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• (1100)

[English]

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

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

Welcome to meeting number 16 of the House of Commons Standing Committee on Natural Resources.

This meeting is taking place in hybrid format, pursuant to the Standing Orders. For interpretation, those in the room can use the earpiece and select the desired channel. I'll give a reminder that all comments should be addressed through the chair.

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

We welcome our witnesses.

From the Association of Lumber Remanufacturers of Ontario, we have Steven Rustja, president.

Steven, welcome.

From FP Innovations, we have Stéphane Renou, president and chief executive officer.

Welcome.

Thank you for taking the time to appear with us. We will begin with opening remarks. You each have five minutes.

We'll start with you, Mr. Rustja. You have the floor.

Steven Rustja (President, Association of Lumber Remanufacturers of Ontario): Thank you, Mr. Chairman, for the invitation.

My name is Steve Rustja. I'm the president of the Association of Lumber Remanufacturers of Ontario and the co-chair of the Pan-Canadian Value-Added Alliance.

I've been in the lumber business for over 40 years and have spent the last 25 years at one of eastern Canada's largest remanufacturers, including the last 15 years as both a partner and the vice-president of trading.

I have served on the board of the North American Wholesale Lumber Association since 2018. I was on the executive committee

from 2020 to 2024 and was chairman in 2023. NAWLA is the industry's largest association and represents wholesalers and manufacturers in both countries. I've been actively involved on the softwood lumber file since 2006.

These roles have allowed me to develop a relationship with leaders on both sides of the border, as well as given me a deep understanding of the impacts on their businesses.

ALRO and the pan-Canadian alliance represent independent remanufacturers across the country.

No group in Canada has been hit harder by the duties than ours. Here's why.

When anyone exports softwood lumber to the U.S., duties are imposed on the value of the goods crossing the border. For primary mills that includes the price of the lumber FOB mill. For remanufacturers, it includes not only the price of the lumber, but also our domestic freight, our labour, our milling, our waste, our overhead, our rent and even if we can make them, our profits. Our studies have proven that this effectively doubles the duty paid on the lumber itself.

This is by far the most punitive duty applied to any segment of the lumber industry, and yet we have never been accused of being subsidized. We have no tenure. We buy wood at full market price. We pay the same price or more as our U.S. counterparts pay, and our transactions are all at arm's length. Simply put, we are innocent victims in a drive-by shooting.

Remanufacturing is labour-intensive. This is why our sector exists, because primary mills cannot economically produce low-grade lumber. An ALRO study showed that we employ seven times more people per board foot than our primary mills do. Every piece of low-grade lumber must be remanufactured somewhere. The only question is where and by whom.

Under the 2006 softwood lumber agreement, independent remanufacturers in Canada thrived. We used our profits and duty refunds to reinvest heavily back into the Canadian economy, Canadian plants, Canadian equipment and Canadian workers. However, with the 35% retroactive duties—I can explain that if you want—and 45% deposits, we cannot survive. The only thing we can do now is export our jobs.

Most independent remanufacturers are small or mid-sized companies. They cannot operate at a loss for long. Shutdowns happen fast, and they're happening right now. Companies are laying off workers. Some are preparing to close permanently.

We've been pushing relentlessly for negotiated settlements since 2015. In 2018, at a round table with Minister Ng, we said that if you're going to make a bad deal, it's better to make a bad deal now. Back then, Canada was arguing for 29% market share. The U.S. was at 27%. Today, Canada is shipping around 23% and falling. A bad deal then would have been a good deal today.

I'm here with the clearest message I can give: The time is up. Our industry cannot wait another year. Without immediate action, there will be almost nothing left to save. Our industry will be decimated.

Therefore, I repeat our message from 2018 even louder today: If we're going to make a bad deal some day, it's better off that we make that deal today.

We need the Government of Canada to take two urgent steps.

The first is to make a deal now.

The U.S. may not prioritize softwood lumber. I get that—that's their decision—but Canada can and must. We must tie softwood lumber to what the U.S. does care about.

Don't sign a CUSMA if the softwood lumber issue isn't resolved. Don't agree to the golden dome if softwood lumber isn't resolved. Make it clear that Canada is prepared to ship less, if that's what it takes. Do whatever needs to be done.

The second thing we need to do is keep the industry alive long enough to reach that deal.

There's no single fix. There's no magic bullet. Some companies can survive with the BDC loans that the government has put out. Others would benefit from the government buying back duty deposits. Some require assistance to lessen the impacts of high deposits. Retooling and new foreign partnerships may help further down the road, but those will take time.

The truth is that we need all these supports and more, and we need them immediately.

When a deal is finally reached, independent remanufacturers must be explicitly enshrined in the softwood lumber agreement, as we were in 2006.

We will need direct quota allocations and the duty must be based on first mill value, exactly as the Canadian and U.S. industries supported in the last agreement. Under those conditions this sector can once again become a Canadian success story.

• (1105)

Thank you.

The Chair: Thank you, Mr. Rustja.

We'll now go to Mr. Renou.

You have five minutes or less.

Stéphane Renou (President and Chief Executive Officer, FPInnovations): Thank you, Mr. Chair.

Good morning. My remarks today will be in English, but I'll first speak a bit in French just to say thank you.

[*Translation*]

I thank you all for your invitation. My opening remarks will be in English, but I will be pleased to answer your questions in the language of your choice. I promise to make the same number of grammatical mistakes in both languages.

[*English*]

I would like to start by thanking the federal and provincial governments for all their help and leadership in their recent announcements. This will help. It's a piece of the puzzle, but it's a good piece.

Let me first underscore the situation we're facing today, as my colleague here said.

A few years back, the return of capital in the lumber industry was, let's say, less than 5% overall, which was barely making it, and that was with a 15% tariff. Now we're facing tariffs of between 35% and 45%. Most of the mills are actually operating at a loss today, just hoping to keep market share and getting into a competition of who's going to be the last one standing.

That's the situation. Today, I'm going to make a case for transformation, but before I do that, let me introduce my organization.

We are FPInnovations, a not-for-profit independent research and technology centre operating across Canada. We have offices in Vancouver, Montreal and Quebec. Our mission is quite simple. We're there to help the forestry sector be more competitive, more diversified and more innovative. We do not develop technology to turn a profit. We do not pursue science for the sake of publishing. We are not an industry lobby. Our job is to bring clarity to a world that is crowded with misinformation, hype about science and, I would say, crazy dreams about what it can do. We are there to be honest brokers of science. We bring science and data to the table for all to see and analyze. We try to innovate in the mills, not in labs and not in papers.

Regarding where we are in the industry, Canada has a highly integrated forestry industry. This means if one falls, the other falls. It's complex. Tariffs are disrupting that equilibrium right now, and it's not just a passing crisis. If we resolved the tariffs tomorrow, we would still have challenges that need to be addressed. Tariffs just enhance the challenges we're facing.

Transport costs, long distances to move fibre and constantly changing rules about access to fibre have been eroding competitiveness year after year over the last 10-plus years, especially compared to the Europeans and South Americans, who are operating on plantations. It's agroforestry, if you like. It's highly efficient. We're not there.

On top of that, the complex system of construction in Canada increases the cost to a level where making an investment here may be a lot more expensive than elsewhere from a pure construction cost and return perspective.

Fundamentally, we have to remember that we have the largest forest resource in the world, or close to it. We only harvest 0.2% of it. We don't have a problem of overharvesting in Canada—to the contrary. We have a problem of getting our act together for the industry.

What should we do?

First, we have to remove our rose-coloured technological glasses. There is no magic solution, only hard work going forward. We need solutions that are grounded in reality, and that's the scientist talking to you, by the way. We all have dreams. We all have skeletons in our closets and bad decisions we made in the past. We need to move past all that and look at the economic and science data and make an educated choice. We must modernize our industry and diversify quickly.

Canada should invest in the small number of mills that will survive and be globally competitive. Yes, I said "small number". Not all of them will make it. Sawmills need to be modernized and be key players in addressing the housing crisis, of course. This can be achieved through vertical integration into higher-value markets, like my colleague talked about. Engineered wood, mass timber and energy generation also need to be thought about. Co-locating those activities around a sawmill to make it resilient and grounded is capital. Transport costs are often our biggest challenge.

Another point is we need to adopt a regional approach. There is no one-size-fits-all solution. All solutions are regional. Each region has its own fibre basket, transport realities, energy demands and

community contexts and constraints. These communities are often rooted in forestry for generations. They are essential partners, and they are the first partners, because they will fight for their industry.

• (1110)

We must look at the problem from a regional development perspective and a sustainability perspective and support high-potential areas. Not all areas are created equal. The faster we come to that realization and help the ones that can survive, the better off we will be as a country.

Where do we need help? Support innovation, not invention, not development of new knowledge, but innovation. These are things that work in a mill for real now. We don't need shiny objects for press releases. It's innovation at the mills.

This is a team game. This is not a blame game. It's a shared problem across jurisdictions. On the federal side, the tariff file is highly important, of course. The fibre access file is mainly a provincial file, but it's not independent. Industry must play its role in modernizing and diversifying quickly. Institutions like mine need to focus and forget about the long-term future or the fun things and focus on what helps now.

Transformation is our only option going forward.

