. All that stuff is vertically integrated in the North American market here.

David McKenzie: Generally, it's my sense from what you've described—and others before the committee today and on other dates—about transshipment is that product comes in from other parts of the world, particularly China, which has a particular disposition to, frankly, try to subsidize production from that country to the point that it will drive domestic production out of business in other countries. However, that product is coming in, and it gets lost, perhaps, once it's manufactured or remanufactured.

What can we do about that?

Mike Kilby: It is a bit of a whack-a-mole problem for us, where we have to be vigilant on what China's doing now to move metal into the market. That was the reason for the U.S. trade case. That's the reason we were considering another trade case.

This sudden disruption is creating real immediacy. In the past, our industry has patiently gone through the rules-based system of a trade case. However, this time we really need urgent action to help keep that stuff out while we address the issues in a trade case, which we're willing to do, but we need some immediate barriers to keep it out so we have an industry to maintain.

David McKenzie: Sir, I'm sure my colleagues from the House who are part of the government caucus, opposite us here at the moment, are hearing you and will take your concerns forward to the government of the day.

The Chair: Thank you, Mr. McKenzie. You have four seconds left.

• (1715)

David McKenzie: Thank you, Madam Chair.

The Chair: We will move on to Mr. Fonseca for five minutes.

Peter Fonseca: Thank you, Madam Chair.

Thank you to our witnesses.

We all know that in Canada we produce the best canola. We produce amazing cars. We have an amazing aluminum sector. We make that case, and I'll be asking each of you to make the case to our U.S. partners about the importance of this partnership. In my opinion, it's been about a level playing field in terms of our labour standards, our environmental standards, the way we do business and our people-to-people ties.

We had Linamar here at our committee. They're one of the biggest auto parts manufacturers and they have plants all over the world. They say that Canada's plants are their most productive plants in the world. That productivity and that competition, even with the United States, in a good way, actually brings everybody up and allows for the best products to be made at the best prices here in North America, and then in turn exported around the world.

I'll start with you, Mr. Adams. I'd like you to make the case for the CUSMA review and how important this is to not only Canada but also the United States, and how not having the right outcomes of that review will hurt the United States.

David Adams: What I would say, and you've pointed it out, is that a number of at least my members' plants have won international awards for their quality and whatnot of production in Cambridge, Woodstock and what have you. We produce a quality product. We produce a product by an excellent labour force. We also have the benefit of having a public health care system in Canada that actually supports the affordability of those products going into the United States as well. The challenge for the United States is that when you are trying to repatriate your industry, all you're doing is adding costs by undermining the existing supply chains that have actually benefited the United States over the course of the last 60 years since we've had a sectoral free trade agreement with the United States in the automotive industry.

Those are the types of arguments we need to be making to the United States. It's actually to their benefit to have Canada as a strategic partner for a competitive North American or U.S. automotive industry.

Peter Fonseca: Thank you.

We don't want ourselves or our American friends to see the cost of a car go up. We've already heard that the average cost of a car here is getting close to \$60,000. By disrupting the whole supply chain and the system that we have now, you will see those prices increase, as we've seen on home prices in the U.S. with softwood lumber, where it's added thousands of dollars to homes.

Mr. Kilby, what is the case that you would make to the U.S. on aluminum and our competitiveness?

Mike Kilby: I have factories on both sides of the border. I can tell you that the productivity in Canada exceeds the one in the United States. They're both very good. We do optimize between plants where it makes sense geographically to optimize. These are things that are beneficial for Canada and the United States to keep the lowest-cost product.

If you look at the primary aluminum situation, it goes where the cheapest power is. Primary aluminum smelting needs cheap power. The U.S., with natural gas-fired power, is not a low-cost power country. Hydroelectric power resides in Canada. Cheap natural gas also resides in Alberta and British Columbia, where there are smelters.

If you're going to put incremental capacity anywhere, the best bet in an integrated North American market is to put it in Canada. Then you want to have the supporting industries around it. It makes really good sense that we stay integrated, to that extent. The U.S. is missing the boat on that and is unnecessarily paying an extra 50% on their metal. It seems just ludicrously not necessary.

Peter Fonseca: I hope they're also hearing this testimony in Washington, D.C.

Mr. Sherman, go ahead, please.

The Chair: Please be brief, Mr. Sherman.

Troy Sherman: Look, I'll tell you that Canadian canola is good for American workers, it's good for American companies and it's good for American communities. We commissioned a study just last year. We know that Canadian-grown canola contributes \$11.2 billion U.S. in economic activity in the United States annually and \$1.2 billion U.S. in wages and supports 22,000 jobs. We know that we're having a real economic impact in the United States, which speaks to the strength of CUSMA.

