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Monday, March 22, 2010

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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Vice-Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everybody. Larry is not present at this time, so I will be taking the chair today.

We have people here from the Canadian Cattlemen's Association. Our main topic is specific risk materials management. Other topics can be discussed, or the openers can even talk about different issues, but it's the main thing we'll be doing today.

I'm sure you gentlemen have been at a committee before. You will have roughly ten minutes, combined, for your presentation. If it goes over or under, it doesn't matter too much. We're not that strict here.

Welcome, gentlemen. You have the floor.

Mr. Travis Toews (Vice-President, Canadian Cattlemen's Association): Thank you very much.

My name is Travis Toews. My family and I have a cow-calf yearling operation in western Alberta, west of Grande Prairie. We've been in the business for a couple of generations and I'd like to say that we're optimistic about the future of the cattle industry in Canada despite the difficult times we've had over the last number of years. I also currently serve as the vice-president of the Canadian Cattlemen's Association.

Federal budget 2010 included three provisions totalling \$75 million that are intended to maintain a competitive cattle processing industry in Canada, with \$25 million of the total specifically designated to assist with the cost of collecting and disposing of specified risk materials. We've been asking for this for over three years and are pleased to come before you in support of this much-needed assistance.

I note that this committee has supported action on this front as well. Multi-party support and the support of multiple agriculture organizations show how much this action is needed. We appreciate the added momentum your influence gave our request.

By way of brief background, in 2007 the government implemented costly new regulations intended to expedite the elimination of BSE in Canada. While we fully support that objective, CCA requested that, whatever approach was implemented, Canadian and U.S. regulatory costs in this area be harmonized. This did not happen. Instead, the U.S. regulation was implemented two years later, in 2009, and is not nearly as extensive or costly as the Canadian approach. A survey completed by the Canadian Meat Council last summer showed that the average volume of SRM for

each cow over 30 months in Canada in a federally inspected slaughter facility is 58 kilograms. This equates to about 10% of the weight of the animal that has to be disposed of.

When we think of packers in Canada, very often it is the larger companies, such as Cargill or Excel, that come to mind. But we shouldn't forget that there are hundreds of small, important, provincially inspected facilities in rural locations all across the country. The amount of SRM treated waste coming from these facilities is easily double that of the federal facilities per head, at somewhere in the neighbourhood of 20% to 25% of the weight of the animal.

In the U.S., as I mentioned, less material is considered SRM and they have collection and treatment options that are not allowed in Canada. In the U.S., each animal over 30 months produces only one pound of SRM waste for disposal. This equates to nearly \$32 per head, which is the cost disadvantage to killing an animal over 30 months in Canadian federally inspected facilities versus facilities in the U.S.

You can easily understand that U.S. companies are able to use that cost advantage to outbid Canadian packers for their Canadian cattle. Without the assistance included in federal budget 2010, the ability to continue slaughtering cattle over 30 months in Canada will be in jeopardy. We've already seen consequences in every province, with packers either closing their doors completely or changing their policy regarding the cow kill. The assistance in the federal budget should help to reverse this trend.

Nevertheless, I do want to assure you that in our view this assistance should not be needed forever. Our ultimate objective is to return Canadian and U.S. SRM disposal regulations to a harmonized state, to a harmonized approach. We are pleased that Minister Ritz has instructed his officials to work toward this objective. We are participating in a government-industry working group with the goal of accomplishing just that.

Unfortunately, it's clear that changes will not come quickly. The disposal cost assistance in the budget will help to ensure that cattle slaughtering remains in Canada until the competitive balance with the U.S. can be restored.

I will leave my comments on the budget at that, but we'll wrap them up by saying again that the Canadian Cattlemen's Association is very supportive and appreciative of the budget provisions to maintain the slaughter of cattle in Canada for the benefit of Canadian producers.

•(1535)

One other comment on cutting government spending is warranted. As belt-tightening measures are examined, one thing that's come under fire is ministerial expenses. I'm as likely as the next guy to get frustrated at spending that seems unnecessary, and I certainly support holding the government to account. One area, though, that we believe needs support from all parties is departmental, ministerial, and prime ministerial participation in opening markets.

Minister Ritz has had a very ambitious and quite frankly unenviable travel schedule since he's taken the agriculture portfolio. Minister Day, when he was Minister of International Trade, and Prime Minister Harper have engaged other foreign ministers on behalf of Canada's beef and other agriculture goods producers. We expect Minister Van Loan to continue this trend as well.

The politics of market access often demand ministerial intervention to get over the hurdles presented, and it takes a great deal of departmental work to set these meetings up. We would like to see all parties support these initiatives, as they are critical to the future viability of our industry.

Thank you for the opportunity to speak to these issues. We'd be happy to entertain any questions you may have.

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Travis.

We're going to open it up to a seven-minute question-and-answer period. Starting off with the Liberals, we have Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): Thank you, gentlemen, for appearing today.

Of course it's not the first time that we've heard the issue. I know that for some time the policy with respect to the treatment of SRMs has been an onerous task for farmers. I'm certainly curious about how many farmers have already suffered beyond the point of recovery because of the issue. I'd like you first to enlighten me on that particular point.

I did notice in your action news your accolades to the government for providing money in the budget for dealing with SRMs.

The minister was before us last week. I, too, welcomed the \$25 million to deal with the issue of SRMs and the close to \$32 per head that it was costing. However, in response to my question about the use of that money, it wasn't clear whether it would be deployed to farmers or the processors. The concern, of course, is that if the processors get this money it will not be funneled down to the farmers.

Can you tell me what your understanding is of the use of this \$25 million? It has to be used this year, and it has to be used effectively so that the farmers benefit from it and not the processor. So how many people do you know who have suffered to the point of non-recovery, and what's your understanding of how this \$25 million is going to actually be deployed?

Mr. Travis Toews: Thanks for that.

In terms of how many producers have suffered, I'm not going to be able to answer in terms of definitive numbers at this point in time. As

you well know, we have many variables in the industry that are at play: currency, supply and demand fundamentals, a weak demand in North America due to the recession. But clearly our herd has been declining in Canada; the statistics show that. And as our processors are less than competitive, that impacts what they pay for live cattle; clearly that's been a contributing factor.

Our primary concern, as the Canadian Cattlemen's Association, is the risk of losing more processing capacity in Canada and once again becoming dependent on U.S. processors, such as we were in 2003, when we discovered BSE. That is our primary concern. We do not want to see an unlevel regulatory playing field once again create dependence on U.S. processors.

So the goal of this program, in our view, would be first and foremost to level the playing field until we can harmonize our regulations. We want to level the playing field for processors so two things can occur: one is that they can continue slaughtering over-30-month-old cows in Canada, keeping the jobs and the infrastructure in Canada; but secondly, so they can outbid their American competitors for Canadian cattle, which will provide a direct, immediate benefit for Canadian producers.

•(1540)

Mr. Francis Valeriote: So you think this \$25 million should be used by the processors to outbid, and through that outbidding process, that money will funnel its way down to cattlemen, to the farmers.

Mr. Travis Toews: Because we believe the goal is to ensure that the packing industry remains viable in Canada for the benefit of producers, we believe the program should be put together in that way.

Mr. Francis Valeriote: And do you feel that it's more prudent to rely on the processors to do that than to get this money more directly to the farmers?

Mr. Travis Toews: The difficulty with it going directly to the cattle producers is that it will not accomplish the goal of keeping the processing capacity in Canada. That's because at that point in time, U.S. processors will continue to have the same advantage that they've had before this budget on outbidding Canadian processors for those live cattle.

Mr. Francis Valeriote: And the \$40 million that they provided in the budget over three years for the development and commercialization of innovative technologies for the removal and use of SRMs.... You know about that amount, obviously.

Mr. Travis Toews: Yes.

Mr. Francis Valeriote: What objectives do you think the \$40 million program should have? Are we talking about simply introducing technologies and plants that will burn the SRMs and create energy? Is that your thought, or do you have any other thoughts on it?

Mr. Travis Toews: I would agree with that statement. Obviously we think those funds should be used to further technology and also to assist in implementing that technology. We recognize that there could be a period of time when our processors don't have that level playing field on a regulatory basis on the SRM issue.

Mr. Francis Valeriote: You talk about the competitiveness gap due to the differentiation in regulations and your goal to harmonize it. I understand that includes you in those collaborative discussions. Can you tell me if the Canada Food Inspection Agency is part of those discussions?

Mr. Travis Toews: Yes, they are.

Mr. Francis Valeriote: And have you heard any position on their part to this point?

Mr. Travis Toews: That working group is continuing to meet, continuing to deal with issues. I will say there are challenges in dealing with issues with CFIA on these matters, but we're all in one room working in good faith to try to accomplish the end goal.

Mr. Francis Valeriote: Can you be specific about your proposals on harmonization?

Mr. Travis Toews: I'm going to defer to John, as I'm not on that working group.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): Yes, Travis mentioned that in Canada it's about 58 kilograms per animal. In the United States it's one pound per animal. So we have two objectives here. One is to get the volume of material closer to the U.S., and the other, the \$40 million, is to find a marketable purpose for the material we can't eliminate.