Thank you.

The Chair: Thank you, both.

We're now going to our rounds of questions.

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

Corey Tochor (Saskatoon—University, CPC): I thank our witnesses for being here today.

Mr. Rustja, what are the people like, who you represent who work in forestry?

They are good, hard-working people, I'm assuming.

• (1115)

Steven Rustja: I consider myself to be one of them. Yes, I think they're very hard-working people.

The lumber industry in Canada is older than Canada itself. It's interwoven throughout the country. There are literally towns that are solely dependent upon the lumber industry for their own existence.

I would suggest that they are very hard-working people.

Corey Tochor: They're good Canadians. They play by the rules. They pay their taxes. They follow things.

For the last 10 years, they've been kicked around and have suffered because of the mismanagement by the Liberal government of many different files. We talk about the transportation costs being through the roof. The carbon tax did not help that and now they're shifting it to the industrial carbon tax, which is just a shell game to hide from Canadians how much they're actually paying.

As frustrating as it would be, for the last 10 years the Liberals have been obsessed with reducing emissions and chasing different technologies to capture carbon. The real-world solution to that, and the most simple and most Canadian thing, is to take a Canadian tree with carbon, cut it down and make it into products, like tables, chairs and houses. Instead, we've seen this government go on a billion-dollar spending spree on a whole bunch of wild ideas that would actually do what trees can do and what our industry can do.

How do your members feel about the last 10 years of all these wild policy changes that the Liberals have brought in?

Steven Rustja: It's a great question.

The last 10 years have been extraordinarily frustrating. It's been frustrating from the perspective that we had an industry that was thriving under the last agreement. It expired and there hasn't been a renegotiated settlement.

Corey Tochor: On that front, Justin Trudeau had this great relationship with the U.S., apparently, when it was a Democrat in the White House, but he was unable to get tariff deals like when the Conservatives were in power. Is that correct?

Steven Rustja: That's correct.

Corey Tochor: It must be incredibly frustrating for you and for Canadians across Canada when we get into an election. For the last 10 years, they've vilified the Americans and—let's call it out—the Republicans in the States. Every chance they got, they ran down the Republican Party and the different leaders in a different country. It is bizarre in itself to try to influence another country's politics. An election happens in the States and a Republican gets in and they seemingly keep poking him in the eye, wanting a fight for political benefits. After the election, it's been written how the Liberals have benefited by having this blowout with the States for their political benefit.

Is that a sentiment shared within your industry?

Steven Rustja: Listen, I can't speak for people's political views in terms of how everyone is reacting toward the scenario you spoke about.

I can tell you that the frustration exists because there's been a lack of a deal. The coalition on the U.S. side is a strong organization. I will tell you that U.S. law really does support industry. That petition was done in 2015 with less than 20 petitioners or companies suggesting that Canada was subsidizing the industry. The U.S. government has been fighting that battle for the last 10 years.

Corey Tochor: I understand that for partisan reasons, you don't want to speak for your membership, but the frustration is that you have been used as a political football. I think the Department of Industry in Canada is seemingly picking winners over losers. They're aggressively mentioning other industries but ignoring softwood lumber in the last few quarters.

Is that accurate?

Steven Rustja: I would suggest that over the last couple of quarters, the Government of Canada has stated repeatedly that lumber has been a priority. I personally sat in a couple of committee meetings with some ministers who have said that directly—

Corey Tochor: What are their actions? What do they deliver with those kind words?

Steven Rustja: Thank you. I was going to finish the statement.

I have personally been in there when they've delivered those statements, when they said that Canada's priority.... The communication I get back is that the U.S. is not interested in playing, that they don't want to have a conversation. The frustrating part, as I mentioned in my opening statement, is that Canada could choose to make it a priority.

I get that the U.S. does not, but Canada, in my opinion, could choose to make it more of a priority.

• (1120)

Corey Tochor: When you hear statements like, “who cares”, would that fit their actions? Seemingly, their words aren't lining up with their actions. It seems like their actions would fit with the words, “who cares”.

Steven Rustja: I can't speak to the “who cares” statement. I believe there's more that could be done to push this agenda to the front burner and make sure that the Canadian industry is taken care of and made a priority.

Corey Tochor: Thank you so much for your testimony, and I thank the hard-working men and women in your industry.

I do think there's a bright future for forestry. We're in a lumber town. Ottawa was built as a lumber town. It is a solution for many of the ills that face our country. We just need a government that does care.

Steven Rustja: Thank you for your questions. I appreciate them.

The Chair: Thank you, Mr. Tochor.

Thank you, Mr. Rustja.

Next is Mr. Guay for six minutes.

Claude Guay (LaSalle—Émard—Verdun, Lib.): I want to thank the witnesses for being with us this morning. It's much appreciated.

Despite what Mr. Tochor said, we do care. Things taken out of context often lead to this.

Yesterday we announced a series of measures. You both referred to that, and I'm assuming you both read those.

I fully agree with your statement that it's a basket. You both went there, about this basket. This is not one silver bullet that's going to address the industry.

We have the BDC—you mentioned that—adding another \$500 million to the \$700 million. We have the transformation program, the \$500 million that was announced prior, specifically for transformation.

I would like to hear from you, Mr. Renou, on what the best use of that \$500 million is. You talk a lot about encouraging transformation for the industry. We know this whole trade war with the Americans has been a 40-year problem. It comes and goes under all kinds of governments, by the way, so I don't think we should debate that too long.

I'm really interested in hearing from you—and if you have something to add, Mr. Rustja, I'm also interested—on the transformation required for the industry and how we can best use that \$500 million.

Stéphane Renou: It's a great question. It's a difficult one, but it's a great one.

I think it's being honest with ourselves about what can happen in the amount of time that we have to transform this industry. That's the most important thing. We often fall in love with great principles and dreams that will not be achievable. We over-constrain our problem. One of the biggest difficulties in transforming industry is certainty—certainty of policy and certainty of access to fibre. Any mill can make a business case if they know that they will have this access to fibre over the next 10 years. In several provinces, you don't know in one year where you will be harvesting and if you will be capable. That's a challenge.

Other constraints come from the other levels, including the federal level. Will it be from the environmental side or from the “how you can use the money” side? It's not one party versus the other. It's overall. Everybody is fighting for their piece. I invite everybody to look at it the other way. What are the options for transforming in a certain amount of time that is reasonable, and how do we enable them and not push on them? All management problems go “up down” or “down up”. Government has a tendency to create things and push down. We need to hear what's feasible from the down. It's typical for a sawmill to do one more product. Then they need certain things to get there. If we gather that and we link that with the fibre they have access to, we have a chance, but we have to be really granular and look at each ecosystem, one after the other.

I will go back to ecosystems and finish there. I want to give some time to my partner here.

Don't look at sawmills, pulp mills or forest workers independently. Look at regions. If you see a pulp mill go down, in the next month you'll see four sawmills go down and vice versa. If the sawmills are not making money, the pulp mill doesn't have chips. It goes cold.

We need to look at the ecosystem and resolve it as a business problem and as an economic problem regionally. That will be the best thing that we can do fast.

• (1125)

Claude Guay: Mr. Renou, may I ask you, on behalf of the committee, if you have ideas like that about different regions or different products, if you would be kind enough to submit them to the

committee in writing? You must have studied this. We won't have time to debate all of this today. It would be much appreciated. We would love to incorporate that into our findings.

Stéphane Renou: What I can offer to the committee, if it's helpful, is the process of getting you that data and what needs to happen to get that data. We have most of those pieces of data. They need to be linked. It's not a research project, so don't be worried; it's just how we assemble it. I have made those studies under a confidentiality approach, I will say, for several provinces in the past, and I will keep doing that.

You're a politician. I'm not. For me, it's easy. I'm a scientist. I just put data on the table. As a politician, you know the implications of that data. That's why I will offer a process and I will leave it up to you to ask for more.

Claude Guay: I want to give some time to Mr. Rustja.

One of the measures we announced yesterday was lowering the transportation costs, or the government subsidizing half the transportation costs, and massive changes in trying to move the product here in Canada. I'm assuming that your stakeholders would be more than willing to participate in Build Canada Homes and all the RFPs from the government.

If we move market shares to Canada, does that help? What else can we do here? I won't get into the negotiation and the tariffs, because the Prime Minister is doing that right now. I'm looking at what NRCan can do additionally to help you. I can assure you that the Prime Minister is very aware that we need to move, but he wants a long-term deal.

The Chair: Mr. Rustja, that will have to be a pretty quick answer. You have about 20 or 25 seconds.

Steven Rustja: It's hard to answer that, but assisting in freight for sure will help, especially developing offshore markets and finding new things. I know that's a priority for the government. In terms of the Canadian market share, the Canadian economy is too small to support all the lumber that would come to this market. It would just saturate it. That's not a long-term solution.

There are some other things that have been brought up, but I think I'm out of time.

The Chair: That was a good short answer. Thank you, Mr. Rustja.

[*Translation*]

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

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

Gentlemen, thank you for being here. I see similarities in your presentations. I am looking to send a very clear message to the committee, and I will explain why.

