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Chair

Mr. Lee Richardson

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● (1540)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We'll begin. Sorry we're a few minutes late getting started.

We are continuing our discussion of Canada-U.S. trade relations, with particular reference to procurement and recent procurement agreements. We have had witnesses for a couple of days on this matter.

Today we have a witness from the Cherubini Group, Steve Ross, the general manager. From the Communications, Energy and Paperworkers Union of Canada we have Guy Caron, national representative, special projects. From the Council of Canadians we have Steven Shrybman, international trade and public interest lawyer. From the Federation of Canadian Municipalities we have Michael Buda, and assisting him is policy analyst Adam Thompson.

We have discussed our format. We're going to begin with ten-minute statements.

Mr. Ross, are you going to give a statement as well, or just answer questions?

Mr. Steve Ross (General Manager, Cherubini Group): I can give a statement if you like.

The Chair: All right.

Please try to be brief. I'll look to somewhat less than ten minutes each for opening statements. There's no need to fill up all that time. Then we'll proceed to questions from the committee.

Mr. Ross, you can begin, and we'll move down the line from there.

Mr. Steve Ross: Thank you.

I'm the general manager for a steel company in Dartmouth, Nova Scotia. We build bridges and buildings. The company has been in business for 40-odd years. Back in the mid-1990s we started doing work in the U.S., primarily in the New England, New York, New Jersey area. With the Canadian dollar at 63¢ back in those days, it was quite easy to get work and we became quite successful working down there. Within a few short years, 50% to 70% of our business was in the U.S., building major buildings, high-rise buildings, major bridges, and things of that nature. Of our total sales per year for the last, say, ten years, we were doing \$50 million to \$60 million in sales, and probably \$30 million to \$40 million was U.S. sales.

As the U.S. dollar migrated back to par, that certainly changed the ball game, because being on the east coast, one of our disadvantages is location. We are a little off the beaten track, so we have to move

goods back and forth to the market. As the dollar approached par it became even more difficult. We still managed to secure work and kept reasonably busy. In 2008, with the U.S. economy taking the major turn that it took, the competitiveness of U.S. manufacturers, the status of the dollar, and the "Buy America" situation kind of put an end to our U.S. work, at least for the short term.

"Buy America" related to us in the manufacturing business, where the federal government was putting money into state projects. Traditionally we could do state projects because they weren't federally funded, since a lot of the state projects, the bridges and buildings that we were building, if they were state funded might have been funded through tolls or other means. Once the Buy America and stimulus package came in, a lot more money went from federal projects to state projects, and the conditions were under the Buy America clause, in that any funding was now under the Buy America clause, even some of the state projects we were doing, so essentially we were shut out of that market for the past year and a half.

With their stimulus package, I know they spent a bunch of money in the past year and a half, but a lot of the work they've been doing down there is really the shovel-ready stuff, which is really paving, painting, and things like that. It's not the major projects. With the big projects, the kind of stuff we do, it can take a year or two to design these things, so the work that's attractive to us is really yet to come. I think there's still another \$20 billion worth of work they plan on doing in the next couple of years as part of the stimulus package. With the changes to the Buy America clause, I think that will certainly be a positive thing for us as we look down the road.

As it stands right now, the U.S. economy, from what we see as far as the markets we're working into, is still really not in very good shape. Our American competitors are very competitive. They're working and bidding projects just to survive. So it's a very competitive marketplace out there, at least until the economy starts to improve on their side. Also, the Canadian dollar being close to par is really not helping us much. So we've been kind of buoying our situation with more domestic work in Canada and being a little more aggressive in Canada. We're still holding our own and doing okay, but we're certainly looking forward to the day that the U.S. economy starts to percolate and improve, and hopefully we'll get back to doing more work down there.

Thank you.

The Chair: Thank you.

We'll continue with the Communications, Energy and Paperworkers Union of Canada, with the national representative, special projects, Guy Caron.

[Translation]

Mr. Guy Caron (National Representative, Special Projects, Communications, Energy and Paperworkers Union of Canada): Thank you, Mr. Chair, members of the Standing Committee on International Trade.

My name is Guy Caron and I am the national representative for Special Projects at the Communications, Energy and Paperworkers Union of Canada, CEP. CEP represents 150,000 members concentrated in the forestry, energy and telecommunications sectors. I thank you for the opportunity to appear before your committee.

I would like to start by stating that, as we see it, history is repeating itself. On the altar of so-called "free trade", Canada gives a lot and receives little. It is a story we have witnessed during the first FTA negotiations, when, to gain a deal the U.S. were not that interested in, we agreed to give away access to our energy and its control, accepted to eliminate our 25-year security reserve, and agreed to a proportional sharing clause that even Mexico rejected at the time. These concessions were provided in order to obtain, or try to obtain, privileged and guaranteed access to U.S. markets, which we did not even get, as was shown later in the softwood lumber issue.

To draw from a more recent example, let us recall the Canada-U.S. softwood lumber agreement, where Canada gave up on a mountain of favourable jurisprudence and even agreed to subsidize this agreement to the tune of \$1 billion. Part of this \$1 billion, half of it, in fact, was used to subsidize Canada's opponents, Canada's accusers, the Coalition For Fair Lumber Imports, in exchange for a system of quotas and export taxes that turned out to be unfavourable. In this case, we contend that Canada gave a lot to get little. Let me substantiate this statement.

Ultimately, what did Canada gain from the agreement? It received three things.

First, Canadian firms gained the faint possibility of winning bids of no more than 2% of the \$275 billion that the U.S. injected into their economy under their stimulus package.

Second, Canadian firms will receive limited national treatment in 37 U.S. states that have signed onto the WTO Agreement on Government Procurement. It is limited because this latter access is mitigated by the numerous exemptions, to which I will come back.

Third, Canada gained a "fast-track consultation process", whereby the U.S. government will alert the Canadian government to Buy American preferences in impending U.S. federal legislation. However, there is no guarantee that binding and satisfactory settlements can come from these fast-track provisions, and this consultation process might very well simply be a mere notification.

What did Canada fail to gain from the deal?

In terms of interim and permanent arrangements, one of the main exemptions from the U.S. commitments I was referring to is the 23% of U.S. federal procurement dollars set aside for small

businesses and minority-owned businesses. Similar set-asides exist at the state level.

Second, in the interim arrangement, U.S. municipal government procurement is still not covered by the agreement, while Canada provides access to American bidders in 50 Canadian cities.

Third, in terms of interim and permanent arrangements, Canadian suppliers still will not be allowed to supply construction-grade steel, vehicles, coal or printing services to the United States.

Fourth, contracts and tenders worth less than \$7.8 million are still not exempted from the Buy American clause.

Fifth, in terms of permanent arrangements, the Agreement also leaves inaccessible the government procurement in the 13 states that have made no commitments at the WTO level. No provincial or territorial government outside of Nunavut will be spared.

Sixth, as to permanent arrangements, which will survive the tax and economic stimulus issue, we must remember that the initial position of the Canadian government was that any deal should protect Canada against Buy American rules in future U.S. legislation. This was not obtained, and we know full well that several pending U.S. bills, including the \$US 100 billion "Jobs for Main Street" legislation, contain Buy American preferences. This is important because, if a state or local government project is even partially funded by federal grants, Buy America conditions must be met.

