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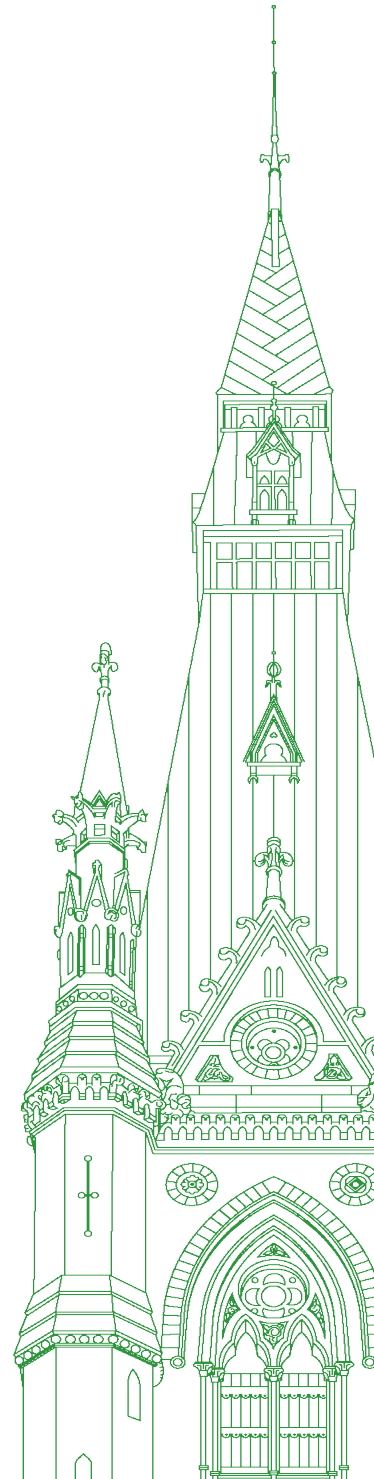
Standing Committee on Industry and Technology

EVIDENCE

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Chair: Ben Carr



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• (1100)

[English]

The Chair (Ben Carr (Winnipeg South Centre, Lib.)): Welcome to the Standing Committee on Industry and Technology. We're continuing a conversation on electric vehicles.

For witnesses in the room, if you temporarily take off your ear-piece and it's still plugged in, please make sure it's placed on the sticker in front of you. That protects the health and safety of our interpreters.

I can verify that all the testing related to those joining us virtually has been effectively completed.

We have three witnesses with us here today. From Electric Autonomy Canada, we have Ilana Weitzman, vice-president, strategic initiatives, clean transportation. She's joining us virtually. From the Global Intelligence Knowledge Network, we have Neil Bisson, director. Joining us from The Transition Accelerator is Moe Kabbara, chief executive officer.

Witnesses, you'll each have up to five minutes for introductory remarks, followed by rounds of questioning from members around the table.

Ms. Weitzman, I'm going to turn the floor over to you to start. You'll have up to five minutes.

Ilana Weitzman (Vice-President, Strategic Initiatives, Clean Transportation, Electric Autonomy Canada): Thank you, Chair and committee, for the great honour of participating today.

Electric Autonomy is an independent media company and the news source for EV information in Canada, with over 40,000 users each month. Just last week, we convened 2,000 business and government delegates from Canada, Europe and the U.S. at the EV & Charging Expo and kWh Summit conferences, Canada's biggest B2B EV event. The event hosts over 900 organizations, ranging from DHL and Purolator to Sobeys and Canadian Nuclear Laboratories.

I want to emphasize that we are not a trade association representing the interests of a specific group but an independent Canadian media business that helps companies and municipalities make confident decisions in adopting zero-emissions technologies.

Electric vehicles are an innovative, breakthrough, disruptive technology. Canada prides itself on being a global innovator and leader, but we are very behind the rest of the world. In Canada, we are at 11.2% in zero-emissions new car sales. That's according to StatCan's Q4 2025 numbers. This means that we're using old and

inefficient technology that costs consumers and companies about 90% more in fuel and 50% more in maintenance.

This is not politics. This is about core affordability and productivity, which I know everyone in the room here today cares about for Canadians. The gas tax cut will save a typical driver \$17 a month for five months. EVs save drivers \$250 a month indefinitely.

Let's imagine a gig driver who drops their kids off at school and then uses their vehicle to deliver e-commerce packages or ride-hailing services. They're filling that tank every two or three days and probably burning \$700 a month or more. That money could go to rent, groceries or child care. Car dealers still get to sell cars, but even better, the fuel is provided by local electricity workers and generators. What could be better for our economy and stability?

In our strategic work, we start from the ground up, talking to everyone from drivers to fleet operators to those who manage parking lots. At our event last week, I was talking to Element Fleet Management. They work with a corporate client that operates just nine electric company cars. They are dipping their toe into electrification. Last year, even before the geopolitics currently affecting gas prices, they saved \$15,000 in fuel costs on just those nine electric company cars. Now think about a company that operates hundreds of vehicles and the efficiency gains.

I'm going to take this time to give you a quick list of what meaningfully benefits Canadian companies and consumers as we electrify.

First, the clean fuel regulations credits are an essential market-based tool. These compliance credits create a revenue stream that offsets the significant cost of charging stations for fleets, charging sites or even residential customers. In the last case, this means regular drivers like me not only can get a free charger, but can potentially get the electricity to fuel their cars completely free.

I know that the government is dropping fuel taxes, which is a cents-per-litre savings. How about making Canadians completely immune to current gas price spikes? I'd like to address this particularly to our Conservative representatives, who might not realize that these savings go right into the pockets of everyday Canadians.

Second, remember that while typical Canadians drive 45 kilometres a day, a delivery truck can easily travel 175 kilometres. If you're looking to see emissions reductions, that is where the money is and why our company focuses primarily on fleet electrification, not consumer vehicles.

This is what I would ask: Consider allowing clean technology investment tax credits to be used for on-road fleet charging. Currently, the credits can be used for off-road vehicles, such as electric mining equipment or golf carts. There's no reason that charging infrastructure for on-road fleets shouldn't qualify. We know that when fuel costs rise, goods and services become more expensive. Switching commercial vehicles to electricity, which is regulated, creates price stability.

Third—and here is a bit of an out-of-the-box idea—create special taxable benefit rates when company cars are electric. When my cousin in England receives a company car that is electric or participates in an employee lease program, he pays a much lower benefit in-kind rate than on a gas vehicle. In 2026, that is 4% instead of his marginal tax rate of, say, 45%.

Why should we allow affluent consumers to have this benefit? It's because the knock-on effect is that this creates a very robust used EV market. Company vehicles come off-lease after three or four years. This creates more affordable used EVs for everyone.

• (1105)

Last, please give people a plug at home if they live in a condo or rental apartment. The reality is that we are seeing more renters than homeowners and fewer folks who can afford single-family homes. This is the biggest nut to crack. ZEVIP is a highly capable vehicle for this. Support for condominiums and apartment buildings to be able to assess their energy needs and install charging infrastructure will give close to two million Canadian households the unbelievable convenience of fuelling their car the way they power up their phone.

Thank you, everyone.

The Chair: Thank you very much, Ms. Weitzman.

Mr. Kabbara, we'll go to you next. You have five minutes. The floor is yours.

• (1110)

Moe Kabbara (Chief Executive Officer, The Transition Accelerator): Thank you, Mr. Chair and committee, for inviting me to speak.

My name is Moe Kabbara, CEO of The Transition Accelerator. We're an independent, non-partisan organization that's focused on working with industry, government, indigenous communities and finance. Really, our focus is to make sure that Canada comes out more competitive and stronger as a function of the energy transition happening globally.

I'll start by talking a bit about EVs. To bring us back to 2017, I would say that when we look at what happened in the EV market, we hadn't really started this experiment until the Model 3 came out. Before that, we had EVs, but they were expensive. They were short-range. So we've really been running this experiment for only eight years.

What happened in those eight years? EV sales were one in 50, and last year they were one in four globally. They're expected to be one in two in four years. We can argue about whether that will happen. Maybe it will take four more years. Maybe it will be one in two in eight years instead of four, but the trend is clear. The trend, I would argue, is not really driven by emissions or climate anymore.

Let's look at Ethiopia. You're probably wondering why I'm mentioning Ethiopia. Well, it's one of the lowest-income countries in the world, but last year, six in 10 new vehicles sold there were EVs. What's the reason for that? They're saving \$4 billion on foreign currency fuel costs. So when we see that, it's not just about the "tech bros" in San Francisco driving Teslas anymore. It's about a longer-term trend based on technology that is superior in cost and performance.

What does that mean for Canada? I'll talk about four things, and I'll try to be quick.

One area is charging infrastructure. I think for charging infrastructure, the role of federal dollars, the role of the federal government, is to make sure that we grease the wheel so we can get to a sustainable model with a market assessment or market demand for charging infrastructure based on a good business case. An investment tax credit is a much more effective way to deal with that instead of the programs.

We have to distinguish that there are two buckets for charging infrastructure. There are charging networks, which will make money because they're in high utilization areas, but there are areas where they'll never make money. It's kind of like the broadband stuff in rural areas. We just need them as a public good. This is where I think program support can focus.

Another area is GHG standards. We know about the electric vehicle availability standard. The new auto strategy signalled that we're going to have GHG standards to have the equivalency of 75% EV sales by 2035.

I would just advise the committee that the focus here shouldn't really be on environmental stringency or environmental compliance. These standards are useful for two things. They're useful for signalling demand with enough certainty for investors in charging and investors in grid upgrades. The balance here should be to try to get the standards calibrated so that we don't end up in the same situation we did with the EV availability standards, where they're not really viable or realistic, but they're not also so loose that they actually lose the investment anchor. That's the challenge there. I would advise the committee to consider that.

The third thing I want to talk about is that EVs are really an industrial policy play for Canada. When we look at our auto sector, we were making three million vehicles in 1999. Last year, we were making 1.3 million vehicles. That's a more than 50% drop in manufacturing those vehicles. There are lots of reasons for that. Mexico getting in on the game is one of them.

The disruption happening to the auto sector globally with EVs is an opportunity for us to potentially reverse this trend, because now what is part of the auto sector is not just the vehicle assembly; it is the battery cell manufacturing, the cathode manufacturing and the processing of lithium. This is an opportunity that would go beyond just southern Ontario. It would help expand the potential economic opportunity all across Canada.

A practical thing that I would advise the committee on is what's being considered in the remissions framework with the auto strategy. The idea is that we would allow automakers to generate credits that they could use to basically import vehicles tariff-free.

The auto strategy signalled that it's looking at basically allowing that system for companies that are making investments in Canada. I would advise that this definition of investment be more comprehensive and include not just vehicle assembly but also other parts of the supply chain, including battery assembly, battery processing and material processing.

• (1115)

The last point I'll make is on China. China exported a million vehicles in 2020. Last year, it exported seven million vehicles. Let's just let that sink in for a second. That's seven times more in five years. Whether China is going to enter the North American market is no longer a question. I think the question is, when and how, and how does Canada make sure that it's to its advantage?

The selective exposure that we've had with the recent negotiation and deal with the Chinese is a good model. We're not letting the floodgates open and allowing vehicles to come in and hurt our domestic market, but then the question is, what do we do moving forward?

I think joint ventures are something we need to consider. The security concerns—and we'll hear from Neil on this—are real. We can't really ignore the cybersecurity concerns, but there are ways to help mitigate them. If we start from the point that we're not going to be able to avoid this in the long term—maybe we can for five more years, but longer term, we're not going to be able to stop the Chinese from coming into the North American market—how do we do that?

I'll leave you with those four points. Thank you.

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

Mr. Bisson, the floor is yours for five minutes.

Neil Bisson (Director, Global Intelligence Knowledge Network): Good morning, Mr. Chair and members of the committee. Thank you for the invitation to appear today.

My name is Neil Bisson. I'm a retired intelligence officer with the Canadian Security Intelligence Service, the director of the Global Intelligence Knowledge Network and the president of the Ottawa-Gatineau chapter of the Pillar Society, which is an organization comprising former Canadian intelligence professionals dedicated to supporting the Canadian intelligence community and advancing national security awareness in Canada.

I'm here today to provide a national security perspective on Canada's electric vehicle policies as they relate to Chinese EVs.

At the outset, I would like to be clear. This is not a discussion about electric vehicles themselves, nor is it about limiting competition or innovation. This is about understanding the national security implications of introducing Chinese EVs into Canada and into its critical infrastructure ecosystems, including communications, transportation and the electrical grid.

During my career as an intelligence officer, I assessed three major components of every source: motivation, suitability and access. Motivation reflects intent, suitability reflects capability and access determines whether the information is obtainable. As I continue through my opening statement, I will demonstrate how Chinese electric vehicles can be used by the People's Republic of China and the Chinese Communist Party against Canadian national security interests.