Now, specifically, why are we 58 kilograms and they're one? I'll give you one example. In the U.S. they have the ability to use.... We just refer to it as brain-sucking. They basically vacuum the brain out of the skull and then they take the brain material, they dehydrate it, and they've basically got less than a pound left. In Canada we cannot suck the brain out of the skull because according to our regulations or procedures that would still leave a little bit of material in the skull. So we treat the entire skull as SRM material, which is quite a bit of weight.

So that's one example. Another is how the spinal column is treated. So we're trying to get closer to the American approach. Those are just a couple of examples, but we've got basically an action plan with a number of different areas like that. CFIA is investigating what to do. They're doing samples in the packing facilities, doing pathology on the results to see if it actually does eliminate the SRM material sufficiently.

The Vice-Chair (Hon. Mark Eyking): Sorry, your time is up. We have to move on to the Bloc.

Mr. Bellavance.

• (1545)

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Good day. Thank you for being here and providing us with your testimonies.

A week ago, we heard from pork producers because of the urgent situation they are in. You are here today because we are still looking for solutions that would help the livestock industry recover from the critical state in which it has been for several years. We have talked about SRM a lot. Even you mentioned it in your statement.

In the latest budget, sums are allocated to the slaughter industry, but we are not really familiar with the details. Perhaps you have had the opportunity to examine the testimony given to the committee last Wednesday by the Minister of Agriculture and Agri-Food, Mr. Ritz.

I asked Mr. Ritz if he could give us more details on the announcement that \$75 million will be allocated to the slaughter industry. Earlier, Frank provided us with a breakdown of these funds, but when I had asked the minister about the specifics of the program, how it would be applied, when the money would be available, who would have access to the sums and whether it would really close the gap between Canadian producers and U.S. producers, who are not held to the same standards when it comes to the disposal of SRM, he tried to make light of the situation. He told us that the budget would likely be passed and that by voting for it, we could get the details faster. We are well aware that the budget will be passed. There is no delay, and there are not enough Liberals to vote against the budget and defeat it. I am sure you can see that this was not a satisfactory response.

We would like to know if the minister has at least assured you, as producers, that the funding announced in the budget would really be used to offset the disadvantage resulting from the different standards imposed by Canada and by the U.S. with regard to SRM.

[English]

Mr. Travis Toews: Thank you for those questions.

There are a couple of components to the program, but we believe the immediate need relates to the SRM disposal costs. While we are also not aware of the details of that program, we've committed to work with the minister and his staff on behalf of Canadian cattle producers to ensure that the program, as much as possible, meets the goal of providing a level playing field for processors in Canada who kill over-30-month-old cattle, for the benefit of Canadian cattle producers across the country.

[Translation]

Mr. André Bellavance: Last Wednesday, the minister explained to us that the sum of \$25 million would be used for stimulating innovation. As an example of innovation, he talked about thermal hydrolysis, a process which would apparently make it possible to break down SRM in order to turn it into fertilizer. This is why I asked if you have been assured that the \$25 million will be used to offset the \$31.70 per head you are losing owing to U.S. competition.

When the minister talked about stimulating innovation, I thought that would be covered by the \$40 million and not by the \$25 million. Now I have some concerns.

So I repeat my question: has either the minister or any member of his staff assured you that the budgeted \$25 million or any of the money included in the \$75 million will really be used to offset the impact of the gap between Canadian and U.S. standards?

[English]

Mr. Travis Toews: As we are not yet privy to the details, we believe that the \$25 million needs to be a measure to assist in disposal costs of SRM. That has been our understanding to date.

Mr. John Masswohl: That's basically what I was going to say. On our understanding of how it's going to work, the \$25 million and the \$40 million are two different sets of money for different things. The \$25 million is to address the \$32 per head cost. The \$40 million is for investing in technologies, infrastructure, and perhaps thermal hydrolysis or other things. We don't know specifically what kinds of projects people might apply for in the \$40 million. It's perhaps a little more uncertain where that will go, but it's our understanding that the \$25 million is for the \$32 per head.

• (1550)

[Translation]

Mr. André Bellavance: This was my understanding, but in his testimony, the minister announced that the \$25 million would be used for innovation. Are those two things related? This could cause problems and make it impossible to meet the demands of producers to address the gap caused by the imposition of SRM-related standards.

This was a concern of mine, especially since two budgets ago, an announcement was made that \$500 million would be set aside for the AgriFlex Program. It then came to light that this amount did not cover income support, and that the AgriFlex Program would therefore not be genuine. That was not the first time that it came to light, after an announcement, after the specifics were reviewed, that the allocated sum was not actually meeting the needs expressed. This is what I was concerned about. I wanted to know if you have had more in-depth discussions. I wanted to bring this issue to your attention. I know that you will look into this, but I wanted to advise you to ensure, when you discuss the matter with the minister, that the sum is truly meant to offset the impact of the gap.

We have talked about the program meant to close the gap of \$31.70 per head. The program would cost around \$24 million for one year. Do you believe that the announced \$25 million will enable the industry to make some progress or that this is only the first step? It would cover approximately one year. Would that be enough for you?

[English]

Mr. Travis Toews: I see a couple of things. Again, it is our understanding that the \$25 million is to be used for SRM disposal. We agree that this will be critical in order to keep a level playing field until new technology is introduced and/or until we see a harmonization of regulations around SRM handling and disposal.

I think it will depend on how far industry is able to go with technology and the use of the \$40 million in terms of handling their disposal costs down the road. I do expect that we will be challenged with this down the road in the future and probably for more than one year. However, like we said, our commitment is to see that we get to the point where we have regulations that are harmonized with those of the U.S. and we have a level playing field.

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): Thank you. Your time has expired, Mr. Bellavance.

Gentlemen, I had to speak in the House so I missed your opening remarks. Thanks for coming here again today. It's good to see you.

Mr. Allen, you have seven minutes.

Mr. Malcolm Allen (Welland, NDP): Thank you, Mr. Chair.

Thanks to both of you for coming here today.

There's obviously some lack of detail at the moment. We don't have the details, and you don't either, as to how the money actually will be spent. For all of us, it's a bit of conjecture on our part to figure out exactly what this is. There are some assumptions here that we hope will happen in certain forms.

Travis, you talked about the packer end in the sense of trying to make sure that.... When Mr. Valeriote asked you about where the money should go, you believed that it should go to the packers to keep them open in Canada so that you're not stuck with the U.S. packing system, where basically we're at their mercy.

On the face of it, that seems reasonable, but I would ask you to comment on the fact that what we're seeing in this country is that we still have packers, yes, but they're also contracting in the sense that they're being bought out by one or two major groups that are diminishing the amount of competition they have amongst themselves. They're not necessarily just Canadian national packers either; they're on both sides of the border when it comes to that.

If you see any problem, or if there's an alarm bell going off, albeit quietly, inside of your organization and you're saying that maybe you ought to take a look at this as well and keep an eye as to what goes on here.... Because if we're simply floating money to them—and it's easy to float money across the border—does that necessarily help our cattle producers or does it go to somebody else's bottom line?

• (1555)

Mr. Travis Toews: I think our concern is that this program, the \$25 million, be developed so that it does meet the objectives of ensuring that down the road there is a processing sector in Canada for cattle over 30 months. It's for this reason that those program expenditures need to go towards actual SRM disposal costs.

Packer consolidation in Canada and in North America has been a reality over the last number of years, and I think it is a concern to the cattle industry on both sides of the border. But that's why a program such as this one is critically important. Because in fact, the most disadvantaged processors are the small regional processors, the small provincial packing plants, that by virtue of their process actually have a larger draw-off that ends up being SRM. They're even further disadvantaged against the larger federally inspected plants.

Mr. Malcolm Allen: I understand the logic of that. But my concern is still the consolidation and the fact that the harmonization of regulation that you're espousing—and I'm not arguing with it—isn't coming in a year; that's my guess. I don't have a crystal ball, but I would rely on your experience, both yours and John's, from the work that you do, the connectedness you have with your counterparts in the U.S. This isn't happening overnight. In this business a year is almost like overnight. It takes a long time for regulation. Let's face it: if the Americans use this to their competitive advantage they're going to continue to say they don't want the 30-month-old and older; you leave it up there and take care of it and this is how we're going to do it.

Based on all of that, I still have some concerns about the medium- to longer-term future of what we see when it comes to the packing industry vis-à-vis what may be needed.

That being said, do you see an issue whereby you may have to come back next year and ask for additional funding to keep the program in place if you don't have harmonization? The other part of that is the CFIA piece. What's your sense of how much headway you are making with CFIA as far as how they are looking at SRM and how they want to see things done? Ultimately they're the ones calling the shots when it comes to the issue of food inspection and at the end of the day they're going to set the rules. We can ask for all kinds of things, but ultimately they need to call the shots. Do you have any sense of what direction they seem to want to take at this point?

Mr. Travis Toews: I'll defer the specific question on CFIA and the working group question to John.

At this stage of the game I think I would agree that the world will likely not be righted within 12 months. We will have to re-examine where we are down the road perhaps.

The real answer is probably twofold. When we're ultimately able to harmonize our regulations that will be the real answer. There will also be answers coming in technological improvements and processors starting to adopt processes, thermal hydrolysis or power generation, co-generation opportunities, steam generation opportunities that are being investigated right now in the processing sector. Those technological developments and implementation of those developments will also in part be the answer.

