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Mr. Leon Benoit

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• (1235)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):
Good afternoon. We'll start this second meeting on today's agenda.

We're dealing with the softwood lumber agreement, which was signed on July 1, 2006. We had Minister Emerson at this morning's meeting. We're just back from a short lunch break.

Our witnesses for this meeting are, from the Government of Saskatchewan, Minister Eldon Lautermilch, Saskatchewan Forestry Secretariat; from the Council of Saskatchewan Forest Industries, Alan Brander, president; and from Bowater Incorporated, Pierre Monahan, senior vice-president and president, Canadian Forest Products Division.

We'll start the meeting with the presentations in the order they are listed here.

First of all, Mr. Minister, thank you very much for coming today.

Thank you all very much. We know you have busy agendas outside of this, but I also know that this issue is important to you and to the people of Saskatchewan.

Minister, perhaps you could make your presentation, and then we'll have Mr. Monahan make his.

Mr. Brander, do you have a presentation to make as well?

Mr. Alan Brander (President, Council of Saskatchewan Forest Industries): Partially, yes.

The Chair: Okay, we will have yours second, then we'll go to Mr. Monahan, and then to questioning.

Go ahead, please.

Hon. Eldon Lautermilch (Minister responsible for the Forestry Secretariat, Government of Saskatchewan): Thank you very much, Mr. Chairman.

I want to thank you and the members of your committee for inviting the Saskatchewan government and the forest industry to speak to you this afternoon about the implications of the softwood lumber agreement 2006—or SLA-2, as it's being called—on our province.

My colleague and co-presenter here today is Mr. Alan Brander, the president of the Council of Saskatchewan Forest Industries and CEO of NorSask Forest Products Inc., our second largest producer and exporter of softwood lumber. Since we'll be sharing this presentation time, I will keep my opening remarks brief and to the point.

Before I speak to the new agreement I'd like to take a couple of minutes to describe the economic footprint that the forest and softwood lumber industries have in Saskatchewan.

To those who have travelled across Saskatchewan on the Trans-Canada Highway, you may be wondering why we're here at all to talk about lumber. On the great plains we don't have many trees—the odd caragana, I suppose—but almost two-thirds of Saskatchewan's land area is forested. We are home to some 300 forest industry firms that produce along the entire wood value chain. The forest industry is now our third largest manufacturing sector. It directly contributes an estimated billion dollars a year to the provincial economy and employs 8,000 people directly and likely double that indirectly. Finally, about 25% of our forest is currently allocated to first nations' interests.

This committee will be particularly interested to know that Saskatchewan has five large sawmills, one paper mill, and two pulp mills that are fully integrated and mutually sustaining commercially. Unfortunately, as some of you will know, that very integration is today causing an unprecedented crisis in our forest industry that in our judgment is likely to be made much worse by SLA-2.

At the outset I'd like the committee to know two things. First, both the Government of Saskatchewan and our provincial industry were and are profoundly disappointed by the lack of opportunity afforded to us to contribute or agree to the so-called terms document on which the final text of the SLA-2 is based.

Since July 2005, neither the provincial government nor our industries were consulted or even informed about the possible terms of settlement of this dispute until immediately before they were announced in the House. Previously, Saskatchewan had been fully involved in both the internal and bilateral negotiating processes, not the least because the U.S. formally included Saskatchewan in its case against Canadian lumber exports.

Second, I'd like you to know that Saskatchewan has always accepted in principle that a negotiated settlement is preferable to never-ending litigation, provided the settlement is fair to Canada and Saskatchewan and delivers long-term, secure access to U.S. markets. In our view, the proposed SLA-2 fails both tests, and we believe it to be especially unfair to Saskatchewan. I want to explain why we've reached those conclusions.

Saskatchewan shares a number of concerns about the proposed SLA-2 that other witnesses before the committee have identified and discussed in depth, including its provisions for calculating provincial quota shares and surge limits—the so-called running rules—for both border measures and the anti-circumvention exit policy and termination clauses.

My colleague Alan Brander may wish to speak to the industry implications of some of these, but I want to address these three issues that are of particular concern to the Saskatchewan government.