CSIS and the CSE reporting consistently identifies the PRC as an enduring and sophisticated threat that conducts widespread cyber-espionage and influence operations against government, academia, private industry and civil society to advance its strategic, military and political goals. This reflects clear and sustained motivation by the PRC.

According to the CSE, the PRC operates one of the world's most extensive intelligence systems, using advanced cyber-capabilities to target government systems, critical infrastructure and research sectors. This includes compromising thousands of devices within Canada, targeting innovation for intellectual property theft, engaging in transnational repression and using disinformation and artificial intelligence to influence democratic processes.

The Government of Canada has already recognized the national security risks associated with PRC-linked technologies. Huawei and ZTE were banned from Canada's 5G networks after intelligence agencies warned that integration of them could provide potential backdoor access to sensitive government, commercial and personal data.

Canada has also acted against surveillance technology, ordering Hikvision to cease operations following concerns that its systems could enable covert surveillance, access video feeds and collect biometric data at scale.

In addition, PRC-linked digital platforms have been used to influence Canadian society, with officials identifying during a recent federal election a coordinated information campaign on WeChat that sought to shape narratives and influence voters through inauthentic amplification.

Taken together, these examples demonstrate the PRC's suitability for exploiting telecommunications infrastructure, surveillance technologies and digital platforms operating within Canada.

This brings us to access. China's 2017 National Intelligence Law requires companies to co-operate with state intelligence services, which means that access held by those companies can ultimately become access for the state.

Modern electric vehicles are highly connected, software-defined platforms that continuously collect and transmit large volumes of data, including geolocation, driver and passenger behaviour and communications, environmental mapping and external camera recordings. In effect, each Chinese-manufactured EV is an extraordinary source of valuable data—the potential eyes and ears of the PRC—and we are on the verge of importing and dispersing tens of thousands of them across Canada.

Chinese EVs will also be connected to the electrical grid through smart charging systems, home energy integration and emerging bidirectional technologies, becoming part of a broader, interconnected energy ecosystem. Any system that is connected to critical infrastructure and capable of external communication introduces potential avenues of exploitation, including data collection, system access and disruption.

The PRC has already targeted Canada's energy sector. In Quebec, a Hydro-Québec researcher was recently charged for allegedly sharing sensitive battery research information with PRC-linked entities.

Open-source reporting indicates that some Chinese electric vehicle manufacturers integrate technologies developed within the same state-directed ecosystem, including software platforms, advanced sensors and connected infrastructure.

The issue is not whether a single vehicle poses a threat, but whether Canada is prepared to introduce into its transportation networks tens of thousands of connected, Chinese-developed systems that are built and operated within an environment where the CCP has demonstrated both the motivation and capability to conduct espionage and foreign interference.

• (1120)

Providing this level of access, particularly as these systems integrate within broader networks, including our energy grid, introduces new and potentially long-term vulnerabilities. Once access is established, it becomes difficult to detect and even harder to reverse. The decisions made concerning the importation of Chinese EVs will determine whether Canada manages this risk or introduces significantly more of it.

Thank you.

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

Okay, colleagues, we're going to enter our first round of questioning.

Mr. Guglielmin, the floor is yours for six minutes.

Michael Guglielmin (Vaughan—Woodbridge, CPC): Thank you, Chair, and thank you to all the witnesses for their testimony today.

Mr. Bisson, you were an intelligence officer with CSIS. Is that correct?

Neil Bisson: Yes, that's correct.

Michael Guglielmin: How long did you serve in that capacity?

Neil Bisson: I was an intelligence officer from 2002 until 2020.

Michael Guglielmin: You are currently the director of the global intelligence network.

Neil Bisson: Yes. It's the Global Intelligence Knowledge Network.

Michael Guglielmin: In your professional opinion, would you agree with CSIS's public statements that China and the Communist Party in China represent one of our largest national security threats?

Neil Bisson: Yes, I agree with the information that's provided by the Canadian Security Intelligence Service in relation to the threat of China.

Michael Guglielmin: In your opinion, what is it specifically about the way the Chinese operate that makes them a national security threat?

Neil Bisson: It has to do with the sophistication of the operations they conduct. Most recently, it has to do with the fact that they are no longer concerned with whether or not they are called out on any of these issues. This was previously identified, in the most recent reporting, when it comes to the FBI identifying that they've been involved in activities for cyber-espionage.

Michael Guglielmin: You've also described Internet-connected vehicles as a portal into our infrastructure—both communications and energy—with the potential to facilitate cyber-attacks and shut down systems. While that risk could apply to connected vehicles more generally, would you say that risk is enhanced when we're talking about vehicles that are manufactured in China?

Neil Bisson: As I previously stated, I believe the motivation and suitability in relation to Chinese operations and in relation to intelligence collection, foreign activity and transnational repression demonstrate that, yes, that is the case.

Michael Guglielmin: Given all that and given that, as we were talking about previously, CSIS has said that China poses an intelligence threat and is engaged in cyber-espionage, foreign interference and what CSIS calls pre-positioning in critical infrastructure to enable future disruption, would you say that the Canadian government is largely taking those warnings seriously given the way they're approaching an EV deal with China?

Neil Bisson: I believe the information being provided by the Canadian Security Intelligence Service and the Canadian intelligence community demonstrates that the implementation of any Chinese-based technology comes with a certain amount of risk, and that risk needs to be assessed and dealt with.

Michael Guglielmin: I'll bring this together. When you combine these Internet-connected vehicles from a state-directed adversary—plugged directly into our electrical grid and operating across our roads and cities—with a government that, as you pointed out, has basically subordinated security to trade, do you think we're sleepwalking into a serious compounding vulnerability to our critical infrastructure, potentially?

Neil Bisson: I believe that at this point, we have seen the previous motivations and suitability of the intelligence organization of the Chinese government and what they're willing to do and are capable of doing. That in itself is a reason to take caution in relation to any implementation of technology here in Canada.

Michael Guglielmin: Do you think we are ready to deal with some of these emerging security threats when you combine the way certain state actors, such as China, which we're talking about here, seem to progressively pursue threats to our national security? This could be enhanced with the introduction of new artificial intelligence technology. Do you think we're ready to handle these threats?

• (1125)

Neil Bisson: The Canadian government needs to continue to assess the potential downfall or potential risks continuing to come from not only China but also other states. As technology advances and the implementation of that technology into Canadian infrastructure continues, that concern will continue as well.

Michael Guglielmin: Just to clarify, would you say that bringing in electric vehicles manufactured in China poses a national security threat to Canada?

Neil Bisson: I believe the implementation of any technology that comes from a country that has previously demonstrated the suitability and motivation that the Chinese government has could potentially cause more risk to national security here in Canada.

Michael Guglielmin: What would you recommend that the government do if it were going to bring in electric vehicles from Chinese suppliers, and from China writ large, in order to better prepare ourselves for the national security implications?

Neil Bisson: Unfortunately, I'm not savvy enough when it comes to the technology side of things. All I can state is that we have seen what the risks are. We have seen that the Chinese Communist Party is willing to participate in cyber-espionage, intellectual property theft and transnational repression, and all of those things are detrimental to the national security of Canada. If the implementation of technology that is being provided by the Chinese government, or by the People's Republic of China, could mean access to more of this

information within Canada, then that is definitely a threat that needs to be dealt with.

Michael Guglielmin: Thank you very much.

With 20 seconds left, I'll turn it back to you, Chair.

The Chair: Thanks very much, Mr. Guglielmin.

Madame O'Rourke, the floor is yours for six minutes.

Dominique O'Rourke (Guelph, Lib.): Thank you, Mr. Chair.

The first question is for Ms. Weitzman, and perhaps also for Mr. Kabbara, if you can keep your answers short. Can you give us a general summary of the response to the government's auto strategy thus far?

Ilana Weitzman: I will keep this short.

The general response is very positive. It has created a direction that is giving the industry and the sector as a whole some confidence. We now have incentives in place with clarity for light-duty vehicles. We definitely feel that the indicators are a way to allow commercial development of charging infrastructure and would give a push for automakers, which can see a clear vision from this government.

Dominique O'Rourke: Mr. Kabbara, could you give your perspective?

Moe Kabbara: I'll keep my answer short.

It was a great move from sales mandates to industrial policy, specifically including things like the remissions framework signal, which we're going to use to incentivize companies to invest in Canada as a way to access the Canadian market. That is a great signal for making sure that we're building the auto sector and protecting Canadian investments.

Dominique O'Rourke: I think you both spoke to the fact that a number of organizations are seeing the benefit of electric fleets in terms of cost savings. Can you comment quickly on what you're seeing in trends not only domestically but also globally in terms of fleet electrification and why Canadian businesses really shouldn't ignore that trend?

Ilana Weitzman: When we talk about electrification, we're talking about a couple of different moves on the path to sustainable transportation.

I'll give the example of a telecom company in Quebec. These are the folks who come in vans to fix your Internet. They've benefited from the Ford E-Transit, which is a low-cost electric van. A lot of their technicians do short routes during the day, and 40% of their fuel costs are from idling. That means when the technicians are sitting and having lunch, they are running the vehicles and burning fossil fuels, of course, and sitting in our neighbourhoods causing tailpipe pollution. When they switch to an electric vehicle, during that idle time, they usually use the high-voltage battery and sit comfortably in an air-conditioned or heated cabin.

That company has said that by reducing their fleet of combustion vehicles and by right-sizing and significantly electrifying—I believe they have upwards of 200 electric vehicles in their fleet at this point—they have saved, back of the napkin, half a million dollars over five years. That's not insignificant.

● (1130)

Dominique O'Rourke: Mr. Kabbara, did you want to add anything?

Moe Kabbara: I'll just add that there's a lot of opportunity for fleets, specifically for short-haul delivery, with a lot of savings. I developed a fleet optimization model about six years ago. If you have a vehicle that's only driving five kilometres a day, don't go after that vehicle, but if you have a vehicle that's driving 200 kilometres a day, there are a lot of savings to be captured.

As another note, just as a data point, over 50% of new heavy-duty trucks in China were EVs last year. This is something we're seeing, and technology is going to catch up. There are a lot of savings to be captured there from a logistical perspective.

Dominique O'Rourke: In the United States, we're seeing Tesla build supercharging stations. They're also coming out with semis that are electric. What is the benefit of having domestic battery production in Canada for the future we see coming all around us?

Moe Kabbara: For me, it's like this: Can we take the trend I mentioned, three million vehicles to 1.3 million...? Now we've expanded the definition of what we're associating with the auto sector. Batteries are where the value is in an EV, so having Canada play a role in battery manufacturing is going to be where we capture economic value.

Dominique O'Rourke: I believe that in the conversation right now about looking at the remittance framework, we might actually be widening the definition of what is Canadian production, so that's exciting. It's an opportunity to plug the productivity superdeduction, so people who have an EV fleet can write that off in the first year. That's in budget 2025.

I want to give each of you a chance to comment on the importance of having uniform charging connectors. That's been raised with me. Also, if you could, comment on the importance of calibrating the GHG standards.

Mr. Kabbara, you can start.

Moe Kabbara: I'll just speak about the GHG standards.

Our objective, and our organization has been very clear on this.... The goal is to transform the system to come out better off economically. That's the goal. If we're chasing megatonnes in 2027 and

2028 and asking how much we reduced them by—17% or 15%—that's not the right policy question.

This should be calibrated to preserve the investment signal that is needed for the charging infrastructure and grid upgrades, without necessarily affecting affordability and consumer choice. That's the threading of the needle that needs to happen.

Dominique O'Rourke: Ms. Weitzman.

Ilana Weitzman: I'll also start with the emission standards.

Look, we're at a turning point anyhow. In the U.S., the EPA final rule rescinding the endangerment finding repeals federal GHG emission standards for all vehicles and engines from 2012 to 2027 and beyond, along with associated reporting and compliance programs. That goes into effect in four days.

Our own emission standards point to the EPA by reference, because we think of ourselves as a unified market. The consequence is dramatic. No Canadians asked for or voted on this, but clearly we're going to have zero choice.

My question is, are we going to build cars for Americans with no emission standards and sell those here? Is the plan to become the world's dirtiest car factory? We can all admit that as electrification rises globally, we need to at the very least diversify and then make the most of Canada's natural assets, not only in critical minerals and clean electricity but also in research. We have one of the world's foremost battery researchers in the world in Halifax, Nova Scotia. At this point, we really have no choice with the trend that is happening south of the border.

Quickly, on charging—

The Chair: Ms. Weitzman, I'm afraid I'll have to cut you off, as we're well over the time allocated to Madame O'Rourke. Thank you for the commentary.

