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# Standing Committee on International Trade

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**EVIDENCE**

## Monday, May 29, 2006

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## Chair

**Mr. Leon Benoit**

# Standing Committee on International Trade

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● (1535)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette (Joliette, BQ)):** Pursuant to Standing Order 108(2), the committee is undertaking its study of softwood lumber.

The witnesses are Carl Grenier, Executive Vice-President and CEO of the Free Trade Lumber Council; Jamie Lim, President and Director General of the Ontario Forest Industries Association; from the Alberta Softwood Lumber Trade Council we have Trevor Wakelin, Chair, Fibre Resources Millar Western Forest Products Limited, and Murray Summers, Vice-Chair, Chief Forester, West Fraser; Diana Blenkhorn, President and CEO of the Maritime Lumber Bureau.

The presentations will be made in the above order, and let us begin with Mr. Grenier.

**Mr. Carl Grenier (Executive Vice-President & CEO, Free Trade Lumber Council):** Thank you, Mr. Chairman. As my comments are written in English, I will read them out in English. Then I will be pleased to answer your questions in French or in English, as you prefer.

● (1540)

[*English*]

**Mr. Carl Grenier:** Good afternoon. Thank you for the invitation.

Like most of the other witnesses who will testify on the subject of softwood lumber and the proposed deal with the United States before this committee, this subject and this deal is my job.

The Free Trade Lumber Council, which I represent, was created by Canadian industry in late 1998, two years before the expiration of the Softwood Lumber Agreement of 1996, for the purpose of obtaining free trade in lumber sooner or later. With the deal that Canada plans to enter into, at least as we now know it, it will mean much later and perhaps never.

The deal, as we have seen it so far, guarantees that for the next seven to nine years there will not be free trade in lumber, and the restriction on Canadian access to the U.S. market—unless very complex details are worked out very carefully, deliberately, and well—will be very damaging to Canadian forest industries. In addition to being the only organization whose representatives will come before you dedicated expressly and specifically to achieving free trade sooner or later by litigation or negotiation, somehow or other we are the only organization representing interests from all affected Canada. I use the term “affected Canada”, because the Yukon, the Northwest Territories, and, most importantly, the Atlantic provinces are not affected.

The United States government has investigated in detail the forestry practices of all Canada except the Atlantic provinces over and over again. Those investigations have been tested before NAFTA panels. NAFTA panels have found over and over again that according to the prevailing law—and the Americans, as you know, keep changing the law, but we have responded to the changes—Canadian provinces do not subsidize the production or export of softwood lumber, and imports of Canadian softwood lumber into the United States neither injure nor threaten to injure any United States industry.

I thought, having the honour and privilege of being your first witness, that I might provide you with something of a balance sheet, examining the basic terms and what we know of subsequent drafts, to compare what the Americans want and what they are getting and what we want and need and what we are getting. And then I will leave it to you, because this deal will become before the House of Commons and it will be up to you to decide whether you will approve it, whether we are getting enough, and whether the deal is a fair deal.

Here's what for the last five years we've wanted and continue to want: we want a long-term durable settlement of the dispute over softwood lumber; and we want an end to legal battles and litigation, recognizing that Canadians have been sued, Canadians have been charged with unfair trade practices, and that the only reason there is litigation is because the United States industry, aided and abetted by the United States government, has brought Canadians into the legal dock, charged us with misconduct, and obliged us to defend ourselves. We would like to no longer be charged and we would like no longer to have to defend ourselves, and we would like free trade.

To achieve these goals, we have been willing to change our forestry practices, even when we did not think there was anything wrong with them. We have been willing to meet every charge with a legal answer. We have been willing to pay something, even though we honestly don't know exactly why we should. We have been willing to negotiate even if we heard no compromise of any kind from the other side.

And here is where we are. We have negotiated on and off since before this round of cases was filed by the U.S. coalition and we have never encountered any serious compromise from the U.S. side, including this time. Meanwhile, a NAFTA panel decided definitively that Canadian exports to the United States neither injure nor threaten any U.S. industry, and according to U.S. law that should have been the end of the matter, nearly two years ago.

The United States then accused an American panellist of misconduct and the whole unanimous five-member panel, with three Americans on it, of getting U.S. law wrong. A NAFTA extraordinary challenge committee, chaired by the former chief justice of the United States Court of International Trade, exonerated the American panellist in very strong terms and upheld unanimously the NAFTA panel. The U.S. answer last August was to refuse to implement the decisions.

We have now completed the briefing and hearing before a U.S. court to have those decisions implemented. We are waiting for a decision. We were in court on this matter just this past week because the judges are concerned that the April 27 agreement might mean that they should not bother to rule. They concluded that they should rule, and the decision is literally just weeks away.

Another NAFTA panel has decided definitively that Canadian softwood lumber is not subsidized. That decision should have been implemented on April 28, eliminating the countervailing duty that constitutes most of this case, including deposits of some $40 million every month still being collected at the border. But on April 27 the United States challenged that panel too, comprised of three Americans, including an American judge. The United States says that the unanimous panel got U.S. law wrong, including the American judge. We would proceed to go through that challenge, and by law it would be over on August 10 of this year, but Canada agreed with the United States to stop that proceeding so that we cannot get a final outcome from the NAFTA panel.

Two governments have agreed that we should not have the final decision, after four years of litigation proving that Canadian softwood lumber is not subsidized. Why? Why can we not have these legal outcomes? One has only to read the opening statement of the current draft of the agreement from the United States. We got that last Friday.

The second paragraph says that the agreement is “seeking to resolve disagreements with respect to shipments to the United States of Canadian softwood lumber that the United States has found to be dumped and subsidized and threatening material injury to the softwood lumber industry in the United States.” Now, Canada could hardly sign that statement if there were definitive legal decisions to the contrary. We cannot imagine how Canada could sign that statement under any circumstances. In fact, the legal process required the U.S. agencies, not just the NAFTA panels, to find the contrary. The United States International Trade Commission issued a determination that says there is no threat from Canadian imports. The United States Department of Commerce has issued a determination concluding that Canadian softwood lumber is not subsidized. But those determinations ultimately are in limbo as long as we do not have the decision of the Court of International Trade and the completion of the April 27 ECC.

Here then, we can see a basic U.S. objective of the agreement: to erase the last four years of litigation, to eliminate all Canadian legal victories and replace them with the same old legal assertions that the U.S. industry has been making for the last twenty-five years. They want to be ready for another trade war on this issue as soon as the current deal fails or expires, and they want to wipe out any advantage Canada might have gained from defending itself during the last four years.

In the opinion of the Free Trade Lumber Council, we cannot build a long-term durable peace on the foundation of a lie, in which Canada is guilty as charged even after it has proved its innocence. The basic terms with which you are familiar are not as bold as the U. S. version, but they come to the same conclusion by claiming that all the legal implications of the last four years are now suspended “without prejudice”. The Canadian victories are erased, and the U.S. view of Canada is restored as if nothing happened during the last four years.

Of course, a great deal has happened. Most importantly, Canadians have deposited into the U.S. Treasury over $5 billion in duty deposits that the law now clearly shows never should have been collected. Canadian companies have been bled dry. Many have been put on the verge of bankruptcy because of eroding credit and lack of cash.

And here's the second item on the balance sheet. The U.S. industry wants our money, and we want our money back. The deal gives us back 80¢ on the dollar, which in the net present value of money a year ago might not have been bad but is now so close to the legal result that would give us back 100¢ on the dollar we at least have to raise an eyebrow.

The U.S. coalition crippled our industry for four years, making us pay premiums to compete in the U.S. market, thereby giving themselves a huge competitive advantage. Then they wanted to keep the money, even though both the WTO and a U.S. court have said they are entitled to none of it.

Despite what the U.S. Court of International Trade said on April 7 in a case brought jointly by the Government of Canada and Canadian industry, the basic terms proposed to give the U.S. industry $500 million and have the U.S. government keep another $500 million. The lead counsel for the coalition told the three-judge panel in the Court of International Trade in New York just last week that the coalition was compromising because it was only getting $500 million when, according to the Byrd Amendment, they should be getting $5 billion. He did not mention that the legal cases before NAFTA have proved that he lost and he's entitled to nothing, and that he also lost the challenge to the Byrd Amendment—

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Grenier, excuse me for interrupting you, but we just noticed that there is no interpretation. We have sent for a technician.

I want everyone to understand what is involved in this issue.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Mr. Chairman, I find that the witness has very important things to say. If the presentations are delayed, I hope that today's session will be extended.

**The Vice-Chair (Mr. Pierre Paquette):** We are trying to be expeditious. I am told that if you read less rapidly, the interpreters will probably be able to follow you. This is what I was told. So let us try to proceed in this way.

[*English*]

**Mr. Carl Grenier:** They wanted to keep the money, even though both the WTO and a U.S. court have said that they are entitled to none of it. Despite what the United States Court of International Trade said on April 7 in a case brought jointly by the Government of Canada and Canadian industry, the basic terms propose to give the U.S. industry $500 million and have the U.S. government keep another $500 million.

The lead counsel for the coalition told the three-judge panel in the Court of International Trade in New York, just last week, that the coalition was compromising because it was only getting $500 million, when according to the Byrd Amendment they should be getting $5 billion. He did not mention that the legal cases before NAFTA proved that he lost and is entitled to nothing, and that he also lost the challenge to the Byrd Amendment and through that vehicle also is entitled to nothing. Indeed, the only way he can get any money is through this deal.