You said something very important, Mr. Rustja, namely that your industry cannot wait another year. The government must be made to understand the urgency of taking action. I am receiving messages from many people in the forestry industry telling us that, with the current countervailing duties, anti-dumping duties and customs duties, some people are reaching a breaking point and there will be consolidations. This is inevitable.

As you explained well earlier, retooling takes time. We don't have the luxury of adopting government strategies that aim to change the configuration of the forestry sector over 10 years. We need an immediate measure. In this sense, I'll ask you both a question.

There is a proposal circulating, and I find it quite acceptable. It comes from Chantiers Chibougamau, Domtar, Arbec Forest Products, the Groupe Rémabec and the major labour unions: instead of buying back the \$11 billion in rights that are currently dormant in the United States, we could buy back 50% of the countervailing and anti-dumping duties at the end of each month. This would ensure that the American market remains open when construction resumes, and it would allow sawmills and forestry contractors to maintain their jobs.

Do you support this kind of measure?

Stéphane Renou: I have already heard the proposal from all these stakeholders, including Mr. Verreault from Chantiers Chibougamau. It's enticing. Once again, it will be one of the pieces of the puzzle to put together. The industry must undergo an in-depth transformation if it wants to navigate the upcoming turbulence. Currently, there's a crisis, and there will be several more. So, for the moment, it's probably a good solution. I'll let the bankers handle the equations, since they probably know more about it than I do, but in the long run, we must not forget the rest. Otherwise, we'll find ourselves in the same situation every time.

• (1130)

Mario Simard: Mr. Rustja, what do you think?

[English]

Steven Rustja: I agree with my colleague that this is not a long-term solution. We need to find a.... I won't even repeat what he said because that is correct.

In terms of the buyback program, that Chantiers Chibougamau proposal, I've read that. There are a few other versions of that proposal that people are offering.

What I like specifically about the one you mentioned to me is that the issue going forward is this: How do you conduct business? Specifically for remanufacturers, we're a little different from primary sawmills. We work on margins. At the time of an order, we can buy something, and then we can sell something. We know our remanufacturing costs. If there is no opportunity to make money, you simply don't do the business, which means that you shut down or you close.

Having the government buy back some of those duty deposits will allow us to enter the U.S. market because we'll now be far more competitive. There is no scenario in which you can pay 45% duties on a remanufactured product and enter the U.S. market. It doesn't happen. Well, nothing is absolute. I'm sure there are a few people who could do a couple of things.

[Translation]

Mario Simard: Thank you very much.

I'm sure this will come through in the report, because many of you have said that there's no scenario that would allow people in the forestry sector to get by while facing countervailing duties and tariffs totalling 45%.

Furthermore, you emphasized the need to reach an agreement as soon as possible. You did well to do so, and I think it should be repeated for the purposes of the report. We need to put the forestry issue back on the agenda. Unfortunately, the last indication I received from the government is that it was seeking an agreement on aluminum, steel and energy. The forestry sector did not seem to be part of the discussions, and I don't know why.

There may be some distortion, but it seems that people in the aluminum sector are suffering greatly, even though they're able to pass on the customs duties to the next player through the Midwest premium, which is not the case in the forestry industry. That said, I don't want to criticize them, since it happens here too. We must therefore keep up the pressure. I'm sure that Mr. Guay understands this very well.

I'm not revealing a secret, we've already spoken, Mr. Renou, but I noticed in your opening presentation that even your organization needs to review the way it does things. You said something quite interesting: Let's stop looking for a magic solution and instead focus on innovation. That resembles the discussion we had. I want to hear your thoughts on that.

What could be done in the medium term to promote innovation? I understand that we can't just settle for basic products, but how can we help people in the sector innovate more in the medium term?

Stéphane Renou: I will respond to you in French, since I failed to keep my promise last time.

When I arrived at this organization about eight years ago, they had already started this transformation. It's about returning to innovation rather than focusing on invention. Instead of dreaming about what could be, we need to think about what we can do in the short term, over a period of one year, two years or three years. It's not the time to dream or promote something new, but rather to promote what helps the industry.

What's most difficult in innovation is not being in a lab to do math and experiments. We can do that, it's easy. What's difficult is bringing people from the industry together at the same table to work together to solve the problem. Something needs to force this connection, regardless of the reason or approach chosen, so industry people sit down with us to explore the possibilities.

Should we show them a catalogue of options to ask which ones they want to explore?

Should they have recognized industrial participation in all programs?

What I always hear when I go looking for funding here and there, since it's part of my job, is that an equivalent proportion of money must come from the industry, among other sources. However, in the current context, there's none. We'll leave it there.

The Chair: Thank you.

[English]

Colleagues, we're going to our second round of questions.

[Translation]

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

[English]

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

Monsieur Rustja, with the sawmill closures all over but in the region, how has this affected the supply chain to your members?

Steven Rustja: Obviously with fewer people we can buy from it means there's less ability for us to have a competitive market out there for us to buy lumber and access fibre that we need at the time. The best thing for our members is to have a robust supply base as big as it can be. It's an adverse inference to us. It's a bad thing for us to have that.

• (1135)

Gaétan Malette: If the sawmill closures continue, is there a danger that you will have less supply to the point that you may have to shut down some of your operations?

Steven Rustja: The answer to that question long term is yes, but in the short term no. The market, as we talked about earlier, is oversupplied right now because that wood is not flowing to the United States. They're trying to find Canadian homes. To your point, in times like COVID when things were in demand, having less fibre produced would be problematic and would cause us to shut down.

Gaétan Malette: On that same point, with the U.S. market being shut down, how long will it take before there's an oversupply for the Canadian market?

Steven Rustja: There is an oversupply in the Canadian market right now, which is why you're seeing mill shutdowns and things like that. You can look at the price and you can see whether it's oversupplied or not.

Gaétan Malette: This year compared to before 2015, how much loss have you had in market share? How many million board feet would you have produced in 2015, 10 years ago, compared to how many million board feet your association would produce now?

Steven Rustja: That's a great question. It's a difficult one to answer.

I will give you an answer based on our own company. Our association is made up of a bunch of competitors and we don't share that information as robustly so we don't have as accurate informa-

tion as we could have. I will share, if I have some time, the experience that we had at our company.

In 2010 we had one company and 70 employees. By 2021 we had seven companies and 525 employees. Over the last year or so, we've shut down two remanufacturing facilities and we've gotten rid of about one-third of our employee base.

Gaétan Malette: When things get settled, if we get eventually to a lumber trade, will these industries have the capacity to reopen?

Steven Rustja: The ones that are being shut down typically are shut down permanently. They would have to start from scratch. They'd be greenfielded or brownfielded. They're not easily restarted.

Gaétan Malette: Thank you.

Monsieur Renou, you've said we have to be innovative and that there's no magic solution. Can you expand on that? You've talked about it, but I'd like to hear a bit more about that. What can be done?

Stéphane Renou: Let me describe a bit more what innovation is.

People think innovation is a brand new shiny thing that scientists invented in the lab. It's not. Innovation just means you make something happen—a new process, a new product—and you put it on the market. For most of our sawmills, innovation is in the form of a new grade, a new product of construction that they do differently and they penetrate a new market. It's not a new, fancy molecule that you create. It's simply, “Oh, I got this. I can do that differently, and I can penetrate that market.”

What does it mean? Very practically, it means there's a new market. What are the specs for that new market? What are the norms? Do I understand them? Can I make them? What are the machines I need to have? Then I make or buy the equipment, and then I go there.

If you are a small company with one engineer—which is premium in most of the sawmills, by the way, because sometimes you don't even have one engineer on site—it's so difficult. That's the danger. Innovation is helping those companies, the SMEs and even the large companies. You would be surprised to see, in a major pulp mill, that there are one-and-a-half process engineers on site, and you're tapped. Often, I knock on doors saying that I can do this to help them, but there's nobody.

Actually, you were talking about staff. Let me share mine as well. When I got the job, I had 500 scientists across Canada. Today, I have 280. In a few months I'll be down to 200 because there's no money, no receiving end. Where do we go? I think we're the canary in the coal mine.

The Chair: Thank you both.

We'll go to Mr. McKinnon for five minutes.

• (1140)

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

I am going to start with Mr. Renou, please.

You mentioned that we need a regional approach. I'm from British Columbia, with roots in Alberta. What would a regional approach mean for British Columbia versus Alberta and wherever? What would the features of such a—

Stéphane Renou: That's fantastic. I love British Columbia. It's a fantastic case study because you have, really, three regions in British Columbia. You have the interior, the coast and the island. There are three completely different forestry ecosystems.

The interior was absolutely ravaged by the mountain pine beetle. The cost of harvesting went up dramatically. Why? All the good wood, which was in the middle on the plains, was ravaged. Now you need to go higher up the mountainside and the hills, and the cost is going up continuously.

You have several players. Let's dream for one second that everybody works together. We have this little Finnish or Swedish team and we create a large pulp mill in the middle that can get the chips from everybody. It's a co-operative, a collaboration. I don't know what it is, but technically and economically it creates a grandiose mill in the middle that takes the chips from all the sawmills. That will help everybody tremendously. That's the regional approach.

Then you need to deal with first nations, and we have several of them. You need to deal with access to fibre. I remember the tears in the eyes of a CEO who was showing me maps of the island and telling me, "I don't know how to get to trees anymore because all the roads are caught by old-growth sectors by first nations, where I don't have a deal." The complexity of British Columbia are those multiple facets that came, through legislation, all at the same time. Industry could not adapt to all of that transformation.