[Translation]

Mr. Ste-Marie, you have the floor for six minutes.

Gabriel Ste-Marie (Joliette—Manawan, BQ): Thank you, Mr. Chair.

Good morning to all the witnesses. Once again, this is a very informative meeting. We're learning a lot.

My first set of questions is for Mr. Kabbara.

Ms. Weitzman, you can add to the answer, if you wish.

I think this panel of three witnesses is a good representation of the problem we're facing.

Mr. Kabbara, do you have access to the interpretation?

Moe Kabbara: I can understand a bit.

Gabriel Ste-Marie: You have to select the “English” option on the screen to hear the interpretation.

From what I understand, to reduce greenhouse gas emissions, we can turn to electromobility in all sectors, including individual transportation and commercial transportation.

That said, more and more often, it can be done for economic reasons. We see that the cost associated with electric vehicle transportation is becoming more and more competitive, especially when electric vehicles are used over the long term.

In response to a request from the previous U.S. administration, Canada led a development project to ensure that its industry could continue to work in a complementary manner with the United States. However, given the setback following the arrival of the current U.S. president, it's becoming difficult to continue developing this industry ourselves.

U.S. economist Paul Krugman, in particular, has also pointed out that it's obviously China that has developed expertise in electric vehicles, batteries and everything he calls electrotech, including solar panels. China's production costs are much lower.

Mr. Bisson has clearly demonstrated the internal security issues caused by importing this type of vehicle.

As for you, Mr. Kabbara, you said that there could be arrangements, joint ventures, and so on. Those solutions could eventually be analyzed. I basically think you have convinced me of how important it is for Canada to develop its own supply chain in the electric vehicle and battery sector. You gave some examples in your opening remarks, and you talked about the importance of supporting the entire supply chain of the industry.

We often think about the last steps, just before this gets integrated into the car. However, I would like to hear your comments on the first steps to take in the supply chain. We have abundant resources, rare metals and renewable electricity here, which can be a significant competitive advantage. Our advantage comes not just from subsidies but also from the comparative advantage offered by our natural resources and our clean electricity.

Can you tell us more about that?

Ms. Weitzman, I will then ask you to give us your comments.

• (1135)

[English]

Moe Kabbara: I've been working on this for about 10 years—looking at the supply chains. If we look at the Bloomberg scoring for battery supply chain potential, Canada was number one in the world two years ago. Now we're number two. It's about potential, though. The reason we're number two is that we have access to critical minerals. We're one of the only countries in the world that have full access to every critical mineral required for the EV supply chain. That includes lithium spodumene in Quebec. It also includes lithium brine in Alberta and nickel in Ontario. Copper is a very important element. We can have copper smelting in the Alberta heartland.

This is the critical mineral stuff we've been talking about for a while. We're starting to see some action, but we really need to move quickly. We can't just keep talking about potential when people around the world are moving very quickly. China is moving very quickly to buy mines around the world. They currently control upwards of 80% of all these critical minerals and their processing.

For Canada, vertical integration is the name of the game when it comes to producing a competitive product. The reason China has cheap EVs is not that they have cheap labour. They have cheap EVs because they have dominated and controlled the supply chain in a vertically integrated way.

You can go back to the Tesla battery days of 2021 and listen to that speech: “We're going to make a vehicle for \$25,000.” Well, that's great. Everything they talked about was in regard to vertical integration. They were going to control lithium in Nevada. They were going to process it there. They were going to have cathode material. The idea is that vertical integration will be the name of the game, but that requires coordination. It requires industrial policy.

We've seen some hints of that. Where we are right now is way better than where we were five years ago. We were nowhere on EVs in the supply chain. I think we still have a long way to go. I'm saying that the Chinese are dominating this market globally. I'm not dismissing the security concerns, but is there a way we can partner with them on joint ventures? The U.S. is considering it. The CEO of Ford told Trump that they want to go with him to China to talk to BYD and CATL. We should not leave ourselves out of that conversation when obviously our partners in the south are looking at the same options.

[Translation]

Gabriel Ste-Marie: Thank you for your answer. I also think there could be partnerships with industry sectors in Europe.

Time is running out. I'd like to hear your comments on that, Ms. Weitzman.

• (1140)

[English]

Ilana Weitzman: The battery opportunity is not just for electric vehicles; it's for battery energy storage systems. To reiterate what Moe was saying, the opportunity here is huge for Canada. The world needs more clean power, and AI centres, as we know, are power-hungry, so batteries are an essential resource that we should be developing. That manufacturing can go into both stationary storage and mobile storage, otherwise known as electric vehicles.

[Translation]

Gabriel Ste-Marie: Thank you to both witnesses.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Mr. Falk, the floor is yours for five minutes.

Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

Thank you to all our witnesses for coming to committee today with your testimony.

Mr. Bisson, I would like to begin with you.

First, I would like to let you know that I served a rotation on the National Security and Intelligence Committee of Parliamentarians. I have some fairly in-depth knowledge of the capabilities of CSIS and what they do. I would like to thank you for your service there.

Neil Bisson: Thank you.

Ted Falk: We often talk about our Five Eyes partners. I'm not sure that everybody on the committee understands what that is or who it is, or if Canadians watching these proceedings understand who our Five Eyes partners are.

Could you briefly tell the committee who the Five Eyes partners are and what they do?

Neil Bisson: Yes. The Five Eyes partners are one of the largest amalgamation of intelligence organizations in the world. They comprise us, the United States, the United Kingdom, New Zealand and Australia.

Ted Falk: Is it an intelligence and security sharing organization or arrangement that we have with those other four countries?

Neil Bisson: That is correct.

Ted Falk: Prime Minister Carney has previously stated that China is our greatest national threat. Would you agree with that assessment?

Neil Bisson: I would say that China poses the largest threat to Canada from an intelligence perspective, yes.

Ted Falk: As you stated in your opening remarks, we have previously banned the technologies of certain products from Canada that originated in China.

Neil Bisson: That is correct.

Ted Falk: You indicated that the United States is among the group of our Five Eyes security partners. Are you familiar with the FBI tipping off our law enforcement agencies of threats here in Canada?

Neil Bisson: Yes, that has happened on occasion.

Ted Falk: Would you consider the United States a trusted partner?

Neil Bisson: The United States has provided the Canadian intelligence community with information and intelligence for decades, yes.

Ted Falk: You've previously said that our Five Eyes partners have indicated that Chinese-manufactured electric vehicles pose a threat to our national security. If we move in the direction of allowing Chinese technology through the 49,000 EV vehicles, it poses the risk that we'll be isolating ourselves from our partners.

Neil Bisson: The importation of 49,000 Chinese vehicles could put us in a position where other Five Eyes partners would be concerned about the integration into our technology.

Ted Falk: What could that potentially mean for Canada?

Neil Bisson: It could mean, as with any other implemented technology that is connected to communication, that individuals who are in sensitive areas and who have access to or are being accessed by this type of technology might be considered a potential compromise.

Ted Falk: Could that lessen the degree of confidence that some of our Five Eyes partners have with us concerning intelligence sharing?

Neil Bisson: It's a difficult question to answer, because I am aware that other Five Eyes partners have Chinese EVs. That would be a further consideration, if it was ever determined or identified that any of the information that is detrimental to the national security of our Five Eyes partners or us had been essentially taken by using the type of technology being incorporated into our systems.

Ted Falk: In my home province of Manitoba, Manitoba Hydro is a primary supplier of fibre optics cable and, due to that, the host of a lot of Internet services. You have expressed concern that plugging Chinese-made electrical vehicles into our electricity grid poses a security threat. Could you expand on that a bit?

Neil Bisson: The implementation of any communications device that also attaches itself to an electrical grid or any other power supply in and of itself opens up opportunities for a foreign adversary state to take advantage of or disrupt that energy.

• (1145)

Ted Falk: What are some of the precautions that you think Canada should be taking?

Neil Bisson: It's difficult to say what precautions can be taken in relation to the importation of 49,000 Chinese EVs. From what I've identified today, the bigger risk is in not taking a stronger look at why these EVs are coming to Canada and what threat they pose.

In relation to providing information about what we can do to try to mitigate these threats, that would be better left to individuals who have a more technological understanding of the integration of this technology.

Ted Falk: Thank you for sharing your perspective with the committee.

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

Mr. Bardeesy, the floor is yours for five minutes.

Karim Bardeesy (Taiaiko'n—Parkdale—High Park, Lib.): Thank you very much.

I want to start with Mr. Kabbara. Given your commentary about the tailpipe emission standards being, perhaps, important as an investment direction signal, could you elaborate a bit more on that and on what kinds of signals it sends exactly?

Moe Kabbara: Let's think about electricity system planning. If you look at utilities, they're supposed to plan what the grid is going to look like and where they're going to put their investments. When you're telling them that we're going to have a bunch of EVs coming online but they don't have any idea of whether it's going to be 100,000 or 300,000, that really impacts their ability to plan for that growth.

When we're looking at planning for growth, would this act as an investment anchor, in the sense that it anchors the demand in something that can be tangibly calculated so that they can look at the distribution investment they're going to do? Similarly, for the charging infrastructure people, having some idea of how the market is going to evolve is going to be really helpful for something that is changing very rapidly.

Karim Bardeesy: The internal combustion engine associated manufacturing sector can take gas stations, in a sense, for granted. They don't need to help prime in any way the existence of the gas station infrastructure on which they depend, but the situation with electric vehicles is different. Could you elaborate a bit on that?

Moe Kabbara: There's a very simple reason for that: 90% of the time, people are not going to charge at these things. Charging networks are not actually analogous to gas stations, because their utilization, by definition, is that when you go home—you have a garage at your place or a driveway—you're going to plug in your car and you're going to wake up with a full charge. The data we've seen is that 90% to 95% of the time, that's what's going to happen, but if you're going on a road trip or you're taking a longer trip a few times a year, you're going to need public charging.

The idea is that the business case, inherently, is challenging for charging infrastructure. That's why I mentioned that there is going to be high highway usage, for which there's going to be a good business case. There are cases in which there will never be a business case. Maybe that risk can be shared, and a charging operator can have a portfolio in which some make money and some don't, and then it balances out. However, I think that public money is really needed to help grease the wheel so that we can actually have a self-sustaining model.

Karim Bardeesy: My last question for you, Mr. Kabbara, is on GHG standards driving investment. You mentioned the charging and supply chain sector. What about the manufacturers themselves?

Moe Kabbara: We know that we want Canada to remain an automotive superpower. We've lost ground in the last several years, as I mentioned. Just look at the trends. We know the future of automotive is electric vehicles. Even the Ontario government, which is a Conservative government, has stated that very clearly. Saudi Arabia stated that very clearly. The idea is that if we can have demand-side policies that can also incentivize the manufacturing of these types of technologies, the GHG standards do that as well.

Karim Bardeesy: Thank you very much.

I have a couple of questions now for Ms. Weitzman.

Ms. Weitzman, thank you. You put on an event in Toronto last week where both I and Ms. O'Rourke spoke and visited with some of the many companies you referred to. My first question is about that network of companies. Could you speak to the state of maturity

of the sector in Canada and the number of start-ups that you're starting to see in the sector?

Ilana Weitzman: As is typical of Canadian innovation, we have some of the leading companies in this sector. I'll point to a few of them and maybe briefly explain what some of them do.

One start-up that's based in Toronto, where I am, is SWITCH. They have a diverse portfolio they are working on, but they're a leader in condominium charging, where you have electric vehicle stations going into parking spots at apartment buildings or other multi-unit residential contexts. Their technology is best in class, and they work across North America.

Another company, called Polara, is an energy management software company. They were actually incubated at Hydro-Québec, and that technology has been sold to Polara. That platform marries charging infrastructure with energy management, which is obviously very beneficial to grids and also beneficial on a cost basis to operators.

What you're trying to do when you're charging vehicles is flatten electricity demand over a charging session overnight. If you have 50 vehicles, you don't want all of them starting to draw power at the same time. It stresses the grid and incurs higher utility costs generally. What you want to do is to have them roll over and charge in sequence to be operational for the next day. There's amazing technology being developed here.

There are also companies that work on aggregating individual EVs and using those as a managed charging resource. For instance, when the sun is shining and there's an overcapacity of renewables, the piece of software involved here would trigger those vehicles to start charging and essentially suck up all the renewable energy stored in the battery, and then use it as clean electricity to fuel the powertrains when those cars start moving.

● (1150)

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

[Translation]

Mr. Ste-Marie, you have the floor for two and a half minutes.

Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Kabbara, I'd like to ask you two questions. You'll have two minutes to answer them.