So we wanted all our money back. The U.S. coalition wants all of it. We get back some, and the coalition gets some, and there is the compromise—only without the deal, we eventually would have got all our money back, guaranteed, and the coalition would get nothing, guaranteed. Exhaustion and bleeding have led our members and the rest of the industry to say that assuming everything else is right—it's a big assumption—they can live with giving away $1 billion; as you know, we've never given any money back in past episodes in which there has been a dispute.

Here is a minor digression: there have been a lot of comparisons in the last couple of weeks to the deal into which the United States recently entered with Mexico over cement; the Mexicans gave up $150 million. But let's be clear—the Mexicans had not won the legal case, and after two years they go to full free trade. We won, and after seven years we will be further from free trade than we are today. Guess who got the better deal.

Let us go back to the balance sheet. According to the legal decisions, we are entitled to free trade. NAFTA was supposed to spare us appeals and make the cases go quickly. NAFTA failed us as to speed, but not as to justice. We won. But the deal imposes restrictive managed trade. The U.S. wants managed trade in softwood lumber, and there's no doubt as to who will be the manager.

The nature of the managed trade is also important. A prime objective of the U.S. coalition has been to make Canada the marginal supplier in North America for softwood lumber. It has been to assure that in down or slow or soft markets, Canadians would be the shock absorbers of the system. When demand contracts, Canadian mills should close and Canadian workers should lose their jobs well before the same thing happens in the U.S.

The current design of the deal, as we understand it, does exactly what the coalition wants. We face absolute quotas or, alternatively, graduating export taxes. The tougher the market, the more we pay. The U.S. industry becomes completely insulated from competition in down markets. So we want free access, and they want protection in down markets. The deal imposes trade restrictions that get tougher on Canadians the more the market slows down.

There is a great deal more, of course, and much we do not know yet. We know that under current terms, provincial governments must present all changes to forest policies to the Americans for approval. We might be able to live with this American oversight and with limited access to the U.S. market, but that analysis must be very refined and exact. It is complex and cannot be worked out quickly. Different interests in different parts of Canada must be understood with great refinement and subtlety.

At this stage, there is a lot less known than there needs to be. We don't know whether the border measures will be fashioned so that Canadian industry can survive. All industry associations, including the Free Trade Lumber Council, are working hard to help the federal government get the legal text of the deal right. Some industry members still believe it is possible to improve the basic terms, but this, we are told, is not in the cards.

What we saw on April 27 is what we will get if Canada does the legal drafting right. If not, it could be significantly worse.

To summarize quickly, we want our legal victories; they want them erased. We want all our money; they want a lot of it. We want free trade; they want trade restricted and managed. We want to manage our forests according to our own rules and ways; they want significant oversight over our forest policies.

I have indicated how the deal appears to be reading at this stage. You must decide whether Canada can and should live with it.

Thank you.

● (1545)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you very much, Mr. Grenier.

Now let me invite Ms. Lim to take the floor. You have a maximum of ten minutes, as agreed. Please speak slowly. I listened to the interpretation and, as a matter of fact, I noticed that it was not easy to follow Mr. Grenier. I do not mean his reasoning, but he reads very fast.

● (1550)

[*English*]

**Ms. Jamie Lim (President, Director General, Ontario Forest Industries Association):** Good afternoon, everyone. I'm very honoured to be here today on behalf of the Ontario Forest Industries Association.

You have two very full days of hearings scheduled on softwood lumber, with many witnesses. As I am one of the first, I thought it might be helpful if I defined some of the terms that may be heard frequently during these hearings.

The first term, “perfection”, has been in the press, and I suspect will be invoked often by ardent supporters of the basic terms and a deal in the making. You will likely hear it often at the end of today and Wednesday, given the lineup as I understand it.

It has been suggested that industry leaders who express concerns or doubts about the deal in the making have a vested interest in continuing the battle. We don't. I'm the president of a trade association, and trust me, with the challenges facing the Canadian forest sector, and particularly in eastern Canada right now, I have enough issues on my plate that softwood lumber is just one of them. My day goes on with or without this file and whether it's finished or not.

But the theme for the last five years during this dispute has been that we would not take a bad deal. As we have suggested, perhaps that is where we are headed, at least commercially. We are being accused of naively looking for perfection. We are being told that we are unrealistic and uncompromising, and that any good deal requires compromises that are necessarily less than perfect.

According to my *Webster's New Collegiate Dictionary,* perfection means “the quality...of being perfect”, and perfect means “being entirely without fault or defect”. Ladies and gentlemen, I can tell you right now with absolute confidence that I don't have one member company that is seeking perfection. Dave Milton will be here on Wednesday speaking on behalf of the Ontario Lumber Manufacturers' Association, and I've been on enough conference calls that I can say with confidence that Mr. Milton doesn't have one member company that is seeking perfection. That is not what any of our members expect from this deal.

We are certainly prepared to accept something that may have a fault or a defect. The problem arises when we consider the antonym for perfect, which an online dictionary of antonyms says would be “uselessness” or “worthlessness”. Ladies and gentlemen, the question is, between perfection and worthlessness, where is this agreement? The closer it gets to the antonym of perfection, the less acceptable it is to us.

After reviewing both the Canadian and the United States' draft legal texts, it is apparent that what we have right now is a political agreement. As an industry—as businesses dealing with over $7 billion U.S. in annual sales from Canada to the Untied States—we need more than a political agreement. Again, we are not looking for a perfect agreement, but we must have a reliable commercial agreement that protects trade and investment for the Canadian forest industries in every region of this country for the next seven years.

As a CEO of one of my member companies suggested, the April 27th framework has potential, but we have to see how the actual deal is written before we can endorse it. So far, each draft has varied the crucial details further and further away into blank annexes.

Minister Emerson stated months ago—and we applauded him for this—that the devil is in the details. The devil is still in hiding, ladies and gentlemen, even as the government thinks there are only two weeks to go to completing the deal. My members and the 270,000 families that rely on the Ontario forest industry for their well-being and livelihood—and you could say the same for everyone sitting at this table right now and for the families they represent, who are relying on the outcome of this agreement—want everyone to understand that it is our future that is bedeviled by the details. It's our future that's on the line with this agreement.

● (1555)

During a conference call last week, a Canadian CEO—not one of my members—explained to the federal government representatives that the complexity of the commercial implications were huge, and that all Canadians needed to understand that it is the United States industry that would benefit from a deficient agreement. As he put it, “if we get the commercial detail wrong, it will be to the detriment of the Canadian industry”. The government may insist that we are dealing with a win/win deal, but so far it's the government, not the industry, that has confidence in making this claim.

Another term that might be useful to define is “agreement”. My dictionary says that it means “harmony of opinion, action, or character”, and that “compact” or “treaty” is “a contract duly executed and legally binding”. Our concern is that we need to be entering a commercial contract, one that protects us and advances our interests commercially. Its reflection of harmony must mean that both sides agree, which Webster's says comes “after resolving points of disagreement”.

So far, we are finding that the points of disagreement and indeed the driving purpose of the deal are political, but that the commercial disagreements are not resolved. The federal government is convening conference calls once a week, and industry leaders are expressing concerns on those calls. But let's be clear: we're not at the table. We are not always seeing drafts before the United States does or, for that matter, the U.S. industry. Maybe there are drafts with the requisite commercial detail. If so, we've not seen them.

Because we are not at the table and we are not always seeing the drafts—at least, before they are shown to our adversaries—I also looked for the definition of “settlement”, which means “an agreement composing differences”. We have noticed that the United States industry has been at pains to emphasize what it is settling—what it is giving up—at pains because it is not giving up anything, which means that this agreement, as written so far, is not a settlement at all. This problem takes us back to where we are, between perfection and worthlessness.

These dictionary definitions are helpful when we make their consequences concrete. Many in the industry have calculated since April 27 that this agreement, as currently drafted, will result in at least 20% of the Canadian sawmills being put out of business in the next 12 months—and this is apart from the forces that are rationalizing and consolidating the forest industries in our country.

Now, no one thinks that their mill will be part of that 20%; everyone thinks that they can survive and that it will be others who will fail. And I'll say that no one is talking about prospering, but just talking about surviving. We are confident that at least 20% will fail because of this agreement. Moreover, for a variety of reasons, we believe these failures will be disproportionately in eastern Canada, and because of the exclusion of the Atlantic provinces, eastern Canada means Ontario and Quebec.

We therefore expect to suffer, and to suffer a lot, under the terms as they are now written. Moreover, the deal that's written now has no exits, and no hope of exits. Policy reforms are subject to U.S. judgment and to U.S. veto, and there is no termination clause. The managed trade will be permanent, and the terms of the management may devastate employment in northern Ontario, where the Ontario industry is heavily concentrated—and I would expect the same to be seen in Quebec.

We must ask ourselves about the alternatives. The United States insists that we will never get litigated results because they will neither permit nor honour them. Canadians, beaten down after five years, seem to be prepared to accept that the United States controls the market and the law and that there is nothing we can do. Perhaps that is true; perhaps there are no alternatives.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Madam, excuse me for interrupting you. I just want to notify you that you have one minute left.

[*English*]

**Ms. Jamie Lim:** Okay.

But then we must ask ourselves whether one alternative, at least, is not to give up or sign away our money and our rights.