● (1240)

First is the issue of fairness. For Canada as a whole, we think we've earned the right to free trade in lumber and the return of all our companies' money with interest.

As you know, the current U.S. Court of International Trade essentially confirmed our rights in these respects last week. Instead, the proposed SLA-2 could dramatically and unfairly restrict our trade for almost a decade. Yet in one of the very plausible scenarios under the so-called option A border measure, our companies could be paying an export tax of over 22% if we exceed our existing market share. For that privilege, the SLA-2 will see our companies paying the U.S. government in interest over \$1 billion U.S. and will provide them with the ability to veto, or at least to seriously constrain, the further exercise of provincial governments' options for pursuing for us the interest development.

We simply don't think this is fair to Canada, or to any affected province or its forest industries. But we also believe that the terms of the SLA-2 are particularly unfair to Saskatchewan.

Under current and foreseeable market conditions in North America, we think one of the proposed border measures will apply to Saskatchewan. Due to the way their base periods are calculated under this agreement, either border crossing measure will basically lock our existing sawmills into a status quo situation of serious capacity underutilization, especially relative to our peak performance in 2000, before the latest trade action commenced.

Under the agreement, the commercial reality for Saskatchewan is that the operation of either border measure is likely to cap our U.S. export volume at a level that is 30% to 40% below what we actually shipped in 2000, and over 50% below what we could and should be shipping in 2006 in the free trade arrangement.

In sharp contrast, this agreement provides our two neighbours to the west, for example, with quota volumes and surge limits that are 25% to 30% higher than their shipments were in 2000. Why? It's because, unlike the case in Saskatchewan, many of their mills could afford to absorb the punishing U.S. duties and keep expanding their exports States-side over the past five years.

SLA-2 as currently proposed is likely to impose disproportionately severe trade restrictions on Saskatchewan and Manitoba simply because most of our sawmills couldn't afford to pay U.S. duties and instead shifted their sales into Canada's domestic market. We just don't think it's fair that SLA-2 should punish our industry now for having made that shift in export destination for sound business reasons.

Furthermore, for a province like Saskatchewan, with substantial unallocated timber and harvest rates well below our annual allowable cut, we think the operation of either of the proposed border measures in SLA-2 will effectively preclude any build-out of new lumber capacity in our province.

I'd like the committee to know that in 2001 when the trade challenge was launched, there were plans for three new aboriginal-owned sawmills in Saskatchewan's north that had to be shelved in the face of the U.S. duties. With this new deal, the prospects for reviving those expansion plans appear to be slim to none.

Finally, because our sawmills and our two pulp mills and paper mill are tightly integrated commercially, the SLA-2's new trade restrictions on our sawmills are likely to seriously aggravate the current prices gripping our pulp and paper sector. That's because under the prevailing market conditions, which include the illegal U.S. duties and their proposed replacement by the new Canadian border measures, our existing sawmills will need to sell their softwood chips to our pulp mill in Prince Albert to remain commercially viable. But right now that pulp mill has shut down, and consequently, so have several of our bigger sawmills. Yet an essential precondition for successful restructuring of our ailing pulp and paper sector is a significant build-out, not a significant contraction, of lumber production in and export from Saskatchewan.

I'll wrap up briefly by commenting on two other provisions in SLA-2 that are essentially problematic from Saskatchewan's perspective.

● (1245)

The first is the agreement's so-called policy exits. In light of our impact analysis, Saskatchewan will certainly do everything reasonable to qualify for exit from this deal in the shortest possible time. However, as even federal officials have described them, the policy exit provisions of SLA-2 are likely just faint hope clauses. We think that, having achieved their objective of managed trade through this deal, neither the U.S. government nor its lumber industry has any incentive to be reasonable with provinces about the terms and/or timing of exit from border measures.

The last concern I want to share with the committee is the information-sharing and anti-circumvention language in the new agreement. Our lawyers tell us that, read together, those provisions could seriously constrain the use of existing ministerial authority in our forest resources management regulations. They can preclude Saskatchewan's future use of resource and/or industry development options similar to those that the agreement formally shields or grandfathers for some other provinces. If true, this is also unfair to Saskatchewan and other provinces not similarly protected.