First, while the United States, under the current administration, is turning away from the electrification of transportation, is it possible to establish more partnerships with the European industry?

Second, according to the Parliamentary Budget Officer's assessment, subsidies to Ontario battery plants would be profitable only if those plants sourced minerals and components from here in Canada. Otherwise, the subsidies would never be profitable.

Do you agree with that analysis?

[English]

Moe Kabbara: On the first question, we should take the opportunity from the U.S.'s slowing down, because it was very difficult before this for us to compete on batteries and EVs in the era of the Inflation Reduction Act under the Biden administration. This is an opportunity for us to try to catch up and potentially win in this area.

We're working with the Europeans and should really focus on harmonizing our vehicle standards with them. That would be a slam dunk, because we've been trying to do this for 25 years. It would be the first thing that could help us import more vehicles from Europe, specifically electric vehicles, and export more to them as well. I think that's a great idea.

As for the second piece on the investments, I totally agree, which is why we've been very clear that we need a whole supply chain approach and to capture more value upstream from vehicle assembly, or even the battery cell itself. If you go from lithium spodumene to lithium hydroxide, you've already increased value creation tenfold. If you go from lithium hydroxide to cathode material, you've already increased value creation. Capturing that value is going to be what helps us get the bang for our buck. The thesis that this is going to happen magically is going to be challenged, but where we're trying to help is by spurring investments upstream from where assembly plants have been located.

[Translation]

Gabriel Ste-Marie: Thank you very much for your answer. It's very clear.

Once again, I'd like to thank the three witnesses for being here.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Mr. Falk, I understand that the floor is to be returned to you. You'll have five minutes.

Ted Falk: Thank you very much.

Mr. Bisson, I'd like to continue the line of questioning we were discussing before about the security concerns with Chinese-made electric vehicles. You had indicated the threat is there, in that they would have access to our power grid. Could you expand a bit more on what you mean by that? How would that work?

Neil Bisson: As I stated, access to the power grid is.... With electric vehicles, anything that needs to be charged has to be charged through the electrical grid. We have previously seen that the Chinese Communist Party has had interest in Canada's capability to use the electrical grid in a sufficient way, whether it's for battery storage or interconnectivity across provinces.

From an intelligence and threat-related risk assessment perspective, any vehicle that has the technology to communicate and pro-

vide information back to the Chinese Communist Party.... The CCP could then take that information, supplement that information and potentially use that information for its own personal, commercial, economic, strategic and, potentially, military goals. On top of that, you also have the issue of the potential to disrupt. If these vehicles are connected and have the technology for them to disrupt the electrical grid system, that could potentially happen.

• (1155)

Ted Falk: CSIS has previously warned that hostile actors are seeking to pre-position themselves within our critical infrastructure. We know that car manufacturers have the ability to shut vehicles down remotely. With the technology that's embedded in these Chinese EVs, what would the capability of the Chinese government be to disrupt our electrical grid?

Neil Bisson: Unfortunately, it's beyond my capacity to speak to that from a technological perspective. All I can speak to is the fact that the Chinese Communist Party and the People's Republic of China have demonstrated both the willingness and the ability to conduct operations in Canada for the theft of intellectual property, for foreign interference and for espionage. All of this leads me to believe that any integration of technology from the Chinese Communist Party or the People's Republic of China can potentially and will be used for these acts.

As I stated, in 2017 the Chinese government implemented the National Intelligence Law, which means that any company the Chinese government has access to must provide information to state intelligence organizations when it is asked for.

Ted Falk: By that, you would suggest that these vehicles not only will be able to gather intelligence and provide that information to the People's Republic of China but also will also be able to disrupt, perhaps, our Internet, our power grid and things like that.

Neil Bisson: That is possible, yes.

Ted Falk: What could that look like?

Neil Bisson: It's difficult to say. If there were a situation in which the Chinese government was looking for specific information.... Let's say that Canada is trying to continue to advance in the field of artificial intelligence. There are individuals who have access to these vehicles and use these vehicles on a regular basis. There's the potential that any information, once it is connected to the system, whether it's through a phone or anything else, could then be sent to the People's Republic of China and used by the People's Republic of China to advance its own interests.

Ted Falk: That could be either from an intelligence-gathering perspective or from a disruption perspective, where they actually send something to us to disrupt our systems.

Neil Bisson: The potential is there that any connected system integrated into our energy ecosystem could be used to disrupt.

Ted Falk: Thank you.

Mr. Chair, I'm good.

The Chair: Okay, that's excellent. You gave us a bit of time back.

Mr. Bains, the floor is yours for five minutes. Feel free to follow the path set by Mr. Falk, as we are running a bit over time and have some other things to do.

The floor is yours for what I will say is up to five minutes.

Parm Bains (Richmond East—Steveston, Lib.): Thank you, Mr. Chair.

Thank you to our witnesses for joining us today.

My first question is for Mr. Kabbara.

I'll reference a report on your website. It's titled "Exporting the Future Economy". It states that "exports in clean energy supply chains grew 21% faster than all other exports over the last five years" and that they're growing faster with partners outside of the U.S. In other words, they're already diversifying our economy, and with the targeted industrial strategy, they could help Canada unlock \$600 billion in annual export opportunity by 2035.

You spoke quite a bit about this in your answers. Which exports are these specifically, and to which non-U.S. partners?

Moe Kabbara: Specifically in that report—I don't have that data in front of me—one of the areas that came up was transformers or grid equipment increasing a bit upwards of 200% since 2024. A lot of it was going to European and Asian markets.

• (1200)

Parm Bains: The report's conclusion indicates, "Canada must concentrate this strategy on specific supply chain segments where it can achieve scale and capture high value-add". Which areas can you share and maybe even make some recommendations on?

Moe Kabbara: This is why I've been talking about the battery value chain; there's a lot of value-add there. This is where we're seeing growth in the global markets and global demand. Canada has a real opportunity there.

We're also seeing growth in the transformer stuff that we're talking about. We can look at one company, Hammond Power in Ontario, which increased its exports significantly. That was mostly driven by AI demands.

The trend we're seeing with electrification more broadly globally is converging on increasing demand for things like grid equipment, but also for electric vehicles. At this point, it's happening because when we think about the future, we're thinking about AI, about digital. We're thinking about a very precise amount of energy that is being delivered in milliseconds. This is where we're able to capture a lot of value, whether it's in critical minerals, the EV supply chain, grid equipment or mass timber, which is an upgraded forest product for construction.

Those are some of the areas we have in our report. I know we don't have a lot of time here.

Parm Bains: Thank you.

I'll give some time back. I know we're waiting for the second panel. I'm happy to oblige.

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

What an unbelievable show of unity across partisan lines. Everybody gave a bit of time back to the committee.

I want to thank our three witnesses for joining us today and contributing meaningfully to the study we're undertaking on electric vehicles and the implications that come with the decisions and direction the government will be taking in that regard. We appreciate your availing yourselves to us.

Colleagues, we're going to suspend very quickly and come back in a couple of minutes, because we need some extra time at the end of committee to deal with some business.

• (1200)

(Pause)

• (1210)

The Chair: Colleagues, I'm going to enter the second hour of testimony.

Joining us virtually, from Accelerate: Canada's ZEV Supply Chain Alliance, is Andrew McKinnon, interim chief executive officer. Joining us here in the room, as an individual, is Sebastian Fischmeister, professor.

We are going to have five minutes for each witness to provide testimony, after which we will have an opportunity to hear from members.

Mr. McKinnon, I'm going to turn the floor over to you to begin. You'll have five minutes for your opening remarks.

Andrew McKinnon (Interim Chief Executive Officer, Accelerate: Canada's ZEV Supply Chain Alliance): Good afternoon. Thank you to the committee for the invitation to appear and speak on this important study.

Accelerate is an industrial alliance of key actors in Canada's emerging zero-emission vehicle supply chain. Our network of partners and collaborators includes critical minerals miners, battery producers, battery materials producers, vehicle parts makers, vehicle manufacturers, researchers and labour interests.

Since 2021, we have been working to support more Canadian content in EVs built here in North America and sold around the world. By developing and supporting the EV industry, Canada can achieve multiple outcomes at once. Expanding the EV supply chain means more jobs in mining, materials production, manufacturing and research from coast to coast. More materials production, driven by EV and battery production demand, can support our defence industries. Having more EVs on our roads means better air quality and lower GHG emissions.

All together, a strong EV supply chain will provide the finished products, battery precursors and critical materials that our trading partners need. Achieving these outcomes requires a balanced and holistic approach that supports the supply of materials, supports the development of the EV market and supports our traditional automotive industries.

Last year, Accelerate undertook a new research project on how Canadians view the emerging EV industry. What we learned was that Canadians in all regions support the development of EV supply chain industries, including mining, battery materials, components, and final manufacturing. For them, this industry represents a significant opportunity for new jobs.

Our research shows that a majority of Canadians believe that investing in the EV supply chain should be at least a moderate investment priority for the government; that almost three in 10 Canadians become more supportive of critical mineral mining and processing after being told these are part of the EV supply chain, including a small proportion who are initially opposed to these industries but who become more supportive when they are linked to EVs; and, finally, that Canadians who own or know someone who owns an EV have stronger support for the development of the EV supply chain here. This research shows that more EVs on our roads will increase public support for the critical minerals mining and processing industries, which are important not only for EV production but also for defence, clean technology and trade development objectives.

Today, it is widely recognized in Canada and by our allies that concentrated global supply chains for critical materials, including battery materials, represent a significant economic and security risk. For some of the key material inputs that go into making an EV battery or motor, greater than 90% of the world's supply is produced in China. This means that even though Canada has the raw materials needed and the final manufacturing prowess, we are missing critical segments of the overall supply chain.

We believe that the current government's approach of a limited allowance of Chinese EVs into the Canadian market must be paired with continued and effective supports for Canada's own EV industry. These would include deploying a national IP strategy for Canada's critical materials producers that would fast-track patent processing for technologies deemed critical to the national interest, including those related to battery materials and battery materials production, and ensuring that future deals to secure foreign direct investment in the production of batteries or EVs include provisions that require investors to work with Canadian critical materials providers to eventually achieve specific levels of Canadian material content.

Finally, we would like to see assurances that future agreements on joint ventures in Canada for the production of batteries or EVs include safeguards to support IP protection—we know there are some of these in the new automotive strategy—as well as requirements for Canadian materials supply at Canadian prices and provisions to facilitate technology transfer to Canadian firms. Any deal must increase Canada's strategic independence and economic resilience.

In conclusion, just as the automotive industry in the past 100 years has been linked to Canada's economic, defence and industrial

capacity, so too can the EV and battery production industries support these objectives for the next 100 years.

Thank you very much.

• (1215)

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

I apologize, Mr. Hinton. Your camera wasn't on at the time I was doing introductions, so I didn't see you there.

Appearing with us today, as an individual, is James Hinton, an intellectual property lawyer.

Mr. Hinton, I am going to turn the floor over to you, if you're ready, to provide your introductory remarks. You'll have up to five minutes.

James Hinton (Intellectual Property Lawyer, As an Individual): Thank you.

Honourable Chair, vice-chairs and members of the committee, thank you for inviting me to speak. Your work is of tremendous importance to Canada.

I'm the CEO of and an intellectual property lawyer with Own Innovation, and I have experience as a mechanical engineer in the automotive industry. I work with high-growth Canadian technology companies as they commercialize and scale globally.

Canada's billion-dollar electric vehicle strategy has failed. It's not because of EV technology effectiveness, it's not because of demand and it's not because of U.S. tariffs or global trade challenges. It is because Canada is not even in the game. Canada has done, and continues to do, everything wrong.

We fund EV research and development but do not retain it. For example, Dalhousie University is home to global battery research excellence, with millions in public funding, but foreign firms like Tesla are the ones that end up owning the technology.

We fund manufacturing. With \$57 billion in EV funding, we subsidize cheap labour for foreign firms that reap the economic upside. Now many of those firms have closed shop with no jobs, leaving us holding the bag. These deals were doomed to fail from the start, because we had no ownership stake. It was all branch plants for foreign firms.

We fund the adoption of EVs, but without Canadian firms in a meaningful position in the value chain, those subsidies flow out of the country. Adopting someone else's technology is not economically productive. Financially subsidizing the adoption of someone else's technology is disaster.

We do new trade deals with China where it gives us high value-add electric vehicles that drive data-driven economics, and in exchange, Canada provides low value-add canola, lobsters, crabs and peas. The Chinese get to commercialize their IP and capture Canadian-generated data, while Canada trades on low value-add raw materials. Because of this, we are making ourselves poorer, more dependent and less secure.