We've said all along over the five years that we're prepared to leave $1 billion, but for a good deal, a commercial deal. We're not prepared to leave $1 billion for the privilege of surrendering the legal cases and memorializing that the United States, not Canada, really won.

Were our jobs and families in northern Ontario not so much at risk, we might not care so much or speak out so strongly, but they are. So we are not looking for perfection; we are not opposing on principle this deal or any other deal, but we want to be as far away from worthless agreements as possible. We need a deal that works for Ontario and all regions of Canada. We need more than a political agreement delivered by June 15. We need a solid, reliable commercial agreement that provides short-term gain by returning our illegally collected deposits, preserving our legal victories so that we are not starting at ground zero in Lumber V, and allowing the Canadian forest industries to remain viable in all regions across Canada for the next seven years.

We cannot afford short-term gain for long-term pain. We fear that we are certainly not looking at perfection, but we may well be looking at its antonym.

Thank you, ladies and gentlemen.

● (1600)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you very much.

Which representative of the Alberta Softwood Lumber Trade Council will take the floor first, Mr. Wakelin or Mr. Summers?

[*English*]

**Mr. Trevor Wakelin (Chair, Alberta Softwood Lumber Trade Council):**

Thank you very much for the invitation to this committee. It's very timely. We're very prepared to provide the Alberta perspective.

The Alberta Softwood Lumber Trade Council represents the Alberta softwood lumber industry and is made up of primary and secondary manufacturers within the province. We have 50 forest-based communities and 54,000 jobs that are dependent on a healthy forest industry that has access to the U.S. market. We are the third-largest primary producer in Alberta. We produce some 3.3 billion feet of lumber, approximately half of which is exported to the United States. In terms of volumes, we are not that far behind Ontario.

Firstly, the Alberta industry agrees that a negotiated settlement is necessary and supports the government's efforts to bring about an end to the current trade dispute on softwood lumber. However, the agreement must lead to a long-term, durable solution that is sustainable throughout the seven-year term and ensures the long-term viability of our industry. Unfortunately, the proposed softwood lumber agreement neither reflects the litigation successes to date nor provides any certainty of economic viability for our industry into the future.

As stated by Prime Minister Harper on April 27, it is true that a quota or border tax would not be levied at that day's market price. However, you should understand that the market price has since fallen and today both a quota and border tax would be applicable.

Due to the unique circumstances that currently exist in Alberta, there are certain elements of this agreement that, if not clarified and addressed, will have a devastating effect on the Alberta industry. Our industry will be unable to determine whether the agreement will be a good deal that provides the necessary long-term viability until such time as the agreement has been finalized and reviewed. It is imperative that Alberta's concerns are listened to and addressed in the agreement. I can't understate that point.

We were extremely disappointed that Alberta was excluded from providing input during the final hours leading up to the announcement of the framework agreement. Our frantic efforts to contact the government with our industry's concerns and recommendations on April 27 were to no avail. Since that time, we have continually tried to have the Alberta industry concerns clarified by ongoing correspondence with the minister and the ambassador's office. To date, none of our correspondence has been acknowledged. And in our phone discussions with the ambassador's office, it appears clear that our concerns are not being listened to.

The current consultative process established for industry input and the accelerated timetable provides little opportunity for us to consult with our industry and provide the appropriate feedback that has fully considered the economic impact to the industry. This seems unreasonable and unacceptable since it is imperative that the agreement is economically viable.

We realize the difficulty of changing the framework agreement to address the Alberta industry's concerns. We are not requesting a renegotiation of the framework; rather, we require clarification of some of the elements and recognition of our concerns in the final agreement. As has been pointed out in our correspondence to Minister Emerson, we have considerable concern with respect to the surge mechanism, the determination of market share, and the anti-circumvention provisions due to the unique circumstances that currently exist in our province.

The Alberta industry has consistently indicated during the years since the expiry of the 1996-2001 Softwood Lumber Agreement that a quota solution is not acceptable as a fair and equitable solution for us, due largely to an unfair allocation of quota to Alberta companies in 1996. Therefore, we have strongly advocated a border tax solution that would be fair and equitable to all. Unfortunately, the proposed agreement provides for two options, both of which have elements of a border tax and a quota.

With respect to the surge mechanism under option A, the framework is unclear whether the 150% tax penalty applies to all of the volume shipped when the 110% trigger is exceeded or whether it is just on the overage.

● (1605)

If the penalty tax were to apply to all of the volume exported to the U.S. instead of to the overage, then the overall tax would have a profound and devastating impact on Alberta producers. Considering that option A, the export tax option, has a considerably higher tax than option B, then in our view the application of the penalty tax is unfair and overly punitive.

The basis for our concern is that the mountain pine beetle is now in Alberta, and aggressive forest management strategies are being contemplated to ensure that Alberta forests do not succumb to mortality from the onslaught of the mountain pine beetle, as has occurred in British Columbia.

It will be necessary to increase the harvesting of older-age pine stands to protect forest ecosystems and to ensure that the epidemic does not spread across Canada, let alone to the northwest states of the U.S. I'd just like to refer, for your information, to a story in today's *Globe and Mail* that reflected exactly that point; that if left unchecked in Alberta, the beetle will spread across Canada.

The effects of the mountain pine beetle outbreak in British Columbia have already resulted in significant increased harvesting and production levels in that province. Since the proposed market share allocation for each region and province, using the 2004-05 shipments, will take into account the increased volume in British Columbia, it should also be noted that Alberta's market share will decline. This is a major dilemma for the Alberta industry, considering the inevitable impact of the mountain pine beetle.

Additionally, the framework is also unclear on whether the tax penalty is prospective or retrospective. In order to effectively manage shipments to meet customer needs and prevent gaming, it is imperative that the penalty tax be prospective.

In spite of the framework and the draft softwood lumber agreement tabled with the U.S. on May 24 being unclear in these clauses, we have been advised by the federal negotiators that the penalty tax applies on all of the shipped volume and will be retrospective rather than prospective. This seems inappropriate, as it will be virtually impossible to determine the full impact of the tax when making business decisions on the sale of lumber to U.S. customers; furthermore, many of our businesses will be in jeopardy if these concerns are not addressed.

With respect to the market share determination, further clarification is required. The framework is unclear as to whether the historical market share is based upon the exporter of record or upon the province or region of origin. Given Alberta's geographic location in Canada, many of our exports are shipped through other provinces, such as Manitoba, Ontario, and to a lesser extent British Columbia. This is especially true for many of our small and medium-sized producers, who utilize lumber wholesalers and brokers for the sale of their products into the U.S.

In the event that the exporter of record is the chosen methodology for the determination of market share, then some of Alberta's shipments will be allocated to other provinces. For this reason, the Alberta industry would recommend that the market share allocation be determined by the province or region of origin.

With respect to the application of the anti-circumvention clause, it should be recognized that Alberta's stumpage system has historically been based upon a formula that considers both the revenue and cost inputs in the manufacture and sale of lumber products. Currently there is provision in Alberta legislation for periodic reviews to ensure that the stumpage calculation reflects inflationary factors. It is imperative that the appropriate language be written into the agreement to ensure that the province can implement the necessary changes as they occur.

Additionally, the Government of Alberta is currently undertaking a review of forest policy and regulation to ensure that the forest management system is appropriate and effective for Albertans. It will be important that the outcomes of this review be capable of implementation without fear of circumvention of the agreement.

Other provinces have had the opportunity to implement changes in forest policy prior to April 27, and currently British Columbia is negotiating for their anticipated stumpage changes to be incorporated into the agreement.

● (1610)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Wakelin, you have one minute left.

[*English*]

**Mr. Trevor Wakelin:** Alberta requires the same consideration. The Alberta industry strongly advocates the continuation of all litigation, namely WTO, NAFTA, and the civil cases before the U.S. Court of International Trade, until such time as the entry into force of the agreement.

It has been suggested by the federal negotiators that Canada and the Canadian industry should suspend litigation while the details of the agreement are being negotiated. Giving up all of the significant legal victories at this stage would be foolhardy, risky, and not recommended.

Finally, our recommendations are as follows:

First, establish a collaborative consultation process that provides industries in Canada sufficient time to establish with the federal negotiators agreement terms and conditions that ensure the long-term viability of the softwood lumber industry.

Second, consider the unique circumstances of Alberta in negotiating the agreement details.

Third, ensure that the penalty tax on any surge volume in option A applies only to the overage volume, and that it is prospective.

Fourth, ensure that the methodology for regions or provincial market share is determined by the province of origin.

Fifth, ensure that there is a provision in the anti-circumvention clause to allow Alberta to implement the cost updates in the stumpage system.

And finally, ensure that litigation continues until such time as the entry into force of the agreement.

Thank you.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you very much for your presentation.

Now I invite the Maritime Lumber Bureau to give the final presentation. You have ten minutes.

[*English*]

**Mrs. Diana Blenkhorn (President and CEO, Maritime Lumber Bureau):** Thank you.

On behalf of the industry in Atlantic Canada, I too would like to thank the committee and the chairman for the opportunity to be here.

The bureau was founded in 1938, and since that point in time we have had a very long history of presenting a unified position not just on behalf of the Atlantic industry, but certainly coordinating both the Atlantic industry and the governments on many issues. The most notable of this coordinated activity is the consistent position that has been maintained by the industry and the governments in the four Atlantic provinces over the last 21 years in the softwood lumber dispute between Canada and the United States—not simply the last five years, but the last 21.