• (1720)

The Chair: Thank you very much.

We'll go on to Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Simon-Pierre Savard-Tremblay: Mr. Sherman, I find what you just said intriguing.

You said that Canadian canola supports 20,000 jobs in the United States. I assume these are jobs in the industry that processes canola from Canada.

Which industry in the United States uses canola? Is it used for oil or canned foods? How is canola used?

[*English*]

Troy Sherman: Yes, that's an excellent question.

Food end uses have typically been our bread and butter when it comes to the United States. Just to give you an example, canola's impact on food end use has nearly doubled over the past decade, generating \$8.7 billion in economic activity in 2022 and 2023.

We're also seeing a significant increase in canola oil exports to the United States as a result of the growing biofuel market down there. With the 45Z tax credit that was part of President Trump's One Big Beautiful Bill Act, we managed to get North American

feedstocks covered as eligible for that production tax credit. We are seeing a significant increase in exports of canola oil for biofuel production down south.

[*Translation*]

Simon-Pierre Savard-Tremblay: In contrast, is American canola also processed here? Are the quantities comparable?

[*English*]

Troy Sherman: No. It's a very small crop in the United States. About two million to two and half million metric tons are produced. We produce about 20 million metric tons. We're a factor of 10 in terms of production here.

There will be some integration maybe in that some of the research or development will be done in the United States. Seed will be exported to Canada for planting, but it's not seed that's used for crush to then be used for oil or meal.

The other thing I will say is that the U.S. is our top market for canola meal as a result of its very large dairy herds, particularly in California. We have seen significant benefits from exporting canola down there because Canadian canola is excellent for dairy herds. It helps produce additional litres of milk per day as part of the feed rations for dairy cows.

[*Translation*]

Simon-Pierre Savard-Tremblay: I gather that the United States doesn't have the capacity to produce enough canola to feed its own herds. It produces some, but not as much as we do, and it needs ours.

Does this sum up the situation?

[*English*]

Troy Sherman: They produce, obviously, a lot of soy. Soybean meal is used quite heavily in the United States as well. We found a place where canola meal can outperform soybean meal, not just in price but also in terms of benefits for dairy production in California. We continue to develop those markets.

The Chair: Next, we'll go to Mr. Mantle for four minutes.

Jacob Mantle: Thank you, Madam Chair.

Mr. Kilby, my first question is for you.

If I understand your testimony correctly, you feel that the aluminum extrusion industry is being overlooked in the current discussions on trade matters. Is that correct?

Mike Kilby: Yes, that's why I'm here. I'm here to push our voice up and differentiate ourselves from the primary producers.

Jacob Mantle: Excellent. Thank you for doing that here.

We obviously make recommendations, as this committee. Taking into account your view that the government is not appropriately addressing your concerns, what would your recommendations be?

Mike Kilby: Our short-term recommendation is to put up a trade barrier to keep metal coming from low-cost countries and some European countries into Canada, so we can bring forward a trade case. That would be an immediate ask. Second is to try to negotiate away the aluminum tariffs.

Those would be the two key things.

Jacob Mantle: Thank you.

Mr. Sherman, I have a question for you.

In a similar vein, do you feel that the canola industry's concerns are being adequately addressed here in Ottawa?

Troy Sherman: We are continuing to discuss with government what the supports need to look like. Obviously, as I mentioned before, and we have been public about it, the announcement on September 5 did miss the mark. We are hopeful that we will be able to address and rightsize some of those announcements to better benefit the Canadian canola industry at a time when we need net new demand—let's be very clear about that—particularly from a domestic biofuels industry.

We also need to make sure that we can compete on a level playing field when it comes to feedstocks for our own biofuel production here. There is an issue around imports of likely or possibly fraudulent used cooking oil displacing Canadian canola as a feedstock. We think they have an unfair advantage, so we proposed some measures to address that through regulation.

Jacob Mantle: Thank you.

Mr. Adams, my final question is for you.

If I understood your testimony correctly, you said your members produce about 75% to 80% of the light-duty vehicles produced in Canada. Is that correct?

David Adams: That's correct.

Jacob Mantle: How much of that in percentage terms would be exported to the United States versus sold in Canada?

• (1725)

David Adams: Approximately 90% would go to the United States.

Jacob Mantle: Given that, how do you feel about the competitive position of your members versus the Detroit three in the current situation?

David Adams: It's a bit of a tale of two cities. I think our two manufacturing members are still operating at full production. They've not instituted any layoffs. Obviously, a tariff situation is very challenging at the moment and will continue to be challenging as long as it goes on, and that's why we need that resolution to the section 232 tariffs as soon as possible.