In summary, we think the proposed SLA-2, as is, is unjustified, unfair, and unworkable for Saskatchewan. Like most provincial lumber industries across Canada and, I'm told, like both the B.C. and Ontario governments, we think Canada should now be seeking to secure changes to this deal that address the deficiencies we have all identified.

I want to thank you very much.

I'll now give the floor to my colleague Mr. Alan Brander, who will speak for his industry.

● (1250)

The Chair: Go ahead, Mr. Brander. If you have short comments to add, please go ahead.

Mr. Alan Brander: Thank you, Mr. Lautermilch.

Most of my comments are in contrast to Minister Lautermilch's, but the proposed softwood lumber agreement will result in severe hardships for Saskatchewan. We've had the biggest swing in the percentage of the market share, as Mr. Lautermilch presented.

The other unique position we have in Saskatchewan is that we're not a lot of multinationals; we are a single sawmill facility. We have two commodities: one is selling lumber and one is selling chips. Basically, in 2000—I'll use some different numbers—Saskatchewan exported 450 million board feet. In the five years following, we averaged about 275 million board feet, and that's what the quota will reflect going forward.

Given that number, I don't think the sawmill industry in Saskatchewan is survivable, especially since the backbone of the sawmill industry in Saskatchewan is dealing with a pulp mill that is shut down at this time. Our second commodity is selling chips to that pulp mill. With the low quota we're looking at for the province of Saskatchewan, in dealing with the sawmills it's very hard to attract a buyer to continue to run that pulp mill with the uncertainty of the fibre going to that mill from the conifer chips coming from the sawmills.

That's all I have right now.

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

Mr. Monahan, would you make your opening comments?

[Translation]

Mr. Pierre Monahan (Senior Vice-President, Bowater Inc.; President, Bowater, Canadian Forest Products Division) Thank you, Mr. Chair.

I would like to thank the Committee for offering me this second opportunity to appear before the Standing Committee on International Trade. I consider it a privilege to be allowed to come before you and present our company's perspective on the agreement initialled by the governments of Canada and the United States of America.

When I last appeared before you, on June 19th, I voiced my approval of the framework agreement. Today I will be presenting Bowater's point of view on the detailed framework agreement as it was initialled on the first of July.

To begin with, I would like to remind you of the important contribution that Bowater, headquartered in Greenville, South Carolina, makes to the Canadian economy. Our sales figures exceed \$3 billion US dollars, about half of it from Canadian mills. In addition to softwood lumber, Bowater is also a major player in pulp and paper. Half of the company's assets are in Canada and we employ about 4,000 people at our Canadian mills and in our Canadian headquarters in Montreal.

Last June, I expressed to you our initial support for the framework agreement signed on April 27. I also stressed that the government, as it negotiated the final agreement, should seek to improve certain points.

I can see from the most recent version of the agreement that some points were in fact the subject of heated negotiations. I am pleased to see some improvements and clarifications that show movement in the direction of the requests that we made.

On the other hand, it is our opinion that some points still need to be improved. That is why we support the steps taken by the OFIA and by the CIFQ, two associations of which we are members. We support both their approach and the representations they are making, in view of their efforts to find acceptable and practical solutions for our industry.

We at Bowater believe that an agreement is preferable to an endless legal debate, even as we continue to win again and again before U.S. and international courts. We believe that, given present circumstances in the industry, a negotiated settlement is the course to pursue, although not at any cost.

The settlement must, above all, provide us with a stable marketplace and a predictable business environment. We would like to see government supporting our industry's pursuit of improvements to the agreement. We would like clarification of the scope of article XX, which gives Canada or the United States the right to unilaterally terminate the agreement, even before it comes to an end.

We also need clarification about the rules underlying the quota mechanism, commonly called the "running rules". These rules could have a great impact on our operations and on our ability to meet the expectations of our customers.

Finally, we would consider it normal to have a clause that would prevent complaints being lodged in the year following the end of the agreement. This would have the effect of preventing subsidy or anti-dumping investigations of a period covered by the agreement.