What did Canada have to give away to get what it got? As to interim arrangements, U.S. firms will have the opportunity to bid on infrastructure and construction procurement by Canadian provincial and municipal governments for the next year and a half, until September 2011.

● (1545)

These are estimated at over \$25 billion. For Canadians, the deadline for the projects has already passed and we can only hope to have a few subcontracts spilling over from money already spent in the American economic recovery initiatives.

Provinces and territories did not make commitments under the WTO GPA or NAFTA Chapter 10 mainly because of concerns regarding the previously mentioned exemptions. Even though we failed to end these exemptions, provinces and territories are now expected to make commitments under WTO GPA.

Third, as to permanent arrangements, procurement is one of the few economic tools for local development left to Canadian provincial governments in this age of globalization. So it is probably the most important issue for your constituents. This tool will be taken away when they agree to a permanent commitment under the WTO GPA. It will be more and more difficult, especially for the provinces, to stimulate their economy with economic and fiscal measures, insofar as outside companies can benefit from this potential stimulus and, as a result, the role of the government will be diminished.

The question of local procurement will also be eliminated because, according to the rules of the WTO, the only condition or the only factor that must influence the decision is the lowest cost.

It is clear that Canada had the rough end of the bargain. The U.S. Department of Trade certainly has no doubt that it won. On the World Trade Online website, an American publication, we can read that U.S. trade representative Ron Kirk said that the value to U.S. firms from the provinces and territories signing on to the GPA will be tens of billions of dollars. By contrast, the extent of the benefits for Canada under the tentative agreement is limited, according to a U.S. trade official.

It is clear that Canada gave too much for too little of the access it sought. This is unfortunately a pattern we have witnessed from recent years, when we gave up our control on our energy resources for the FTA. We also gave up our agricultural subsidies in the unfulfilled hope that the U.S. and Europe would do the same. That was not the case. We gave up all the jurisprudence that stated that we were right, in addition to a billion dollars, to get limited access to the U.S. softwood lumber market. In the last few weeks, we stated that we would be weakening our foreign ownership restrictions on telecommunications when the U.S. understands how critical a backbone the telecommunications architecture is for their country. Section 310 of the Communications Act imposes foreign ownership restrictions that are quite strict on foreign ownership in telecommunications. But it seems that the direction we are headed in is to relax these restrictions.

In conclusion, I would like to remind you that the thousands of workers we represent in the forestry and energy sectors understand the importance of international trade, since we depend on it. We do believe that Canada and the U.S. must be welcoming markets to each other. But we also believe that this must be done on a level playing field. A level playing field, this agreement does not provide. While the U.S. commits to no more than a crack in the door and still allows their 37 states to use government procurement as a legitimate tool of local development, we are blowing our doors open by putting shackles on our own provincial and territorial governments. Trade negotiations constitute a game of give-and-take. For such negotiations to be successful, there must be as much giving as taking from both sides. It is clear that, by this count, once again, Canada lost.

Thank you.

• (1550)

[English]

The Chair: Thank you, Mr. Caron.

Now we'll hear from the Council of Canadians, Steven Shrybman, international trade and public interest lawyer.

Mr. Steven Shrybman (International Trade and Public Interest Lawyer, Council of Canadians): Thank you very much, Mr. Chairman and members of the committee, for giving me the opportunity to speak to you today.

I want to commend you for holding these hearings. These are extremely important international agreements, in terms of their impact on public policy and regulatory options available to Canadian governments. They're too poorly understood by Canadians, and there are too few opportunities for them to learn about the implications of the agreements that federal trade officials are keen to negotiate with the United States, Europe, Colombia, and other nations.

I'm appearing here today on behalf of the Council of Canadians. I'm a member of its board of directors. I'm a partner in the law firm Sack Goldblatt Mitchell. We have offices in Toronto and Ottawa. I have a public interest law practice that includes a healthy dose of international trade law.

The council is the largest Canadian citizens organization. It has tens of thousands of members. Many of them participate in the council's activities through community-based chapters, of which there are several dozen across the country.

Canada's international obligations, whether environmental, human rights, or trade, have always been a priority for the council. They've asked me to come here today to represent their views on this procurement agreement with the United States, and I do so as a volunteer.

You've heard, I believe—from my brief perusal of the transcripts of the proceedings before this committee—from other witnesses about how one-sided this agreement with the United States is, in that most of the benefits flow to U.S. companies seeking access to Canadian procurement markets. I believe that's an entirely fair characterization, and particularly true with respect to the temporary agreement rules that require provincial governments and municipalities to comply with international procurement rules for the very first time. I'm going to restrict my remarks today to that agreement on the temporary rules as they apply to municipalities, in part because of my fellow panel member here who represents the Federation of Canadian Municipalities.

You have a copy of my remarks. I'll simply paraphrase them to keep within my allotted time. You will see that in my view not only is this arrangement one-sided, it's egregiously one-sided. I hope that your assessment of the agreement will reveal and underscore the pressing need for much greater transparency during the process of international trade negotiations, if our trade agreements are actually to serve rather than betray the interests of Canadians.

So let me delve into some of the details of this temporary agreement. It's set out in part B of the main framework agreement and refers to appendix C, which itself has two parts. We learn when we look at appendix C that in terms of Canada's commitment under this agreement, construction projects of a value greater than \$8.5 million are subject to rules of the regime if the government entities or governments that are engaged in the procurement are listed under part B of that appendix. There are lots of government entities that are listed. The commitments that the provinces have made vary from one province to another. British Columbia, for example, has committed all government entities and all municipalities in the province.

So you have an agreement that for the first time imposes some very significant constraints and resource demands on municipal governments that now have to inform themselves about an international trade agreement and comply with it. This includes providing recourse to those who have a complaint that Canada hasn't lived up to its commitments under this agreement, including an obligation to respond to litigation that the putative failure may provoke.

• (1555)

What's fundamentally important for people to understand about the agreement is that it's not about simply opening your market so that companies from other parts of the world can bid, which is certainly something that happens often in Canada now, and has for years, it includes a ban on something called offsets, which is a requirement, as you know, that as a part of your bid you are to source, to some extent, goods and materials and labour locally. It's not in a discriminatory manner; it's not as if we're saying if you're a U.S. company you have to do this. We may say that as a condition of bidding for a construction contract in our community, whether you're a Canadian company from down the road, from another province, or a European company, or an American company, you still have to source certain goods locally; you have to consider contracts with local environmental design services firms, for example, if it's green procurement. It's that type of proscription that we regard as particularly problematic. These are non-discriminatory rules that would favour local economies and that are precluded by this agreement.

What's particularly concerning about the agreement we negotiated with the United States is that it applies to Canadian municipalities but doesn't apply to U.S. municipalities. It's entirely asymmetrical in terms of the nature of the obligations that our municipalities have in relation to those of their U.S. counterparts. Many U.S. municipalities and state governments maintain the very types of local preferences that are precluded by this agreement, and the U.S. has not undertaken to remove them. The imbalance is even greater when one considers the fact that U.S. preferences at a local level may be maintained under this agreement but must be removed in Canada.