So I can't predict the timing of how that all fits together, but this could be an issue for a period of time, and I think we're going to have to evaluate as to where we are at that point.

Mr. John Masswohl: I guess as we work with CFIA one thing we're keenly aware of is that they take these things extremely seriously. They don't remove or loosen a regulation without a great deal of thought and scientific evidence behind it. That's the process they're going through, and unfortunately that takes time. I don't think Canadian consumers would want it any other way, and we certainly don't want to push them to do something that's not justifiable. We think this is the right objective, and we hope to get there. I would say the jury is out on how far we're going to be able to go and how quickly.

• (1600)

The Chair: You still have a couple of seconds, Mr. Allen, if you want.

Mr. Malcolm Allen: You know I'll never take a few seconds, Mr. Chair, so I'll pass them on to Bev.

The Chair: Okay. He'll get back to you anyway, Mr. Allen.

Mr. Shipley, seven minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Toews and Mr. Masswohl, for coming back today.

It seems over the past year we've had you and your organization in front of us a number of times. The harmonization approach: you indicated to us the over-30-months in the United States—I don't know if you did the conversion or I may have missed it—the meat that comes in, is there a different amount of SRMs in the U.S. meat

compared to the Canadian produce? That is, once it goes in and is slaughtered you talk about the meat that comes off the back, the amount that is left. I hear varying stories about having to leave so much more and others saying it's not that way at all. Please explain to me if there's a difference in the amount of meat that has to be left on the spine between the United States and Canada or in other places where the meat hits the consumer in the over-30-months.

Mr. Travis Toews: On our processing regulations and SRM removal for food safety purposes, our regulations are harmonized in Canada and the U.S. From jurisdiction to jurisdiction, probably in both of our countries, at times different approaches are taken, perhaps due to the staff on the ground. But as far as regulations, we have regulatory harmony on the food safety aspect of SRM removal, which is important.

Mr. Bev Shipley: All the food that comes is obviously safe and inspected. To be really clear, is there any difference in the amount of meat that is left for disposal?

John, you talked about the brain, the head. I'm not talking about that; we'll talk about that in a minute. I'm talking about the amount of meat left on the carcass because it's an SRM. Is it the same in the United States as it is in Canada?

Mr. John Masswohl: The regulations are the same, but we've seen in practice in some facilities, in Ontario in particular, that some of the meat around the spinal column is required to be left on to a certain depth. I can't remember exactly the measurement around the spinal column, but there's some pretty good meat there.

Mr. Bev Shipley: Why is that?

Mr. John Masswohl: The term "abundance of caution" comes to mind. I'm not sure where the directive has come from. But our working group is looking at the U.S. approach, looking at what's done in Canada, and having pathologists look at spinal columns prepared in different ways to determine whether there's any risk in doing it one way versus another.

Mr. Bev Shipley: Is it because there's a higher level of technology in the United States than in our plants to actually remove the exact amount without leaving an excess?

Mr. John Masswohl: I don't believe it's a technology issue.

Mr. Bev Shipley: Okay.

Can I move to the \$40 million for new technology? Travis, you talked about a number of initiatives that are already in place in the States in many cases—the thermal hydrology, the steam generation, the way of capturing heat. We've put money into the processing plants—I forget now how many millions. Why haven't our processors or our industry adopted that technology and taken the money that has been given to them to do that?

I'll go back to the money that went to them due to BSE, for example. Maybe some of that should have been put towards new technology—or some of the money from the provinces and the federal government later. Has that been adopted, or, as Malcolm was talking about, are we starting from scratch? I would have a lot of difficulty returning to this same debate if this money....This is not new news to the industry.

•(1605)

Mr. Travis Toews: It is not new news. I guess I can't answer, on behalf of the packers, what they have implemented or not in using budget opportunities in the past. But I do know that some of our key processors have definitive plans to move forward in this area and become more competitive in their plants by being able to deal with SRM in a less costly manner. I'm not going to say a constructive manner, but perhaps a less costly manner. So at this time there seems to be serious buy-in and uptake on the need for it.

Mr. Bev Shipley: So \$75 million is going to go. Just to be clear for the record, this is the only side of the table that is actually voting in support of the initiatives. Everyone else is opposing them and standing up for that in the House.

So we believe we need to put money toward the table to help the beef producers. But my concern is still going to be—and I've followed the comments of my colleagues—to ensure assistance with the disposal. I think the biggest issue is around the regulatory issues. In your roundtable discussions, can you help us with the regulatory issues around the disposal of the SRMs?

John, obviously that's a lot of weight when you take all the contents of the head and use them and they don't become part of an SRM. You said one pound to 58 kilograms—that's an incredible difference. If we change regulations, what sort of percentage will affect that one-to-58? Is that all regulatory in there?

Mr. John Masswohl: A good part of it is. This is the sort of thing we're trying to figure out ourselves as we participate in this working group. How far can we get with this? I don't think we believe we can get down to the one pound in Canada, at least in a year or a couple of years. I don't think we believe that. But how far can we get? Can we get a 20% reduction, can we get 10%? How much of that 32 can we get back? That's a question that we have in our minds right now. The only honest thing I can tell you is that we don't know at this point until we work through it. I imagine we'll be back here again at some point in the future reporting on that.

I do understand that one of the things that CFIA has committed to is to review the whole SRM policy at some point in the future, and I believe they're talking about 2012. That was a date that was established right at the implementation. It was implemented in 2007, so it's a five-year review. That's on the horizon. Those things are out there.

Part of it is how much cost reduction can we get by making the pile smaller and how much of it can be accomplished by creating some value for it through technologies, through thermal hydrolysis or other things. At this point we just don't know what that mix is going to be.

I think one thing to come back to is the differentiation between the federally inspected facilities and the provincially inspected facilities and why the amount of material in a provincially inspected facility is nearly double. Really, the answer to that is that the renderers, when they accept waste material from a provincially inspected facility—because those federal inspectors are not there on a regular basis—the renderers are treating all waste from provincial facilities as SRM, whether it's SRM or not. Basically what they're saying is that they can't trust or take the risk that what is in that container of waste material might be SRM or not, so they're going to

treat it all that way. As we develop the details about how this is delivered, that's something we want to take into account, that these small facilities have a much higher cost to deal with.

•(1610)

The Chair: Thank you, Mr. Shipley.

John, I'd like to clarify something you said in your response to something Bev asked you at the start. You said that in some places the SRM removal is being interpreted differently, and you said specifically in Ontario. Is that because of an overly cautious approach by the packers here? Is it overzealous inspectors who just happen to be in Ontario? Is it different interpretation? Can you just enlarge on that a little bit?

Mr. John Masswohl: I guess what we heard—and perhaps you've heard some similar reports coming out of some of these small facilities—is that a certain amount of meat, and I've heard different numbers, was being required to be disposed of. I don't know what you found in your investigation, but I was not able to find anything in the regulations requiring that meat to be disposed of. I think as we started to look into that, the situation seemed to improve.

That said, with respect to the SRMs that get disposed of, there still is a tolerance around the bone. We're trying to see if that can be improved to be more like the U.S. approach.

The Chair: Again, there's this discrepancy from region to region, and it does seem to be more in Ontario here. Is that discrepancy because of the packers' interpretation overall, or is it from the CFIA side? Any comment on that?

Mr. John Masswohl: My impression is that it was the inspectors. I couldn't say that definitively, but that was my impression, that it was the inspectors. I only heard it in Ontario.

The Chair: Thanks, John.

Hon. Wayne Easter (Malpeque, Lib.): Point of information on that, before I get to my question.

I think it would be useful.... I don't know if there's a plant close by here that this committee could go to, but I've been in a plant, and John is absolutely right. It's inspector to inspector even in the same plant. In the plants, where they come down and they cut the spine, if they're too far away, I think it is—one way or the other—the people on the line are so fearful that they're going to be out.... And you're not even talking centimetres, you're talking about the width of two hairs. If they're too far out then they lose the whole piece of meat. You've actually got to go into a plant, look at an animal strung up on the rail and see how different the tolerance can be. For the plant, it's absolutely phenomenal. So if the people working the line are overly cautious, then they're losing a lot of meat in the run of a day.

The Chair: I'm going to be really generous and not add that to your time. You have five minutes, Mr. Easter.

Hon. Wayne Easter: Guys, thanks for coming.

If the government doesn't get this money out there fast, there will be fewer producers left in this country. We're seeing it in eastern Canada—I think in Ontario east. Certainly we're seeing it out west, where the cow-calf operators are leaving in droves. We're seeing bigger feed lots close, to the point that it's beyond belief.

I'm told by producers that right now they're losing \$275 to \$350 an animal. What are your figures? How much are they losing per animal?

Mr. Travis Toews: That's going to be variable across the country. In fact, in the last couple of weeks we've seen some strength in the market across the country in the fed market. I'd be hesitant to throw out a number as to what they're losing. Obviously, this topic is pointed towards over-30-month slaughter costs.