We also still have the same concerns that we expressed in our testimony of June 19 about the federal government's allocation of quotas based on export history. If option B is retained by Ontario, this will cause us serious problems, given that our Thunder Bay sawmill is very new. We therefore ask the government of Canada to press the government of Ontario to create a set-aside for newer arrivals, in recognition of the fact that new mills have been built in recent years. Bowater and our business partners at Fort William First Nation have both invested heavily in our sawmill at Thunder Bay in one of the most innovative aboriginal business partnerships in the country. However, this mill requires adequate access to the U.S. market to continue into the future.

We hope that action will be taken shortly on these requests for clarification and improvement. If adequate responses are forthcoming to our key requirements, Bowater will be very active in helping the government to obtain the 95% support it is seeking to finalize the agreement.

In closing, I would like to mention that the government's offer to set up a program to allow companies to obtain their deposits before the end of the year was an important factor in our decision to support the initial agreement. We applaud the efforts of government in this area.

I would like to thank you again for inviting me and I will be pleased to answer any questions you may have.

● (1255)

[English]

The Chair: Thank you very much, Mr. Monahan, for keeping your comments so concise.

We have very little time. We are going to have one round of questioning, and I'm going to hold you completely to the seven minutes, starting with the Liberal Party, the official opposition.

Mr. Temelkovski.

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Thank you very much, Mr. Chair.

Thank you very much for coming out on the last day of July in this heat to discuss this very hot issue in Canadian history.

I'm surprised and somewhat shocked that the government did not consult you on this issue, as a provincial partner, because we heard this morning from the minister that all attempts were made to discuss and receive some sort of acknowledgement and cooperation from all provincial partners. This is directly related to the minister's remarks.

Is there any way they could have made some contact that you aren't aware of, Mr. Minister?

Hon. Eldon Lautermilch: I think it's fair to say that until July 2005, when the negotiations collapsed in Washington, we were fully involved in the process. After that date we heard nothing about the terms of settlement until our officials were briefed by their federal colleagues in Washington the day before the Prime Minister announced the agreement in the House of Commons. Since that time we've been involved in fleshing out the terms of the document to the legal text.

But the problem remains that this is an agreement that fundamentally limits us to 1.3% of American exports, when in 2005 we had 2.5% of Canadian exports to the United States. From our perspective, the terms of the conditions—all of those things—although important in any agreement, are precluded by the fact that Saskatchewan is unfairly treated in this agreement in its percentage of exports to the American market. That's our concern.

We would like our national counterparts to have another look at this in terms of fairness for Saskatchewan. We support a negotiated agreement, of course; I think everyone does. The problem from our perspective is that this is a negotiated agreement but it's not a fair agreement, and it's not fair for Saskatchewan. That's our position.

● (1300)

Mr. Lui Temelkovski: You also mentioned in your remarks that in your opinion the best agreement, or the agreement that you would be willing to sign off on—if I may paraphrase—is one that would get all of the money back to your province, plus interest.

Hon. Eldon Lautermilch: It would obviously be everyone's preference to have all of the money that was taken through these initiatives returned. The basis of our support for an agreement has to be fairness.

I'm going to share with members of the committee Statistics Canada's own figures as they relate to provincial export share—and this is proposed quota-based period versus 2000. I think it will give you a clear idea, in graph form, why we're concerned about Saskatchewan's share of exports being reduced from 2.5% to 1.3%. I think these figures will tell you why we would like the federal government to take another look at this, because from Saskatchewan's perspective we aren't being treated fairly.

As an example, B.C. has an increase of 28%; Alberta has an increase of 24%; Saskatchewan has a decrease of 38%; and Manitoba takes a decrease of 30%. We're only asking for fairness.

The Chair: Minister, I want you to know that we will include that document in the information considered by the committee as we prepare a report, should we do that.

Mr. Temelkovski.

Mr. Lui Temelkovski: I'm looking at a copy of the agreement, Mr. Chair, which states on page 55 that the percentage share of the U.S. consumption for Saskatchewan is 0.46%. It's not even the 1.3% that you're stating. Is this an additional decrease of your market share in the future?

Hon. Eldon Lautermilch: The numbers I quoted are from 2000, at which time we had 451 million. The average from 2001 to 2005 is 282 million, which is a decrease of 38%.