Apparently my submissions were only submitted in English, so you don't have copies of them. They haven't been distributed to you, so let me read, or at least paraphrase, a couple of the examples that I give in terms of Oregon procurement rules, which require that in public procurement preference be given to goods and services that are manufactured or produced in this state if price, fitness, availability, and quality are otherwise equal. I give another example from Alaska, which requires that a 5% preference be given to local

bidders and bidders who include the use of local products in their bids.

Those rules are still permitted under this regime. The only thing the federal government in the U.S. has traded with us is an obligation to remove, as a condition of funding under certain federal programs and only certain federal programs, the requirement that U.S. states allow a preference for steel and iron and manufactured products that are made or produced in the United States. The United States has not undertaken to insist that states and local governments remove precisely those same preferences even on the projects that are funded under those federal programs. The United States has made a very limited commitment. When you compare the obligations of Canadian governments and U.S. government, they're entirely lopsided.

I'm going to wrap up by recounting a conversation that I had with a senior trade official recently who quoted one of the negotiators of this agreement working for the federal government as having said "any agreement is better than no agreement". I take those remarks to indicate that Canada's agenda and bilateral negotiations with the U.S. reflected a parochial mandate, a parochial political mandate, not one that had the interests of Canadians or the Canadian economy at its root.

• (1600)

It is frankly inconceivable that such an egregiously one-sided agreement as this agreement with the United States could have resulted had Canadian negotiators been instructed to strike a fair bargain that served Canadian interests, failing which they would walk from the negotiations.

We are also very concerned that these same officials, responding to similar political direction, will do as poorly in serving Canadian interests in free trade negotiations with the European Union as they have in bilateral procurement negotiations with the United States.

Thank you very much for the opportunity to address you.

The Chair: Thank you.

Now, from the Federation of Canadian Municipalities we have Michael Buda.

Mr. Michael Buda (Director, Policy and Research, Federation of Canadian Municipalities): Thank you, Mr. Chair and members of the committee, for inviting us here to speak today on this issue. I'm going to try to keep my remarks to five or six minutes, because I know you'll be eager to move on to questions.

We are certainly pleased to be here to present the municipal perspective on this issue. I want to emphasize that our analysis of this deal and the comments I am going to be providing today really are limited to the potential implications and impacts of this agreement on municipal procurement and operations, not so much the impacts and implications of this agreement on the Canadian economy as a whole, on society, and the rest. It's certainly not the mandate of municipal governments to pass judgment on international trade agreements on those grounds. But it certainly is our members' interest to ensure that, should a federal government decide to sign a trade deal, the provisions of those deals respect municipal jurisdiction and expertise and seek to minimize cost and unintended consequences.

I would note that our president, Mayor Basil Stewart of Summerside, asked me to share with you his greetings and his regret that he could not be here to speak to you today.

As quick background, FCM has as you know been the national voice of municipal governments since 1901, and we represent over 1,800 municipal governments from coast to coast to coast, from the largest to the smallest. They include just over 90% of the population of Canada.

To take us back to the spring of 2009, Buy America became a national political priority when the town of Halton Hills, a small town just north of Toronto, grabbed international headlines with a resolution on this issue that it brought to FCM's annual conference in Whistler, in June 2009.

Until then, our view was that the Government of Canada really wasn't paying enough attention to this issue, or the attention it deserved. That resolution, as you'll recall, was supported by mayors and councillors from across the country, from across the political spectrum, and it called for action on both sides of the border. That was our focus at the time. Our members exposed the Buy America restrictions on U.S. stimulus funding that were hurting communities and the economy, reeling from the global recession. We think that resolution and the debate it set off, both nationally and internationally, set the stage for the negotiated solution we're here to discuss.

Last month we welcomed news that the U.S. administration and the Government of Canada have reached an agreement that we understand will remove Buy America's trade restrictions and that appears to allow Canadian-based companies to compete more fairly for federally funded stimulus projects and other federally funded projects in the United States.

As I said at the beginning, we're not really here to share much analysis on that side of the deal, because we're certainly not experts, as Mr. Shrybman and others are, on this deal's impact on reciprocal access to the U.S. market or the impacts of this agreement on Canadian industry.

What we want to share with you today are the recommendations we made to the Government of Canada last summer for crafting an efficient and effective trade deal from the municipal perspective. We did that by drawing on municipal experiences with the British Columbia-Alberta trade, investment, and labour mobility agreement, the TILMA agreement. It provided valuable lessons on crafting a

good deal for businesses and consumers, but in particular a deal that sought to minimize disruptions and additional costs for municipal procurement and operations.

I would note here that TILMA, which is a new internal trade agreement between those two provinces, really was for the first time a trade agreement that sought to involve and include municipal procurement in the deal itself. Our members very seriously looked at the lessons we learned there and sought to apply them here. I have to say that it was with some surprise that, when we were speaking with DFAIT officials who were involved in Buy America even as late as last spring, we learned that TILMA was actually unknown to them, because of course it's not an international trade issue. But I think it's an important agreement for this committee to understand and perhaps look at later in your study.

Anyway, we certainly wanted to ensure that these lessons were applied to the Buy America negotiations. So in June of 2009 we sent a letter to then International Trade Minister Stockwell Day, and in that letter we set out six principles for the government to apply to this agreement or any future trade deal in order to minimize any unintended consequences and avoidable costs for municipal governments. These six principles are as follows.

First, there need to be reasonable procurement thresholds in any agreement. Inappropriately high or broad procurement thresholds may force municipalities to tender projects when tendering is really neither practical, financially justified, nor perhaps in the public interest. Mr. Shrybman outlined some important areas, and I will get to some more of those in a second.

● (1605)

Any trade deal that is going to ensure that municipal procurement policies are free-trade-compliant is going to create new costs, and these require specialized expertise to meet. The administration of these new rules needs to be streamlined. In particular, the design of these rules, in order that they be as streamlined as possible, needs to be developed in close cooperation with municipal procurement practitioners.

● (1610)

The Chair: Excuse me, Michael. Our translators are having a little difficulty keeping up. Could you slow down just a touch? We'll give you another 30 seconds.

Mr. Michael Buda: Oh, I'm sorry; I apologize.

The third principle is one of progressive enforcement. Enforcement of the provisions of any deal should be progressive, starting with non-financial penalties and moving up to perhaps financial penalties. Municipalities are not necessarily going to have in-house experts on international trade agreements. It is important that municipalities not be penalized for inadvertent non-compliance.

The fourth principle, which we shared with Minister Day, was that there needs to be provision for Canadian content for strategic industries or sensitive projects. This is an area Mr. Shrybman spoke to, and we certainly agree with him very significantly here. A trade deal must recognize strategic and public interest considerations before barring all preferential treatment based on country of origin. This could include industries of strategic significance to a particular region, such as transit—for instance, the Government of Ontario sought to exempt transit from this deal, which they did—or projects where considerations of quality, or public benefit, environmental protection, or business ethics mean that a local government may want to implement minimum Canadian content levels. This needs to be allowed within reason.

The fifth principle concerned dispute resolution. The dispute resolution process in NAFTA may require a more careful review of the municipal role in that process, so that municipalities can defend their procurement policies and bylaws as an order of government, rather than just as another stakeholder.