Before providing comments on the framework agreement—or SLA II, as it's currently being referred to—it's important to reflect briefly on the history of softwood lumber wars that have existed between Canada and the United States for decades. While it's clearly the intent and the desire to move forward with a “long-term durable resolution”, an understanding of the history is particularly relevant to the position of the MLB, the four Atlantic provinces, and the softwood lumber industry in Atlantic Canada with regard to this agreement that you're now discussing.

Since the early 1980s, Canada has consistently been targeted by the softwood lumber industry in the United States in a series of attempts at “managed trade” or “trade remedies”. This existed prior to the FTA, or the free trade arrangement, and has continued despite both the FTA and the existence of NAFTA.

The much-cited root cause of these disputes is the difference in timber ownership, and associated allegations of provincial and federal subsidies to the Canadian softwood lumber industry.

In the U.S., 72% of all timber is owned privately and sold on the open market at competitive prices. In Canada, 93% of timber is owned principally by the provincial governments, which set stumpage rates using various administrative formulas, not suggesting they're market-based. Because of this difference, U.S. producers over the years have levied subsidy allegations at their Canadian counterparts, trying to impose a series of trade remedies that include quotas, countervailing duties, anti-dumping duties, provincial forestry reforms, any number of items to, in their words, “level the playing the playing field.”

It is the private ownership of timberlands in Atlantic Canada that have set us apart from the rest of Canada and how we've been treated in each of the trade disputes from 1986 to 2006—that is, in the past 20 years.

In the Maritimes, 80.2% of all softwood lumber production is generated from privately owned timberlands. In the Maritimes, the Crown is not the principal supplier of raw materials for the production of softwood lumber. But over the past 20 years, in the series of trade actions—which is litigation, followed by an “interim” arrangement, followed by more litigation—there's an obvious trend, and I'd like to go through it quickly for you. It's critical to what we're talking about.

You had, in 1984, a U.S. industry-initiated countervailing duty case; in 1986, an agreement, a memorandum of understanding; followed by, in 1991, a U.S. self-initiated countervailing duty case, when Canada unilaterally terminated the MOU without notice; followed again by an agreement, the 1996 Softwood Lumber Agreement, or SLA I, as we now refer to it; followed again by litigation, a U.S. industry-initiated CVD and anti-dumping case, which we're now talking about; and in 2006, the framework agreement, or SLA II.

At every stage of the dispute, except the 1984 case in which the Maritimes were fully investigated and found to have a *de minimis* rate—so we were investigated over one period of time—our region has been excluded from any subsidy allegations and related trade remedy.

In 2001, we were covered by the recent anti-dumping order as a result of a technicality in U.S. law whereby the order applies to all producers of the scope product in the country to which the order is directed.

The best way to illustrate the unique circumstances of the Maritimes, which in past U.S. determinations for these purposes included Newfoundland and Labrador in its definition of the "Maritimes", is to quote from a U.S. ruling—not necessarily our words or our assertions but a U.S. ruling.

These are words contained in the July 27, 2001, notice from the U. S. Department of Commerce, International Trade Administration:

● (1615)

> there are still unique circumstances, discussed in the amendment below, that warrant exempting the Maritime Provinces from this investigation. In fact, the circumstances behind the original exemption of the Maritimes from the 1986 Memorandum of Understanding (1986 MOU) have not changed for the last 15 years. Even though the exemption of the Maritimes from the 1991 countervailing duty investigation was based on a separate legal requirement...the circumstances associated with the Maritime Provinces are substantially the same as they were at the time of the 1986 MOU. Those circumstances remained the same at the time of the 1991 countervailing duty investigation, the 1996 Softwood Lumber Agreement, and at present with respect to the current investigation.

The notice goes on to say under the heading, "Exemption of Maritime Provinces", and again, I'm quoting:

> The lumber dispute between Canada and the United States has a long history. Throughout much of the history of this dispute, the Maritime Provinces have been exempt from the various actions taken, including the 1986 Memorandum of Understanding on Softwood Lumber, the interim measures taken pursuant to Section 301 of the Trade Act of 1974, the 1991 countervailing duty investigation, and the recently expired Softwood Lumber Agreement. All parties have generally recognized that there are unique circumstances associated with the Maritime Provinces and have supported those exemptions. That is equally true in the case now before us.

Although there has been an absence of subsidy allegations against the Maritimes, and the Maritimes have been exempt from the present CVD case, the Maritime Lumber Bureau alone has spent more than $8 million in legal fees during the current case. The industry in Atlantic Canada has spent an additional $10 million. You've got to think about that, given the absence of subsidy allegations in other areas.

The industry in Atlantic Canada has made a conscious decision, based on the fundamental principle that this has been an ongoing subsidy case, to fund both the provincial and industry legal bills, without grants from government. We have accepted none of the more than $35 million in federal government assistance for legal fees that was provided to other associations in Canada. Now with the specified $500 million being paid to the U.S. coalition in the framework agreement, the Maritime Lumber Bureau and the Atlantic Canadian softwood lumber industry will be left as the single industry in North America to have funded 100% of its legal defence, totally without government support. Given the fact that there's an absence of subsidy allegations, perhaps you see the irony in the situation, as we do.

Let me explain further. The unique circumstances of the Maritimes are as evident today as they were in previous determinations.

I have a chart that was not distributed. It did go to the committee chairman. Am I permitted to pass it around?

Basically what this chart shows is the various stages of dispute. The vertical lines indicate each of the various stages, whether it's litigation or agreement. The little boxes at the top indicate where U. S. consumption has gone; it's compared to the Boston selling price of lumber. There's a couple of key points that I want you to gather from the chart.

First, Maritime stumpage rates have consistently increased, with no decreases, regardless of market conditions. This is in direct relationship to our dependence on private land supplies.

Secondly, although we're talking about this agreement in terms of five years, the truth is there have only been 19 months in the past 20 years, or since October 1986, when there was no trade remedy—when there's been total free trade. On that chart, it's the small grey area off to the right. By comparison, the Maritimes have maintained relatively free trade throughout the entire 20-year period.

Another unique position of Atlantic Canada is that we have willingly accepted undertakings and obligations to protect these exemptions. One of the most notable of these undertakings has been the implementation of an enforcement of the anti-circumvention mechanism, known as our certificate of origin program. The certificate of origin ensures that only lumber produced in the Atlantic region from logs originating in the region, or from the state of Maine, receives the intended exclusion.

I won't spend a lot of time on that program, but certainly the fact that it continues to be a required entry document—that it's referenced in the framework agreement—is evidence of the credibility it has gained.

What is our position on the framework agreement or SLA II?

● (1620)

The industry and the four governments of Atlantic Canada have been consistent in supporting a negotiated settlement that is focused on establishing a long-term, durable resolution. We do, however, insist that any negotiated settlement not damage our free trade status. This means the following: continued exemption of Atlantic Canada and recognition of its unique circumstances and market-based forest policies; continued requirement by both Canada and the United States of original MLB certificates of origin as entry documents, as these certificates have only been successful in preventing circumvention since becoming entry documents; and continued efforts to maximize the duty refunds owed to Atlantic Canadian importers of record.

The previous Canadian administration recognized the unique circumstances in Atlantic Canada, and committed to an exclusion should a negotiated settlement be possible. The current Canadian administration has also recognized the unique circumstances and has delivered a framework that incorporates just recognition of those prevailing circumstances.

Is the proposed agreement perfect? No, but no single party is 100% happy with the established framework: the U.S. industry is unhappy; and the Canadian industry, as you heard earlier today, is unhappy; and the Maritimes would have preferred 100% of their duty deposits. Are there important details to be worked out? Absolutely. Is the proposed agreement preferable to ongoing costly litigation, the outcome of which is uncertain, as demonstrated in the past? Yes.

I have more, but I will finish at this point.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Let us start the round table. Mr. LeBlanc, you have seven minutes.

**Hon. Dominic LeBlanc (Beauséjour, Lib.):** Thank you, Mr. Chairman.

I have a specific question for Ms. Blenkhorn. And then I will have a question for the other witnesses. If there is any time left, I know that my colleague Mark Eyking would like to put a specific question. So I will be brief.

[*English*]

Madame Blenkhorn, you touched briefly on the certificate of origin program. One of the allegations made by various people is that the certificate of origin program has in fact been misused, or that there have been examples of circumvention, for example.

I think I have a good understanding of the integrity and worth of the program. I'm wondering if you have any comments for those who say that the certificate of origin program can in fact be a back door for other softwood lumber regions to take advantage of the exemption, which would obviously put the integrity of the whole process at risk.

Then I have another question, Madame Blenkhorn. You hear a great deal of concern about the time it's going to take for your own members to receive any of the deposit moneys back. Leaving aside the perfection/imperfection argument and that we may disagree on the national picture, your own members are very concerned about the potential time it may take to see any of this money, whatever percentage ultimately comes back. Do you have any suggestions for the government, if they appear intent on proceeding with this deal, about getting money quickly in the hands of your members?

If there is time, to the other members of the panel, Madam Lim, and Mr. Grenier, in particular, I got the impression you're worried about the rush to have a deal put forward. Mr. Emerson had talked about 60 to 90 days. All of a sudden we're now told it has to be over a long weekend and that the provinces have to respond quickly. In Alberta you are clearly being left out as an industry in terms of consultations; you're not adequately involved. Why do you see the huge rush by the government, instead of their taking time to make sure they get right whatever deal they're intent on getting?