Mr. Lui Temelkovski: If we can move to the conditions to be completed by the federal government, in order to enter into this agreement, we would have to receive agreements from all parties who have pursued legal matters with the United States government or with manufacturers or associations. Is your government involved in any legal matters with a United States party?

Hon. Eldon Lautermilch: I don't believe so. I wouldn't want to mislead you. My officials are telling me no, so we're not a party to a legal action.

We're here representing the people of Saskatchewan—the families, the jobs, the opportunities. How can it be that an agreement would contract our ability to access U.S. markets by almost 50%? How can it be that Saskatchewan families are less important than other families across this nation? We're only asking for fair access and that the analysis of what makes for fair access be looked at again. In 2000, we obviously had a certain number that gave us 2.5% of the exports, and now, in 2006, this agreement limits us to 1.3%. How can this be fair?

This is all we're asking. It's not complicated, from our perspective. Obviously there are negotiations, there are terms and conditions, and litigation has been taking place. This has been going on for a number of years. If we're to find an agreement, a negotiated settlement, can't and shouldn't it be fair for all Canadians? Can't and shouldn't it be as fair for Saskatchewan as it is for Alberta, British Columbia, Ontario, and Quebec?

•(1305)

The Chair: Thank you, Minister.

Your time is up, Mr. Temelkovski.

Now to the Bloc Québécois, to Mr. Crête first, and then if there is time, Mr. André.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you Mr. Chair.

Mr. Monahan, I wish to congratulate you on the clarity of your brief and your presentation. I will proceed quickly.

You say, "We would like to see government supporting our industry's pursuit of improvements to the agreement." You are talking more specifically about three improvements. The first one concerns the scope of the article entitling Canada and the United States to terminate the agreement without cause.

In what way would you like the scope to be clarified? With an appendix or an appended letter? What should it say?

Mr. Pierre Monahan: First of all, I think that the message of both governments, American and Canadian, is clear: the agreement as such has been signed, and can never be reopened. So we are looking for a comfort zone so that we do not get tangled up in the interpretation of details, since this would hinder implementation of the agreement. We would definitely like a letter or a memo providing us with the desired explanations and also the desired comfort zone.

Mr. Paul Crête: This letter or memo should make some clarifications so as to protect the agreement from challenges or to reduce the chances of early challenges.

Mr. Pierre Monahan: Exactly.

Mr. Paul Crête: You also make the following recommendation, "Finally, we would consider it normal to have a clause that would prevent complaints being lodged in the year following the end of the agreement."

So, without amending the agreement, that adds about one year to the period in which there would not be any complaints. Could you clarify what that means? Would this fourth year be added after the three full years or immediately after the 23 months?

Mr. Pierre Monahan: I should say first that I have a better understanding since I heard Mr. Emerson's presentation.

In my mind, when I wrote that remark, it was the third year. This is a seven-year agreement, of which the first two years are firm. Then there is a 30-day notice. Then, in the third year, there is what is called a standstill, that is, there are at least 12 months assured. In fact, if we count the 30 days assured, that makes 13 months. We also want to make sure that, in year 4, year 3 cannot be used as a basis of calculation for any representation regarding antidumping or

subsidization. That is what we are seeking. We definitely need time to get reorganized, if there is not going to be an agreement anymore.

Mr. Paul Crête: This could take the form of a letter of interpretation appended to the agreement, which would not require reopening the whole agreement but would add one year to it de facto.

Mr. Pierre Monahan: That's right, it would clarify that it is a true standstill. Some of the experts present here could surely supply all the legal details. Still, I want to make sure that this year cannot be used as a basis of calculation for an investigation, for example, into antidumping rights or subsidies.

Mr. Paul Crête: I would like to make one last remark. Let us return to the issue of Thunder Bay. Who will decide whether your mill is classified among the new arrivals, the provincial government or the federal government? Will its past be taken into consideration? I think that the federal government made this type of decision the last time there was an agreement of this sort.

Mr. Pierre Monahan: This is what I want to make sure of. If I understand correctly, Ontario will be assigned a quota and it will decide how to distribute it.

So I am asking the government to support us, that is, to ensure that Ontario keeps a reserve for new arrivals.

Mr. Paul Crête: Thank you.

The Chair: Mr. André, the floor is yours.