Finally, the sixth principle is that consultation and communication really need to occur during negotiations to ensure that the resulting agreement responds to municipal concerns. This is another area where we certainly agree with Mr. Shrybman's comment around the need for greater transparency. We understand the need for some confidentiality around negotiations; nevertheless, provinces were fully engaged, and obviously we respect their jurisdiction in this area. This speaks more to ensuring that municipal practitioners who are experts in municipal procurement are adequately consulted, mainly just to derive benefit from their expertise.

Drawing on these six principles and using the publicly available information about the agreement, we have advised our members that so far, this deal looks like good news for municipalities. Having said that, as I said, it's "so far": there are many details to work out, and we and many of our members are still completing our analysis and looking for new details to emerge. In particular, the deal's procurement thresholds in our view are quite high, as several witnesses have mentioned, at \$8.8 million, and they apply only to construction-related projects. Many of our members are commenting that they are already tendering projects of this size and higher and that most tendering is open to companies of any country of origin.

In addition, and importantly when we are speaking about this, provinces and territories have negotiated exemptions for certain sizes and types of municipalities—again, as others have commented, it depends on the province—and also for certain project classes and industries. Again, these are both key principles of ours.

As I said, there are still unanswered questions for our members regarding the administrative enforcement provisions and dispute resolution processes. These details are extremely important to us. Details certainly matter in this case. However, before committee of our national board of directors last month, Minister Van Loan committed to working with FCM to ensure that there is greater municipal input and engagement as the agreement process moves forward. This is a commitment we welcome, particularly because we don't feel that this type of consultation occurred in the lead-up to this agreement in principle. We certainly welcome this move as we go forward.

Those are my remarks. My colleague and I will be pleased to answer any questions you have.

The Chair: Thank you.

We will begin our line of questioning. There are seven minutes for questions and answers, so if the question gets a little long we'll just have to make the answers a little shorter—or vice versa, which is never the problem with Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Thank you very much to each of you for appearing before us today and for your interventions.

First of all, Mr. Ross, Cherubini is a great company and a great employer and a good corporate citizen in Nova Scotia. We're delighted to have you here today.

I have a couple of questions. First, this agreement was based on the WTO agreement on government procurement, and there are significant carve-outs. Mr. Shrybman was referring to some of them. In the notes to annex 2 of that agreement, it specifically says that construction-grade steel, for instance, is excluded from the Buy American deal. It also says that it "does not apply to restrictions attached to federal funds for mass transit and highway projects", which would include, for instance, bridges.

If the Buy American exemptions in the recent agreement do not apply to mass transit, to highway projects, to bridges, to construction-grade steel, or to contracts of less than \$8.8 million, would that limit your access to U.S. business, Mr. Ross?

• (1615)

Mr. Steve Ross: Certainly it would limit us to some extent, but a lot of these projects, the majority of the projects we're involved with, are certainly worth more than \$8 million. It's the total value of the project, and you can't....

Hon. Scott Brison: No, it's individual contracts.

Mr. Steve Ross: It is the contract itself.

Hon. Scott Brison: Yes.

Mr. Steve Ross: But the subcontractors.... It's the total value of the project.

Hon. Scott Brison: I think it's actually the individual contract.

Mr. Steve Ross: I think the subtrade work, though, is part of the main contract.

Hon. Scott Brison: What about the construction-grade steel?

Mr. Steve Ross: The construction-grade steel is really for federally funded building projects, which we don't do a lot of anyway. The majority of the work we do is state bridges and university work with the more conventional heavy structural steel. The state works that were federally funded were projects, I believe, that we traditionally were doing but that we now couldn't do because of the federal funding.

Hon. Scott Brison: What about bridges, for instance?

Mr. Steve Ross: It would certainly have some effect, but the bridges we do are in the \$10 million plus range.

Hon. Scott Brison: There's a carve-out. What I'm saying is that the agreement shall not apply to restrictions attached to federal funds for highway projects. That's under the WTO GPA. I think it's just really important that all of us, as legislators, and you, as stakeholders, are aware of what the agreement does and doesn't do in terms of access. Part of what we're doing at the committee is scrutinizing the agreement.

For highway projects, mass transit projects, bridges, and construction-grade steel, the agreement does not apply.

The other issue is that in the Speech from the Throne, the government claimed that this provided permanent access to local and municipal government contracts in the U.S. Yet when we had the officials here before the committee, they confirmed to us that in fact there is no permanent access to local U.S.... That is very important, because in fact the agreement itself refers to it as a temporary agreement, but we're opening up our procurement, in terms of our municipal governments and our subnational government procurement, on a permanent basis. I think that's something we have to be concerned about.

The issue also of the scale of what we have attained and what they have attained is important. Earlier witnesses estimated that this will provide us access to approximately 2% of the U.S. stimulus package, which is around \$5 billion. That's one figure. According to the data we were provided by the Canadian Manufacturers and Exporters, if you take Canadian federal, provincial, and municipal procurement, it's around \$33 billion per year. So we're dealing with a comparison. I would appreciate your thoughts on effectively opening up our procurement, worth \$33 billion per year, and our accessing what appears to be, on a temporary basis, U.S. potential contracts in the range of \$5 billion. I'd appreciate your thoughts on that.

Mr. Ross, as a business person, I don't think that sounds like a deal you'd enter into.

• (1620)

Mr. Steve Ross: No, it doesn't sound overly attractive, but the United States is a big country, and the sphere of inputs where we work represents only a small percentage of the area, such as the northeast, we'll say. When you look at those kinds of numbers and the reciprocal side of their coming to eastern Canada to do work, it's again not as attractive because of the cost issues that we have going in the other direction, so I don't know from a very practical point of view whether there's any real net loss of trade back and forth.

Hon. Scott Brison: You also have the advantage of having perhaps the best workforce in the world in Hants County.

Mr. Steve Ross: It's pretty close, yes. That's right. It's a big factor in the equation.

The Chair: With that commercial, you have 30 seconds remaining. You can divide it as you wish, but we're going to stick to seven minutes today.

Mr. Michael Buda: I agree that the best workforce definitely comes from your riding.

As I said in my remarks, we haven't really spent much time analyzing the reciprocal aspects of this agreement because that really isn't a mandate for municipal government to concern itself with. We really focused on what the impacts might be on municipal procurement. As I said in my remarks, there are many details left to answer, but from the information we have so far, it appears that the restrictions and the new rules are reasonable.

However, some of the information this committee is uncovering in its study is going to be helpful for us, and we certainly will be sharing it with our members. Our judgment on this is certainly not final.

[Translation]

The Chair: Mr. Laforest?

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good afternoon and welcome to all the witnesses.

I would like to ask Mr. Shrybman a question about the dispute resolution mechanisms. In this agreement, mention is made of negotiations and of consensus building as a way to resolving disputes. I imagine that, if no consensus is possible, a dispute can be submitted to the WTO. Is that the case?

If so, I would like to ask you another question. If there is a significant delay, could a project be held up because of an approach to the WTO for the resolution of a dispute? If that happened, I suppose that people in a municipality, for example, might have to completely do without a major infrastructure construction project.

Is it possible that a dispute might not be resolved and then be referred to the WTO? Is it possible that there might be a very long wait?

[English]

Mr. Steven Shrybman: I'm afraid I can't answer that question with respect to the general procurement agreement of the WTO. I can answer it with respect to the dispute resolution provisions of the temporary agreement, which apply now. The general procurement agreement doesn't apply to municipalities, and from our perspective should never apply to municipalities, but the temporary agreement does.