On the fed market, you're absolutely correct. We've seen significant losses in the feeding industry and in the cow-calf sector for quite a period of time. We've seen some recent strength in the market to where I think some of these cattle are coming out of the feed lots at close to break-even.

•(1615)

Hon. Wayne Easter: So, Travis, that having been said, is AgriStability working for beef producers in this country right now?

Mr. Travis Toews: I would say not as uniformly across the country as I think a lot of producers would hope.

Hon. Wayne Easter: The minister was here the other day claiming it was. The Ontario Cattlemen's Association and the Ontario Federation of Agriculture have a big ad in today's *Hill Times*, saying it's not. So I'll just put that on the record.

It's now five months less five days since your letter of October 27, 2009, was written to the minister. We supported that letter here. The opposition supported strenuously a motion from André to get that money out there.

All this time later, I assume your position is still the same: that the money is based on a per-head basis. It's \$25 million. It is in the budget, we think. We just don't know how.

Has the government given you any timeline as to when this money will actually be out there, and what it's going to mean to producers at the production level?

Mr. Travis Toews: I am not aware of a timeline in terms of getting the money out, other than of course we believe it's urgent to implement this program quickly. And yes, we believe the program funds need to be earmarked to disposal costs related to SRM.

As I mentioned before, the benefit to the producer is going to be twofold. The long-term benefit is that this program will go some distance to ensuring a competitive processing sector in Canada for the benefit of Canadian producers down the road. In the short term, in order for those processors to kill Canadian cattle and benefit from this program, they're going to have to outbid their American counterparts. So there will be some direct benefit back to producers on the sale of over-30-month slaughter cattle in Canada.

Hon. Wayne Easter: But we still don't have a timeframe, and that's what worries me. If it hadn't been for the resistance on the government side, this could have been.... There is no new money in the budget for this. We didn't have to wait for this budget to get this

\$25 million. It comes out of funding already there. The finance department has admitted there is not a new dime in this budget. We didn't have to wait for this. This is five months later. Are we going to be back here in October still wondering how this money is going to be spent?

Mr. Brian Storseth (Westlock—St. Paul, CPC): Point of order, Mr. Chair.

Mr. Easter has said several times "the finance department has admitted" to him. I wonder if he could give us his source if he's going to continue with this line of questioning.

Hon. Wayne Easter: All you had to do was go to lock-up and you'd know. You should know that. Your own minister should at least tell you the truth and be honest with you guys that there's no money in this budget for producers. It would be kind of nice.

Anyway, on the Canada-U.S. situation relative to the beef industry, we're hearing lots about the minister being out there and marketing around the world, and we'll congratulate him on that. What is our net position relative to the U.S., however? Are we losing market share to the U.S.? Are we gaining market share? Are we selling more beef cattle into the U.S.? Are they selling more into Canada? Can you give us any of those numbers?

Mr. Travis Toews: I can give you some trends, I guess, in terms of our sales into the U.S.

Fed-cattle sales into the U.S. directly for slaughter and feeder cattle sales into the U.S. have declined significantly due to a few variables. Country-of-origin labelling legislation is a significant factor affecting, in our view, the flow of live cattle into the U.S.

I think what's of interest is that in 2009, contrary to that trend, we exported more slaughter cows to the U.S. than we did in 2008, and I think that highlights the competitive disadvantage our processors are experiencing in Canada on over-30-month cattle.

•(1620)

The Chair: Thank you very much.

We'll now move to Mr. Richards, for five minutes.

Mr. Blake Richards (Wild Rose, CPC): Thank you.

Thank you both for being here today.

I'm going to switch gears just a little bit here, because there's another topic I think we need to spend a little bit of time on today as well, in relation to your industry. Certainly, in my view, marketing options, marketing choices, are a key thing for any industry, really. But agriculture is a great example of where marketing options are very important. For example, for the grain farmers in western Canada in particular, there is the fact that they only have one monopoly they can sell to. To have an opportunity to have more marketing choices for western grain farmers certainly would be helpful for them.

We can also talk, of course, about the work our government has been doing in terms of opening markets to give livestock producers better market access to additional markets and the benefit of that for the industry. I know that you certainly, in your opening comments, made some reference to some of the good work that is being done by Minister Ritz, by Minister Day, and by the Prime Minister himself in terms of working very hard to see markets open up. I know that the Minister of Agriculture, in particular, has been working very hard on that. I'm sure you're well aware of that. You know, obviously, that we're meeting with some success there. I'm sure you're appreciative of that.

I wanted to talk specifically about the market access secretariat that has been set up, as well. Ministerial and prime ministerial efforts are important, but the work behind the scenes by the market access secretariat is also something that can be important. I wanted to get a comment from you as to how you see the work that has been done by the market access secretariat and whether there is anything that needs to be done differently.

Mr. Travis Toews: Well, we were very pleased with the establishment of the market access secretariat. Obviously, as an industry that depends on exports, this secretariat that has been wholly set aside to deal with market access issues is welcome. The market access secretariat has been working to get established. It is being staffed up. They have already been engaged in several markets, and I expect that the structure is evolving. There are a number of recommendations that we believe are important that have not yet been implemented. But we continue to work with the government on those details to ensure that all of agriculture has as strong a market access secretariat as possible and that Canada can truly punch above its weight in terms of market access issues.

Mr. Blake Richards: I appreciate that. Certainly the idea there, of course, is to give our producers more market opportunity. Of course, the United States market is still always going to be a very crucial market for us, so we can't ignore it. The biggest hindrance, at this point in time, has been their country-of-origin labelling. As a government, we've been working very hard to try to deal with that and respond to a threat to our producers.

I would like to get your feedback on our government's response. How do you feel our response has been? Have you been satisfied with the work we've been doing to try to combat country-of-origin labelling?

Mr. Travis Toews: Unfortunately, we got to a point where we believed that there was no other option than to request action at the WTO. So we, as an industry, are appreciative that action has been taken by the Government of Canada. We have certainly been committed to working with the government on this case to ensure that we can have as positive an outcome as possible. We think we have a strong case. And it's going to be important, long-term, for the industry to see that legislation corrected in the U.S.

Mr. Blake Richards: I couldn't agree more with those comments.

In discussing exports, as we currently are, one of the things that's always a factor there is certainly beyond control for most of us, but I just wanted to get your take on it from an industry viewpoint. I'm talking about the strength of the Canadian dollar and what impact that will have on your industry—or has had.

Mr. Travis Toews: That's a very pertinent question, because there's probably not a news story in our industry that merits more attention in a lot of ways than the strength of the Canadian dollar. As exporters, we have an industry that really grew at a time when our currency was in that 70¢ to 80¢ range. So we have a cost structure that's been established at those levels, and now, as we compete globally and within North America with a par dollar, it's challenging for us as an industry.

As we look down the road, if continued strength in our currency is going to be a reality, we will be challenged as an exporting industry, and we won't be the only industry that will be challenged.

• (1625)

The Chair: Thank you very much, Mr. Richards. Your time has expired.

Mr. Guimond.

[*Translation*]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chair.

Good day, gentlemen. I am a farmer and a dairy producer. Considering the BSE crisis, I have been aware for several years of the problems that Quebec and Canada's farms are faced with when it comes to being profitable businesses. Members of the opposition and of the government have taken a long time to recognize that SRM is a real problem and that we need financial support to find a sustainable solution. It now seems that the problem has been recognized. Sums have been budgeted for helping us, but there is also much confusion surrounding the issue. The Minister of Finance says one thing, the Minister of Agriculture and Agri-Food says another, and the Minister of Veterans Affairs and Minister of State (Agriculture) says something else. It is difficult to follow what is going on. You and I know how important it is to solve this problem once and for all, that is, to get rid of SRM.

You are surely familiar with my friend Michel Dessureault, Chairman of the Fédération des producteurs de bovins du Québec. In Quebec in particular, agricultural producers try to find solutions when a problem appears.

What do you as farmers think the best solution for your association would be to get rid of SRM in a satisfactory way?

[*English*]

Mr. Travis Toews: Well, we too agree that we need a solution, but in my view, it's going to be about a three-pronged solution. I think we would see the ultimate solution as harmonization of our regulatory playing field with that of the U.S., but we know that we're some days, or months, or perhaps years away from that.

So in the interim, we also believe that part of the solution will be seeing our processors adopt the technology that's been discussed here today in terms of reducing the cost of SRM and perhaps creating some marginal benefit through technology. Also, in the short term, we believe it's critically important that we have the costs of SRM disposal offset in this budget.

[Translation]

Mr. Claude Guimond: We are talking about innovation and possible solutions. Representatives of slaughterhouses have appeared before this committee. It seems that certain technologies or methods are very expensive and unprofitable. Do we, the farmers, have in mind a solution that would be suitable? Quebec farmers and your association could join forces. Everyone in Canada could then suggest to the three ministers I mentioned earlier how best to resolve this problem that is damaging the agriculture industry in Quebec and Canada.

[English]

Mr. Travis Toews: I think this budget announcement is one of the short-term solutions that was partially a result of collective agreement among producers across Canada, including producers in Quebec, as they saw a need for, in the short term, some cost offset on SRM disposal.

Again, we believe the long-term resolution to this problem is regulatory harmonization. As exporters, as an exporting country, we will work toward that goal, but we will have to work carefully toward that goal so we don't jeopardize any markets that we currently have open or markets that we're working hard to regain right now.