Mr. Guy André (Berthier—Maskinongé, BQ): I wish to continue in the same vein, Mr. Monahan. I suppose that you are asking this question because you have some concerns in connection with your new sawmill in Thunder Bay. I believe you have made some large investments and that your production and export possibilities may be reduced unfairly because of this quota issue.

•(1310)

Mr. Pierre Monahan: That's right. This is because of the sawmill's history. We opened this mill in 2002. A certain length of time is required to get things up and running smoothly. We just reached our cruising speed this year. The quota, however, will be calculated according to the previous years, that is, 2001 to 2005. This may penalize us and jeopardize our investment.

Mr. Guy André: So you are asking the government to pay special attention to this and to support your efforts with the Ontario government.

Do I have a little time left, Mr. Chair?

[English]

The Chair: You have two minutes.

[Translation]

Mr. Guy André: My other question is for the Hon. Eldon Lautermilch, from Saskatchewan.

You say that, under this agreement, Saskatchewan would be penalized since its exporting capacities would be reduced by nearly half. So a calculation was made that means that Saskatchewan is heavily penalized as far as its production and export capacity is concerned.

I would like to understand. How do you think these calculations were made, for the provinces of Saskatchewan and Manitoba to suffer such losses regarding their exporting capacities? How did this happen? How can this be corrected?

[English]

Hon. Eldon Lautermilch: I'm going to ask my colleague Mr. Brander to partially speak to this. But using Statistics Canada's figures, in 2000 we exported 451 million board feet, and the average calculation between 2001 and 2005 is 282 million. Obviously, there's an incredible decrease from what we exported in 2000—what our actual exports were—and what the calculations allow us based on this proposed agreement.

Mr. Brander is representing the industry. Perhaps he could share with you some thoughts about what has happened with the industry.

Mr. Alan Brander: I think that's exactly right, Minister Lautermilch. The problem is that during the period after 2000, because we are stand-alone mills we did not have the deep pockets or integrated resources to continue to ship to the United States. So we backed off and looked at the domestic markets, and that's where the calculation has been skewed.

The Chair: Thank you, Mr. André. Your time is up.

Now we'll go to the Parliamentary Secretary to the Minister of International Trade, Ms. Guergis, for seven minutes.

Ms. Helena Guergis (Simcoe—Grey, CPC): Thank you, Mr. Chair.

Welcome to the witnesses.

My first question will be for the minister from Saskatchewan. As our minister has made very clear, the alternative to this agreement is not going to be free trade; it will be continuous litigation. We heard your views throughout the process, as we heard the views of the other provinces, in continuing dialogue and constant consultation. We did of course take your position into account—we were negotiating and we pushed very hard for it—although we may not have been successful in reaching your requests. I understand that the period of reference you're talking about is not to your liking, but do you think it is fair to use the year 2000, when the provinces of B.C., Alberta, Quebec, and Ontario were all subject to quota under the last agreement?

Hon. Eldon Lautermilch: There are a number of elements to this.

First of all, I think what hasn't been taken into account is our ability to build out our industry, because we have more ability to grow and build this sector. Instead, based on the methodology that was used to calculate, we are on the verge of a contraction.

However you square this, and whatever dates you use from 2000 to 2006, the fact is that we have an industry that was prepared to build out in 2000 and is still prepared to build out. We have the softwood capacity to build our industry, and we need to build this industry in terms of securing stable operations for our softwood pulp and paper industries. This agreement precludes us from doing that.

So in terms of the negotiations and discussions, we're only asking for a fair base; we're asking for a fair range of factors to be brought into account when you do your calculations. Obviously Statistics

Canada's numbers show that the development of this industry in Saskatchewan will be constricted.

What we're saying is that rather than a negotiated arrangement that doesn't work for us, we would favour continuing litigation. Obviously we favour a negotiated settlement, but in order to get a fair settlement, we need to be consulted and worked with, as we were prior to July 2005, so that our position can become clear to your negotiators as you put together a package.

We don't believe that happened, and we are only asking for our national government to take another look to see if they can find a way to build some fairness into this arrangement, so that Saskatchewan can have at least the same export ability to American markets as we had in 2000.