You look regionally and you sit down with the key producers, the politicians and everybody, and say that if we don't agree on the path, Prince George will close and Quesnel will close, one after the other, down to Williams Lake.

Ron McKinnon: What you mean by region is not British Columbia versus Alberta.

Stéphane Renou: No.

Ron McKinnon: It's within a political—

Stéphane Renou: It's a forest basket. That's what I meant.

I apologize. I cut you off.

Fundamentally, the forest sector is based on trees, and the quality of the trees and the distance to them is everything. It's much more difficult when your mill is on the side of a lake. You have half of a circle to get to it, so your transport cost is much higher. If it's in the centre, it's cheaper because your radius is smaller. It's those things, and then the species and all of those.

Ron McKinnon: This focus on innovation that you're speaking of, would that similarly be regional?

Stéphane Renou: Absolutely. That's because each region has characteristics from a species perspective. Black spruce up north in Quebec have a mechanical quality that is phenomenal compared to those on the western side. Transport in some regions is blessed by rail in large quantities, so their cost of transport is different. Access to the supply chain downhill is also an important thing. It's really multi-faceted. How can I create a good regional business? Then you're having all the other challenges from a political standpoint and a business standpoint.

If we don't do that, what's the alternative? Competition drives everybody to wait for the other to go down to get market.... By that time, we may be in trouble.

Ron McKinnon: Much of what goes on in the forestry industry is under provincial jurisdiction. What can we as the federal government do to facilitate this kind of regional approach and regional innovation?

Stéphane Renou: The federal government, other than tariffs and also environmental regulations, has this thing called leadership, through which you can help facilitate as well. I think that's where we are. The government also can be involved with all the resources of the entirety of Canada in terms of research, science and supply chain policy at the Canadian level from a supply perspective—which you started to do with Build Canada Homes, etc. There's a link there, but the leadership role, I think, is going to be key.

Ron McKinnon: Where would you like us to lead? In terms of leadership, what direction should we be going in?

Stéphane Renou: There's a task force that has been proposed. I'm always a bit worried when I hear the term "task force" because it can turn into many things. I will be happy to see within that task force policy-makers, politicians, economists and scientists so that there is no hidden corner of the equation.

The Chair: Thank you.

• (1145)

[*Translation*]

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

Mario Simard: Thank you.

Earlier, in responding to my colleague Mr. Guay, you concluded with quite an interesting statement: Today, if we want to innovate, the major problem is that the company's contribution is not there. We completely understand why. There is therefore a need for the government to make some adjustments.

Next, there's a major difficulty related to the number of funded projects. We received a response from the department some time ago concerning the number of projects funded under the innovation program called Investments in Forest Industry Transformation, or IFIT, among others. Out of 140 projects across Canada, 37 were selected for two years. Personally, I would like to conduct a comparative study, but for an industry like the forestry sector, I find that there's not much federal government support.

What tool could help you be a bit more flexible and kick off this innovation phase with the support of businesses?

Stéphane Renou: First of all, the IFIT program is one of the programs that has been very successful in the industry. I understand your point of view regarding the proportion of funded projects, but this program offers interesting funding ratios and compels the industry to participate. The difficulty for our colleagues at Natural Resources Canada lies in the volume of requests and the number of experts needed to analyze them and demonstrate their relevance in political and economic terms, among others. We can't keep up. Why? Because there is a shortage of those rare individuals who understand economics, business and science equally well. So there is important work to be done in terms of regionalization and prioritization.

Let's be clear: The industry is suffering and it submits many requests, when it can, but its willingness to take risks and make capital investments is no longer there. We must therefore direct the programs toward what can help it immediately and adjust the criteria a bit, while remaining relevant on a regional and economic level.

Mario Simard: Thank you.

There is also an adverse effect of the tariff war, namely that no one is willing to invest in innovation because people do not have cash and are simply trying to survive at the moment. This is a fundamental issue. Mr. Rustja will be able to elaborate on this.

You insisted, Mr. Renou, on a regional approach. Several witnesses have come to the committee to say that the forestry sector should be seen as a chain. The moment you cut one of the links in the chain, the whole chain is broken. We're currently cutting several links in the chain. There are therefore chips, among other things, for which there's no buyer.

I'd like to hear both of you on the importance of maintaining the integrity of the chain, perhaps by adopting a regional approach.

[English]

The Chair: We're at time, but I'll allow a quick response.

Stéphane Renou: I'm going to be fast so that he can say something.

[Translation]

The chain is integrated regionally from the forest to the paper mills. The biggest cost in the forestry industry is transportation. Today, we take chips produced in central Ontario and transport them to Chibougamau to make pulp. Today, in British Columbia, wood chips are being transported from the south of the province to the north, and this is being subsidized because there are gaps in the supply chain.

The danger is that pieces fall off because the interests of business owners, who are not always local either, are at stake.

[English]

The Chair: Thank you.

Give a really quick one, Mr. Rustja.

Steven Rustja: Really quickly, I couldn't say it better than he did.

The Chair: Wow. That's very efficient. It speaks to your emphasis on efficiency. Well done.

The last two speakers in this round are Mr. Rowe, followed by Mr. Danko.

Mr. Rowe, you have five minutes.

Jonathan Rowe (Terra Nova—The Peninsulas, CPC): Thank you.

My first question is for Mr. Rustja.

In Newfoundland and Labrador, we have an offshore oil and gas industry, and there are a lot of policies in place that are hindering investment. They're creating uncertainty. A lot of federal policies in place are creating uncertainty in that market.

You said it's better to have a bad deal now than a good deal later. Is that because of the uncertainty? Is it better to have a bad deal now so that it creates the certainty required for investors and business owners to double down in the market?

Steven Rustja: For me, it's less about government policy and things like that. You can work around what you know. When you don't know what the future is going to be like, it's very hard for any corporation to invest money into their businesses.

Right now, there are a bunch of people who would be doing things. Instead, they're either closing their businesses or shutting them down, rather than reinvesting in them.

● (1150)

Jonathan Rowe: It's a matter of risk management.

Steven Rustja: It's 100% risk management.

Jonathan Rowe: In Newfoundland and Labrador, we've had decades of the fishing industry, where Newfoundlanders have felt that our fishing industry has been used as a trading chip for other industries. Does your industry feel, when it comes to the tariffs, that it's being used as a trading chip to get better tariffs for other industries within Canada?

Steven Rustja: In the last few months, in the discussion around aluminum, steel, automobiles and lumber, those four, the priorities sometimes seem to shift.

Yes, we would love lumber to be the main priority. That was in my opening statement. We need Canada to do that so that we do have stability and we do have an agreement and we can make investments going forward.

Jonathan Rowe: The tariffs are just a huge blindside to Canada's economy. I remember hearing that Mark Carney doesn't care about the tariffs. I thought that almost sounded out of context, but I saw the video of Mark Carney being asked if he had a conversation with Donald Trump and he said, "Who cares? I don't care. It's not a burning issue of ours." I thought that was very concerning. A lot of times, the model now is, "We don't care about tariffs or the States. We want to sell to Europe and Asian markets."

Why can't you sell to Europe and other Asian markets and just divert to that?

Steven Rustja: You can't do that tomorrow. That's number one.

Two, those relationships take time.

Three, the world's a global economy. Just because there are people who buy wood in Europe doesn't mean that someone in Ontario who's 2,000 kilometres from a coast can access that market.

While it's true that you could develop that market over time—and, actually, in one of the committees, I did suggest that the Government of Canada help with freight to get us to that marketplace—it's not something that can happen tomorrow.

Jonathan Rowe: I agree with you. We're having the same issue with a refinery in Newfoundland. They want to transition to Europe and other markets, but it takes time.

With this new government, are you seeing things happening faster and at speeds we've never seen before, or is it the same old same old?

Steven Rustja: I would say that since this current administration in the U.S. has raised the CVD and ADD to 35% and the section 232 tariffs to 10%, there's been a greater sense of urgency on the lumber file specifically than there may have been over the past nine years.

Jonathan Rowe: It's good to see that urgency. It's like we woke up one day in Canada and realized that we need to be more independent and more dependent on ourselves.

On the other side of that, things weren't all that great before the tariffs. You mentioned that it's seven times more labour-intensive in your industry. There's the huge tax burden that industries in Canada have on the workers and on the hourly wage, with the income tax and all those other taxes we pay in Canada. That probably doesn't happen on the other side of the border.

Do you think that in a way, even before the American tariffs, we were tariffing our own economy with the amount of taxes we have?

Steven Rustja: I'm never going to say that high taxes are a good thing in any scenario.

Jonathan Rowe: It's one of those things. We had the carbon tax before. We had many years of the carbon tax. I just think that every tree that came down had to have a chainsaw, a harvester, all this equipment, all that fuel to get it out. That was a huge cost. We've taken that away now, but it's gone into the industrial carbon tax, which is still another cost that Canada has that other countries don't have.