● (1625)

**Mrs. Diana Blenkhorn:** Thank you. And thank you for the question. It is a critical question as we move forward.

Circumvention did not occur against the Maritime Lumber Bureau's certificate of origin program. I would make the assertion, and data would demonstrate, that circumvention occurred against the Canadian government export permit program. In the first four years of the SLA, before it became a required entry document, the data indicating the actual imports into the United States and what shows on the Maritime Lumber Bureau's certificate of origin program showed a 914 million board foot difference between our data and what actually entered the United States. That's about a 15% difference. We fought hard to have the certificate of origin become a required entry document when we were exempted from this case. I'm happy to tell you, from 2001 to 2004, there's not an 11 million variance out of seven billion board feet of shipments, which is less than two-tenths of 1%, demonstrating conclusively that certificate of origin must continue to be a required entry document to prohibit circumvention.

I won't go into it. Essentially, under the export permit program, the enforcement mechanism is through prosecution. We have a number of enforcement mechanisms, which basically means they don't ship if it's misused. And that takes place within 30 days, not 10 or 12 years.

That was the first part of your question. I think the next part, Mr. LeBlanc, was about the duty deposits. I do have a few suggestions, particularly to hurry this up.

We've had the experience with some duty deposits that have been liquidated from the administrative review 1. If you understand, each entry gets a cheque. There are about a million cheques destined for Canada, which is part of the delay. If we could get a statement of what was owed by the U.S. to Canada, and the Canadian government bought the receivable, with that money being fully repaid at whatever percentage it is, or failing that, if the Canadian government would like to advance the billion dollars they've committed to the U. S. industry, allow the cheques to come back and then tax those Canadian importers of record when they receive the money, we could get them more quickly.

Those are not detailed proposals; they're thoughts of what might happen. If we think out of the box, not to exacerbate subsidies, but to think about assisting the industry, there are a number of ways forward.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Grenier, would you like to intervene regarding the other issues raised by Mr. LeBlanc?

[*English*]

**Mr. Carl Grenier:** You were asking why there is a rush. Frankly, we don't really know. The basic terms that were agreed to on April 27 are set. What's left is the final legal drafting. This is a more complex agreement than we had, for instance, in 1996, or certainly 1986. But simply take the 1996 case, where the structure was about the same but less complex than this one. It took us three months to go from an agreement in principle, such as the April 27 deal, and a final legal signed agreement. It was hard work. Even with the best will in the world, which is a strong assumption to make, it's very time-consuming.

The industry across Canada is not homogenous, as you know. Canada is a large country and industry is different from region to region; the circumstances are different. You've heard about some of these differences today. You need time. To want to do it very quickly, say for instance, by June 15, is really very risky, because we risk not getting it right. If we don't get it right, then the deal will be worse for us than what we see now.

● (1630)

**Ms. Jamie Lim:** *Merci.*

As I mentioned earlier in my testimony, we're concerned about the rush, because as Mr. Grenier has just said, a deficient agreement will work to the benefit of the U.S. industry and absolutely will be to the detriment of the Canadian industry. At the end of the day, I think all of us in this room—I mean, we're all Canadians, we're all working for the same objective, to keep our people employed, to keep communities healthy across Canada—want the same thing. So we have to recognize that we have one chance to get this right. If we rush that language through, and it's not a reliable commercial agreement, then it is Canadians who will pay the consequence.

We have fine negotiators. We have great trade lawyers. But they don't operate the mills. We have respected businessmen, such as Trevor Wakelin and Murray, who run the mills. They are asking to be at the table. They are asking to be a part of helping governments develop the complexity that's required in the language, so we can make sure it's right and make sure that we can continue to operate for seven years. That's why we're concerned—and it is a real concern.

On deposits, just to add to that—

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Please be brief.

[*English*]

**Ms. Jamie Lim:** Oh, but it's an important point on deposits. He asked the question.

**The Vice-Chair (Mr. Pierre Paquette):** Quick.

**Ms. Jamie Lim:** Okay.

It's important to recognize that before the new border measures from this agreement are put in place—for example, we'd be paying a tax today because of the price of lumber—we should have our deposits back. We shouldn't be hit with a double whammy. We're going to be struck with a quota and will have to pay taxes, and we're still waiting for our deposits. I don't think so. Like Diana, we have concerns as well about the timely return of our deposits.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you.

Now, with your permission, I will put some questions for the Bloc Québécois. I can assure you that I will respect the regular seven-minute time limit.

[*English*]

Ted, you can sit with me and watch the clock.

[*Translation*]

The thing that we find very complicated and difficult to understand, is the fact that on April 27, we were told that a large part of the industry, although it is not enthusiastic about the agreement, felt that it was better than continuing the proceedings, given the situation, and specifically in Quebec.

Now, we feel that there is some haste. That is what I heard from the Ontario and Quebec councils. I would like to know if the same thing is happening in Alberta. As the minister said in the House the other day, this haste is due to the fact that we want to get the fees back. In a sense, if we got the fees back immediately, as proposed by the representative of the Ontario council, we might have more time to negotiate a proper agreement. The Americans probably want to hold on to the fees as a trump card.

At this time, should the Canadian government not give loan guarantees to the industry so that it can negotiate in a favourable climate? We are being presented with a fait accompli. Mr. Emerson mentioned this several times, and I do not think that you have much sway over the negotiations at this time.

Finally, I would like an answer to this question. Would it not be better to give loan guarantees to the industries in the form of letters that would allow them to use the fees that they expect to receive as collateral, so that they can have the possibility of waiting perhaps until September or October when they could conclude a proper agreement, rather than to hastily conclude a poor agreement that we will have to live with for the coming seven or nine years?

Mr. Grenier. If the representatives of the Alberta council want to intervene, they are also welcome.

● (1635)

**Mr. Carl Grenier:** More than four years ago, the Free Trade Lumber Council had proposed the very same thing to the government of the day. We had proposed that loan guarantees be offered because we believed, in fact, that at some time or other, we would find ourselves in the situation which has now been prevailing for quite a while, whereby financial pressure on companies would be so severe that they would be forced to accept a bad settlement, one that would not be good for either party. This is what is happening now, more or less.

The industry minister in the previous government, Mr. Emerson himself, had implemented and announced, late last November, just before the elections, a program of guaranteed loans that fell far short of the industry's needs. In fact, only $800 million were mentioned at the time, whereas we already had given some $5 billion to the United States. Nonetheless, this was a first step in the right direction. Of course, this program was never implemented, for reasons that you understand, and the current government has not revived this program or any similar program, even though in its election campaign, it had promised something similar.

So, the agreement in principle was negotiated without that element, and now, as you say, we are faced with a fait accompli, even if we do not yet have the final text of the agreement.

Let me follow up on the question put by Mr. LeBlanc. Our best estimates of the time it will take to get back 80 per cent of our money under the terms of this agreement, is between six months to a year. We have no definitive answer at this time.

So, I think that we still need these loan guarantees so that, during this interlude, before we reach a final agreement and even afterwards, before we get our money back, we can prevent companies from going bankrupt. It would be a scandal if companies went bankrupt when the issue has been settled, according to the government.

**The Vice-Chair (Mr. Pierre Paquette):** Would Ms. Lim or the people from the Alberta Softwood Lumber Trade Council like to intervene?

Mr. Wakelin.

[*English*]

**Mr. Trevor Wakelin:** First of all, I would like the opportunity to answer the previous question, but I will provide you a perspective on this particular question.

The Alberta industry has not been a strong supporter of the loan guarantee program, although we do not object to it either. It is clear that during the course of this dispute many companies in Canada have undergone significant economic hardship. While we don't advocate the loan guarantee program, we would not stand in the way of such a program that ensures that Canada is kept whole throughout this tough period of time.

I'd like to go back to the previous question on the rush of the finalization of the deal. Without repeating what my colleagues have indicated, I just want to say this is the most complex deal we've ever had. We're dealing with two separate options and whether or not you have market share with each option. There are two different periods to determine the actual market share. We're dealing with a lot of complexities, whether it's retrospective or prospective.

All of these things need considerable time to determine their economic impact on our industry. The issue we have, ladies and gentlemen, is that we are not being given any time. We cannot get back to our industry. The conference calls that have been organized... basically we're being told this is the way it is. That is not consultation.

What I have suggested over and over again for a long period of time now, long before this framework was agreed upon, is that we need to get the industry across Canada together and work with the federal government in putting these details together. It's absolutely important.

We are the ones who are impacted by the details of this deal. We're not opposed to the deal. We want to have our concerns addressed in a meaningful way, and we need to be at the table. If that means we're on an accelerated timetable, as we have been told, then so be it. We'll take the necessary week or two, go down to Washington, sit down with our federal counterparts, and negotiate the best deal for the Canadian industry, not just some segments of the Canadian industry. I have to make that point, because currently we are not being involved in that consultation process adequately.

Thank you.

● (1640)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you.

Ms. Guergis.

[*English*]

**Ms. Helena Guergis (Simcoe—Grey, CPC):** Thank you very much, Chair.

I'd like to thank the witnesses for being here with us today. We appreciate the time you've taken.

My questions are for Mr. Grenier, but they are open, of course, to any of the witnesses if they choose to respond.

I'd like to talk about the importance of investment for the lumber industry, and how crucial it is that our Canadian mills have continuous investment, not only to keep up with the technological developments but to remain competitive.