•(1630)

[Translation]

Mr. Claude Guimond: I also sit on the Standing Committee on International Trade. Last year, we talked about the difference between Canadian rules for country-of-origin labelling and the U.S. ones. We briefly discussed this issue earlier. As a member of the committee, I had the opportunity to go to Washington and meet with U.S. representatives, and even senators and people from the USDA. We have come to the conclusion that as far as possible solutions go, cattle traceability could be an acceptable compromise.

I would like to know what your organization thinks about the idea of establishing a full-fledged traceability system for Quebec and Canada, so as to eventually increase our exports.

[English]

Mr. Travis Toews: We appreciate your work in Washington on the country-of-origin labelling file.

Traceability is an issue our industry is dealing with currently. It's an issue our industry began dealing with in about 1998, when we established animal ID across the country, and traceability is a file we're moving forward with.

We certainly can recognize and appreciate the robust nature of the Quebec system, but as we look to move forward with our traceability system in the cattle industry across the country, we're moving forward, but we do so cautiously, to ensure we don't move forward by taking on further regulatory burden in our industry that is going to leave us less competitive in the North American market.

So we're moving forward, but we're moving forward carefully and cautiously.

The Chair: Thank you, Mr. Guimond; your time has expired.

Mr. Eyking, five minutes.

Hon. Mark Eyking: Thank you, Mr. Chairman.

And I thank you again for coming today.

In Atlantic Canada I think we lost almost half our producers, and the production of many people who are in there is down quite a bit. We only have one plant there, so it's really on a shoestring to keep open with those numbers.

As we hear from producers right across this country, in Quebec, Ontario, and even out west—and you already alluded to the shortage of money coming into their pockets—the industry is in rough shape financially, and it's hard to say if any of this money that's been allowed to the specific risk management material is going to ever get down to the producers. I think it's highly unlikely, the way the structure of the system is. It's definitely going to help the capacity of slaughtering beef, but it's not going to get down to the producers.

Mr. Easter asked you a question about AgriStability. It was mentioned before, and it's mentioned by the producers in Ontario, that really the money's not getting into their pockets. We had a memo from them before, and they see a problem with two things. One is the reference margins, and the other is the viability test.

If you could rewrite the way this thing is done to help beef producers, what would you change in the whole way the thing's set up? We're all concerned about international trade rules and all that, and I think we went through all that before, but how would you help, if you had the money to help the beef producers, by changing that whole system they got put in place?

Mr. Travis Toews: We have a few recommendations on the books regarding AgriStability, recommendations we believe would improve the program and make it more responsive to cattle producers across the country. The first recommendation, regarding the reference margin calculation, is that the government move to the best of previous three years or Olympic margin calculation. That would be one measure that would improve the reference margin calculation for producers. The second recommendation we have is to eliminate or change the viability test, because the viability test, as it stands today, in our view, excludes some operations that we expect are viable or will be viable. And the third recommendation we made was to increase negative margin coverage from 60% to 70%.

We thought collectively those three recommendations, if implemented, would go some distance to improving the responsiveness of the program.

•(1635)

Hon. Mark Eyking: Have you had any response from the minister on those requests from the Cattlemen's Association?

Mr. Travis Toews: We've forwarded those recommendations. We discussed them. They're in federal-provincial discussions. Clearly the provinces have to be onside with the changes as well. A number of our members have made those recommendations provincially. We believe the recommendations would improve the program. We're going to continue to articulate them, and we're hopeful that the changes will be made.

Hon. Mark Eyking: If you read *Maclean's* magazine this week about what's happening with the beef situation worldwide, it said that the Asian countries are picking up a lot of demand for beef worldwide and the western countries are stepping back from it for various reasons. It said in the article that now they're having one day without beef. They're promoting it in schools and that.

How is your industry going to counteract this? We even have Paul McCartney doing this big spiel around the world on it. He did it with us, with the seal industry in Atlantic Canada. You have the production issue and various things, but do you see a bit of a problem on the horizon of beef getting a bad rap and that translating down to sales?

Mr. Travis Toews: We know there are opposing forces out there. We have the Beef Information Centre, which is the North American industry's marketing-arm promotion group, which works to put forward facts on beef consumption, nutrition, and that kind of thing. Critical work will need to be accomplished by this organization, and it will be critical that it be funded well in the future in order to do that.

We also know there are challenges on the horizon from animal rights groups and what not. As an industry, we're working proactively on animal welfare issues. We in the cattle industry have a good story to tell. We need to make sure we're getting out there and telling it and that we're proactively dealing with it.

Recent demand trends in North America perhaps have more to do with the recession and disposable income than other trends do, although we know that the other issues are present and they need to be dealt with. We are dealing with a lack of "middle meat" demand, "high cut" demand, in North America due to less disposable income.

The Chair: Thank you.

Mark, you make a good point: beef has had a bad rap for a long time. Some of that's been corrected, but certainly not all of it. It irks me every time the k.d. langs of the world step up to criticize it.

Mr. Storseth, five minutes.

Mr. Brian Storseth: Thank you very much, Mr. Chair. I'll try not to refer to your friend k.d. lang.

I will be sharing my time with Mr. Stanton.

First of all, some parts of the sector get a bad rap, but there has been some success with branding. Alberta beef is a prime example of a very successful brand within the industry.

I want to go back to a couple of questions that I picked up from Mr. Eyking. One is on the impacts of the recession on our higher cuts and the demand for them. Do we have any dollar figures on that? Are there any estimates that the industry has on that?

Mr. Travis Toews: I don't have any figures with me today, in terms of hard numbers, that I could pass along. I apologize for that. But certainly every analyst I've sat with in the last year...whether it be CanFax on the Canadian side, or CattleFax on the U.S. side, the number one story has been lack of demand due to economic uncertainty.

• (1640)

Mr. Brian Storseth: If you do have numbers, could you table them with the committee at a later date? I think that would be a very interesting read.

Mr. Travis Toews: Yes, we can do that.

Mr. Brian Storseth: There's been a lot of talk lately at the committee about AgriStability and changes that need to be made to the overall suite of programs. The minister was on the record last year as saying that these programs have to be living programs that change when things need to be changed. If we can bring something up that addresses that this has to happen....

As a major player in the industry, you proposed changes at the federal-provincial meetings. What is your feeling on how close we are to getting some of these changes? It's 60-40, so obviously we have to have the provinces onside. Are there certain provinces that are harder to get onside than others? What is your general feeling about these meetings and about the potential for changes?

Mr. Travis Toews: The first thing I'll say is that the recommendations we put forward are very credible and responsible. I can't honestly answer as to whether we're closer today with implementation of those recommendations. I have had assurance that they are in full consideration, and I recognize the complexity of working with the provinces as well as the federal government in coming to agreement, but I can't answer as to whether we are closer to implementation.

Mr. Brian Storseth: Do you know which provinces are particularly a problem in moving some of this, or not really?

Mr. Travis Toews: I can't name particular provinces, because I'm not aware of them. With the budgetary realities, the fiscal realities across this country right now, these may be challenging recommendations, yet we believe they are responsible recommendations to implement.

Mr. Brian Storseth: We talked about markets and there has been a lot of follow-up talk about markets today. What is the one most important market that your industry needs to get opened up?

Mr. Travis Toews: We have the most important market opened up behind Canada, and that is the U.S. But in terms of the remaining markets to open, if we could move Japan from under 21 months to under 30 months, our information tells us that would have a direct effect on fed cattle prices in Canada. That is our number one priority in terms of market access. South Korea is clearly another important priority, which we have a WTO case on now.

Mr. Brian Storseth: Mr. Chairman, I'd like to squeeze in one more question.

There has been a lot of talk on the \$25 million for SRM costs. I've obviously been on the record on that at committee. What assurances do you have that our cow-calf producers are going to see some of this money, that they are going to see an increase in the price of their animals? What assurances do you guys have that this is going to happen?

Mr. Travis Toews: Again, as I've explained, we view this solution as a short-term one with two objectives. The primary objective is to keep the processing capacity in Canada for producers today, tomorrow, and down the road. That is really our primary objective in terms of this program, and that will benefit producers.

But secondly, in order for packers to keep those cattle in Canada, they will have to outbid their American counterparts. I can't predict whether that is going to be by 3¢, 5¢, or 10¢ a pound, but I do know they will have to outbid them. Consequently, there will be some immediate benefit back to Canadian producers today, but our primary concern is the long-term issue of ensuring that we have competitive processing capacity in Canada. We do not want to end up in the situation we were in during 2003.

The Chair: Thank you, Mr. Storseth.

We've made our rounds here, and I am going to take the liberty of asking a question.

We all want a healthy beef industry; in fact, we need it. It helps our economy, without mentioning the people involved in the beef industry, right down through processing.

I've been having a lot of farm meetings over the last few months, and one thing that's pretty clear overall is that people realize and agree that we can't or shouldn't subsidize exports, but the suggestion keeps coming up to find some way to support our domestic supply without basically subsidizing a product that somebody else eats in some other country.