EVs are about three things: intellectual property, data and sovereignty. Today, EV and automotive factories rely predominantly on automation and robotics backed by intellectual property, not workers. Just 7% of a car's value goes to labour, with the benefits going to the owners of the IP embedded in the technology, not to those who buy or install it.

The Chinese, Americans and other global players own EV technology, so they will benefit from the global shift towards EVs, and Canada will absolutely not benefit because it doesn't own significant EV intellectual property. We own just 1% of global EV patents, while the Chinese own 51%.

If Canada has a strategic advantage in EVs, it may be critical minerals. However, while Canada may physically have critical minerals, Canada does not own the technology required to extract those minerals or transform them into batteries. Canada owns less than 0.7% of global mining patents.

EVs are all about data—vehicles not to get you from point A to point B but rather vehicles to get your data into the hands of automotive companies. This is an economic problem. The data has significant economic value, and we lose that. This is also a security risk: Foreign governments can access that data and use it to undermine our national security and sovereignty.

My recommendations follow directly from the problems we've created for ourselves.

First, stop subsidies like the manufacturing subsidies for foreign firms—Canada can be better than simply a cheap labour provider—and stop the adoption subsidies. Unless we have Canadian companies as substantial and meaningful parts of the EV value chain, adoption subsidies will continue to be a massive wealth transfer out of the country.

Second, instill upstream research constraints to ensure that Canadians benefit—no more deals where Canada funds the research and foreign firms get the IP. Canadian firms need to stop selling Canada out.

Third, create a patent fund that generates and retains IP in Canadian firms and expands freedom to operate for Canadian firms across the EV value chain: critical minerals, manufacturing, AI, autonomous vehicles and cybersecurity.

Fourth, like other jurisdictions, Canada must establish a sovereign cloud with ambitious data governance so that Canadian EV data remains exclusively under Canadian legal control and is held out of reach of foreign control for economic and national security.

Finally, grow Canadian firms in the EV value chain instead of driving adoption of non-Canadian technology. Canada needs to incentivize and create a domestic automotive industry with Canadian-owned technology at its core.

Canada's automotive industry is on its deathbed. The only path to success is for Canada to stop subsidizing labour and adoption and to incentivize Canadian companies owning value-add technology and driving its commercialization. Canada's current EV path is one of economic ruin.

Thank you.

● (1220)

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

Mr. Fischmeister, you have five minutes, sir. The floor is yours.

Sebastian Fischmeister (Professor, As an Individual): Thank you very much to the committee for giving me the opportunity to speak.

I'm a professor in the department of electrical and computer engineering at the University of Waterloo. I've been working for about 26 years in the area of safety and security of cyber-physical systems across different sectors.

I've also spun off multiple companies out of R and D at the university. The notable one that might be of interest to this committee is Palitronica, which provides supply chain cybersecurity solutions and cyber-assurance to detect defects, oversights, fraud and cybersecurity issues in the supply chain.

I want to bring up and raise awareness of a particular problem that prior witnesses have not really mentioned yet, which is around potential systematic compromises of systems, like vehicles, through the supply chain.

Supply chain attacks, as they are typically known, are classified under Mitre ATT&CK and allow the attacker to insert vulnerabilities before systems are delivered and deployed. This enables coordinated, large-scale exploitation of these exploited systems at a time of the adversary's choosing. In the context of vehicles and charging infrastructure, this could mean maliciously inserted and embedded circuits in battery management systems or compromised charging systems to destabilize the grid, for example, at a point of their choosing.

Public literature already documents real-world examples of hardware tampering and supply chain compromises across a number of industries. There are examples from public literature: USB devices rigged with explosives sent to journalists in Ecuador and bypass electronics in commercial off-the-shelf switches that allow you to load arbitrary firmware onto these systems. You can go on the Internet right now and buy cables and keyboards that look like regular keyboards but actually have hardware implants in them that allow you to steal data from phones and computers.

A viable response to this risk is the zero-trust supply chain model, in which no component is implicitly trusted regardless of its origin. Every part is verified, measured and continuously assessed. We already do this today. When you go to the airport, regardless of who you are, your bags are scanned with an X-ray scanner. No matter where you're from, no matter how often you've flown, your bags are being scanned; past behaviour does not eliminate present risk.

The technology to implement these zero-trust systems is already present and is deployed today by leading companies in high-assurance sectors, such as aerospace and defence. Unfortunately, Canada is lagging behind in adoption, and that leaves Canadians exposed to supply chain risks in a particular area, like, for example, in automotive.

The urgency of supply chain assurance techniques is only increasing. Today, AI solutions allow for the rapid generation of software, and hardware will follow. What this means is that in the near future, malicious actors will be able to generate counterfeit or malicious automotive components by pressing a button. Put simply, as right now you can go into ChatGPT solutions and say, "Give me an answer or a summary of this", you will be able to clone hardware and will be able to add and create malicious circuits. When that happens, supply chains built on trust and good feelings will fail. Only supply chains using zero-trust principles will remain secure.

A fundamental question is whether we choose to lead or wait until the news catches up with us. Naturally, I advocate for Canada to adopt zero-trust principles for supply chains in automotive and other areas before security incidents force us to do so.

Thank you very much.

• (1225)

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

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

Mr. Guglielmin, the floor is yours for six minutes.

Michael Guglielmin: Thank you, Chair.

Thank you to the witnesses for your opening testimony.

Mr. Hinton, you have said that Canada's auto industry is essentially in peril because of the breakdown of the free trade agreement with the United States. How dependent on a free trade agreement with the U.S. would you say the auto industry is?

James Hinton: In the automotive sector, all of the parts go back and forth across the border a number of times. With the heightened tariffs, our market is destroyed. Our huge, major buyer—the Americans—is basically pulling the rug out from under us not only through their EV approach but also through the trade part. They're going for the jugular, so to speak.

Michael Guglielmin: Earlier this week, I was at the Quebec Metals Service Center Institute. A lot of the steel mills were there. A lot of the value-adding manufacturing base in Canada was present. Everyone echoed the same tune about the tariffs. It's alarming. They're almost reaching a crisis point.

In your view, should restoring free trade with the United States be one of the government's primary priorities when it comes to the auto sector right now?

James Hinton: We really need free trade. Even in the last USM-CA negotiations, there was no free trade even mentioned. A lot of non-tariff barriers, like intellectual property data and controls around sovereignty, are going to be the next things the Americans will advance. They will not only push for no free trade but also advance their economic position through intangible assets, data, sovereignty and intellectual property, as we saw them do in the last round.

They're coming for us even more aggressively in these rounds, and I've been working on a number of initiatives to advance this.

Michael Guglielmin: The Canadian government has decided to open our market to Chinese EVs. Do you think that decision helps or hurts our relationship with the United States? Do you feel there's any risk that it gives Washington a legitimate argument that Canada is becoming a conduit for Chinese electric vehicles that potentially pose security risks here and elsewhere?

James Hinton: There's a fine-line acknowledgement. When I worked as an engineer in the industry almost 20 years ago now, we would send parts and manufacturing over to China. Now we're at best going to be working for Chinese factories in Canada. This is not the ambition I have for Canada. That's not the ambition we see.

The Americans are going to see us as even weaker partners. They thought we were weak before and wanted to take advantage of us. Now we're working our way to the lowest, most unproductive part of the value chain, and the Chinese are benefiting. The Americans are trying to make sure we're not the next Mexico, but we might very well be.

Michael Guglielmin: You've described Canada as having been put into a race to the bottom on cheap labour by global automakers. We've heard evidence about what that competition looks like in practice in comparable allied markets. We know that BYD, China's largest EV manufacturer, has been credibly accused of seven-day work weeks at its factory in Hungary, with no rest days, shifts of up to 14 hours and wage payments deliberately delayed for months.

Does the government's decision to open our market to vehicles built on that model not accelerate the very race to the bottom that you were speaking about?

James Hinton: Yes. Our race to the bottom is part of that \$57-billion subsidy program for manufacturing, with \$5 million per worker. That's what it takes to compete with Mexico, China and the other examples you're pointing out.

We have to continue to pay for this, but it's based on economics that no longer exist. There are no spillovers. We're in an era that has negative spillovers when you introduce branch plants into these economies.

The jobs that are purportedly supposed to go to this aren't there. When they are, they're in difficult conditions. It's all about automated technology. Nobody touches the cathodes and anodes of battery technologies anymore. It's all about the technology that runs these things. Thinking that this is some big job boom is delusional. That's from a bygone era of more than 30, 40 or 50 years ago.

● (1230)

Michael Guglielmin: You're of the view, then, that a lot of the subsidies being directed at the EV market are actually being captured by companies owned by foreign governments.

James Hinton: Absolutely. We don't have any of the firms. All the subsidies have gone to foreign firms and their branch plants here. They get the economic value of that, and Canada doesn't get it. We don't get the tax revenue on it, or all the IP and data value they get. The Chinese get the data. They can commercialize that data. We don't get any of that.

We're not getting all the value, but we're paying for everything. We're paying for the creation. We're paying for the manufacturing.

We're paying for the use, but we're not capturing any of the value. Where is the value captured? It's not here.

We have some great Canadian technology companies. They're small and medium-sized enterprises. They're going up against the giants that are out there. They have to compete against them with a billion dollars' worth of their own Canadian taxpayer funding.

Michael Guglielmin: Professor Fischmeister, I have a couple of seconds left and a quick question for you. You've said connected safety-critical systems are no longer enough for these systems to be safe. They must also be secure. Do you think that with EVs, cybersecurity has been treated as a public safety issue up until this point?

Sebastian Fischmeister: I absolutely agree with the statement. Hackers are everywhere.

Today, building a safe system is not good enough anymore. You need to build a safe and secure system, because the safety side protects and makes sure that something in the system itself does not harm road participants. The security side also captures that no external person can force, for example, a safe system to get into a state whereby it can endanger and harm road participants.

In the automotive domain, there are particular areas where companies have been working actively around security and trying to make systems more secure. You've already heard testimony about the famous example from 2015 with the Jeep Cherokee, when, via remote control, you could get access to it and, for example, disable the brakes. Since then, there have been a number of advances in the academic world, and also in the academic and industry world together.

One fundamental challenge around implementing comprehensive security measures in vehicles is the cost. To give you an example, if you add a single dollar—

The Chair: Professor, I apologize for interrupting, but we're now a minute and 10 seconds over the allocated time for Mr. Guglielmin. There may be an opportunity for you to continue that in further questioning.

Mr. Bains, the floor is yours for six minutes.

Parm Bains: Thank you, Mr. Chair.

Thank you to our witnesses.

Off the top, I'm going to have to dispute some of the things Mr. Hinton has brought to the panel. We're trying to move up the supply chain, not down. This is simply a return.

When we're talking about Chinese EVs, they're 3% of the total. That's lower than the total number of imported Kias that come here. We already see the value of Toyota and Honda, with Toyota building cars right here in Canada. I think the alarmist view is a bit over the top. There are 125,000 direct jobs and 500,000 indirect jobs.

I'll go to Mr. McKinnon with my questions.

We heard a lot from the previous panel. We know what's taking place in the auto sector with respect to the tariffs. Mr. Hinton talked about how there's no inkling of free trade between the U.S. and Canada. I think that's also false.

Moving forward, in a recent report, Statistics Canada said, "Wholesale sales (excluding petroleum, petroleum products, and other hydrocarbons and excluding oilseed and grain) rose 2.0% to \$86.8 billion in February. Sales increased in five of the seven subsectors", with the motor vehicles and motor vehicle parts and accessories subsector up 6.1%. How can Canada's auto sector capitalize on these gains?

Andrew McKinnon: Our perspective is that support for the entire EV supply chain, from mining to materials production, is the best way for Canada to capitalize on a shift to electric transport and on the need in global markets for our critical materials. We're very happy to see some of the investments in the last year, and in particular in the past several months, related to the critical minerals sovereign fund and deploying new financial measures and new techniques to ensure demand for Canadian materials and support for Canadian critical materials producers and providers.

• (1235)

Parm Bains: The Prime Minister has been clear that Canada needs to strengthen trade and industrial partnerships with reliable allies. Canada recently deepened its strategic partnership with the Republic of Korea by signing a memorandum of understanding to strengthen Canada-Korea industrial collaboration for future mobility, building on other MOUs that Canada has signed with global automakers to promote further co-operation.

Is this the kind of partnership you think Canada needs to develop to remain competitive in the future?

Andrew McKinnon: Yes, exactly. We believe these sorts of partnerships with our allies in the domain of advanced technologies like EVs will create predictable markets for the metals and materials that we can build here in Canada and that are being built and produced with Canadian IP, and it will support the development of industry and jobs from coast to coast.