I just see it as we've been tariffing ourselves for years when we could have been using that time, that lost decade, to actually get

ahead, to invest, have modernized equipment. When you're in feast, it's time to save for the famine, and we didn't do that. I think now we're hitting rock bottom, and—

The Chair: Please finish quickly, and we'll allow Mr. Rustja a response.

Jonathan Rowe: You mentioned the 35% retroactive duties and you wanted to elaborate on that, I think. Would you quickly be able to elaborate on that, or does it need more time?

The Chair: Please answer quickly.

Steven Rustja: What happens when they do these administrative reviews, and I'm talking quickly, is that they don't just set the deposit rates going forward. In August, the review set the deposit rates at 35% going forward, but it also retroactively changed all the shipments that were done in 2023 when we shipped at 8%. As an exporter, you have no idea what your tariffs and your duties are going to be until two years later. There's a huge burden on exporters coming if and when this deal is ever done, like triple.

The Chair: Wrapping up this round is Mr. Danko for five minutes.

Mr. Danko, go ahead.

Jonathan Rowe: I'm certain.

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

In this role, sometimes it feels like you're in a bit of an alternative reality, and I think some of the things that Conservative members say give you some insight into what they actually think on some issues. Half of Conservative voters actually support Donald Trump, according to a recent poll, so it's fascinating to hear that the Conservative intention is to further align Canada with the Trump White House.

I think Canadians are wondering, and have been wondering for some time, how aligned the Conservative Party is with the Trump White House. I think we're learning now, unfortunately, that that Venn diagram is actually a circle.

● (1155)

The Chair: I'd relate it to forestry.

John-Paul Danko: Thank you, Chair.

We also heard, in some discussion on climate change, that the Conservative solution to climate change is to cut down Canada's forests. I'd say that the basic chemistry of photosynthesis would disagree with that assertion.

My question is for Mr. Renou.

You spoke specifically about the need for further investment in the forestry industry, and you also spoke about transportation. Two current initiatives of this government are the productivity superdeduction that was in budget 2025 and the current supports for the forestry industry, including a 50% deduction on rail shipping costs for lumber.

Would you like to comment on those?

Stéphane Renou: I think we are back into an important piece of the puzzle. I think the transportation rebate that has been proposed recently is going to be helpful, especially if it's extended across the supply chain to more than lumber, to the entire forestry system. There's no doubt that these pieces help.

I think you mentioned global warming in your earlier remarks. I'll go back there for a second, if you'll allow me.

This is the biggest difficulty. Going forward, the uncertainty on policy as it relates to global warming inhibits a lot of investment today in one direction of change or the other and has locked up all investments.

That's a global thing. It's not just a Canada thing, by the way, and I don't think it's a Trump thing. I think it's a global thing. People realize that going to new technology is going to cost money out of their pockets if they want to go there.

It's a policy thing, and I'm not going to comment on the policy thing. I will just make the following comment.

When we look at global warming, we look at a lot of technology solutions. None seem to be cheaper than using oil, typically. As long as we at least realize that, all of us, then it's a political choice and a social choice. As a scientist, I will tell you that it costs me more money to make things from wood than with oil and chemistry, but the rest is up to you.

John-Paul Danko: Thank you.

I want to get back to your initial opening statement as well. You talked about the need for modernization and diversification in the forestry industry and specifically about investing in mills that are globally competitive.

What would that look like five or 10 years from now, if we were to do that?

Stéphane Renou: I will go on the pulp side and divert from the lumber side to give you a sense of how deep the crisis is.

On the pulp side, our older mills still operate on older technology. About 10 years ago, the Finns and the Swedes reinvested massively in their mills. They actually closed them completely and started with the new greenfield ones. It wasn't with advanced technology, but with modern technology like heat transfer and water management, which was different. They got a lot more competitive than us. Brazil is doing even better now, to the point that the Finns are getting non-competitive versus the Brazilians. Canada still hasn't moved. It's moving and moving.

If you look at all the mills in the world, Canadian mills are at the bottom of the pile. If we don't move up the pile, we're going to get in trouble. We constantly hide behind the fact that our fibre is better. That is a fact, but if I have the choice as a packaging customer

to buy the good stuff or a lot of the average stuff to do the same function, I'll go there. That's the equation we're missing right now.

It's a global market. The eucalyptus plantations in Brazil and China are ravaging the pulp market to a point where we may end up with pulp mills that are not competitive. That will have a domino effect across the forest sector, for my colleague here upstream and the rest going downstream.

• (1200)

The Chair: Thank you both. It's been a great exchange this morning among members with great responses by you—

[*Translation*]

Mario Simard: Mr. Chair, I would like to quickly ask a favour of Mr. Renou.

We talked about the famous chain and the regional issue. I think I've seen a presentation from FPInnovations where you can see each element of the chain.

[*English*]

The Chair: You have 10 seconds.

[*Translation*]

Mario Simard: If you could submit that to us, Mr. Renou, that would be great.

[*English*]

The Chair: Thank you to our witnesses for your testimony today. I think you telegraphed the urgency of the situation and also the importance of innovation.

Briefs are always welcome if you want to add, subtract or multiply what you've said this morning.

We've really enjoyed your testimony, so thank you very much.

Colleagues we're going to suspend for five or six minutes. We'll be back with our second panel.

• (1200)

(Pause)

• (1205)

The Chair: Colleagues, let me call this meeting back to order for the second panel.

We have, from GreenFirst Forest Products Inc., Michel Lessard, president.

Mr. Lessard, welcome to our committee, and thank you for being here.

You can use the earpiece and select the desired channel for interpretation.

You have five minutes or less to make your presentation. We look forward to hearing from you, Monsieur Lessard.

[*Translation*]

Michel Lessard (President, GreenFirst Forest Products Inc.): Mr. Chair, members of the committee, thank you for inviting me today.

My name is Michel Lessard, and I'm president of GreenFirst Forest Products Inc., a Canadian company with all operations located in Ontario.

GreenFirst operates four softwood sawmills in northeastern Ontario, with an annual capacity of approximately 500 million board feet. From the outset, we have practised responsible and sustainable forestry. All our operations are FSC certified, one of the most rigorous forest certification systems in the world. We also maintain close and respectful relationships with the indigenous communities affected by our activities.

Ontario's forestry industry has several natural advantages: a sustainable and reliable wood supply, a world-class forestry regime and the ability to produce low-carbon materials. Yet despite these strengths, our sector is currently facing an extremely difficult time.

A combination of factors is undermining the sector's viability. We are facing two major obstacles. The first obstacle is the countervailing duties of 35.16% and the tariffs of 10% imposed by the United States, which directly erode profitability and limit our ability to invest. The second obstacle is historically weak American demand, combined with very low selling prices, forcing us to closely monitor our liquidity and postpone essential investments.

Added to these difficulties is a structural challenge in Ontario, namely the surplus of wood chips and biomass resulting from the closure of numerous pulp and paper mills. In 2002, Ontario had 21 pulp and paper mills. Today, only three remain, including one, Kap Paper, in the northeast. The contraction of this sector has drastically reduced the market for by-products, leading to their storage, landfill disposal or long-distance transport, with high and unsustainable costs.

Yet these by-products represent real energy solutions: biochar for steelmaking, biofuels for transportation, forest biomass for electricity and torrefied pellets to replace coal, as New Brunswick intends to do in 2028. Developing these bioproducts, however, takes time—often three years from concept to implementation—and requires financial support, both to navigate current market conditions and to build the necessary facilities. Finally, it is essential to maintain support for pulp and paper mills, particularly the one in Kapuskasing, to reposition it toward a sustainable business model.

What the industry needs now is speed, diversification and competitiveness. To overcome this crisis, we first need rapid access to the programs announced by the Prime Minister on August 5, in addition to those announced yesterday, including those related to loans, diversification and accelerating residential construction. We must then diversify our markets, as we can no longer depend almost exclusively on the American market. Canada has a long history of supplying Asia, but no stable pathways have been established yet to southern Europe, the Middle East, or North Africa—regions facing

wood deficits and where demand will increase with the future reconstruction of Ukraine and Gaza.

However, beyond diversification, it is important to clearly understand that the industry requires a coherent set of measures to get through the current crisis. The items I am about to outline are not limited to international markets, but rather represent examples of the conditions needed to ensure the survival and competitiveness of Canada's softwood lumber sector.

Therefore, to support the industry—financially, operationally, commercially, and strategically—several federal measures are essential, including export support, particularly for emerging markets, to reduce dependence on the American market. A preferential investment fund is also needed to modernize assets, enhance competitiveness, and, where needed, support capacity reduction and workforce transition. Adjustments must be made to the Business Development Bank of Canada, or BDC, programs to provide conditions tailored to Canadian businesses in a crisis environment. Harmonization with existing Ontario programs, such as the forest sector investment and innovation program and those on biomass, forest roads and wood chips, must be carried out to ensure consistency in government actions. Finally, incentives are needed to increase the use of wood in housing, including medium and high-rise construction, in order to stimulate domestic demand.

● (1210)

These measures form a coherent package of actions needed to maintain operations, protect jobs, encourage innovation and help the industry navigate an especially challenging period.

In conclusion, this is a complex file. It touches on competitiveness, energy, international trade and the transition to a lower-carbon economy. But the solutions exist, and Canada's forest sector is ready to do its part to ensure a strong, sustainable recovery aligned with the country's objectives.