I have given this a lot of thought, and I'm sure a lot of us have. Is there, realistically, a way to do that? I've been asked that question or it has been suggested to me, and I've been putting that out to my farm groups. Have you any comment on how we can look at trying to go along that route?

Travis?

•(1645)

Mr. Travis Toews: That's a complex question. We would see, again, a multi-faceted answer. First, we think, long-term, the answer is that we need a very competitive business regulatory environment in this country and we also need competitive market access globally. We believe our industry can compete long term. We think those are the two fundamental ingredients, and as we deal in a fiscal environment with a high currency, it makes any extra regulatory burden that we bear more glaring. So we simply have to work to that end.

In terms of support, we are an exporting country and we need to ensure that we are not disadvantaged by having to pay duties as a result of domestic policy. We're not advocating that type of programming.

We're an organization that believes the marketplace is our best direction for the growth and direction of the industry, so we do not support programs that mute market signals.

The Chair: I think that answer in fact does come to the conclusion I've come to. People will suggest a lot of things, and it's out of frustration when things aren't going well, but in reality it usually doesn't work.

We have been around the table. Are there any other questions for Mr. Toews or Mr. Masswohl?

Seeing none, gentlemen, it's always a pleasure having you here. Thank you very much.

Travis, do you have another comment?

Mr. Travis Toews: Thank you for the opportunity to appear. Also, I'd personally like to invite each one of you to our reception on Wednesday evening.

The Chair: I plan on getting there. Thank you.

We will have a short break for about three minutes and then come back to the table.

•(1645)

_____ (Pause) _____

•(1650)

The Chair: We will come back to the table.

Mr. Eyking, you had something you wanted to discuss. Did you change your mind now? You had suggested committee business.

Hon. Mark Eyking: I suggest that we have some time to do some motions that were brought forward before the break. We should deal with them, the ones that are easier to deal with, get them done and see how far we can get.

The Chair: We have more than 35 minutes here and we have at least two choices, if not more. One is motions and the other is the draft report.

Hon. Mark Eyking: I'm suggesting we get to the motions.

The Chair: We have a list of the motions here. The first two on the agenda that are basically the first two up are Mr. Atamanenko's. Unless Mr. Allen knows something I don't, I would presume that Mr. Atamanenko would probably want to bring these forward himself.

Mr. Allen.

Mr. Malcolm Allen: I would say so, yes.

The Chair: The next one on the list—

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): On a point of order, Mr. Chair, is that actually a rule of the committee? In order to put forward a motion, does the person who tabled the motion have to be here?

The Clerk of the Committee (Ms. Isabelle Duford): No. A substitute can move it or someone else if there is unanimous consent.

The Chair: I guess the next one we would have on the table is Mr. Valeriote's motion in regard to car-loading sites by Canadian National.

Mr. Valeriote, I don't know whether you want to bring that forth at this time, but if you do I would invite you to read it onto the record and we'll have a discussion.

Mr. Francis Valeriote: Thank you, Mr. Chair.

Last November I brought a motion that the Standing Committee on Agriculture and Agri-Food recommend to the Minister of Agriculture and Agri-Food and the Minister of Transport, Infrastructure and Communities that the Government of Canada take such steps, commence such inquiries, and/or amend such Canadian legislation or regulations as may be required to prevent the delisting and subsequent closure, for which notice was given by Canadian National, of 53 designated producer car loading sites in Manitoba, Saskatchewan, and Alberta and the removal of the shunt lines providing service to such sites, for such period of time that the Government of Canada, in its opinion and in consultation with all stakeholders, determines advisable and in the best interest of all concerned.

I'll bring that motion, Mr. Chair.

The Chair: Actually the motion that I have in front of me, Mr. Valeriote, was exactly as you read up to the end. It ended at "removal of the shunt lines". Now you added something at the end that isn't in any motion that I have here.

Mr. Francis Valeriote: This is hilarious. No, no, no. I've always had that in there. I always expressed quite frankly that it should be "for such time as the Government of Canada in its opinion", because I think the Government of Canada should be in consultation with the stakeholders to determine what is advisable and in the best interest of all concerned.

•(1655)

The Chair: I'm not saying I have an issue, I'm just telling you what was presented. We don't have that, Mr. Valeriote. I guess with unanimous approval, that extra little bit could be added on, but at least I think that's how it will be.

Mr. Francis Valeriote: Okay. I'd served notice of this. So after shunt lines, it says "providing service to such sites, for such period of time that the Government of Canada, in its opinion"—

The Chair: I'll tell you what. Have you got a hard copy there that you could give me and the clerk temporarily until—

Mr. Pierre Lemieux: I would still like to hear it, because we're going to debate it.

Mr. Francis Valeriote: It's "that the Government of Canada, in its opinion and in consultation with all stakeholders, determines advisable and in the best interest of all concerned."

Mr. Bev Shipley: Sorry, with all stakeholders...?

Mr. Francis Valeriote: It says "determines advisable and in the best interest of all concerned."

Yes, you can have the copy.

The Chair: Can I make a suggestion here? I don't know whether we have a photocopy available here, but I'm just wondering, Frank, if we can move on to the other motion while you get this one drafted fully. For whatever reason, they just don't have it here. There's quite a bit to add to it, almost as much as the original motion, or half as much.

Mr. Francis Valeriote: No, no. I think we're making more out of this that it actually is.

The Chair: Okay, then, I'll do it this way. Is there any issue with what he's added?

Mr. Francis Valeriote: I'm giving more latitude. It's always been intended that the Government of Canada would have the latitude to discuss with the stakeholders—those are the farmers and the railway company—what's in the best interest of all concerned. That's all concerned.

I mean, we needn't re-hash all the arguments back and forth. While we are in a new session, our memory didn't prorogue itself, and we know what the argument.... The point is we know what the issues are and what the debate is here. These farmers came before us indicating a deep concern about their shunt lines being shut down, and frankly what I perceive to be a certain degree of arrogance on the part of the railway lines, or at least indifference to the needs of farmers at the time. The reason for the wording in the motion was not only to make sure that it's investigated, but that the latitude be given to the government to determine what's in the best interest of the farmers. The farmers know it's being investigated, and the railway lines know that they're not necessarily being targeted.

The Chair: Okay.

I have some new information here for everybody. The original motion was exactly how you read it just now, Frank, but what the clerk received on the tenth ended where I said, so when you re-sent it.... But just for the committee's knowledge on this motion as Mr. Valeriote just read it, we did approve and pass this at committee on December 8.

Mr. Francis Valeriote: As I read it?

The Chair: Yes, as you just read it. So we did pass this, and prorogation made it moot.

Mr. Pierre Lemieux: No. If it passes, it passes. It's been dealt with.

Mr. Bev Shipley: Yes. I don't have an issue with it, but why do we pass it twice?

Hon. Wayne Easter: Because the government just sat on their hands.

Mr. Pierre Lemieux: Wayne, give us a break.

Hon. Wayne Easter: In fact the minister provided poor information to us.

An hon. member: Wayne, you are so partisan.

Hon. Wayne Easter: I'm not partisan. I'm just telling you the facts; the trouble is, you don't want to hear them.

Mr. Randy Hoback (Prince Albert, CPC): Just for clarification in my own mind, the spirit of this isn't to say yes or no to whether we should keep these shunt lines. The spirit is to create a process on how these shunt lines should be dealt with. Is that correct?

Mr. Francis Valeriote: Exactly.

An hon. member: No problem.

Mr. Randy Hoback: I have no problem with that, then.

The Chair: Okay. Because of the timing, I didn't get a chance to actually get a letter out on behalf of the committee with this. That never got done. I mean, I guess—

•(1700)

Mr. Brian Storseth: On a point of order, Mr. Chair, I'd like Mr. Easter to apologize, then, for saying that the minister sat on his hands. It's actually you who sat on your hands.

Some hon. members: Oh, oh!

The Chair: Anyway, I guess there's no harm in repassing it, but at the same time, we probably don't have to as long as I have a general consensus here to write a letter on behalf of the committee and send it out.

Mr. Brian Storseth: Mr. Chairman, I'll move the amendment as Mr. Valeriote just stated. That way, you don't need unanimous consent. And then I would recommend that we just go ahead and vote on this.

The Chair: Okay, I'm going to call it.

All in favour of the motion?

Mr. Easter?

An hon. member: He's going to lose it for you, Francis.

Some hon. members: Oh, oh!

Hon. Wayne Easter: No, no. The problem here is a little bit of urgency, Chair. There needs to be a strong letter from the Minister of Transport himself, because if the railways move to lift these shunt lines, which they can do, then those sites are gone. I would recommend that in your letter you mention the urgency to the minister, because the process is a good one, yes, but there's no sense having the process if half the sites are already gone.

The Chair: Okay. All in favour of the motion?

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: That's carried unanimously.

The next motion we have is Mr. Easter's motion on AgriStability.

Wayne, you indicated that you didn't know whether you were going to bring this forth.

Hon. Wayne Easter: Let's have a look at it.

The Chair: I won't read it out until—or if—he tables it.

Hon. Wayne Easter: I will move it, Mr. Chair.

The Chair: Okay. Read it into the record, if you would, please.