Parm Bains: What if we don't? Could you speak to what happens if we don't make these co-operative deals? We heard from the previous panel that other allied nations are working forward in this way. If we get left behind, what happens?

Andrew McKinnon: As we heard from the previous panel, Canada has the natural endowment of minerals and materials. We have the expertise. We don't believe we need to be doing everything here to make an EV. We need to be able to work with our partners in Europe and in the United States. We need to find a way forward with the upcoming renegotiation or renewal of the agreement with the United States.

We need to find ways to add value to the rocks coming out of the ground here and turn them into the advanced technologies of the future. We need to act on that opportunity now, or we will continue to extract materials and have that value added elsewhere.

Parm Bains: I'll continue along that same pathway.

Previous witnesses offered different perspectives on whether Canada should maintain automotive regulatory harmony with the U.S.A., which is looking to roll back the clock on things like emissions standards or keep pace with the EU and other global partners. What's your view on that?

Andrew McKinnon: My view on that is we need a predictable pathway to EV adoption that will signal to the supportive EV industries, like charging infrastructure and materials providers, where the market is going and help support future investment and predictability in this industry.

Parm Bains: Dr. Fischmeister, you've talked a lot about sovereign sustainability in the context of electronics for vehicles and critical systems. We heard in previous testimony that QNX software, which has already been sold to different Chinese EV manufacturers, would be a great system to use for sovereign cybersecurity protection made and built in Canada. How can we turn our approach to focus more on the software of these connected vehicles, given that many of these cars are really computers on wheels, as we've heard from many people?

That question is for Dr. Fischmeister.

The Chair: Mr. Bains, we're out of time, but Professor, I'm going to offer you 30 seconds to respond to that.

Sebastian Fischmeister: My opinion is that we should try, of course, to have a strong local economy around particular values that are brought to the automotive side. However, we will not be able to do everything onshore, so we should be able to look worldwide for the best partners and the best deals, but still have checks and incoming inspections, as you would have with a zero-trust principle, on parts that come into Canadian systems to ensure that they are authentic, clean and not compromised.

The Chair: Thank you very much.

[Translation]

Mr. Ste-Marie, you have the floor for six minutes.

Gabriel Ste-Marie: Thank you, Mr. Chair.

I'd like to thank the three witnesses for being here. I appreciate them sharing their knowledge with us. We're learning a lot.

My questions will be for Mr. McKinnon, from Accelerate: Canada's ZEV Supply Chain Alliance.

My first question isn't on electric vehicle policies; it's on the latest order that U.S. President Donald Trump signed in early April. This order has changed the way tariffs are calculated for steel and aluminum within products. Before, tariffs applied to 50% of the value of the steel or aluminum. Now, the U.S. President has said that this would be reduced to 25% of the product's overall value.

Over the past few days, we have been receiving many calls from small and medium-sized businesses, as well as large businesses. The Fédération des chambres de commerce du Québec has just published a brief to alert us to this.

Are you aware of this order? Have members of your alliance approached you about it already?

• (1240)

[English]

Andrew McKinnon: No, no one in our alliance has raised this question with us. I would say that policy unpredictability in the U.S. is more reason for us as an organization to support measures to increase materials production here in Canada and support a wider and holistic view of materials and battery production supply chains here in Canada so that we have a foothold in these mineral supply chains.

[Translation]

Gabriel Ste-Marie: Okay.

This problem is growing every day. That's why we're working on it.

I would like to address another matter: the issue of security. We have discussed that here a lot. I'd like to hear your opinion.

Until now, there have been no security standards for critical infrastructure. However, two weeks ago, the House of Commons passed the cybersecurity bill, Bill C-8, which enables the government to impose security standards for that kind of infrastructure.

Should we use this leverage to ensure that we properly protect the deployment and development of critical electrification infrastructure, as Professor Fischmeister recommends, and especially to avoid missing the boat when it comes to the electrification of transportation?

[English]

Andrew McKinnon: I'm very appreciative of the other witnesses' testimony today on security risks in critical technology supply chains. In our view, it is imperative that new deals made to invest in critical materials and mineral supply chains in Canada consider security implications.

We are pleased to see, under the new automotive strategy, new considerations to protect IP for critical technologies in these partnerships. We are very pleased to see an enhanced view of the CSIS mandate under the Foreign Interference and Security of Information Act to look at strategic IP for companies and these supply chains.

As we talk about a holistic EV industry, we need to talk about the holistic development of clean technologies. We need to partner with other nations that are leading in these technologies. We need to bring our technology and our IP to global markets, and we need to do it in a way that protects business interests here and effectively transfers technology, information and capacity to build these things here as well.

[Translation]

Gabriel Ste-Marie: You said that it's important to have critical and strategic minerals at the beginning of the supply chain.

Another witness told us that we do have them, but we don't have the technology to extract them.

What do you have to say to that kind of argument?

[English]

Andrew McKinnon: I would suggest that a number of companies in Canada are leading in innovation on critical materials production and processing. For example, a company we work very closely with is Nano One Materials, which has production in Candiac, Quebec. It is one of the only companies anywhere in the world, other than China, that can make LFP cathode materials in a way that we've seen only in China up to this point.

If we want to talk about rare earth elements, the Saskatchewan Research Council is doing some interesting work in that regard. We have innovators in this space, and we have a very strong opportunity, if we think of automotive and EV supply chains in the most expansive view, to develop these innovative technologies and support these companies, as we have seen. I'm very pleased to see the supports that have been in place there.

Let's not let up. Let's keep going.

[Translation]

Gabriel Ste-Marie: Thank you very much.

My time is running out. I would ask you to answer my question in 30 seconds, if possible.

In your opening remarks, you pointed out that certain segments of the Canadian economy's supply chain are missing.

Could you give us a little more detail on that?

• (1245)

[English]

Andrew McKinnon: We are still lacking in processing and materials processing capacity here in Canada. It's a big gap.

For instance, in graphite production globally, 90% of graphite production for battery anodes is still in China. We have some innovators in that space. We need to support them. We're not going to take all of that capacity away—it would be an unfair ambition—but we need to work to strengthen where we are weak and try to compete.

[Translation]

Gabriel Ste-Marie: That's very clear.

Thank you very much, Mr. McKinnon.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Colleagues, we'll have to reduce the amount of time we have. We'll end up having the right amount of time allocated, but we're going to reduce the number of questions.

I'm going to Madame Dancho for five minutes, followed by Mr. Ma, and then we will conclude for today.

The floor is yours, Madame Dancho.

Raquel Dancho (Kildonan—St. Paul, CPC): Thank you very much, Mr. Chair.

I believe this is the last meeting we have on the electric vehicle study, so I want to just reflect briefly, before I go to my questions, on the importance of this study and what we've learned today and other days, particularly concerning the deeply distressing potential impact of importing Chinese electric vehicles from the PRC and the possible impact on our national security.

We heard loud and clear today and on other days of this study how very real that concern is and how very real that threat may be, yet I have been surprised that there have been very few questions, if any, by the Liberal Party about pursuing more information about the potential security impacts of this policy. It has been quite disappointing to us personally to see the lack of interest or concern that it poses.

Today, of course, we saw Mr. Bains look to discredit Mr. Hinton and his testimony. Mr. Hinton is a foremost leader in Canada on intellectual property, so Mr. Hinton, I have a few questions for you, and I would like to allow you some opportunity to respond to some of the comments directed towards you when you were not permitted an opportunity to address them.

I think you've outlined this very clearly, but there is clearly a giant deficit, which we have heard in this committee and during other studies, in Canada's ability to maintain intellectual property, and that has had a long-term impact on our productivity, which has been stagnant after 10 years of Liberal government. We are one of the worst countries in the OECD for intellectual property leakage. Your comments really underline that impact.

I also agree with your concern that Canada has, not just in automotive but elsewhere, become a branch plant economy. Rather than setting up a Canadian car manufacturer in another country, we consistently have others coming here. While we deeply value and need jobs from foreign auto companies—we want them to stay; we want them to grow—I very much take your point that it's a disappointing outcome that we do not have a Canadian auto manufacturer that can export to the world. I'd just like to give the floor to you to further express this.

You provided a quote that I found concerning and interesting: that only “7% of a car's value goes to labour”, which seems counterintuitive. We need these jobs, we want these jobs and we value them from foreign auto companies, but your point has been that a lot of the wealth for countries that have ownership over these companies is in the IP.

I'll give the floor over to you to use how you wish, but if you can, just elaborate on that.

James Hinton: Yes, thank you.

I wish for Canada to be in a world where it's as easy as just manufacturing and having the jobs, but that's not the world we exist in today. It's about intangible assets. It's about owning technology and commercializing technology and data. Simply having production happen here and subsidizing it are not going to be high-performing. Everybody can do that.

We need to be the ones who own the technology and commercialize it. Despite wanting to be the best, it's like spending a whole bunch of money on new running shoes saying you're going to be a marathon runner and never leaving the couch. We are not in this race. There are no Canadian firms.

The more you put in here and the more money you put into foreign firms, the worse it is for the companies that Andrew is talking about. Canadian firms are here paying taxes and trying to grow in scale, and you're putting the thumb on the scale of our biggest and fiercest competitors. It's the opposite of what you want to be doing.

Smart countries don't provide adoption subsidies for technologies they don't own. That's what we're doing. That's the problem. You have to put your socks on your feet before you put on your shoes. At this point, we're putting our socks over the top of our shoes. We're doing it backwards.

We need to create an industry and have industrial capacity, and then drive adoption and further expand growth. We're doing the opposite. We're making the walls higher for our competitors to lock us into this low value-add position. It's not something I want, but this is the reality.

I work with innovative Canadian firms, and trying to do a deal on IP terms to be able to extract and increase value with an OEM is extremely difficult and almost impossible. It's like living in a magical world that doesn't exist where you can just have a big manufacturer across the street and then you get a deal because you're a small Canadian company right across from it.

The only way you get that deal is if you have a strong IP position and you leverage in, and then you insert into the value chain and expand across it. Just putting a bunch of jobs in a bunch of factory positions down here in southwest Ontario.... I go to Windsor all the time. My background is in heavy truck parts manufacturing. I understand the realities of this, and the realities have shifted.

It's about IP, and it's about data, and that's not the game the public funders are playing.

• (1250)

Raquel Dancho: Thank you very much. I appreciate your testimony today.

The Chair: Thank you, Madame Dancho.

Mr. Ma, the floor is yours for five minutes.

Michael Ma (Markham—Unionville, Lib.): Thank you, Mr. Chair.

My questions will go to Mr. McKinnon.

I'll refer to the battery innovation road map that was released by your organization. In the road map, your organization outlines "a strategy to establish Canada as a global leader in battery technology by 2035". How does this road map align with the Government of Canada's EV strategy and overall goals for net-zero emissions?

Andrew McKinnon: Our battery innovation road map focuses on how to position Canada as a technological leader in battery materials and battery materials production. From our perspective, support for critical materials production through the strategic investment fund and the critical minerals sovereign fund are ways that will increase funding for the supply chain and increase supply for critical materials producers in Canada. We've also seen several specific investments into Canadian companies that are leading in these innovative battery production spaces.

Michael Ma: The road map further notes:

The global landscape of battery innovation is shaped by the strategic efforts of leading nations to advance their battery technologies and secure a dominant position in the market. Countries like China, the United States, the European Union, South Korea, and Japan have set ambitious production and innovation targets to drive their battery industries forward.

Given this landscape, what steps would the Government of Canada take to ensure long-term global competitiveness in battery technology?

Andrew McKinnon: I believe that focusing on which niches of battery production and technology Canada can excel in will be amenable to becoming not necessarily a leader but an important global player in battery production. We know this requires a holistic approach that looks at consumer demand for electric vehicles, battery production for electric vehicles, battery and cell production for EVs and other applications as well.

We really need a holistic view that considers multiple segments and industries in the battery supply chain, including mining, chemicals industries, final manufacturing and vehicle sales.

Michael Ma: Related to that, what existing strengths or advantages can Canada leverage to succeed in the global battery market?

Andrew McKinnon: I would suggest there are a number of strengths. Of course, the auto manufacturing footprint can't be discounted, even though we know that auto manufacturing is led by foreign firms. There is an opportunity for an EV production base in auto manufacturing to have a spinoff effect and support battery innovation.

Innovation and research are our real strength. We have seen innovative battery and battery production research from multiple nodes in Canada over the years. Now there's more of a recognition of how important that is, so let's act on that and make sure we support those firms and ensure the IP grows here.

I'm mostly in agreement with Mr. Hinton's remarks that we need to protect Canadian IP and battery material production and support those firms.