Thank you for your attention. I would be pleased to answer your questions.

● (1215)

The Chair: Thank you, Mr. Lessard.

[*English*]

Colleagues, we only have one witness on this panel. To give you a little more time, we're going to have two rounds of six minutes each for each party. We'll see how far we get in the third round. We should be able to do a third round.

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

Gaétan Malette: Thank you.

I will be asking a few questions in French. Make sure you have the translation on.

[*Translation*]

Mr. Lessard, thank you for being here.

What have been the repercussions of tariffs on the operation of your business and on producers in northern Ontario and northern Quebec?

Michel Lessard: The repercussions are huge.

We must pay 45%, whether in taxes or new tariffs. Given the countervailing duties we had, it's huge. Every 1,000 feet we send to the United States costs us extremely dearly. Furthermore, demand is very low.

In the past, countervailing duties were not as high as they are today. When there was strong demand in the United States, the rates were largely absorbed by the consumer. However, today, demand from the United States is low.

Interest rates remain quite high. For a person who wants to build a house and is applying for a loan from the bank, interest rates are still around 6% or 7%, so people aren't doing it. There's one more thing: with rates at 45%, will the consumer absorb an increase of up to 45%? We hope so, but for now, there's no indication of that.

We're closely monitoring our liquidities right now. We're also monitoring our closing costs in terms of profitability. I should talk instead about losses incurred because I don't think there's an industry or company making money today in these markets. We need to closely monitor our liquidities.

Gaëtan Malette: As you say, for the industry, profits are very rare, they're minimal—

Michel Lessard: They're nonexistent.

Gaëtan Malette: That's it.

I'm not necessarily talking about your company in particular, but how long will the industry be able to withstand what's happening? There are closures every week.

Michel Lessard: Yes, and it's not over.

Of course, if this continues, it will be extremely difficult for us to continue operating without government assistance, which, I repeat, was announced by the Prime Minister.

It's difficult to make predictions. For example, some large companies have been around for a long time in western Canada, and they have a good nest egg compared to ours. GreenFirst Forest Products Inc. is still a relatively young company created in August 2021. We haven't necessarily had that capability because the markets haven't been very good since then.

Without government assistance, I think it will be difficult to maintain operations, both for us and for the entire forestry industry. It's probably those who have the most liquidity who will be able to maintain their operations. For the others, it will be very difficult.

Gaëtan Malette: We often talk about the industry, but in the end, we need to talk about the workers.

In northern Ontario, if a business like yours closes, many jobs will be lost. I would add that if forestry companies close in areas where the forestry industry is the only industry, it will be difficult to reopen them once jobs have been lost.

• (1220)

Michel Lessard: Yes. That's a very good question. It's also an element to consider.

When analyzing whether it is better to continue operations or shut down, we certainly look at cash flow and losses incurred. However, there is always the issue of jobs as well. We have many good employees that we want to keep. They are all good employees.

As you know, in northern Ontario, there's a very high demand for labour in the mining industry. It is known that gold mines today don't have the problems the forestry industry has. So it's difficult to compete with them in terms of labour. That's another factor we take into account.

We have 750 direct employees, and the forestry contractors we work with have just as many. Towns and villages depend on the forestry industry.

There's still another element. Earlier, I talked about the paper mills. In the northeast, there's only one left. It's a paper mill called Kap Paper. We know all the difficulties that this paper mill has faced. If operations cease and it lacks chips and bark to maintain its operations, that will lead to other problems.

In this environment in northern Ontario, near Highway 11, which you know well, about 2,500 jobs are linked to our sawmills and Kap Paper.

Gaëtan Malette: Thank you.

[*English*]

The Chair: That's time, Monsieur Malette. Thank you.

Mr. Guay, you have six minutes.

[*Translation*]

Claude Guay: Thank you very much, Mr. Lessard, for joining us today. We are grateful to you.

I'm going to start with some good news. I don't know if you saw yesterday's announcement regarding the Canada Development Bank, BDC, program. You asked for some flexibility. Unnecessary disclosure requirements will be removed. The age of the debt will be reviewed and eligibility criteria will be relaxed.

Obviously, only time will tell, but I think that's in line with what you asked for earlier.

Am I mistaken?

Michel Lessard: No. However, once again, we need to hurry. A first announcement in that respect was made on August 5 by the Prime Minister. I understand fully that a new program needed to be implemented. Furthermore, it had to go through the banks, and we know that each bank has its own organization, its own programs and its own way of operating. I understand that it wasn't simple.

Today, we're in close contact with the BDC and our bank to try to speed things up. Sometimes, the bank says yes, but it is missing some information from the BDC. The BDC, for its part, tells us it has already provided all the information to the bank. So, we're trying to make sure they talk to each other.

Ultimately, we need to speed up the process so these funds are available as quickly as possible.

Claude Guay: I must say that the minister himself made a call to the major Canadian banks to ask for their co-operation to speed things up.

There's a second element I would like to hear about from you, namely the measure to lower transportation costs with Canadian National and Canadian Pacific, which I believe is now called Canadian Pacific Kansas City. Will this measure help you? Will it have positive effects for you?

Michel Lessard: Not really for us. From what I understand, the measure only applies to interprovincial rail transport. So it won't really help us. On the other hand, if this measure were extended to transportation to the United States border, it would help us tremendously.

Moreover, what scares me a little in this respect is that the big companies in the west could take this opportunity to liquidate wood. If they have significant inventories, they could benefit from assistance for interprovincial transport to dump product on the market in Toronto or Montreal, for example. They could send their wood to the east, and that would take away some opportunities for us.

I have some concerns about this measure. Furthermore, in terms of our interprovincial transport, this measure won't really help us.

• (1225)

Claude Guay: There are others. We received a representative from Chantiers Chibougamau, who complained. He said that, in British Columbia, for some types of wood or products, his product could be used instead of purchasing products from Europeans.

This brings me to ask you the following question. How do you compare yourself, or how should we compare ourselves? We heard a witness before you talk about investments and what Sweden and Finland are capable of doing. We even talked about a threat from Brazil, in the short or medium term.

How does the Canadian market compare to these markets?

Michel Lessard: It's difficult to compare ourselves with the European market. I would say that we mainly compare ourselves to the North American market. I would say that, in terms of North America, we're still quite competitive. The forestry system in Ontario is still a very good forestry system. We're able to ensure a sustained, sustainable and certified supply at a competitive cost. It's often the cost of the fibre that impacts the final product cost.

When we compare ourselves to our North American competitors, we find that we're still in a good position. On the other hand, there is certainly still a lot of investment to be made in our factories to be able to say that we're in the top quartile. The company has defined a strategy, and it's been presented to our shareholders. Our company is a public company.

The strategy consisted of two phases. In the first phase, we had to invest \$50 million, and in the second phase, between \$70 million and \$80 million. We have started the first phase, we have invested in one of our factories, mainly for a new sawing line and boilers. We just invested about \$28 million. We have also invested about \$3 million in Cochrane.

However, given the tariffs that have been imposed, we are forced to suspend those investments. In fact, we're not only suspending investments, we're asking each of our CEOs to reduce all expenses. We're currently doing the bare minimum. That said, we must certainly continue to invest to accomplish our mission and the vision we presented to our shareholders, which is to be part of the top quartile.

Claude Guay: I only have a few seconds of speaking time left.

Have you considered the possibility of using the \$500 million fund for transformation or tax credits for the superdeduction?

[English]

The Chair: Respond very quickly, please.

[Translation]

Michel Lessard: Yes, these are certainly things we're currently considering. This morning, I was speaking with our various government partners to move these files forward.

[English]

The Chair: Thank you.

[Translation]

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

Mario Simard: Thank you, Mr. Chair.

Thank you for your presentation, Mr. Lessard. You painted a good picture of the situation in the forestry sector by discussing the obstacles.

I put the same question to everyone. Currently, in Quebec, a proposal has been made by people from the forestry industry and major labour unions. It would seek to buy back 50% of the countervailing duties at the end of each month, so we can still access the American market and reduce the countervailing duties and tariffs, which total 45%.

Does this solution seem like an interesting option for maintaining your operations and allowing you to accumulate some liquidity?

Michel Lessard: Of course, it would be a very interesting measure for us and for the entire forestry industry. It's something we discussed internally with the other companies. We are quite unanimous that this measure would be very interesting for us.

Mario Simard: Thank you for your response. It will be included in our report.

Your response earlier to my colleague Mr. Guay provides some insight. A kind of vicious circle is being created. People in the forestry industry are being told that it might be necessary to move away from the commodity products sector and focus more on value-added products, which requires investments. However, in the current context, this is not the solution that would help us get out of the crisis, because, as you just mentioned, at your facilities, you're asking people to do the bare minimum because you don't have any liquidity.

This situation means you're somewhat trapped. You can't make investments to develop new products that would have more added value and that would allow you to develop new markets. At the same time, you're somewhat trapped by the American market. It's a situation that I find quite troublesome.

How do we get out of this?

• (1230)

Michel Lessard: I've been working in this industry for 35 years, and I have probably been hearing about secondary or tertiary processing for 35 years. Caution is needed in this respect.

First, secondary processing requires a viable and solid primary industry. That's the foundation of everything. Otherwise, it's like not having a two-by-four to start building something.