I can't say more, other than that we very much want this committee to urge another look at the conclusion. If you look at the conclusion, then obviously you're going to have to look back at what assumptions were made, in order to find some fairness.

•(1315)

Ms. Helena Guergis: I appreciate that.

I do have a couple of more comments and questions.

Has your province actually looked to other markets? The fair base you refer to really wouldn't be fair to our largest producing provinces. I want to point that out.

Also, within the agreement, the binational council I spoke with the minister about earlier today offers an opportunity for American and Canadian representatives and participants to work together to better the North American market, and even to work together on some of the provinces' concerns further down the road. As we've heard the minister say, negotiations are done now; we have completed that process. I would love to hear your comments on or questions about the binational council, regarding what opportunities you think there could be for you and your province at that table.

Hon. Eldon Lautermilch: My officials are telling me and I'm hearing that the negotiations are all but done.

Ms. Helena Guergis: They are done.

Hon. Eldon Lautermilch: Then I'm willing to look at a vehicle to find a fair balance and a fair percentage of export markets for our province. I don't know what that vehicle is. But if you're telling me this afternoon that there is a vehicle whereby we can achieve at least the export percentage of the American markets we had in 2000, then I can tell you that our officials would be most willing to explore this.

As it stands, we have not been given comfort in any way by federal officials or by what federal ministers have said. It would be comforting at this point to believe there's a way to find the 2.5% that we had in 2000, and that we're looking for.

Ms. Helena Guergis: Can we agree that at some point negotiations have to come to an end and we have to make a deal? This has come to that point; we are finished, and negotiations are done.

As I said, there is an opportunity in the years going forward for both Canadian and American industry representatives to work together to understand that the market will be changing as time goes on, and to try to foster a better relationship that's in the best interest of the entire North American industry. Can I confirm for you specifically that you're going to be able to solve your concerns at this council? No, I can't give you that, but I can tell you that this binational council, which is set up.... I think the government should be applauded for that. They've recognized that this is something the industry needs to continue going forward. I strongly urge you and your representatives to engage in a further discussion on the possibilities of this binational council.

Hon. Eldon Lautermilch: Mr. Chair, from a Saskatchewan perspective, a negotiated settlement needs to be two things. It needs to be fair, first of all, and it needs to be durable.

• (1320)

Ms. Helena Guergis: And we believe it is fair in the interests of the entire country.

Hon. Eldon Lautermilch: What has been negotiated, from our understanding, is neither, so unless we can be convinced, how could we sign on...? Obviously we're not required to sign on, but how could we offer agreement when what you have negotiated as a country doesn't support, from our perspective, either fairness or durability? It's fine to talk down the road, but we have a pulp mill right now in crisis—actually, two pulp mills in crisis—as many are around this nation.

Ms. Helena Guergis: That's right, many around the nation.

Hon. Eldon Lautermilch: We've got sawmills that are shut in partly. We've got the differential between Canadian and American dollars, which creates difficulties. We had the softwood lumber uncertainty. It's very difficult to attract investment in this kind of environment. I know what you're saying about certainty, and certainly this negotiated agreement gives certainty, but not the kind that we're looking for, because from what we see in what has been negotiated, we have about 50% of the American export market that we had in 2000.

That's our bottom line. I'm not comforted at this point. I'd like to be.

The Chair: Thank you, Ms. Guergis.

Now to the last questioner, Mr. Julian, for seven minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair, and thanks to all of you for coming today.

I'd like to start with my questions for the minister and Mr. Brander. I'm particularly interested in the fact that you mentioned there was no consultation, really, with the Saskatchewan government and the Saskatchewan industry in the days leading up to the initialling of the

agreement on July 1. I just wanted you to clarify that for me. Were you approached in any way, or were you given any copies of the draft agreement that was circulated in the days prior to July 1, and were you able to provide feedback in any way?

Hon. Eldon Lautermilch: I think I made clear what we saw to be the process. Before July 2005, we were fully involved and we appreciated that engagement. After that we really heard nothing about the terms of settlement until federal officials indicated to us, just the day before the announcement, what was coming forward. Since then we've been involved in terms of fleshing out the terms document into legal text, and we do appreciate that.