I hear a lot of talk about the bankruptcies. We talk about the support we need to give to those who are on the verge of bankruptcy, in terms of loan guarantees, but I'm wondering why you don't support this deal and the return of the duties so we can help prevent bankruptcies, reinvest in our lumber facilities, help make ourselves more competitive, and hold onto the jobs we have, at the very least.

I'd also like some comments...and perhaps you have some numbers as to how many jobs may have been lost by your members in the last five to six years.

**Mr. Carl Grenier:** *Merci beaucoup, madame.*

Of course everybody agrees about the importance of investing to become more competitive. There's no problem there. But if we do become the marginal suppliers to North American consumers of softwood lumber, as this deal is structured for us to become, then we will have to close our mills before any of the U.S. mills close. And how much confidence do you think that will generate within the investment community? I would think less than it would generate in the U.S. And this is one of the purposes of this deal.

Indeed, we fully support the return of the duties that are contained in this deal. We would like to have 100%, obviously, but the deal as it stands says 80%. What we don't see in the deal, and what will probably not be in the deal, is how long it will take to get the money back. I said a few minutes ago that the best estimates we have from people knowledgeable about the customs service in the U.S. range from six to twelve months. This is a long time for companies that are hurting financially, some of which are on the verge of bankruptcy. There's no doubt about that. And this is why we suggested a long time ago that we needed some support. We're not asking for subsidies, obviously, but clearly, if this is money in the bank, which it is, then we should be able to finance the return of that money. That's what we're asking for.

As for the number of jobs lost over the past five or six years, I think that's a very large question. You know that our industry is a cyclical industry, so there are other factors impacting the loss of jobs. You've probably seen the same estimates I've seen. Certainly tens of thousands of jobs across Canada have been lost.

**Ms. Jamie Lim:** Thank you. That's a great question.

I would love the opportunity to take you, as an Ontario MP, up.... Actually we don't even have to go up north. We have perfect examples close to where you live of sawmills that are quite modern and very technologically advanced. As one example, two years ago Bowater in Thunder Bay opened a brand new sawmill. It's absolutely stunning. The technology in there is so advanced that for those who have been in older, traditional mills, it really is quite an eye opener. They invested $250 million. It's a first nations project, a partnership.

I will tell you that we don't have one sawmill that will be considered safe. It's not a question that it will be the old and antiquated mills and that the new modern mills might be safe. I think we have to realize that when we say that this agreement could have a 20% negative impact on the industry, no one wants to think that this means their own mill. But if you don't get the right quota, if you can't adjust to the tax because of the price of lumber this month, this year.... There are a lot of other complex business issues. Suggesting that if we just get our deposits back it'll all be okay.... That's not the case.

As was mentioned earlier, there are over a million cheques, and we keep hearing from everybody that customs just doesn't have the staff to put them through in a timely way. When we say we'll get our money back in 90 days, people are telling us that we're dreaming if we think we're going to get our money back even in a year. There has to be a bridge. Even if you were to put this agreement forward in a month's time, there needs to be a bridge, a mechanism, that allows these companies to last until they get the return of those deposits. It's critical.

● (1645)

**Mr. Trevor Wakelin:** I'll take a crack at that.

First of all, there's been significant investment in the mills during the last five years of this dispute. In order for us to survive, we have had to invest to become more efficient, so the sawmill technology that we see today is significantly more advanced than it was prior to the expiry of the SLA. But one should remember that we are in a "perfect storm" situation. We have increased energy costs and fuel costs at unprecedented levels. The Canadian dollar has appreciated from 63¢ to 90¢, creating a huge burden on our industry as we move forward.

We've been able to limp through this dispute, go through the litigation to date, because we're all faced with paying a duty that was declining, and eventually we would become *de minimis*. But going forward, this is not the case. The concern we have now is that even with the return of the deposits, which may appear attractive—and I won't repeat the fact that we're probably dreaming in Technicolor if we think we're going to get those deposits back quickly; it will take a long period of time—our industry, at least in Alberta, is going to suffer considerably more than when we were faced with the border measures that were put on us by the Americans. This deal will make us suffer more, so the investment we've already put into our mills would be all for naught in this case, and some of our mills may not survive.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** We have time for one quick question and answer.

[*English*]

**Mrs. Diana Blenkhorn:** Yes, thank you.

I think because there's a view that we're exempted, there is also a view that we're not harmed by this agreement or that we haven't been harmed by the ongoing litigation. My answer is directly to your question about investment.

Absolutely, we've been harmed in a number of ways. The chart I gave you showed where our fibre costs have gone over that period of time. Our competitive position is eroded, and at the same time we've been enforced to make dramatic investments in those facilities so that we're able to get the best value, the best return, on that resource.

So we've been faced with the challenges of investment. We've lost our home market to lower-cost producers that came into our market. We supply less than 5% of our own market. The investment is there in the mills, and we have the higher costs.

I just want to make sure there isn't a view that we weren't harmed by this even though we've had the exemptions.

● (1650)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Julian.

[*English*]

**Mr. Peter Julian:** Thank you very much for your testimony. It's very eye opening, even chilling, to think what the consequences could be and how dangerous it would be if we rammed this deal through without taking the appropriate time to consult. I think that's something each of you has highlighted and each member of this committee will certainly take back. We can't be irresponsible about this.

I have three questions I'd like to ask, so I'll get them off quickly and allow you time to respond.

My first question is to Mr. Grenier. Talking about the litigation that is in course over the next few weeks or the next two or three months, what are the consequences of Canada's folding, essentially, and not proceeding with that litigation? And what are the consequences, particularly for chapter 19, dispute settlement, generally?

The other question is, do you see anything in the proposed agreement that would actually protect Canada's rights with a binding dispute settlement mechanism? Further to that, does the folding of our tent in some way validate the Byrd Amendment?

And finally, in terms of the issue of the no-injury letters from American producers, do you believe that actually has some weight?

To Ms. Lim, you mentioned some estimates showing that 20% of sawmills would close, particularly in northern Ontario and in Quebec. Have the provinces of Ontario and Quebec expressed concerns about what the possible impact would be with a rushed deal that might indeed lead to those consequences?

My third question is to Mr. Wakelin. I'm very surprised that Alberta and the Alberta industry have not been consulted in this process at all—although the consultation process has much to be desired even for those who have been consulted. You mentioned that Alberta's market share would actually decline. Is there any estimate on job losses in Alberta if this agreement were to go through as we've seen it to date?

Thank you.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Grenier.

[*English*]

**Mr. Carl Grenier:** *Merci, monsieur le président.*

Your first question was on the consequences for chapter 19 if the litigation is not pursued. Of course it is a condition of the basic terms that were agreed to on April 27 that on the entry into force this litigation would have to be terminated—all litigation, not only litigation involving governments, but also litigation involving private parties. As you know, there is litigation involving private parties as well.

The consequences are that even after Canada conclusively wins in the courts, for instance, with NAFTA, the WTO, and now with U.S. courts, if we sit down and do a deal that's basically predicated on being guilty of what we proved we were not guilty of, it can only fuel this belief on the part of the U.S., and in some cases on the part of Canadians, as to whether or not we were really not guilty.

Of course this is the case for the U.S. coalition. Some people believe the rules are wrong and the reason we're winning is that the rules are wrong and the rules have to be changed. They've made a great case for this over the years, and as we speak, they're also challenging the constitutionality of chapter 19 itself in the U.S. courts. It's a great consequence. I think that it will not only affect only softwood lumber, but it will affect any future disputes with the U.S. involving subsidy allegations or dumping allegations, which is the object of chapter 19, as you know.

As far as the binding dispute settlement mechanism that is contained in the agreement or that is being developed, it is based on a concept of arbitration by non-North American arbitrators through an organization based in London, the language of which should be English. It's only a detail that I mention in passing, because I found it amusing that the language of the arbitration process was stipulated in the U.S. draft at least. We still have to basically see how this would work, because this is a new proposal.

Would the present deal validate the Byrd Amendment? It does to a point because, as you know, both the industry and the Canadian government won in court on April 7 before the U.S. Court of International Trade a judgment basically saying that no U.S. parties were entitled to any Byrd money; no Byrd money, not only the softwood money but no money from Canadian exporters under the Byrd Amendment, should have been distributed to U.S. parties, essentially because we're protected by NAFTA. There's that judgment.

We also had earlier judgments, of course, by the WTO saying the Byrd Amendment was contrary to U.S. obligations under the WTO. The U.S. Congress has indeed rescinded the legislation, but only as of October 2007. Giving up $1 billion, $500 million of which goes straight to our U.S. competitors, is indeed something that looks like Byrd redux.

What is the value of the no-injury letters? As you know, this was the mechanism that was used under the SLA, the Softwood Lumber Agreement of 1996. It worked fairly well during the agreement. Then right after the agreement ended, the main counsel for the U.S. coalition said that these letters never had any value, in his view. We're now proposing to have the same type of vehicle in this deal to ensure there will be no new investigations.

● (1655)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** We have a few seconds left. Would anyone like to add something?

Please answer quickly, Ms. Lim, because the seven minutes are almost up.

[*English*]

**Ms. Jamie Lim:** Thank you.

I only want to say that we've been working really closely with our provincial government, as I know the industry has been doing in Quebec. Having said that, if the framework says that you have a hard cap quota in option B of 34% and it declines to date, for example, at 330, instead of a 34% market share, we'd be at 32%.