Second, the right choice needs to be made when you want to move toward something else. In the past, I've seen too many situations where the government helped various types of industries in a particular sector. In doing so, the market is flooded, causing many businesses to close their doors. Care must be taken when making expenditures, and it's really important to choose them wisely. Of course, many projects are considered, but as you said, it requires liquidity.

As I was saying, if we take this route, financial support will certainly be needed to make the transition.

Mario Simard: Most of your products are commodity items.

How long does it take for a company to set up a production line to produce glued laminated timber or cross-laminated timber?

Michel Lessard: Whether it's for that or for any other project, it takes about three years from conception to the start of operations. First, a market and feasibility study must be conducted. Once we think the idea is good, we need to do the engineering, buy the equipment, etc. It's a fairly long process, and we need to be able to survive during that time.

Mario Simard: I understand.

Ultimately, I want you to say that a majority of sawmills cannot survive this turning point within two or three years. We need to consider a much longer period. Before thinking about completely overhauling the forestry sector, it must be kept alive.

Michel Lessard: Given the current economic climate, it's very difficult to look a bit further ahead. Right now, we're trying to stay alive and keep our people's jobs.

Again, we obviously have ideas. Ideas are not rejected. We still have some, we've studied several and we'll continue to study more. However, for now, all our efforts are focused on finding solutions to get out of this crisis.

Mario Simard: If you remember well, during the pandemic, there was a wage subsidy to keep people's jobs.

Wouldn't it also give you a bit more breathing room if the government agreed to implement this for the sectors heavily affected by the trade war? Would you support such a measure?

Michel Lessard: Yes, absolutely.

Mario Simard: In conclusion, I'd say that there's a unique dynamic in Quebec. I don't know if it's the same in Ontario, but in Quebec, sawmills that produce less than 300,000 cubic metres sell their products on the local market. They don't export much to the United States.

Earlier, you mentioned something interesting. You said that train transport might allow competition to come in, not to invade, but to occupy local markets that would give you a bit of breathing room.

Is this a phenomenon you see in Ontario, even before the implementation of these incentives?

[English]

The Chair: Please give a quick response.

[Translation]

Michel Lessard: It's something we've already seen, but it's nonetheless manageable. For now, it's not a problem.

[English]

The Chair: Thank you.

[Translation]

Mario Simard: Thank you.

[English]

The Chair: We'll now go to our second round.

We have Mr. Malette, followed by Mr. Saini and Monsieur Simard.

I failed to welcome Mr. Diotte and Mr. Saini to our committee. It's the best committee on Parliament Hill. I think you'll all agree. We get along so well.

Mr. Malette, you have six minutes.

• (1235)

Gaétan Malette: Thank you.

Monsieur Lessard, in your introduction, you talked briefly about solutions or things that could be done. Could you go over those, please?

Michel Lessard: Yes, we have a lot of solutions.

We have a lot of programs in Ontario. These programs could also be used by the federal government to match the funds. For example, we have the FSIP in Ontario. The total for that program is \$10 million. We just submitted an application to the province, and just our company would need around \$12 million. We see that there aren't sufficient funds to respond to all our demands. That's one of them.

Other than that, we're talking about exporting. What happened for decades in the west is that these guys also established pretty good markets and relationships with Japan and China. However, that's not necessarily the case for us with Europe, as I said, or Africa. It's something that we need to develop. We also could develop trade credits. We could develop some warehousing. Again, we need to establish long-term relationships with these guys.

We exported in the past when the market was very difficult in the U.S., but it's tough to maintain a long-term relationship. We need to get some things put in place as a basis, again, to be there for a long time.

Gaëtan Malette: Monsieur Simard explained what was being done in Quebec. I don't know if you had the chance to answer on the program of buying back.

Michel Lessard: That certainly would be a good idea, to buy back the duties. Is that what you're talking about?

Yes, that would be a great idea. We're at around \$80 million just for the countervailing duties. We have probably another \$5 million with the tariffs. If you're adding \$85 million to our bank account, that would be very helpful.

Gaëtan Malette: Mr. Chair, I cede my time to Mr. Tochor.

The Chair: Okay.

Mr. Tochor.

Corey Tochor: It's important to look at the doublespeak and how it hurts Canadian workers. The Liberals claim that we align ourselves with the White House. We align ourselves with Canadian workers. When the Liberals talk out of one side of their mouth, it benefits them when they attack America; out of the other side, they claim to be working on a trade deal. What results is a political gain for the Liberal Party and a loss for our country. Canadians are waking up.

Claude Guay: Mr. Chair, are we talking about the Liberals or the government?

The Chair: It's your time, Mr. Tochor.

Corey Tochor: How much time do I have left now?

Corey Tochor: We heard earlier that the Liberals don't want to cut down trees and build homes with them. They would rather treat the forestry sector with loans or subsidies. This is no way to build a country. The forestry sector has to cut down trees in order for us to build homes.

Do you believe that the forestry sector could continue if we don't cut down trees?

The Chair: You have two minutes and 20 seconds. Please proceed.

Michel Lessard: To continue to cut down trees...?

Corey Tochor: That's correct.

Michel Lessard: I hope so.

Corey Tochor: I do, too. I wish more committee members would believe that we need to cut down trees in order to support the industry, versus loans and subsidies that we know will cost billions for taxpayers.

Michel Lessard: Yes. If there are no trees, then there's no industry. It's like blood for us.

During this period of time when the market is so difficult, as I said, without some government support, it's going to be very difficult to go through that.

Again, we would like to have other solutions. Increasing the housing in Canada will help. For sure, that's going to help, but that's not going to be enough.

That's why we need to be able to continue to get access to different markets, as I said, to export to Europe, as I mentioned, Africa or wherever, or have some support to be able to continue to export to the U.S.

• (1240)

Corey Tochor: Thank you.

Mr. Chair, I would like to move a motion to continue our debate on the notice of motion, which Shannon Stubbs moved on October 17, 2025.

The Chair: That is in order. We will go straight to a vote.

(Motion negated: nays 5; yeas 4)

The Chair: Your time is up, Mr. Tochor.

We will go to Mr. Saini.

Mr. Saini, welcome to the committee.

Gurbux Saini (Fleetwood—Port Kells, Lib.): Thank you.

Mr. Lessard, I lived most of my life in a forest community, in Williams Lake, and I feel your pain.

It's disturbing that my colleagues on the other side are saying this is a Liberal issue or our government's issue. This countervailing issue has been going on for the last 40 years, when we've had Liberal governments and Conservative governments. At the end of that time, the only way we settled it was through the World Trade Organization. We paid billions of dollars, and we got it back. Now, the U.S. government has refused to appoint judges on that committee, so we can't even go there.

I would like to hear your comments on that.

Michel Lessard: I'm not here to do politics, but the point—

Gurbux Saini: I just want you to state the facts.

Michel Lessard: On the facts, the issues with the U.S. are something that have been there, as you mentioned, for decades. We were able to get an agreement, which ended in 2016. We've also been paying tax—or duties, I should say—since 2017. Since that time, we have paid around \$10 billion Canadian. That's a huge amount. I'm talking about the entire industry, not just about our company. It's a huge amount. Again, that affects us.

The only way for sure, and what we hope is going to happen, is to have a settlement done soon. That's the only way to move forward.

There is another problem. When I watch the news, I see that the Trump government doesn't necessarily have much interest in a settlement. It's pretty tough to negotiate at a time when the other side doesn't want to.

If you go back to the agreement we had in 2006, first of all, there was one major issue at that time, and that was lumber. Today, we hear about lumber, yes, but we also hear about energy, cars, industry, aluminum and steel, etc. There's a lot of noise, I would say.

If we go back to 2006, there was only the lumber industry issue. After that, both governments wanted to have a settlement because they found that it was good for both countries to get that done. Again, we're not there, actually.

Gurbux Saini: In the last three rounds, we won the cases at the World Trade Organization and got our money back. There is no such panel because the U.S. refuses to put people there. How can we win those cases? Why do we continue putting the blame on the government in existence today?

Michel Lessard: The only thing is that we need a settlement. Yes, at that time, in 2006, on the settlement, we were able to get around 80% of our money back. We're hoping that something like that will happen. At that time, we also didn't have as much at the border of the U.S. as we have today.

The only way, again, is a settlement, but we need to dance for that. We also don't yet know when a settlement could happen. That's why we're very pleased with the support the government is providing.

We have the opportunity to provide some ideas, like the ones I mentioned, for the federal government, which is what we're doing. For me, export is one of them. Matching funds is another one, and put in place the ones that have been announced as soon as possible to get the benefits of them.

● (1245)

Gurbux Saini: The lumber business is based on supply and demand.

My friend on the other side has said that the last 10 years have been devastating. Could you tell us? In 2021, 2022 and 2023, the forest industry made the biggest profit in the history of this country.

Michel Lessard: Yes, during COVID times, I would say in 2020, 2021 and 2022, and mainly 2021. That was a very good year. We got prices that we never saw in the past. We're hoping to see that again eventually, but as I said, there are a lot of circumstances, just like the ones I've mentioned. Also, the high interest rate that we see in the U.S. is impacting the demand. It's certainly not helpful.