But our main concern is that the terms document is not going to deal with our market share concerns. That's our problem, that's our concern. The legal text, and the legal agreement, is all fine, but if it's not based on fairness and fair access to the American market from a Saskatchewan perspective, then it's not a deal we can support.

Mr. Peter Julian: Yes, and you made that point very effectively. But I'm wondering whether you were able to provide some of your concerns in the crucial days leading up to July 1, when there was considerable opposition to where the government was headed?

Hon. Eldon Lautermilch: I think it's pretty obvious that our officials have been working closely over the course of years, even though we weren't party to this in the early years as a province. We were able to provide input from the Saskatchewan perspective, but after July, as this agreement was being put together, I would have to say that we didn't feel we were consulted the way we were before July 2005.

What has happened has happened. I'm more concerned about what happens from here forward. I'm concerned about Saskatchewan's ability to grow this industry in a way that we should and a way that we can. We're one of the few provinces or jurisdictions in North America that have a beautiful opportunity to build out a forest sector. We've got the opening of forest management agreements now that can allow us to do value-added, to do new sawmilling, that can fully utilize our sustainable harvest, and this agreement gives us some concern, because when you're limited to the biggest market that you have, which is the American market, and when you're constrained to 50% of what you were doing even in 2000, that's the concern for us.

So the process is important, obviously. We as a province want to be involved in the discussions, as all provinces do; federal-provincial discussions are important in terms of this country and the health of this country. We think there were some deficiencies in terms of the consultations. What we're asking for now is for our concerns with respect to the market share to be heard and to be acted upon.

Mr. Peter Julian: Yes, and you've been very clear on that.

I have three quick questions to you before I ask a question of Mr. Monahan.

First, you've both spoken about undercapacity. I want to know what the job loss is in that 30% to 40% undercapacity. In other words, how many jobs does it mean between having full capacity and undercapacity?

Secondly, Mr. Brander, you mentioned you didn't believe the industry could survive this proposed agreement. What would be the potential job loss there?

My final question is in terms of provincial authority. This is very clearly an agreement that impinges, as you mentioned in your opening comments, upon provincial authority. What options does the province have in the case that the federal government appears to be pushing ahead with an agreement that impinges upon provincial authority?

I also take from your comments that, faced with this agreement or finalizing those two hurdles on litigation that would take place over the next few months, your preferred option would be to clear those two hurdles of litigation and finalize that final victory for Canada.

• (1325)

Mr. Alan Brander: Can I just step back one step here and talk about the consultation? As COSFI, the Council of Saskatchewan Forest Industries, we read about it in the paper. We read in the paper that a deal has been done.

As for crippling the industry in Saskatchewan with no build-out—and again, we are only utilizing about 67% of our forest lands at this time—the industry as we know it today has laid off about 3,000 to 4,000 people. If we continue to go down the path of no quota that we are on, we feel that the total industry in Saskatchewan will be crippled. The sawmills and the investment we talked about—nobody

will invest in the Weyerhaeuser pulp mill in Prince Albert. If the mill has no outlet for its chips, those mills are just not survivable at that time, either.

The only ones that might survive and may survive in Saskatchewan are the OSB plants, which aren't connected to each other.

Hon. Eldon Lautermilch: I'm told that the job numbers—and I'm not sure they're incremental jobs—is 10,000. I'm told that with the build-out there's an opportunity, a potential, for 10,000 new jobs.

Mr. Peter Julian: Regarding the issue of provincial jurisdiction, you alluded in your opening comments to how the anti-circumvention clause and information-sharing are basically prescribing provincial authority, and to options the government is looking at in regard to that.

Hon. Eldon Lautermilch: What I'm saying is that as we put our regulatory regime and our stumpage fees.... Historically in Saskatchewan, not unlike other provinces, we've had some government initiatives to support industry, such as the building of roads tied into forest management agreements and those types of things.

The Chair: Thank you, Mr. Julian. Your time is up.

Thank you all, gentlemen. Minister Lautermilch from the Government of Saskatchewan, Mr. Brander, and Mr. Monahan, I do appreciate your coming today very much. Thank you for your input, and have a good trip home.

We will adjourn this meeting, but we will take about a three-minute break to change witnesses.

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