Under the temporary agreement, Canada is obliged to establish a dispute process if a U.S. company doesn't feel it has been given the access to municipal procurement that the agreement allows. The dispute body does have the authority to say, "Stop the procurement process now, because there's a dispute here that needs to be resolved before it continues." What is so problematic about the regime, from our perspective, is that there's no reciprocal obligation on the United States; if Mr. Ross's company is trying to bid on a construction project in Maine, and Maine maintains local preferences—as it probably will, because most U.S. states do—there's no recourse. There is no dispute body in the United States.

Mr. Ross's company has no right to access that market, so there's not much point in filing a dispute. It's just another example of how absurdly one-sided this temporary arrangement is.

• (1625)

[Translation]

Mr. Jean-Yves Laforest: I would like to ask you another question since you are a lawyer. Mr. Caron mentioned softwood lumber. I am sure that you have already looked at questions like that. Do you think that the loan guarantees to forestry companies contravene the softwood lumber agreements? Are there any negative consequences in London from the statements that the Conservative government made in the House, to the effect that it is illegal? For example, could a member of the panel point to statements like that and make them a factor in the ruling?

[English]

Mr. Steven Shrybman: I have considered that question. In my view, the loan agreements weren't problematic. But Canada's response is emblematic of the way in which it seems to approach negotiations with the United States, which is to cry uncle even before the fight really gets under way.

We have leverage in our relationships with the United States on trade, particularly with respect to oil and gas exports, but we won't use it. The United States knows that, and this is a game of hardball. They're not going to go easy on us because they know we won't fight back. Canada's position on those loan agreements is simply reflective of the fact that our federal officials do a terribly poor job in standing up for Canadian interests in negotiations with the United States. I think a lot of the dynamics of this procurement agreement have to do with the federal government trying to persuade Canadians that they will get tough with their U.S. counterparts.

It's why the work of this committee is so important. You need to blow the whistle on what is a capitulation to U.S. interests, not a negotiation to protect Canadian interests.

[Translation]

Mr. Jean-Yves Laforest: You say that the Americans are definitely going to put public policy in place that will allow them to increase the advantages of, and to derive maximum benefit from, the exemptions in the agreement.

Given those conditions, do you feel that Canada, Quebec and the other provinces could do the same thing? In fact, you are saying up front that Canada will not do so and that the Americans know it. But I would like to know if you feel that Canada could do the same as the United States under the agreement.

[English]

Mr. Steven Shrybman: Well, yes, I very much do. Local governments in the United States, state governments in the United States, governments in Europe, governments in China, and governments in Japan understand that when they spend taxpayers' money to create public infrastructure and to buy public goods, they should also think about providing benefits to local producers and local workers. Everybody does it but Canada. The question shouldn't be how are we going to get rid of their prerogatives? The question should be why don't we have the same in place?

[Translation]

Mr. Jean-Yves Laforest: If Canada does not do so, even though it is possible under the agreement, Quebec could still do it at some stage. I hope we will.

[English]

Mr. Steven Shrybman: Yes, but it has to preserve the right to do so. It has to protect its right to put those local preferences in place so that it can use the available tools to put people to work in Canada.

The Chair: Thank you.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair.

Thanks to all the witnesses for coming forward today.

The more we seem to know about the details of this agreement, the more I think one can question the wisdom of signing it.

[Translation]

First, I would like to talk to Mr. Caron and Mr. Shrybman.

We have heard from witnesses about this agreement. For a start, last week, March 18, to be precise, Mr. Carl Grenier said that, sad to say, this was the worst agreement that Canada had ever signed apart from the softwood lumber agreement, which, unfortunately, only the NDP opposed in committee. It became clear later that passing that bill was not a good idea. Jobs were lost all across Canada.

My first question is: is this agreement just as detrimental, less detrimental, or worse than the one on softwood lumber?

My second question goes to Mr. Scott Sinclair.

• (1630)

[English]

Mr. Sinclair testified on March 16. He said the Quebec Ministry of Economic Development estimated that the total value of non-allocated funds for the seven U.S. programs was only a little over \$1 billion. In fact, the seven programs are actually six, because after the agreement was announced by the Conservatives, we found out that one of the programs had already been fully subscribed. We're actually talking about six programs of about \$1 billion and we're giving up about \$25 billion.

Do you agree with those figures? Are we trying to get access to \$1 billion and giving up or opening up complete access to \$25 billion? Do you feel it's an accurate assessment?

Mr. Guy Caron: Very quickly, in terms of being a worse agreement or a less worse agreement and so on, I won't necessarily get into this. In the end, the union I represent actually backed the softwood lumber agreement. We knew it was a bad deal, but with the state of the forestry industry at the time we didn't have much of a choice. Our members were suffering and we needed to put an end to this suffering. It was a very bad deal. And we feel that this is a bad deal, for the same reason that Monsieur Grenier advanced last week, which is that Canada always seems to be negotiating out of a position of weakness.

The United States doesn't necessarily need that. We went to the U.S. at a point when we were vulnerable, and we said we needed a deal—as Mr. Grenier said, at any cost—and we got that deal. We fully support Mr. Grenier's assessment on this. When Canada negotiates with the United States, because of the sheer difference in size we need to be very careful with what we're giving.

And what we're giving right now is a lot more. You mentioned \$1 billion. I think the number that was mentioned by Mr. Sinclair was \$4 billion to \$5 billion maximum—it might be less than that—for temporary access. That actually ended shortly after.... All the contracts under the fiscal stimulus in the U.S. ended at the end of February. Now Canada will likely only have access—possible access—to subcontracts coming out of this. In exchange, the number that was submitted was a bit over \$27 billion, and this is very possible as well.

Mr. Brison mentioned that the permanent access we'd be giving would be worth about \$33 billion a year. Those numbers are coming from the exporters and manufacturers. It's very possible. The problem is that we'll be giving access almost without limits. We'll basically be shackling ourselves, our provinces, removing them from the possibility of using this procurement for local development.

Mr. Peter Julian: Okay.

[Translation]

Thank you.

Mr. Shrybman.

[English]

Mr. Steven Shrybman: I would answer the question this way. When U.S. stimulus spending came down the pipe, much was made of the Buy America provisions attached to certain federal spending programs. Many of those had been in place since the 1930s. But the federal government made a bold commitment to negotiate a waiver with the United States, and it told Canadians that's what it would do.

When it went to the United States, I think the United States trade representative must have said to Canadian negotiators: "You have got to be kidding. We are not going to, and we couldn't conceivably, at a time when our economy is in such disarray, abandon one of the few tools we have for actually stimulating the economy and creating jobs. If we took that proposition to the states, we'd lose every seat in Congress."

That's what I'm sure the Canadian negotiators heard. So what did they say at that point? Did they come back to Canadians and say, "Look, we're not going to get the waiver we told you we were negotiating. We should talk about how to put in place the same kinds of local preferences that every other member of the OECD establishes"? No. At that point they adopted a strategy of a deal at any cost.

Mr. Peter Julian: Thank you, Mr. Shrybman.

I have a question for Mr. Buda.