On the other side, when you're looking at the duties we're paying today with the tariffs at 45%, even though there's a demand in the U.S. market, how much would the customer absorb? Are they going to absorb 100% of the tariffs we're paying? It's something we don't know yet.

Today what I know is that there's no demand, and the tariffs have not been absorbed by the customers in the U.S. The price did not follow. The prices did not increase by 45%.

The Chair: Thank you, Mr. Saini.

Monsieur Simard, you have six minutes to complete this second round.

[*Translation*]

Mario Simard: That's generous, thank you.

Mr. Lessard, in your presentation, you talked about the development of new markets, such as southern Europe, the Middle East and North Africa.

Will that not cause a problem on your assembly line? Wouldn't it require a shift from an imperial system to another system? Even if we were to develop new markets, wouldn't that require some changes?

Michel Lessard: Yes, it would require changes, but we already made some when the market was tough during the great global crisis. It can be done. If there's a good market and a good long-term partnership, it's easy to do.

Mario Simard: You seem to be saying that you've already done it. Is the cost-benefit analysis positive despite the transportation costs?

Michel Lessard: No. That's where it becomes extremely difficult and where we would need help.

Exports will require government assistance, particularly in terms of transportation. Indeed, if we were to look today at the transportation costs for Europe, the cost-benefit analysis would certainly not be favourable. We would therefore need help with transportation, and with setting up warehouses and supporting exchanges.

There is an excellent opportunity there, but it would be difficult to achieve it without help.

Mario Simard: I am curious. You have clients in the United States. Someone from here, who is colourful and whom I won't name, told us not long ago that when negotiations resume, we just need to strangle them by holding on to our wood for a while since the Americans don't have the capacity to meet their needs.

That might be the radical way of doing things.

[*English*]

Claude Guay: Can I ask the members to go outside if they want to talk?

• (1250)

The Chair: I'm sorry. Is there a point of order?

What's the point of order?

Claude Guay: Can you ask the members to have discussions outside?

The Chair: Yes.

Colleagues, if you could, let's show the witness and our colleague—

[*Translation*]

Mario Simard: Thank you, Mr. Chair.

[*English*]

The Chair: —our respect and our attention.

Thank you.

[*Translation*]

Mario Simard: I'll continue. Someone was telling me that strangling them and holding the wood might be the solution.

Isn't there a diplomacy to be established between people in the construction sector in the United States and you? Anyway, they need the fibre that you're able to give them. They must directly face the consequences of the current situation.

Does this kind of discussion exist between industries and their various clients?

Michel Lessard: There are two things.

First, strangling them can be extremely difficult, as we need that market. It's our largest market. As I mentioned earlier, reaching 500,000 constructions per year, thus doubling what we are currently doing, will not be enough. Of course, it would help us. We obviously take everything we can. However, we still need that market, as it's a natural market. We were talking about transport. It's easier to deliver our products to the United States; strangling them could therefore be a little bit more difficult, as we might get caught in our own game.

Second, there are those who buy our wood in the United States. We're in constant communication with these people. They certainly find the situation difficult. Canadian wood is highly valued, especially spruce. Mr. Malette knows the northern sector very well. It's a good material that home builders really like to use because it's lightweight and strong. It's a highly valued wood. Furthermore, there's certainly pressure being applied by major retailers, whether it's Home Depot, Lowe's or builders' associations, among others, but there's a very powerful lobby in the United States, namely the American forest industry coalition.

Mario Simard: Is it more powerful than its Canadian counterpart?

Michel Lessard: You have to believe it is.

Mario Simard: You still have discussions and connections with these people, right?

Michel Lessard: Yes, absolutely.

Mario Simard: So it would be entirely possible to organize a trip for a group to talk with these people and try to demonstrate the

benefits of our forestry industry and perhaps have an influence on public decision-makers.

Michel Lessard: Yes, absolutely.

There is no bad idea. Everything that can be attempted must be done to resolve the situation.

Mario Simard: Earlier, you mentioned support for exports through a competitive investment fund.

What did you mean by that in the proposals you made? I think Mr. Guay responded regarding the Business Development Bank of Canada. I know there have been issues with linking. You also talked about a competitive investment fund to make the industry more competitive.

What do you mean by that?

Michel Lessard: It would help us invest in the factories we currently have.

Again, I've been working in the forestry sector for 35 years. I've often come knocking at the door of the federal government, but there always seemed to be fears about helping the forestry industry. Even if our projects didn't necessarily directly involve lumber, even if the connection was very indirect, there was always a fear of helping us.

[*English*]

The Chair: Thank you—

[*Translation*]

Michel Lessard: Today, we see doors opening.

[*English*]

The Chair: Thank you.

[*Translation*]

Michel Lessard: To conclude, I would add that it would help us improve.

This fund would also help us if there were employee retraining.

Mario Simard: Thank you.

[*English*]

The Chair: Colleagues, we're coming to the top of the hour. I'm going to suggest a quick round so that we get through all parties. Mr. Tochor will have three minutes, Mr. McKinnon will have three and Monsieur Simard will have one and a half.

Mr. Tochor.

Corey Tochor: Thank you, Chair.

Thank you to our witness for being here today.

In your earlier testimony, you talked about watching the news. Back in 2006, we had some breakthroughs. We had relative peace in the sector for 10 years. Then 2015 happened. For the last 10 years, the times have been a little bit difficult for the men and women who work in the sector.

Have you seen a change? When you're talking about the news that you've been watching, do you think they're portraying the pain that you've witnessed in the sector?

• (1255)

Michel Lessard: I'm sorry. I missed the last part.

Corey Tochor: I'm talking about the pain and suffering of some of the workers in the last few years.

Michel Lessard: Are they greater, do you mean?

Corey Tochor: Are they larger than what is being portrayed in the news right now? You're an expert in the industry of forestry.

Michel Lessard: The pain is pretty big, because, again, people are losing their jobs. That's an issue. We are in the north of Ontario, in small towns, where it's sometimes difficult to attract and retain people. We want to be able to continue to operate, maintain these guys in operations, get employment and not necessarily leave our facility to go and work in mining or go back to the Toronto area.

It is particularly sensitive, yes, with the workers. That's why we are paying a lot of attention to them. It's to be able to retain them and keep them at work.

Corey Tochor: These people are suffering. If they hear stories of people who don't care and joke about not cutting down trees and supplying the industry with unlimited loans and subsidies, how would they take that?

Michel Lessard: Do you mean the subsidies and things like that?

Corey Tochor: Instead of allowing you to cut down trees.

Michel Lessard: They're allowed to cut trees.

Corey Tochor: I know.

Michel Lessard: Yes.

Corey Tochor: That's how ridiculous the Liberal policies are sometimes.

Michel Lessard: People are hoping to get some financial support from the government. They know it's tough for our company and the entire industry. They want to keep their employment. We have big support from the employees, the mayors and the chamber of commerce, etc., to be able to maintain...

They see all the opportunities we could get for them as good news, even if it's a decreased settlement or a decrease in the tariffs. If we could have that—

The Chair: Thank you.

Michel Lessard: Let's say an increase in support.

The Chair: Thank you.

Mr. McKinnon, you have three minutes or less.

Ron McKinnon: Thank you, Mr. Chair.

Mr. Tochor seems to have the misguided fantasy that we don't like cutting down trees. We absolutely support the forest industry. We absolutely support the harvesting of the resources there.

I'd like to carry on. There's a lot of pressure on us to complete an agreement with the United States at this point. As you pointed out, it's an inopportune time, considering that they don't seem to want an agreement.

What do you think an agreement should look like? What would be advantageous to your industry?

The Chair: Be very quick, Mr. Lessard.

Michel Lessard: I'm going to be quick on that.

We already submitted something to the federal government about what we, as the forest industry in Canada, think the settlement could be. I'm not going to go into the details, but we already provided this information.

The Chair: Thank you.

We'll wrap up with Monsieur Simard.

You have a minute and a half.

[*Translation*]

Mario Simard: I will be very quick.

Mr. Lessard, you raised something very important earlier, namely the government's reluctance to support the forestry sector. I've been approached by many people who told me that, when you're in primary processing, have a project and contact Economic Development Canada, you're immediately referred to Global Affairs Canada; and there, you're told that you can't receive financial support because it risks going against trade agreements.

It's good to point that out, as it's an element that should be corrected. I hope this will be part of the report. It's an element that should be corrected, because when the crisis is over, if we want to transform the forestry sector and give it access to programs, we'll need to be more proactive.

I would like to hear your comments on this. Have you had access to any federal government programs?

[*English*]

The Chair: Give a quick answer, please.

[*Translation*]

Michel Lessard: We've made requests and we're waiting to receive the necessary funds. We've applied for some loans from the Business Development Bank of Canada, the BDC.

That said, to be honest with you, this is the first time a government has given the forestry industry a chance and said it will help it directly. This is the first time I've seen this. So it's good news.

• (1300)

[*English*]

The Chair: Monsieur Lessard, thank you so much for your insights and your testimony. You got a good working over from all of the committee members as our only witness in this portion. We really appreciate your testimony. As we say to every witness, if you would like to submit a brief with specific recommendations, we'd welcome it.

Colleagues, with that, we are adjourned.

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