These are the issues we talk about when we say that we don't have the details. We need the details so that we can make good, sound business decisions to ensure that we have a good, solid commercial agreement going forward that we all agree to sign.

It's difficult right now for both industry and our provincial government to know with any degree of certainty, because we have a lot of assumptions when analyzing the technical aspects that were given to us from the framework. There are a lot of assumptions that are made. Does it mean this or that, as Mr. Wakelin referred to earlier? Is it retrospective? Is it prospective? Is it carry-forward? All the technical aspects of actually running the business are left with question marks. You're making assumptions, and you're then asked to decide, as a province, whether you're going to go with option A or option B based on assumptions.

To make it short, we need more detail to clearly ensure that all of the companies operating right now know what it is they're committing to.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** We would ask you to give a short answer, Mr. Wakelin, because the time is up. Mr. Julian had asked you a question about the Alberta consultation procedure.

**Mr. Peter Julian:** I asked if there were any job losses.

[*English*]

**Mr. Trevor Wakelin:** First of all, I should point out with respect to consultation that it's not as if Alberta has been totally shut out. My reference to being shut out was to the final hours of the agreement, when we had legitimate concerns that weren't being addressed at that time. But other than that, we have been on phone calls, which I claim is not real consultation.

With respect to the market share, one has to realize that Alberta has a very small market share compared with British Columbia, for instance, which has a very large market share. Any small changes can impact whether or not we go from a non-surge situation to a surge. For instance, our market share would allow us to ship 1.48 billion feet of lumber. Currently we are shipping close to 1.6 billion feet of lumber, so we're on the verge of being into a surtax right now, without the mountain pine beetle.

● (1700)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** I would ask you to wind up, because we have really gone over the seven minutes.

[*English*]

**Mr. Peter Julian:** How many jobs would that be?

**Mr. Trevor Wakelin:** We have not determined what the impact in terms of job loss will be, because at this point in time we're unsure as to what the total impact of this agreement will be. We haven't had the opportunity to really evaluate that.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** We must stop here, Mr. Wakelin. If you should have any additional information to send the committee...

[*English*]

**Mr. Trevor Wakelin:** Excuse me, could you please repeat your remarks?

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** If you do have any additional information for the committee, you may send it to the clerk.

You have five minutes, Mr. Maloney.

[*English*]

**Mr. John Maloney (Welland, Lib.):** Thank you.

The industry is not happy with leaving $1 billion of duty deposits on the table. In a comment that Ms. Lim made, she suggested that perhaps it might have been palatable had it been a good deal. The government is not listening to your input.

What, in your opinion, would make this a good deal? How can this be improved upon?

The question is for the whole panel. Mr. Wakelin, you can start.

**Mr. Trevor Wakelin:** Obviously, we're on record as indicating that we could leave some money on the table if it were a good deal. What I have suggested in my presentation here today is that for it to be a good deal for Alberta producers, we need something concrete written in regarding relief around the surge mechanism. If we could get that and have the market share issue dealt with, we could probably support the deal.

Those are the very important items, including the anti-surge mechanism that I referred to. Without that, we would say that the cost—the $1 billion that we're leaving in the United States—is not worth what we're going to be getting into here.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Mr. Grenier or Ms. Lim.

[*English*]

**Ms. Jamie Lim:** This would be a good deal, first and foremost, if our legal victories from the last four years were preserved. The last four years have to count for something. We can't have the legal victories we've had, and we can't have spent the last four years doing what we've done to have it mean nothing.

Seven years from now—make no mistake—there'll be Lumber V. And to think that we're going to start Lumber V exactly where we started Lumber IV, after taking the threat of injury case all the way to the ECC and getting a NAFTA decision that says we're not subsidized. The ECC was suspended, but we know what the outcome would have been from that. So that's critical.

Making sure we get our money back before we start paying the new penalties from the new agreement is critical, to ensure that we don't have a period where we're being hit three times.

We need flexibility to manage our quotas from month to month, to ensure that we serve our customers. We have obligations and commitments. When you look at a hard cap under option B, we need to make sure we work out that complexity.

On provincial exits, when we started this agreement—and Mr. Grenier spoke about it in his comments—we said we would agree to a settlement that provided exits to durable, unencumbered free trade. This agreement now has reduced provincial exits to nothing more than faith and hope. In other words, good luck, have a nice time, but not likely.

What would make it a good agreement? The bottom line is, just give us the details so we know. One CEO said that the framework has the potential of being a good agreement, but we don't know yet. From what we've seen in the legal text from the U.S. side that was sent out on Friday, the language is pretty stiff. Compromise in a settlement shouldn't mean punishment and guilt. I can tell you right now that the U.S. legal text we're looking at seems a lot like punishment and guilt, and not compromise and settlement.

● (1705)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** There's one minute and a half left, Mr. Grenier.

[*English*]

**Mr. Carl Grenier:** *Merci.*

To make it a good deal, I would concur with what Jamie Lim has said. The legal basis for the deal could be changed. We've provided very precise language to the federal government to do that. It doesn't mean doing away with the basic terms of April 27; it means that this deal should be about avoiding Lumber V, rather than settling Lumber IV. Lumber IV was settled last year. Only the U.S. refusal to implement the final decision of NAFTA is stopping us from doing that. That's why we're in U.S. courts. Basically, that should be recognized.

There should be no punitive aspect. If we leave a billion dollars behind, that's punitive enough. But it should be clear that's what we're paying to get permanent, durable settlement of this thing, and not just another one of those trade agreements that we've had in the past.

On the policy exits, the agreement now says that in the next 18 months they will negotiate that. That's not good enough. Policy exits are important. What do the provinces have to do to get their industry out from under these restrictive measures? We need to know that now, not 18 months from now. Where will the leverage to get those policy exits be once the final deal is signed?

First and foremost, we now need a process that allows industry input into this legal drafting process. We're being kept at arm's length. We're being told that we should work through the provinces. That's not good enough. That should be improved.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** You have the floor, Mr. André.

**Mr. Guy André (Berthier—Maskinongé, BQ):** Thank you, Mr. Chairman. Good afternoon everyone.

Some of us think this agreement weakens chapter 9 of NAFTA. You have made significant concessions regarding softwood lumber, even though all the legal action taken under NAFTA ruled in our favour. One billion dollars is a relatively large amount of money for an industry that was and still is experiencing difficulties.

My question is to Ms. Lim. How can we keep what we gained as a result of the legal action if we sign the agreement in its present form? Does it make any sense to sign a deal knowing that it will result in ever-increasing losses? It is anticipated that 20 per cent of your industries will be threatened despite the gains we made as a result of the legal proceedings. That is my first question.

[*English*]

**Ms. Jamie Lim:** Thank you.

I think we provided suggestions to the Canadian legal text that would preserve our legal victories going forward. It's very critical. That's when we talk about the complexities of writing the agreement. That's part of it—making sure that the language that's in the final legal text doesn't admit guilt. It doesn't say that this is to protect the U.S. against subsidized Canadian lumber, as the legal text is saying.

When we got the Canadian version, because we've been working.... We know this train has left the station. We want to make sure we get it off a political track and get it onto a commercial track and make it a reliable commercial agreement. So when we got the legal text from Canada over the long weekend, we put a lot of effort into analyzing it and suggesting language that would preserve our legal victories going forward and help us avoid starting at ground zero and Lumber V.

Again, as Mr. Wakelin has said, we have to make sure that the suggestions we're making, the advice we're giving, is actually being used and incorporated into that final legal text. That's going to be critical.

Perhaps Carl might want to add to this.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Do you have something to add, Mr. Grenier?

● (1710)

[*English*]

**Mr. Carl Grenier:** Thank you.

[*Translation*]

So far, there's nothing to indicate that suggestions of this type to change the basic nature of the agreement without changing its terms, are being taken into account by the federal government.

**Mr. Guy André:** I know there is a great deal of pressure within the industry to sign a deal, because everyone seems to be worn out.

Is it really necessary to sign a deal as quickly as possible? That is what the government wants to do, but from what you say, there just does not seem to have been a great deal of consultation. Mr. Wakelin told us that you had expertise in the area, but that the agreement does not seem to take this into account.

Do you think the industry can wait a few more months, so as to avoid signing a deal that could be worse than the North American Free Trade Agreement? Of course, the loan guarantees could be helpful in this regard. Do you think that the government could be in less of a rush to sign an agreement that could be harmful to us for the years ahead?

**Mr. Carl Grenier:** The timing of this is a little strange; we were no longer at the beginning of this dispute, but rather close to the end.

Even if we had gone to the U.S. courts, we thought that by the end of next year the matter would be settled. When there is a judgment from a U.S. court, the government has no choice but to enforce it. It is not at all like the NAFTA judgments, for example, which the government can choose to implement or not. Contempt of court exists in the United States just as it does in Canada.

Some very important decisions are about to be handed down, and this explains in part why the Americans were so eager to settle this matter. There is also a political will in Canada to get this matter settled quickly so as to improve our relations with the United States.

This is not the first time that the softwood lumber industry has been subjected to such political will. In 1986, we had entered into an agreement to stop the investigation at a stage far less advanced than it is at the moment, because the two governments did not want to have this softwood lumber issue on the table when they were negotiating or were starting to negotiate NAFTA, which is a much broader issue.

I think that to some extent the softwood lumber industry has suffered because of the political will in Canada to improve our relations with the United States.