Jacob Mantle: Would it be fair to say that your Ontario plants would be disproportionately affected if there were no automotive deal in the coming weeks or months?

David Adams: Yes, I think that's fair to say.

Jacob Mantle: We've heard rumours of deals, and dates have gone by, as you've probably heard. We thought we were receiving a deal by July 21, and then there was a September date. It seems like these dates are passing us by.

If there's some movement on autos and if there are quotas involved, what would your view on that be? The quotas would be the number of vehicles that could be exported to the United States versus the number of vehicles that could be imported into Canada from the United States.

David Adams: That's a situation that's contemplated in the automotive side letter under CUSMA. That provides for quotas going into the United States. That's an option for sure that needs to be considered. The other reality is that 40% of the vehicles sold in this country come from the United States, so that's the highest export jurisdiction for U.S. autos. I think that needs to be something we keep at the forefront of our negotiations.

Jacob Mantle: Thank you.

The Chair: Thank you very much.

Madame Lapointe, go ahead.

[*Translation*]

Linda Lapointe: Thank you, Madam Chair.

Mr. Adams, you answered a question from my colleague about the percentage of cars produced in Canada and sent to the United States. I was about to ask you the same question.

Are some of these cars also sent to Mexico?

[*English*]

David Adams: I don't have a line of sight on that, but I could attempt to get that information to the committee.

[*Translation*]

Linda Lapointe: You mainly talked about Honda and Toyota. What are the other manufacturers?

[*English*]

David Adams: In Canada, we have five manufacturers: Honda, Toyota, General Motors, Chrysler or Stellantis, and Ford. I represent the two Japanese manufacturers. My other member companies are the exclusive Canadian distributors of their brands in Canada, which include BMW Canada, Hyundai Canada, Volkswagen Canada, and so on and so forth, but we only have five manufacturers in Canada at the moment.

[*Translation*]

Linda Lapointe: I knew that General Motors was one of them, but I wanted to hear you talk about Volkswagen. That's why I asked you that question. Thank you.

Mr. Sherman, you spoke about health regulations in agriculture. I gathered that something wasn't working in this area on the Mexican and American sides.

Can you elaborate on this?

[*English*]

Troy Sherman: It's not that things aren't working. It's actually that we should be more ambitious in what we're trying to do in that space. CUSMA has been very good for us. It's a benchmark, and I think I referenced that. This should be the benchmark for future trade negotiations and agreements as well. The more ambitious we can be in that space, the better it is, particularly as we look at countries or regions like ASEAN, the Philippines and others. Having ambitious text, particularly as it relates to things like biotechnology, for example, is really important for us.

As we get to a place where we have a regulated pathway for plant breeding innovation here in Canada, we hope to see more gene-edited products coming to market in the not-too-distant future to help us from a climatic perspective as well as to make sure our crops are heat- and drought-resistant moving forward. We need to make sure we have ambitious text around biotech moving forward to be able to access those markets.

We actually want to do more and have raised that level of ambition. To speak to why that's so important, as folks may know, there was a case brought under a dispute settlement by the United States. Canada joined as a third party against Mexico because they are proposing to ban the import of GM corn into Mexico. That is a very slippery slope, particularly for a crop like ours that's 98% or 99% GM. We were successful in that case, so dispute settlement is important, but we had a very strong trade agreement and language in the SPS chapter that benefited Canadian farmers and Canadian exporters.

[*Translation*]

Linda Lapointe: Thank you.

Mr. Kilby, in terms of aluminum that comes through Mexico and gets processed, can we know the source of that aluminum when we use it here in Canada?

The United States has the Buy American Act. What do you think about similar legislation in Canada to ensure that the products sold come from Canada?

• (1730)

[*English*]

Mike Kilby: Canada is heading in that direction. I've heard some encouraging things from the government about sourcing in Canada.

Definitely buy America was a big issue for our industry. It's one of the reasons I located a facility in the United States. I make parts for Bombardier Alstom, for instance. They have an international business, so they're forced to source in the United States for buy America. I make their parts. It's easy for me to make them in my U.S. factory for that.

Yes, those things have had an impact on our industry. A buy Canadian rule would be helpful for us to get our parts into military vehicles and the other things the government is contemplating right now, as opposed to buying the lowest-cost part, sourced from some low-cost country.

The Chair: Thank you very much.

Thank you to our witnesses.

We feel really badly. We can hear the struggles that you're having. I want you to know that everybody, really and truly, is trying to find solutions to all of this.

We offer our best wishes. Thank you very much for being here. We will probably all stay in touch.

The meeting is adjourned.

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