Hon. Wayne Easter: I will move it and explain why. I move that the Standing Committee on Agriculture and Agri-food examine the functioning of the AgriStability program, and that the committee specifically examine the impact of efforts by the federal government to recoup CAIS overpayments on primary producers.

As we just heard in the last discussion and from the ad in today's *Hill Times*, the AgriStability program is not working. It's especially not working for beef producers and hog producers. The problem is that the viability test is there for beef and hogs, but if they didn't have a couple of good years it doesn't work. If you have long-term declines in pricing, it just doesn't work. It's the same as the old CAIS program in that way.

I think we need to look at that and make some recommendations on it. The minister himself stated when he was here the other day

that the federal and provincial ministers of agriculture would be providing a report on this issue to the ministers meeting in June. We should have input from producers in that.

The second part of the motion is an extremely serious issue, and that is CAIS overpayments that have been paid out. They've been turned over to Revenue Canada. I've talked to quite a number of producers. Some of them have left the industry, and all they have left are their houses. They farmed and provided cheap food for Canadians over the years, and ended up losing their farm operations due to overpayments on CAIS. They're now getting hounded by Revenue Canada to the point that they will likely have to declare bankruptcy and will probably lose their houses in the process. That's how serious it is. It's not huge dollars in most cases, but it's causing a lot of stress to those people who find themselves in that situation.

I think we need to make some recommendations to the government on how those payments could be made in a way to alleviate some of that stress on families who are really in serious trouble over those overpayments.

•(1705)

The Chair: Mr. Hoback.

Mr. Randy Hoback: Thank you, Mr. Chair.

Mr. Easter, you're quite aware that AgriStability and those programs are federal-provincial responsibilities, not just federal responsibilities. I wonder if you'd entertain a friendly amendment that not just Agriculture and Agri-food Canada, but also the provincial departments of agriculture participate in that study.

It's quite clear that in order to change legislation or these programs the provinces have to be onside. You're doing just half the job if you ask only Agriculture and Agri-food Canada to examine this.

The Chair: I don't want to put words in your mouth, but based on what you just said, are you proposing to add “the impact of efforts by the federal and provincial governments”?

Mr. Randy Hoback: I'm just looking at this. I'd suggest, “That the Standing Committee on Agriculture and Agri-food, along with its provincial partners, departments of agriculture, examine the functioning of the AgriStability program; and that the committee...”.

It gets awkward here, because we can look at it as a committee, but there are provincial agriculture committees that should also be looking at it. I guess I'm seeking advice from my colleagues here.

The Chair: The clerk made a comment—and I tend to agree with her—that the way you read it out first might be beyond our mandate. But if you use the words “examine the impact of efforts by the federal and provincial governments to recoup CAIS overpayments”, that might not be. I think it would do what you're suggesting, but I'll leave that choice up to you.

Hon. Wayne Easter: As a point of information on that, Mr. Chair, provincial governments are not trying to recoup the CAIS overpayments, Revenue Canada is. I don't know whether Revenue Canada is doing it on behalf of the provinces, but I don't believe so.

The Chair: Part of those payments, Wayne, not to debate it, but would they not be 60-40?

Hon. Wayne Easter: The program is 60-40, but Revenue Canada is doing the action. I'm aware the provinces are in it.

The bottom line is the federal government needs to show leadership here. They can put it to the ministers of agriculture meeting. We can hear from both. We can bring in witnesses from some of the provinces if we so like.

Mr. Brian Storseth: Mr. Chair, I have a couple of points and a couple of questions for Mr. Easter. One is that these are two fundamentally different issues. I really think it should be two motions, because I agree with what you just said to Randy. When it comes to the examination of the AgriStability program there are different issues in different provinces. Some provinces, like Alberta, are in charge of it.

When you talk about the CAIS overpayment, I assume you are talking about the old 506 CAIS overpayment. The Province of Alberta obviously topped that up even more and there was a clawback there. So there are different issues across the country, and I think these are two specific ones. I'm not necessarily against either part of your motion, I'm just saying I think they are two very different issues.

I agree with Mr. Hoback that if we are going to look at this we have to make a point to bring in people from across the country from all the different provinces, because there are different issues. You are aware of some of the issues in P.E.I. and there are different issues with the program in Ontario. So I think to do your motion the justice you're looking for, you would have to expand it a little bit. But I'd feel more comfortable if it were two separate motions.

Hon. Wayne Easter: I think both issues need to be dealt with but not in the same way, Brian. If you wanted to put an (a) in there: examine (a) the functioning of the AgriStability program and that the committee (b) examine the impact....

I think both questions can be answered quite often by the same witnesses in charge of the program. I think if you deal with them separately—and we talked about this when we wrote the motion, because they do seem somewhat different issues, but it is the same people to a great extent. It's immaterial to me if we split it, but I just think we simplify our work as a committee—that's all we're trying to do—if we leave it together as (a) and (b) or the way it's written.

• (1710)

Mr. Brian Storseth: My concern is simply that both components are looked at equally seriously.

Hon. Wayne Easter: Yes, and they both need to be.

The Chair: Mr. Hoback, you suggested some changes. I don't know if you actually made them as an amendment or not.

Mr. Randy Hoback: I'm just thinking it through and thinking in the spirit of what Mr. Easter is trying to do and how to go about.... My concern is, as I said before, AgriStability and CAIS are federal-provincial shared programs. Not just the Standing Committee on Agriculture and Agri-Food should be examining this, but we should be examining it with the provinces too, because they have a huge say in what goes forward as far as what we get in the program on AgriStability. I'm just trying to figure out how to put that into this

motion and if that's even possible. While we're studying AgriStability, if the spirit is there we will bring in the provinces along with the study. If that means calling witnesses from the provincial governments, maybe that's something we can work on. I think you have talked about it before. I don't know if you remember what you said.

The Chair: Yes, I do. What I said was is where it says “specifically examine the impact of efforts by the federal government” it would say “examine the impact of efforts by the federal and provincial governments to recoup CAIS”. It would all be the same except you would be adding “and provincial” and an “s” on the end of government.

Is that acceptable? It would now read: “by the federal and provincial governments”, with an “s” on it.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: We need to look at the way the motion is worded. It states that the mechanics of the AgriStability program should be examined. Yet no changes are suggested at this time. It calls for an examination of the AgriStability program. Therefore, no conditions are being imposed on the provinces and their parties.

Clearly, I would be the first to applaud if we were to invite representatives of the agriculture departments of Quebec and of the other provinces to appear before the committee to discuss the matter. They are obviously affected by this issue, but our committee, as the clerk has pointed out, cannot order the provinces to examine matters for which they share responsibility with the federal government. We are not going to start doing this every time. I will always vote against us ordering the provinces what to do and what not to do. That approach would not make sense.

However, I agree with Randy that the matter clearly affects Quebec and the rest of the provinces. When we consider this issue in committee, we will make sure that witnesses from the provinces are in attendance. That is our prerogative.

[*English*]

The Chair: Mr. Bellavance, I would agree with what you're saying except that I think if you reread the suggestion that I made to address what he was trying to get at.... We can examine what goes on in France in agriculture if we want, or in England or any other place. When it comes to actually putting forth or trying to force change, no, we have no authority there, but we can examine anything we want. That's all that this motion would agree with.

Do you want me to read the whole thing, or just the portion?

[*Translation*]

Mr. André Bellavance: Could you read the motion again please?

[English]

The Chair: If you go to your motion where it said, “and that the committee specifically examine the impact of efforts by the federal government”—that’s how it now reads—it would now read, “examine the impact of efforts by the federal and provincial governments to recoup CAIS overpayment.” Again, the key word here is to “examine”. That’s what this committee would be doing.

Hon. Wayne Easter: I don’t have a problem with that, Mr. Chair.

● (1715)

The Chair: Do you accept that as a friendly amendment?

Hon. Wayne Easter: Yes.

On Randy’s point originally, when you’re talking about the AgriStability program I don’t think you need to mention federal or provincial. The AgriStability program is under the Growing Forward program’s 60-40 anyway, so it’s just implied.

Mr. Randy Hoback: Okay, along as we’re clear that we understand it’s both federal and provincial, so if we are going to look at this more closely we have to bring both parties to the table.

The Chair: Just so everybody is aware, Mr. Easter has accepted that as a friendly amendment.

I have Mr. Lemieux and then Mr. Storseth.

Mr. Pierre Lemieux: Thanks, Chair.

I want to mention two facts.

First, they are two completely different issues. One of them is the Growing Forward program and the other one is the CAIS program. They are two completely separate studies. I’d prefer to see them separated because they’re going to be tackled separately. If they’re within the same motion, we’ll then have witnesses coming in to talk about one, talk about the other, and mix them together. They are two completely separate issues.

The second thing I’d like to mention is that I’m not sure why the AgriStability program is being separated from the Growing Forward program. I think it’s very hard. Growing Forward consists of a number of programs. There’re AgriInvest, AgriRecovery, and AgriStability. There are a number of programs that actually work together and are meant to work together. There are no firewalls among them. AgriInvest is meant to work with AgriStability. The two programs working together actually offer the farmers more flexibility than they had under the CAIS program.