Thank you very much for coming today. You talked about the six principles, including consultation. I've been speaking to municipal councillors in my area, and they're concerned about the stand the FCM has taken. What consultation has the FCM done? Have you had any impact assessment on how many lost jobs will result from opening up complete access to American companies to bid on municipal procurement, even though Canadian companies can't access American municipal procurement?

• (1635)

Mr. Michael Buda: Well, as I said in my remarks, we don't feel there was much, if any, consultation on the agreement in principle, until now. The new minister made a commitment to change that position just a couple of weeks ago.

Mr. Peter Julian: So you're concerned. You have not been consulted. The FCM has not been consulted.

Mr. Michael Buda: No. As I said in my remarks, it was action by municipalities, starting with the town of Halton Hills, which spoke out on the urgency of this issue, that brought this issue to the top of the public agenda. Before that the government, and I would have to include Parliament, really wasn't thinking about or concerned with Buy America. There may have been negotiations going on in back rooms and in private, but it was not being debated publicly. So no, we were not consulted.

Now, as I said in my remarks as well, this is an area of federal-provincial jurisdiction, and we respect provincial jurisdiction in this area. As I said, though, you can't very well do a deal that includes municipal procurement without including the experts in municipal procurement.

The Chair: Thank you.

Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair, and thank you to our witnesses for being here today.

I'm going to share some of my time with Mr. Cannan, so I just have a couple of questions for you, Mr. Ross.

I'd appreciate your talking a bit more about your experience. I know Mr. Brison started to talk about it. Given the size of your company, did this Buy American provision affect it, or were you able to get around it because of the size of your company? That's the first question.

Secondly, on what we've been able to access or negotiate now, is that going to change anything, based on what you build, where you go, and how you do it down in the States?

Mr. Steve Ross: The whole thing started probably from the iron and steel side of the Buy American clause, where things really hit a focal point. It was probably a year and a half ago, or almost two years now, when the Buy American clause came in. We were hit with a perfect storm of things at that time, which was the Canadian dollar rising, the U.S. economy in the downside, and then the Buy American. I would say most of the steel fabricators east of Toronto probably dabbled in the U.S. market, and a lot of the Quebec steel fabrication business was built on a U.S. market. So it was very important, I think, with the Buy American clause, as it related to the steel and iron side of things, that all these projects that had been traditionally open to us were now not open. Combining all three factors together, which was, again, the U.S. dollar and the economy and the Buy American, it just led a major downturn in the steel market for us here in Canada, because, by and large, I think we're primarily exporters of steel, as opposed to importers of steel.

That's the first question. Your second question was related to...?

Mr. Dean Allison: Based on what's been negotiated now to circumvent that, how do you see that affecting your business?

Mr. Steve Ross: We've circumvented what's been happening in the past year and a half just by more domestic work. We are trying to get more competitive, and that's a means thing that we as a company have to do, to start to get more lean and cut costs and try to find advantages to being more competitive.

When it comes to what we're doing in the U.S., at least for the next year, we don't see a lot happening, even with the change to the Buy American, simply because the type of work that we do is not out there yet on the street. We don't expect a lot to happen for at least the next six months to a year. We're in a holding pattern. Sales have gone from 60% to 70% of sales to 3% to 5% of sales. We don't expect that to change a whole lot for the next bit, so we're facing a holding pattern in the steel market. We do have hope that with this Buy American, where they've changed the rules, there will be more opportunity for us, particularly in the markets we're working in.

• (1640)

Mr. Dean Allison: Thank you very much.

The Chair: Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

I'd like to thank our witnesses for coming today and giving a good cross-section of perspectives on this.

We've heard from various organizations already: from the Canadian Chamber of Commerce, who fully endorsed this; the Canadian Manufacturers and Exporters.... The forest industry, as you mentioned, is a member of your union. They are supportive. It's good to hear, from my nine years in local government, about the importance of working with local government. The Federation of Canadian Municipalities.... I know Michael Chong, from Halton Hills, worked with the mayor there. And up to Whistler, to your resolution.... So I commend FCM for their initiative.

I know President Stewart had indicated that "Canadians are fighting hard to recover from the recession, but they need to be on a level playing field with their neighbours south of the border. Today's announcement gives them hope." That's where we talked about hope, jobs, and opportunities. I know that was also from the fellow from the business in Halton Hills, as well as the mayor, Rick Bonnette, who said, "Today isn't just about a trade deal, it's about people. It's about protecting Canadian workers, families, businesses and communities."

Mr. Buda, I just wonder, from FCM's perspective, all levels of government working together is really important. How do you see this agreement bridging into the future? As you mentioned, Minister Van Loan had some discussions. Do you see this as sort of a stepping-off point from there?

Mr. Michael Buda: Yes, absolutely. Although there has long been, at an officials level, a joint working group of DFAIT, FCM, and municipal practitioners, Minister Van Loan's commitments earlier this month to our board of directors was precedent-setting. We obviously have to figure out how to make it happen, but the commitment is very welcome.

So yes, I do think it provides a path forward to ensure that what happened through the negotiations in this agreement in principle doesn't necessarily happen again, that we're going to have to go back and fix things.

We learned that lesson in TILMA. It's much easier to engage the experts in municipal procurement up front, rather than having to identify problems at the end and then scramble to fix them. It's much more time-consuming and increases uncertainty.

So we do appreciate that direction, absolutely, and we definitely appreciate the commitment of the minister.

Mr. Ron Cannan: Mr. Ross, just to clarify, in moving forward with this agreement now, does this give you some certainty in the bid proposal?

Mr. Steve Ross: Yes, it does. As we move forward, it's going to take time for these projects to hit the ground, but there are quite a number of projects. So we understand that the door will open for these projects, to return to the kind of work we were doing before.

Mr. Ron Cannan: Okay.

From the forest industry perspective, what was the biggest benefit of this agreement?

Mr. Guy Caron: I personally can speak from the forestry perspective, because I'm speaking on behalf of the workers themselves.

So we don't see a direct link, or that direct a link, with the forest industry, except as an ancillary industry, but we've seen so many exemptions coming out of the states. Even in terms of the 37 states that agreed to the World Trade Organization agreement on government procurement, there are so many exemptions coming out of these states, either carve-outs or exemptions, that it might, in the end, not have that much of an impact compared to what will actually be given in local procurement.

Many of these forestry companies are in small communities, and they can actually provide what's needed either locally or provincially. As I mentioned, the fact that eventually we'll put shackles on those provinces and municipalities—more specifically, provinces—will be problematic for sure.

The Chair: Mr. Cannis, you have five minutes for questions and answers this time. Perhaps the answers can be kept a little tighter.

Mr. John Cannis (Scarborough Centre, Lib.): Thank you, sir.

Welcome to our panel.

In our most recent meeting, we had other representatives. One was Mr. Grenier. He too said, almost verbatim, that it was a bad deal, that the government sent them there to do a deal at any cost.

We did use the argument—I know I brought the argument forward—about using our energy resources as leverage, and so on, and we will always use them. But sometimes we neglect or we forget about the logistics of how we move our energy products and our energy resources to the U.S. and how that plays into why we can't or we can. Maybe I'd ask the committee to sometimes think about that when we're huffing and puffing about wanting to deal with our cousins to the south.