• (1255)

Michael Ma: In the battery innovation road map, you also indicated, in addition to your 2025 pre-budget submission, that your main recommendation is for the Government of Canada to create a national battery alliance to support battery innovation and production. Why is a national battery alliance needed here in Canada?

Andrew McKinnon: Equivalent jurisdictions, like Japan, Europe and China, have embarked upon long-term strategic approaches to developing battery production. As I noted, this industry requires coordination between mineral producers, chemicals industries and final off-takers, such as vehicle producers, storage providers and defence industries. Having a national battery alliance has been the mechanism in Europe, Japan, Korea, China and elsewhere to coordinate the complexity of this advanced technology industry.

Michael Ma: Thank you very much.

The Chair: Thank you, Mr. Ma.

Colleagues, that brings us to the end of the second panel. Thank you very much to the witnesses for appearing before us here today and for contributing to the study we have undertaken over the course of the past few weeks.

Just to correct Madame Dancho, we actually have one meeting left on EVs.

We have some further business to attend to, so witnesses, we're going to let you go. I hope you have a great rest of your day. Again, thanks for availing yourselves to the committee.

Colleagues, I'd be remiss if I didn't mention that it is Madame Dancho's birthday today. I know she doesn't like surprises, but she does like gifts. As a result, not only have her staff brought some things for members to snack on later, but we've also awarded her a Standing Order 106(4) request, which we're going to provide her with an opportunity to dive right into. I couldn't think of a better present for our colleague.

Madame Dancho, happy birthday to you. I'll take the opportunity to pass the floor to you to speak on an important matter that you'd like to bring to the committee's attention.

Raquel Dancho: Thank you very much, Mr. Chair.

Of course, we deal with very serious matters at this committee, but I appreciate the good-natured and good-humoured well wishes on my birthday. Thank you for that. It's very kind.

As for the Standing Order 106(4) request, a very serious matter is before us, and I appreciate the behind-the-scenes collaboration thus far with the committee to discuss this and prioritize it. My colleague MP Borrelli will explain this in more detail, but there has been a recent tariff change that, from our understanding, has very deep and concerning impacts that are occurring today. Certainly, over the next number of weeks and months, they could be devastating for tens of thousands of jobs and their considerable contribution to the GDP in this country.

I'd like to thank MP Borrelli and MP Lewis, who is also joining us, for their exceptional advocacy in drawing this issue to the committee's attention, and also our colleague from the Bloc Québécois, who agreed to work with us and who signed on to the letter that allowed us to trigger an emergency meeting, which we are undertaking now.

Thank you, Mr. Chair. I look forward to discussing this very serious issue in this ongoing tariff war. I would appreciate it if an opportunity were given to Ms. Borrelli to speak.

The Chair: Thank you, Madame Dancho.

Madame Borrelli, I'm going to turn the floor to you, and then I know Mr. Ste-Marie would like to speak, and Mr. Bardeesy as well. I suspect, if this goes according to plan, that we're going to have a motion presented that will give us an opportunity to talk about what some of the next steps are.

Madame Borrelli, I'll give the floor to you now.

Kathy Borrelli (Windsor—Tecumseh—Lakeshore, CPC): Thank you, Chair and members of the committee, for taking the time today to discuss the emerging crisis that the Canadian mould-making industry is facing. It's due to the invocation of section 232 of the Trade Expansion Act of 1962 to unilaterally alter the tariff structure on steel and aluminum goods entering the United States.

The changes being imposed have drastically impacted the way that tariffs are calculated. In one of the many cases I heard about in

my area, a company said that before the April tariff was applied, it would have paid \$1,473 in tariffs. The day after the tariff was applied, that same mould, which had about a \$200,000 value, had a change in tariff price to just over \$33,000. This change will put many of our mould-makers out of business, virtually overnight.

With that, I move:

That, given that:

The United States has invoked section 232 of the Trade Expansion Act of 1962 to unilaterally alter the tariff structure on steel and aluminum goods entering the United States;

These changes have reportedly resulted in dramatic tariff increases for members of Canada's mould-making industry;

The impacts extend beyond mould-making to the broader metallurgical processing sector and advanced manufacturers that rely on cross-border trade; and

This policy threatens thousands of Canadian jobs, the families they support and critical links in Canada's domestic manufacturing supply chain;

The committee:

Pursuant to Standing Order 108(2), undertake a study of at least two meetings to defend the interests of Canadian workers and taxpayers by examining the economic and supply chain impacts of these tariffs and assessing potential policy responses available to the Government of Canada;

Invite the Minister of Industry, the Minister of International Trade, representatives from the Canadian Association of Moldmakers, and other representatives, experts and stakeholders selected by parties to testify before the committee in relation to the study;

Begin the first meeting of this study no later than Thursday, April 23, 2026, and, once begun, give priority to the study over all other matters; and

Report its findings and recommendations to the House.

Thank you.

● (1300)

The Chair: Thank you very much, Madame Borrelli.

Colleagues, we're now entering into a conversation about the motion that's been presented.

I have Monsieur Ste-Marie and then Mr. Bardeesy. If other members would like their names added to the list, please indicate that as we go along.

I have a couple of suggestions to make on timing and the schedule. We'll allow for the conversation first, and then we can frame the discussion around that.

[Translation]

Mr. Ste-Marie, you have the floor.

Gabriel Ste-Marie: Thank you, Mr. Chair.

First, I'd like to wish Ms. Dancho a happy birthday. That's great news. I'd also like to thank Ms. Dancho and her colleagues for alerting us to the urgency of the situation and the consequences of the most recent order.

The mould makers and the mould-making industry are affected. However, as Ms. Borrelli said, all businesses that export goods containing steel and aluminum to the U.S. are affected. The Americans found it too difficult to calculate the 50% tariffs on steel and aluminum products, so they decided that, for those products, they would set the duties based on 25% of the total value.

As my Conservative colleagues were asking me about this, I received a call from the Corporation de développement économique de la MRC de Joliette, in my riding, which deals with small and medium-sized businesses and any trade with them. According to those businesses, they will have to close down if this system continues.

We're talking about small and medium-sized businesses that have been in operation for a number of generations, that made it through the first wave of U.S. tariffs and that have benefited from federal government investments in the past year. They're now saying that it won't be enough and that, given this reality, they're going to have to close down.

I'll give you some examples to illustrate this. A product that was being sold in the U.S. for a little over \$500,000 was hit with \$40,000 in tariffs. Since that decree came into effect, those duties have gone from \$40,000 to \$140,000. For a \$200,000 product, there was \$7,500 in tariffs to pay. Today, those duties are as high as \$48,900, nearly \$50,000. The businesses are saying that they're just going to close down.

Yesterday, I asked the ministers about this privately. Not all the ministers were aware of the issue—far from it—which explains the importance of holding an emergency meeting on the subject. At the same time, we saw in the news that stock prices for Bombardier's recreational products, including snowmobiles and personal watercraft, were plummeting because they were being hit hard by this order.

This morning, we received communications from the Fédération des chambres de commerce du Québec. They told us to be careful. They told us that urgent action was needed.

In light of the discussions I have had with the key ministers involved, I'm beginning to realize the full gravity of this order. Importers in the U.S. are also very concerned. They're saying that it doesn't make sense because, for the contracts currently signed, those importers are the ones who have to pay the tariffs. However, as soon as the contracts are renewed, our small and medium-sized businesses are no longer competitive.

For that reason, I fully support the motion put forward here. I will obviously be open to the chair's suggestions in terms of policy.

I would propose an amendment to this motion, which I hope will be welcomed. If not, we can vote. The first point reads the following: "a study of at least two meetings". I would replace the word "two" with "three".

I'm convinced that all my colleagues will see just how serious this most recent order is in the coming days or weeks. I think that a minimum of three meetings won't be too many.

Thank you, Mr. Chair.

• (1305)

The Chair: Thank you very much, Mr. Ste-Marie.

I'd like to make a suggestion. I would ask you to wait a few minutes before officially introducing that amendment. We could listen to what Mr. Bardeesy has to say, without getting into a debate about the number of meetings. You can then formally move your amendment.

Does that work for you? Okay. That's excellent, thank you.

[English]

We have Mr. Bardeesy, followed by Mr. Lewis.

Once members have had a chance to speak, I'm going to go back to Mr. Ste-Marie, in good faith, to allow him to present his amendment.

Mr. Bardeesy.

[Translation]

Karim Bardeesy: Thank you, Mr. Chair.

We would also like to move a subamendment, which can be resolved among the parties once I have made some brief comments on this matter.

These issues are very important. We're learning more and more about the impacts of the tariffs imposed under section 232 of the U.S. Trade Expansion Act, as our colleagues Mr. Borrelli, Ms. Dancho and Ms. Ste-Marie have said.

[English]

We were fortunate to have the executive director of the mould-makers association here earlier. I think we would want to have her back so we could have more of her time, as well as hear from others who are affected by this. The Canadian Institute of Steel Construction was here this week, and we heard some of their concerns on this fast-moving issue.

As we know, the government has been responsive in the past to these kinds of emergency committee deliberations, having acted quickly in response to the collective work of the committee, and we know there are already some policy tools available.

I want to support the direction of this with my colleagues on the government side. I have a subamendment that would recommend the tabling of a comprehensive government response to the report of this committee, rather than having this committee report to the House.

Perhaps, Mr. Chair, in the spirit of what you were requesting earlier, we could recess briefly.

The Chair: Thanks, Mr. Bardeesy.

In the spirit of fairness, in order to not supersede the amendment Mr. Ste-Marie wanted to put forward, I will come back to you, if you can hold off on that amendment.

Mr. Lewis, you wanted to speak to this. Welcome to the committee.

Chris Lewis (Essex, CPC): Thank you very much, Mr. Chair.

Thank you to committee members for indulging me for a few moments. I will be brief.

I will start by saying that I wish every day in Ottawa would be Ms. Dancho's birthday, because things get done. This is perfect.

Some hon. members: Oh, oh!

Chris Lewis: Again, Mr. Chair, thank you very much.

This is such an important study. We are literally hemorrhaging jobs in the industry across Canada. Probably the biggest hit is in Ontario, but Quebec is right behind.

We can't control what Mr. Trump does, but we can certainly figure out solutions in the short term for industry. I've been working with my colleagues non-stop to try to come up with solutions. I really do appreciate all the hard work and heavy lifting they're doing.

I'm so passionate about this, because this is food on the tables of all Canadian families from coast to coast. If there were ever a bi-partisan special study, emergency study, this is the one, because this affects all of us.

I want to throw my strong support behind this study. Honestly, my personal strong support would be behind three days of study. I think that's the very least we can do.

Thank you, Mr. Chair.

• (1310)

The Chair: Thanks very much, Mr. Lewis.

Mr. Epp, I understand that you would like to say a word. Welcome to committee.

Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair, and thank you for allowing me this opportunity.

I want to add my voice to those noting the importance of this study and want to acknowledge the hard work of my neighbours and colleagues from southwestern Ontario: Mr. Lewis, Madame Borrelli and Mr. Gill.

Regionally, we are so integrated on the agriculture side—that's not the focus here today—and the mould-making side, and even beyond that, as Mr. Bardeesy acknowledged. The downstream aluminum and downstream steel industries are also related to the very dynamics of this study. The mould-makers are leading the way and getting hit the hardest, and I won't say "first", but they absolutely are being impacted by this.

I cannot overemphasize the importance of this study. Even though regionally we are so integrated with the auto sector right across the border, as Monsieur Ste-Marie stated, that impacts other parts of this country, and the downstream effects affect every Canadian across this country.

Thank you.

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

Colleagues, just before returning to Monsieur Ste-Marie to discuss and vote, if necessary, on the move from two to three meetings and the subamendment that Mr. Bardeesy wants to make, I just want to give everybody a sense of what the schedule looks like so

we understand what we might be displacing before we enter the conversation about the number of meetings and the provision in the motion that specifies that this would supersede all business following April 23.

On this coming Monday, April 20, we have our second-last AI study meeting. That's not affected, because the motion specifies post-April 23. April 23 is our last meeting on EVs. That would not be impacted by this. The currently scheduled meeting that would be impacted by this is the one we have set on April 27, which is the fifth and final meeting of our AI study.

I just want everyone to be informed about what that looks like. We don't have any further committed business once we conclude the AI study. We do have some motions of proposed studies—including one from you, Madame Dancho, on fraud—but nothing that we've established on the calendar. The only other piece we have that we need to be mindful of is that Minister Solomon and his officials, at our request, have confirmed May 4 as an opportunity for him to appear.

Having said that, we may want to consider the necessity of adding an extra meeting or two in the week or so that follows the meeting on April 23 to accommodate this. That would be subject to House resources. We could displace the AI study on April 27, which would allow us to have April 27 as the first meeting on the mould-makers. April 30 would be the second meeting, but the third meeting would be Minister Solomon.