The second key point I would like to make is that if we’re going to study this and we want to do justice to the programs and to the farmers, then we need to expand AgriStability so that it’s part of Growing Forward. We’re going to have witnesses in front of us who are going to talk about federal programs and federal support for agriculture. They’re going to venture into the other types of support. If we have farmers from drought-stricken Alberta, where they received some AgriRecovery money, it’s important to know that. If the farmers are going to draw on AgriStability, they have probably drawn on AgriInvest. The two fit hand in glove. They actually fit together.

I would like to make an amendment to this motion. I would like to remove the word “AgriStability” and replace it with the words

“Growing Forward” so that we are looking at the Growing Forward program. I think it actually gives our witnesses more scope. In other words, if they want to talk about AgriInvest, they’ll have the freedom to do so without us telling them they’re off topic, because we’re actually talking about AgriStability, and they should restrict their comments to AgriStability. It gives them the latitude to talk about the programs in the way they see them. They see them as an integral package.

The second change that I would like to put forward as part of the same amendment is to strike the words “and that the committee specifically examine the impacts of efforts”, etc., to the end of the sentence. Chair, I’m removing the CAIS overpayment portion, because I think it’s a separate study. Again, I think that if we confuse it with the Growing Forward program, we’re going to mix apples and oranges. It’s better to study the Growing Forward program. We can study the CAIS overpayment program, if that’s what the committee chooses to do. I think it’s important to differentiate between the two. They’re two completely separate initiatives.

The Chair: Okay. It was clear what you added.

Mr. Pierre Lemieux: Yes, I’m removing the word “AgriStability”.

The Chair: You changed “AgriStability” to “Growing Forward”.

Mr. Pierre Lemieux: It will now read “of the Growing Forward program”. We can delete everything after that. I think it should be a separate motion. It’s a separate study. We’ll have different witnesses who will come before us and potentially the same witnesses will be before us on a completely different topic. I think they should be treated separately, Chair.

The Chair: Discussion or debate will now be on Mr. Lemieux’s amendment. I have Mr. Storseth, Mr. Easter, and Mr. Shipley.

Mr. Brian Storseth: Mr. Chair, I actually wanted to speak to the main motion. I would suggest you begin a new speaking list.

● (1720)

The Chair: We’re now discussing the amendment. It’s up to you on how you speak to it. You can come back to it, if you want.

Mr. Brian Storseth: All right. My question was on Mr. Easter’s actual motion. I think we’re somewhat splitting hairs here. I don’t think anybody disagrees on what we need to study and what we need to look at. It needs to be a priority.

I have some concerns with Mr. Easter’s motion. I was actually going to ask Mr. Valeriote a question. To me it reads that the committee will look at AgriStability and the committee will specifically examine the impact of that. It seems we are saying that we are going to specifically look at this. Our hands will be tied if we get into a discussion about whether it is AgriRecovery or whether it’s different aspects of AgriStability that we don’t like. It seems to me that this motion ties the committee’s hands on what we’re going to talk about when the witnesses come forward.

I would actually agree with Mr. Lemieux's motion, because it seems to broaden it. I'm sure we'll want to talk about the specifics of the CAIS overpayment or whatever, but I think it's better for the motion to be a little broader. The witnesses are going to come from all over the country. We can ask them a wide range of questions on the programs. I don't want to be tied into only one aspect that we're allowed to question the witnesses on.

The Chair: Thank you, Mr. Storseth.

Mr. Easter.

Hon. Wayne Easter: Mr. Chair, I disagree entirely with Mr. Lemieux's amendment to go forward on the Growing Forward framework, because when people are looking at it, they basically see AgriStability as CAIS renamed.

Yes, there have been some changes to it, but clearly in this ad from quite a number of organizations in Ontario today—Ontario Pork, the Cattlemen's Association, the Federation of Agriculture, Grains and Oilseeds, Ontario Sheep, and the Fruit and Vegetable Growers' Association—Ontario farmers basically tell us that AgriStability does not work. They claim that business risk management must be included in AgriFlexibility, etc., etc.

The key focus in terms of the economic safety net for producers on the income side is AgriStability. That's where the key focus is. So I think that's what we have to address.

I don't disagree if people want to enter into some discussions on AgriRecovery and AgriInvest, and so on. I'm not concerned about that. I am concerned about AgriRecovery in that it has never worked. It hasn't worked as a disaster program. We've seen that in the P.E.I. potato industry and elsewhere. And I do think it needs to become a disaster program, not just cover the costs of removal of crop but assist in recovering crop income losses as a result of events beyond producers' control.

So I believe the motion has to be left specifically to AgriStability. I don't have a problem if we want to remove the second part—and I will come back with a new motion on the CAIS overpayment side. It is the forerunner of the program.

I'm willing, Mr. Chair, to drop it and come back with a better worded motion on the CAIS overpayment side and have the motion just read that the Standing Committee on Agriculture and Agri-Food examine the functioning of the AgriStability program.

The Chair: So the motion now ends at "examine the functioning of the AgriStability program". The rest of it is off the table right now, and Mr. Easter has indicated that he'll deal with that at another point.

Before we deal with that, we have to vote on Mr. Lemieux's amendment, unless he agrees to withdraw it.

I need direction from you.

Mr. Pierre Lemieux: No, Mr. Chair. What is the best way to put it? I would be willing to divide my motion in two so that there's a vote on Growing Forward and a vote on....

Or listening to what Mr. Easter said, I could put forward another amendment, in a moment, that just deals with the....

I think we should look at the full Growing Forward program. I don't want to change that.

● (1725)

The Chair: This is what Mr. Easter's motion would now read:

That the Standing Committee on Agriculture and Agri-Food examine the functioning of the AgriStability program.

That's it.

Mr. Brian Storseth: Mr. Chair, for clarification in terms of the will of the committee, I don't want the chair to interpret it, then, as we're simply going to restrict our questions to AgriStability. I think the will of the committee is that if we bring these witnesses forward, we want to be able to talk about the whole suite of programs.

If Wayne wants to leave AgriStability as it is, just so it's on the record and so we know the will of the committee, we're not going to bring these witnesses in two or three times to talk about the same thing.

The Chair: You have Mr. Easter on record as saying he doesn't have a problem with that.

Mr. Lemieux.

Mr. Pierre Lemieux: Chair, if I may, I'm just trying to be cooperative here, but if Mr. Easter agrees with that, we should just change the wording to "Growing Forward".

If he agrees that the witnesses can come in and talk about any of the programs that tie together to make Growing Forward, I don't understand the obstacle to just saying "Growing Forward" and then that is the motion, because that's what the witnesses will be coming before the committee on.

The Chair: Okay, again, as a suggestion in terms of mediation here, what if it were to read "AgriStability, Growing Forward, and other companion programs"? Would that be acceptable to everyone?

Mr. Pierre Lemieux: Say it again.

The Chair: Instead of just reading "AgriStability", it would examine the functioning of "the AgriStability program, Growing Forward, and all other companion programs".

Mr. Brian Storseth: I think Mr. Lemieux leaves it the same. I think Mr. Easter is going to focus on AgriStability. Some of us may focus on AgriStability, but I think it's simpler for the witnesses, as well, if we leave it as "Growing Forward", as Mr. Lemieux suggested.

The Chair: It's 5:30, and it's quite clear that we do not have consensus on this. Or do we?

Hon. Wayne Easter: I think, Mr. Chair, we could basically go with what you suggested: AgriStability, Growing Forward, and companion programs.

The Chair: Is that acceptable?

Mr. Pierre Lemieux: That's excellent.

The Chair: Okay, we'll vote on the motion as amended. You're going to accept that as a friendly amendment, so we shouldn't have to vote on that.

The motion would now read:

That the Standing Committee on Agriculture and AgriFood examine the functioning of the AgriStability program, Growing Forward, and any and all other companion programs.

Is that acceptable?

Mr. Brian Storseth: I'll vote for it, Mr. Chair, but to me, the motion doesn't make sense, because Growing Forward is the stability program.

The Chair: I agree, but some don't, Mr. Storseth, that it could cover it. We're just trying to get consensus here.

Hon. Wayne Easter: If you asked the farmers what Growing Forward is, they wouldn't have a clue. Ask them what AgriStability is, and they know it.

The Chair: I'm going to call the question with what I just read.

(Motion agreed to)

Mr. Bev Shipley: This will be after we do the competitive report, right?

The Chair: It's the schedule up until almost the end of April, Mr. Shipley.

Before I hit the gavel here.... I've had a chance to talk to a couple of you. This suggestion has been out there, and we're going to bring something forward when we start our discussions on the future of agriculture. We want to meet with young farmers, but a lot of them are going to be calving cows or possibly will be on the land. I'm going to have a proposal, so that we have something concrete, that we do some travel to meet them. It would be similar to what our APF tour was three years ago. We'll get something forward; I just want you to be thinking about that.

Hon. Wayne Easter: Mr. Chair, can you check out when Mr. Blackburn is going to report?

The Chair: I don't know that offhand, but I guess maybe Pierre could check into that.

Hon. Wayne Easter: It would be awfully nice to have his report before we start this study.

The Chair: He wants to know when Mr. Blackburn is going to report. I don't know. You may know.

Mr. Pierre Lemieux: I'll have to ask him.

The Chair: The meeting is adjourned. See you on Wednesday.

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