Mr. Ross, you said earlier that it was the Canadian dollar that affected your business, that it was a downturn in the economy, etc. Not too long ago there was another downturn in the economy overall, and the rhetoric coming out of the United States of America was to not buy any imported cars, to forget the Japanese cars, and so on, and buy strictly American. It was not too long ago, actually, if you will recall. We know that it had a political overtone to it because of the elections, etc., and then it faded away. We're getting that kind of messaging now as well with the buy American proposal.

Hopefully the economy will start to turn around. Economics 101 has taught us that we're going to go through peaks and valleys, and we are hopeful that at some point in time this economy globally will turn itself around. Once that turnaround occurs in a steady healthy way, do you feel that this will be forgotten? If the dollar is where it is today, will that still have an impact, or will you be making adjustments between now and then to help you be competitive, as you say?

• (1645)

Mr. Steve Ross: I've been in the steel business for 30 years, and we've seen difficult times—in 1982, in the 1990s, and in early 2000. It is a cyclic thing we're involved in here, and sometimes forces are applied differently, because we have so many forces acting against us now with, let's say, the dollar.

Back about two and a half years ago, just before this major recession that we're in, the dollar was up around \$1.05 or \$1.06 and

we were still doing contracts in the U.S. simply because we were competitive and the market was there. The economy was still in pretty good shape.

Mr. John Cannis: What made you competitive, if I may ask?

Mr. Steve Ross: What was it at that time? We just have an efficient operation. We have a good workforce. I think our expectations for profit are probably lower than the Americans' are. We were happy with maybe 2% or 3% or 4% profit on the job, whereas I know a lot of American fabricators, and they expect more for their input. When it comes down to survival of a business, you have to do what you have to do to keep your people working and keep the operations going. Right now, at least in our business in the United States, steel fabricators are really in survival mode, and they probably will be for the next year or year and a half. That's why we're just saying it's not really worthwhile to go chasing a lot of work in the U.S. when—

Mr. John Cannis: I have one minute. I have to put this question out.

We know how governments, both south of us and our own, have put billions of dollars into our auto industry. Do you think it's fair for Canadian procurement to buy vehicles from outside Canada that deliver our post office goods when they can be produced here? Just a simple yes or no.

Mr. Steve Ross: Is that a personal question?

Mr. John Cannis: It's a business question. It's a logical question, and I'm seeking a logical answer.

Mr. Steve Ross: Personally, I have three vehicles that were made in Japan, although they were assembled in Canada.

Mr. John Cannis: Thank you.

Are there any other comments on that?

Mr. Guy Caron: It doesn't make sense to me, because our local procurement in the future will actually allow access to American vehicles and eliminate local preference for Canadians. In the U.S., vehicles will be excluded at the state level, so that doesn't make sense.

Mr. John Cannis: Thank you.

The Chair: Thank you.

That is five minutes.

Mr. Trost.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): One of the things I always wonder about is, very simply, what we do next. We have the deal. A couple of you may like it, a couple of you may not, or you may like it with varying degrees of intensity. But what should we do next? How do we capitalize on the 37 states that have tied in with long-term procurement? How should we market what we do have as far as what's left of the stimulus bill goes? What are some positive suggestions for me to gear our perspectives so that we can expand sales and help companies go forward?

We'll start with Mr. Ross.

●(1650)

Mr. Steve Ross: We're a free-trading company. That's what we do. We're competitive. Our preference is to work in places where we're simply in a competitive marketplace, where you simply put a price out for a job, and if yours is the low tender you get the job. There are no advantages to other companies through.... For example, in New Brunswick they used to have a 10% local preference, just between borders. We eliminated that over time. Right now, there are no provincial trade barriers among provinces. Really, when we start working in the U.S., in most of the states we work in now, we just don't see these trade barriers as far as something like an additional 5% local content fee goes. We're looking for something across the board so that we can trade equally back and forth, the same way I can get on a plane and go next door and they can come here. We're looking for a free trade marketplace between the United States and Canada.

Mr. Brad Trost: Does anyone else want to take up my question?

Mr. Steven Shrybman: I think probably the single most important thing I would advocate is that there be transparency in the negotiation process. We learned of this agreement only after it was negotiated, because somebody leaked it to the civil society organization. That isn't the way for any government to conduct itself in international negotiations. Canadians should see—

Mr. Brad Trost: That wasn't really the question. The question is what we should do to take advantage of this agreement to help our businesses get more business.

Mr. Steven Shrybman: Well, listen, the temporary agreement expires in a year and a half. There isn't an awful lot of advantage in the commitments the U.S. has made already. So my answer to you, sir, would be if there is to be any advantage to be derived in procurement negotiations, either with the United States or with Europe, the negotiations have to be conducted in a transparent manner, or we won't do any better the next time than we did this time.

Mr. Brad Trost: Anyone else want to...?

Mr. Keddy apparently wants to take the rest of my time.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): No, no, no, you can have your time. I just was going to answer your question.

Mr. Brad Trost: Okay.

The Chair: You have a minute or two.

Mr. Brad Trost: I guess then my next question goes to a 37-states procurement.

Everyone was concentrating in previous testimony on the stimulus package. My understanding of the American stimulus package was there was a lot of social welfare spending in there. It was sort of similar to what would be considered transfers to provinces, not quite as much nuts and bolts sorts of things that could be bid on. So some of the numbers about how much there is or what percentage we have access to are somewhat misleading, and misleading by saying we've been tied out of more than we have.

With 37 states that are procurement on long term that have signed on to the WTO, what elements would you want to see expanded with

those 37 states, what could we negotiate, and how could we bring in other states to join those 37 states? Does anyone have any ideas?

Mr. Guy Caron: If you're asking me what I would recommend to Americans, it is very obvious. I think you will recognize that Americans are doing it their own way during negotiations, right? They are very tough negotiators, and this is why we're in this situation right now.

I think it's a good point to actually look at what is in the permanent agreements. The interim agreement itself is very lopsided. We've come to that conclusion. In the permanent agreement, Mr. Brison mentioned that there will be about \$33 billion a year available in local procurement in Canada for U.S. companies to bid on.

Hon. Scott Brison: That's total—

Mr. Guy Caron: Total, yes. That's it, all the provinces.

Hon. Scott Brison: —that's not just local.

Mr. Guy Caron: Now in the U.S.—

Mr. Brad Trost: We weren't protecting most of that in the first place, so frankly, if it was already open, we just signed an agreement for what we were doing anyways.

Mr. Guy Caron: That's correct, but once again, there were no shackles on local governments to actually do that process. If they wanted to use procurement for local development, they actually could do it.

Now, the problem with the 37 states—

●(1655)

The Chair: I'm sorry, that's all your time, Mr. Trost.

Sorry, Mr. Caron. You're going to have to speed up those answers.

Mr. Guy Caron: Yes. Very quickly, the problem is that—

The Chair: No, that one is over.

Mr. Guy Caron: Oh, sorry about that.

The Chair: We're going to Mr. Guimond.

[Translation]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chair. My first question goes to Mr. Shrybman.

Just now, you said that we needed political courage in order to negotiate with the Americans and to take a stand against an agreement like the one that is presently before us. Since we started our study, a number of witnesses have told us that some of the restrictions are unacceptable.

But the agreement conforms to standards of international law, including the same mechanisms and exemptions for Canada under the principle of reciprocity. In your opinion, what would the Americans say if we used the principle of reciprocity?