**The Vice-Chair (Mr. Pierre Paquette):** Thank you, Mr. Grenier.

Mr. Merrifield.

[*English*]

**Mr. Rob Merrifield (Yellowhead, CPC):** I want to thank the panel for showing up and giving their input on this important issue. It's a very important one for me and my riding. I don't think there's a community in the riding that isn't impacted by the softwood lumber deal, so it's paramount to the riding I represent.

All the panellists have suggested that this deal isn't perfect. I've never heard anybody on either side of the border suggest that it is. I hear Atlantic Canada saying they could live with it; I hear Ontario saying that they're nervous because of the details and that they don't have enough information to say one way or the other; and I hear Alberta saying the same, with the caveat that we don't have surge protection for a paramount problem: the pine beetle. I know it's coming across the border now into our riding through the Jasper area, Willmore Park, and other areas.

Perhaps the words of the minister a while back were right: the devil is in the details. It's the details we're trying to work out, and I think that's what the committee is hoping to be a catalyst for, to be able to get some of these details and voices heard, so that the details of the agreement can take this situation into consideration.

But I'd like to go back to the pine beetle issue. Is it true or not that the pine beetle is actually mutating somewhat, and potentially into the jack pine? If it comes across into Alberta and then into jack pine, it can flood into Saskatchewan, Manitoba, Ontario, and Quebec. What kind of projected timelines could we see?

Can you have a quick answer on that, Trevor or Murray?

**Mr. Trevor Wakelin:** Yes. I think what the entomologists have indicated is that the pine beetle is not going to stop in the lodgepole pine. It will continue. Jack pine is a very close cousin of lodgepole pine, and if there isn't aggressive action taken in Alberta, it won't take long before the beetle moves from the eastern slopes, which are on the western side of the province, to the eastern side of the province into the jack pine. Once that occurs, it's pretty much an unlimited food supply for the beetle right through Atlantic Canada.

In terms of time, we've seen a massive explosion in populations in British Columbia over the last few years. In the last year, it's come across into Alberta. I suspect that over the next few years, without the aggressive action by the Alberta government, we could see populations increase exponentially, and they could soon spread across the province.

● (1715)

**Mr. Rob Merrifield:** Let's go back to the agreement, because the agreement in British Columbia recognizes surge mechanisms brought on because of the extra cutting because of the pine beetle. Correct me if I'm wrong on this, but are you suggesting that anything over 110% would trigger the 150% duty on the entire export tax, on the entire shipment of the Alberta export to the United States?

**Mr. Trevor Wakelin:** Correct.

**Mr. Rob Merrifield:** If you could get anything above the 110% allowable cut as a penalty for overcut, would that satisfy the industry in Alberta?

**Mr. Trevor Wakelin:** I can't say that would satisfy it.

**Mr. Rob Merrifield:** That's not perfect, but....

**Mr. Trevor Wakelin:** There are a number of options that could be considered if we could have the opportunity to have that discussion, but so far we haven't. We would welcome the opportunity to sit down with the federal negotiators and discuss the circumstances surrounding Alberta and the beetle, and how we could get some relief from what's being contemplated, as it's being written into the agreement.

**Mr. Rob Merrifield:** From the information I have, I see that those are areas that have yet to be worked out. I think Ontario is looking for the same sort of detail in this agreement. Is that a fair statement?

**Mr. Trevor Wakelin:** I'm not sure, Rob.

Yes, the devil's in the details. We were supposed to be consulted on the details, but as you're aware, so far we haven't had a chance to have that discussion.

We welcome the opportunity to discuss the areas concerning which we may not be able to see some relief.

**Mr. Rob Merrifield:** Yes, and I think that's really the nuts and bolts of it. I certainly understand why you'd be nervous about the acceleration of the timeline. But whether it's fast or slow isn't the issue; whether it's good or bad is the issue. It's good or bad depending on the details, and those might or might not go in accordance with responding to the pine beetle or to the overcutting and the quotas—in Alberta's case and probably Ontario's as well.

I want to get a sense and have the committee understand that it may not be that bad a deal. We're a little nervous about the details.

**Some hon. members:** Oh, oh!

**Mr. Rob Merrifield:** I think that's what I heard most of the—

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** I would ask you to keep your comment brief, please.

[*English*]

**Mr. Trevor Wakelin:** Do you want me to answer the question?

**The Vice-Chair (Mr. Pierre Paquette):** Very quickly.

**Mr. Trevor Wakelin:** It's fair that you ask these questions. But you have to understand that because of our very small market share, Alberta is already on the verge of a surge now, without the mountain pine beetle. That's our concern. We have done enough analysis on this to know that Alberta would be in a surtax all the time. If that's the case—that we're going to be in a surtax all the time because we didn't receive in our market share an allowance for the mountain pine beetle, such as British Columbia will have—we feel that the surtax, as it's being suggested, is too punitive. We are quite prepared to pay a surtax, so long as it's on the overage, not on the full export volume.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Thank you. Unfortunately we have run out of time. Perhaps Mr. Julian will ask exactly the same question you wanted to ask. Is that not right, Peter?

**Some hon. members:** Oh, oh!

● (1720)

[*English*]

**Mr. Peter Julian:** I am going to ask each of the witnesses for a brief response.

First, it has been said that under this deal we'd actually be paying more in duties than would have survived litigation. I'd like you to comment on that.

Second, we're sort of looking at the elephant in the corner here, which is something we've skirted around in this committee hearing today. But the question is, under what circumstances should this deal not be signed? If this deal continues as it is, and if the ambiguity is such that the American industry can profit from every area that has been left with the *t's* uncrossed and the *i's* undotted, under what circumstances would it be irresponsible to sign a deal?

Third, my last question, if there was a very explicit recognition from the federal government that loan guarantees would be provided to the industry and that litigation support would continue to the end of this process so that Canada's rights are maintained, do you believe the industry would support that approach?

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Is the question for all our witnesses?

[*English*]

**Ms. Jamie Lim:** I missed the last part of your question because I was trying to write the first part.

**Mr. Peter Julian:** The last part of the question was that if loan guarantees were forthcoming and litigation support was there—we're now nearing the end of the process where Canada's rights would be maintained—do you believe there would be people in the industry who would support that process?

**Ms. Jamie Lim:** When you don't have a financial quagmire over your head, it allows you to think more long term. I think right now, as everyone around this table has recognized, getting the deposits back is obviously a huge plus. It's a huge lure. It's short-term gain, and everyone needs that right now.

But then, as Mr. Wakelin said, you have that short-term gain, but where are you going to be seven years from now? So you get this deposit in year one—we won't get it back in a year, but maybe 18 months from now—and what happens after that? What happens for the next five and a half years?

Just think about the huge difference the assistance would make to those companies that would choose to use loan guarantees. And as was mentioned earlier, not everyone would use them, but it might keep 200 people employed in a community where the sawmill is the only employer. That's a huge, significant benefit. So loan guarantees are huge, and they should stay on the table.

Your original question was why we wouldn't sign this deal.

**Mr. Peter Julian:** Under what circumstances should we not?

**Ms. Jamie Lim:** Under what circumstances would we not sign this deal? It's critical to recognize that's a difficult question to answer right now, because we haven't seen the details. We haven't really seen the deal yet. We saw a three-page framework on April 27. Right now we're looking at 24 pages of legal text, and most of it is still in brackets, which means it hasn't been agreed to. We recognize that a complex commercial agreement will involve hundreds of pages of sophisticated legal analysis and legal language to go forward for seven years of managed trade. We're not close to seeing hundreds of pages of legal text yet.

I'm not trying to avoid your question; I'm just getting back to what we said earlier. To give you guidance as to whether or not the agreement should be signed is really difficult, because there are so many assumptions that we're using right now: if we only get a little bit more consultation, or if we can get this into it maybe it will be better. There's still so much hanging.

As a heads-up, if the language Mr. Grenier had in his comments on page 3, from the legal text from the United States on Friday night, is still in the final text, I'd say that might be a pretty good reason. It said that the United States is:

> seeking to resolve disagreements with respect to shipments to the United States of Canadian softwood lumber that the United States has found to be dumped and subsidized and threatening material injury to the softwood lumber industry in the United States.

That kind of language will not preserve our legal victories. You'd wonder why you were paying a billion dollars for that kind of language. We're willing to pay a billion dollars for stability and peace in trade, but not for punishment and guilt.

● (1725)

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** Your comment will have to be very brief, because we are out of time.

[*English*]

**Mr. Carl Grenier:** I will address the question of under what circumstances should the deal not be signed. In order to answer that, you have to consider the alternative. The alternative to not signing the deal is to continue the litigation, continue the fight against the U. S. I have to tell you that no country in the world, no industry in the world, without the support of its government, can fight an attack from the U.S. government fully supporting its industry. We can't do that without the government's support.

We've been told that this is the deal, take it or leave it, and if you leave it don't expect support. Under these circumstances, given the state of the industry after four or five years of being bled to death, I doubt the industry would use its so-called veto, because it's a party to these litigations. It has to agree to drop these legal suits. I doubt, as we speak now, it would re-exercise that veto. It's just too badly off. That's unfortunate, in my view, but that's the situation we're in now.

[*Translation*]

**The Vice-Chair (Mr. Pierre Paquette):** In closing, I would like to thank all our witnesses and remind my colleagues that we will continue discussing the same subject on Wednesday afternoon.

The meeting is adjourned.

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