I just want everyone to be aware that if we stick to the terms of the motion as it currently exists, we are not accommodating Minister Solomon. I don't know what his availability will be.

I think we can work around this, but in the spirit of transparency and to make sure that we're all on the same page about what that superseding provision means, that's the lay of the land.

Madame Dancho, I think you want to speak to this, so I'll give the floor to you. Again, if there's further commentary before we get into actual amendments, I'd like to just hear that. If there's no further commentary, I'll go to Monsieur Ste-Marie.

Go ahead.

Raquel Dancho: Thank you, Mr. Chair.

My understanding from when we last spoke about the potential of this study or this meeting is that there was nothing scheduled for next Thursday, which was conveniently done to allow the people who are already scheduled for Monday's study, for example, to come rather than cancel. We thought we could start this study on a day when there was nothing scheduled at the time. That was a bit of the rationale there, as you may recall, in our discussion on Monday.

From my calculation, if we started on Monday and the amendment passes to have three meetings, that would be the 23rd, the 27th and the 30th, yet you said Minister Solomon would be coming on May 4.

I may be misunderstanding, but I'm not clear on how the study would impact a ministerial appearance if it was three meetings long, took precedence over other matters and began next Thursday. That's Thursday, April 23; Monday, April 27; and Thursday, April 30. Then it would be done, and the minister would be here the next Monday.

• (1315)

The Chair: I'm sorry for whatever miscommunication there may have been. The Thursday when there is not something currently scheduled is the 30th, not the 23rd. There may have been a miscommunication there. Mr. Kingston and some others had been invited to the final EV meeting that we were holding. It is not Thursday the 23rd; it is Thursday the 30th, when we already had meetings set.

It's the will of the committee. Witnesses have already been confirmed, so there's always a small risk that witnesses who have agreed and committed might not be able to return, but here's a suggestion: If we feel that this is as urgent as I'm hearing members suggest it is, my recommendation would be that we turn the 20th—it's short notice, but we're going to have to do our best—the 23rd and the 27th into meetings on this. We would bump our final EV meeting and our final AI meeting, and it would mean not having to disrupt Minister Solomon's appearance. In other words, we're taking the final AI meeting and the final EV meeting, and we're moving them in order to accommodate what is one open space and two currently occupied spaces, which would deal with the urgent nature of this discussion.

We would have to accept two things. One is that witnesses who have accepted our invitations may no longer be available—that's the first thing—and the second is that it puts a fair amount of pressure on the clerk and her team to get witnesses ready to go for Monday. I suspect that members around the table have been in contact with industry officials, who would drop most things in their calendars in order to make this work for Monday.

I would simply insist to members around the table that if this is what we agree upon vis-à-vis the schedule, you should assist the clerk in making sure those witnesses are picking up their phones right away and making themselves available to the committee.

I'm just looking for some guidance.

[Translation]

Gabriel Ste-Marie: I'll call Ms. Joly right after this meeting.

The Chair: Mr. Ste-Marie, I see that it works for the Bloc Québécois.

[English]

I'm looking to the Liberal side.

Do we have any concern with this?

Mr. Bardeesy.

Karim Bardeesy: Once again, if we adopted the subamendment to have three meetings, they would be the 20th, the 23rd and the 27th for this study. What would April 30 be?

The Chair: That's correct. It would be the 20th, 23rd and 27th. April 30 would be either the final AI meeting or the final EV meet-

ing, which we're displacing to accommodate this. That would get slotted in on the 30th. Minister Solomon would come on the 4th, and then whichever of those two meetings is left—EV or AI—would be finalized on May 7.

Are you okay with that?

Karim Bardeesy: Yes.

The Chair: Okay. I'm seeing unanimous—

Karim Bardeesy: I have a subamendment for after—

The Chair: I know you want to put a subamendment forward. We're not voting on that. We're just agreeing on the schedule.

Nothing has to be changed in the motion vis-à-vis accommodating that, because the provision in the motion speaks to “no later than” the 23rd, and we're starting three days before that.

[Translation]

Mr. Ste-Marie, you want to move an amendment.

Before going any further, I just want to know whether there's any problem with holding three meetings.

Mr. Bardeesy, you have the floor.

Karim Bardeesy: Mr. Chair, that's not a problem, given the schedule we just set.

I assume we're going to adopt Mr. Ste-Marie's amendment. In the spirit of co-operation, I want to make sure that we'll also discuss my subamendment.

The Chair: There's no need for a subamendment. It's an amendment if we don't need to vote.

[English]

I'm looking around the table. We just agreed on a calendar that was inclusive of three meetings. I don't know that it's necessary for Monsieur Ste-Marie to put forward an amendment calling for three meetings if we've agreed upon it.

Is that right, Monsieur Ste-Marie? Okay, that's good.

We've altered it. It's three meetings. Unanimous consent does that for us.

You now want to put forward an amendment to the motion, Mr. Bardeesy, and I'm going to offer you an opportunity to do that.

Karim Bardeesy: That's correct. Because we were doing a calendar and assuming an amendment that we didn't need to vote on, I hope this can be incorporated as well.

Shall I read the amendment, Chair?

• (1320)

The Chair: Yes, please.

Karim Bardeesy: In English, we would strike “Report its findings and recommendations to the House” and adopt the following language instead: “Pursuant to Standing Order 109, the committee request that the government table a comprehensive response to the report.”

[Translation]

In French:

et, conformément à l'article 109 du Règlement, le Comité demande au gouvernement de déposer une réponse globale au rapport.

[English]

In the spirit of the co-operation we've had on these kinds of efforts, this is an appropriate amendment, and I think we want that kind of response.

The Chair: Mr. Bardeesy, I want to be clear on something, and if you need a moment to speak with members of your team to clarify, I'll grant you that.

I think what we're talking about here is adding a response from the government, because if we strike the committee reporting its findings to the House, the government can't provide a response to a report that has not been delivered by the committee to the House. I want to be clear that what we're talking about is not striking that language but adding the government's response.

Is that correct?

Karim Bardeesy: That's correct, yes.

The Chair: Okay. I'll ask the clerk to make the official changes, but I want to look around the table. Do we understand the spirit of what we're discussing here? The clerk is going to make the change.

We're not striking anything. Mr. Bardeesy's amendment is to add that the government provide a response to the report that the committee has brought to the House. That is what we're now debating as the amendment.

Are we clear on that? We'll get it in writing to everybody, but that's what we're debating at the moment.

[Translation]

Next is Mr. Ste-Marie, followed by Ms. Dancho.

Mr. Ste-Marie, would you like Ms. Dancho to speak first?

[English]

Okay.

Madame Dancho, the floor is yours.

Colleagues, if folks feel like they need a minute to talk, I'm happy to suspend.

If you're good, the floor is yours.

Raquel Dancho: Thank you, Mr. Chair.

I am a bit concerned about this. While I appreciate that it's a compromise approach, and I know we work well with compromises at this committee, our understanding is that what this amendment substantively does is allow the government up to over 100 days to respond, and when the government has prepared its response, then we can have a debate in the House of Commons.

However, how we the Conservatives have worded this motion, a debate would be much more imminent in the House of Commons, meaning that representatives from all major parties would have the opportunity to debate and ask questions of the government and oth-

er parties about the impact and the magnitude of what's transpired over the last number of weeks with the American administration's changes to the tariffs.

I have some concerns that this amendment would mean there would be a considerable delay. In fact, I believe it could take us to next fall. This debate needs to happen now on the floor of the House of Commons, and we are really not amenable to any amendment that could potentially delay it until the fall.

The Chair: Thank you very much, Madame Dancho.

Madame O'Rourke, I see you've had your hand up. I apologize. I'm not sure where in the order it went.

[Translation]

Mr. Ste-Marie is telling me that you can speak before him.

It's your turn to speak. Thank you for your patience.

Dominique O'Rourke: No problem. Thank you.

[English]

I appreciate the bipartisan approach to this. As you know, Guelph has a large manufacturing sector. In fact, it accounts for 16,500 jobs in the city. I spoke with the president of the chamber of commerce this morning.

I completely agree that three meetings is better than two and that we want to have a good response, but I also think there's a lot of value in having the government provide a written response. It doesn't mean that we can't be working on this in between. In fact, I think you're hearing a commitment from the parliamentary secretary for industry, Mr. Bardeesy.

We all want to do as much as we can in the shortest period of time for the folks who are impacted by the unjustified and unfair section 232 tariffs. I want to be clear for folks that this is really affecting all of Canada and all of southwestern Ontario, and that while conversation is important, I fully agree this should supersede the other two studies, which aren't as urgent as this one. I think a government response, so that everyone can see the steps that are being taken, also adds value.

• (1325)

The Chair: Thank you very much.

[Translation]

Mr. Ste-Marie, you have the floor.

Gabriel Ste-Marie: Thank you, Mr. Chair.

I'm very pleased that we were able to debate this motion calmly. Everyone around the table and those online need to recognize the gravity of the situation. It affects everywhere, as Ms. O'Rourke just illustrated with the example from her riding.

I like that we can maintain a spirit of working together and compromising, but, in this case, accepting the subamendment, which has become the amendment, would amount to saying that the committee doesn't find the matter important enough to submit to the House. However, I get the impression that this is a timely issue. It's an emergency, and we have to mobilize.

I understand that the government is keeping track of the hours it spends on House business and that this would take some of them out of the equation, but it's necessary to take the gravity of the situation into account.

Yesterday, my leader put the question to the Prime Minister, and the Prime Minister wasn't aware of the matter.

Is it possible to take a few hours in the House over the next few weeks so that all parties can discuss the situation and determine whether it's that serious? I would be inclined to oppose this proposal so that we can debate it in the House, given the urgency and importance of the matter. However, I'm still open to the idea of listening to what colleagues have to say.

Thank you.

The Chair: Okay. Thank you, Mr. Ste-Marie.

[English]

Colleagues, I think it's a natural moment to take a quick break. I have hands up from five members. The current speaking order is as follows: Madame Dancho, Mr. Falk, Mr. Lewis, Madame Borrelli and Mr. Epp.

I think we could benefit from having a quick conversation among members to see if we can get ourselves to a solution on the present obstacle. I have asked the clerk to see if we can find a few more minutes of resources so as to not rush the conversation.

We've already agreed more or less on the principle of the next set of three meetings. What we're debating now is what we will do with the sum of those conversations. To allow us to start that set of discussions next week properly, it makes sense for us to create the time and space now to come up with an agreed upon direction, if possible, so that we're not going into next week still debating this.

With that, I'm going to suspend briefly and we'll come back in a few moments.

• (1325) _____ (Pause) _____

• (1335)

The Chair: Colleagues, I am always proud to chair a committee where a couple of minutes is all that's needed to find a compromise. I think everybody has done a fantastic job of playing the role they must in order to advocate for those they represent, and then bring-

ing that to the table of the committee to drive forward a solution that's in the best interests of Canadians, which, after all, is why we're here.

Mr. Bardeesy, I understand that in the course of the discussions that took place while we were suspended, you agreed to withdraw your amendment. I'm looking to you for verification on that.

Karim Bardeesy: Yes, that's right. I'll withdraw the amendment.

In the interests of getting this study under way, which I know will put some pressure on the clerk and others to start on Monday, I would like to proceed with a vote.

The Chair: Technically speaking—and I'd be shocked if I don't get this—I need unanimous consent for Mr. Bardeesy to withdraw his amendment.

Some hon. members: Agreed.

(Amendment withdrawn)

The Chair: That's good. Unanimous consent has been granted. Again, there's that spirit of collaboration.

I don't think we're going to need a formal vote on this one, as I suspect we're going to get UC as well, which I'll verify. I see that Madame O'Rourke has her hand up. I'll go to her in just a moment.

Once the speakers list has been exhausted—and I suspect that the five members who raised their hands are going to lower them, with the exception of Madame O'Rourke.... No, I see she has taken her hand down. All hands are down, meaning that the speakers list is exhausted and we'll go to a vote.

I want to remind colleagues that the only change that was made to the original motion Ms. Borrelli presented a few moments ago was that it will now be three meetings. Otherwise, it's intact.

With that, I'm going to look around the table to see if there's any opposition to the motion's passing as is.

(Motion as amended agreed to)

The Chair: We're going to call that successfully passed.

We will begin the first meeting on this emergency study on the 20th, followed by the 27th and 30th, at which point the subsequent meetings will be returned to the schedule—the final EV and final AI meetings—without moving Minister Solomon's appearance.

Again, I'm going to insist that members be in touch with the clerk immediately to begin ensuring that witnesses avail themselves of the committee next week.

With that, the meeting is adjourned.

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