[English]

Mr. Steven Shrybman: Well, I don't think the Americans are going to make more commitments under the WTO than they have already. There's been repeated reference to the commitments made by 37 states in the United States, but those states have reserved a whole variety of local set-asides and offsets and local preferences. So I think the United States understands that spending public money to create public goods is also a reasonable way to make jobs. I don't think U.S. states are going to give up that prerogative.

So the only thing that we can do if we want to have a reciprocal arrangement with the United States is to hold on to our authority to do precisely what U.S. states do, which is to favour local businesses. Ontario did that when it procured green renewable energy technology, and Toronto did that when it bought rolling stock from a Canadian company rather than a European company.

You're not going to do it every time, but you want to maintain the option to favour local businesses, to favour local workers. When you spend taxpayers' money to stimulate the economy, maybe that should be your economy instead of China's economy.

[Translation]

Mr. Claude Guimond: We have to take a stand. That is a slogan we are used to.

Mr. Caron, let me ask you the same question. What do you think about Canada using the principle of reciprocity? In your organization's view, and in your own, how do you think the Americans would react?

Mr. Guy Caron: Honestly, it is difficult for me to say anything else than what Mr. Shrybman said. We have seen the same thing in the past. The exemptions provided for presently are not something that the United States will let go.

Last week, Mr. Grenier traced the history of trade negotiations between Canada and the United States, including the origins of this treaty on government procurement. He explained clearly why Canada did not sign off on and accept reciprocity: there were too many exemptions and they were too expensive. It was impossible to reach an agreement that works to the benefit of Canadian businesses. They would have been at a disadvantage compared to American firms wanting to bid here. To be honest, I do not see how that could happen in the future and how reciprocity could be achieved.

Mr. Claude Guimond: In your opinion, would this agreement, the one we are discussing today, allow us to do so if we wanted?

Mr. Guy Caron: Once again, we are talking about what the United States is going to want eventually. In the last 20 or 25 years, the United States has shown that it wants none of it. There are exemptions that they refuse to let go. The agreement that we have here will not allow us to go that route.

Mr. Claude Guimond: Mr. Ross, in this seemingly open market, have you lost contracts in Canada to Americans because of the threshold we were talking about earlier?

[English]

Mr. Steve Ross: The short answer is no.

I think the Americans are probably less interested in our market than we are interested in theirs. They have a bigger economy, so there's a lot more down there for us to do, at least in our business.

In dealing with Americans, for the most part, for side trade agreements, negotiating contracts is all about the dollar and the lowest dollar. They rarely have preferences for where the materials are coming from, as long as the dollars work for them. So we've developed some pretty good relationships by simply being competitive. For the most part, in the business we deal in, it's just about the dollar, who can do it for the least cost, and that's what attracts them.

I think they look at our market here—at least in the area where we work and where we come from, the eastern side of Canada—and we just don't see the competitiveness from American companies because they're just not interested in our market.

● (1700)

The Chair: Thank you.

We are on to Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you very much, Mr. Chair.

I'd like to thank our guests for being here today. We certainly have a variety of views. I think we have two distinct views.

As I reflect on our time today, I'm going to take a line from Mr. Julian, because he quoted past guests at these hearings.

We certainly heard from Jean-Michel Laurin from the Canadian Manufacturers and Exporters, who said that Canadian companies were used to facing competition from the U.S. and other parts of the world in our procurement markets here in Canada. I'd like to stop right there, because I heard something that Mr. Caron said, that this process certainly means that the lowest cost will be the only factor in the discussion.

Mr. Ross, I don't know you, but you're from Nova Scotia, which is near Cape Breton, which is a very good thing. My Cape Breton mom would have been proud.

Mr. Steve Ross: I'll take that as a compliment.

Mr. Ed Holder: It's a great compliment.

Are you afraid to compete with the Americans?

Mr. Steve Ross: It's funny you should ask that question, because when we first started in the U.S. market back in 1997, we were intimidated because we thought they were so much better at what they do and we were just a small fabrication company trying to do work in Boston. What we found out with time is that what we do is really on a par if not better than what they do. So it took away the fear of the marketplace as far as the fear of the competition.

Then we came to realize that if you're pretty good at what you do, you can compete anywhere. As long as we have a fair trade, level playing field we have no problem competing with anybody.

Mr. Ed Holder: Let me applaud that, even from a company from Kings—Hants—

A voice: Dartmouth.

Mr. Ed Holder: Dartmouth, which is even better.

I think the point you make is there's no reason why Canadian companies being competitive and aggressive and knowing what it is to compete with Americans—we've been beside them for a long time.... It strikes me that we have the ability not only to compete but to win, both within Canada and in the United States.

Is there any part of what I've just said that you wouldn't agree with?

Mr. Steve Ross: No, I think I agree fully. Because we went through a period, certainly in the early eighties and early nineties, when we were just afraid of American competition. But then we realized, knowing what we do and how we do it—and not only our industry, but a lot of Canadian industries—that we're actually quite good at what we do. It's all about competitiveness, and we learn to get lean and mean and efficient in what we do and we can compete with anybody. We're not afraid of the competition. We're all for free competition.

Mr. Ed Holder: I share your confidence in the ability of Canadian companies to compete. I applaud you, and I say from the heart, well done.

Mr. Buda, could I ask you a question?

I appreciate your confidence. You said it's good news for municipalities because we think of where we've been. You mentioned one city, Halton Hills, that originally raised some concerns about protectionism.

How many of your member cities had restricted U.S. bidders before this agreement?

Mr. Michael Buda: It's a good question, and to be honest we don't have a precise answer.

I actually wanted to make this comment in response to several other comments I had heard today. I think someone had made this comment earlier. The vast majority of municipal procurement in Canada is actually open, just like the vast majority of procurement in the United States and at the state level has been open.

I know that among many of our members who are really trying to represent the interests of their constituents, their position on Buy American is, look, the situation before Buy American was not ideal, there was not open and complete access to the United States market, nor was there open and complete access to the Canadian market, but at least let's roll back the clock to 2007-2008.

As I said, I don't think our judgment is complete here, because all the information isn't in, but our analysis thus far is that this agreement helps to roll back the clock. It helps to stop the precedent that Buy American was going to set to encourage similar sorts of procurement practices to spread among United States municipalities, just like it could actually spread to Canadian municipalities.

To answer your question, there are high-profile examples of Canadian municipalities that, for some very good reasons, were

exempting certain procurement projects from U.S. competition, just the same as their counterparts were doing in the United States.

Really, our position is that the clock be rolled back. It won't be perfect, though, if we do that.

• (1705)

The Chair: I'm sorry, but that's five minutes.

Mr. Ed Holder: Thank you, and I appreciate the candour, sir.

I thank you all.

The Chair: Mr. Brison.

Hon. Scott Brison: Earlier Mr. Trost raised a good point, in that we ought to be talking about what the next steps are in terms of the Canada-U.S. market. It strikes me that we have to be making the case in the U.S. on an ongoing basis that, with our deeply integrated economy, and with the fact that 40% of Canada-U.S. trade occurs between divisions of the same companies, any artificial barriers to the movement of goods, people, and trade between our countries will cost American and Canadian jobs ultimately.

The competition coming at us is from the emerging economies. Frankly, in the Asian countries now we're seeing trade barriers coming down in more deeply integrated economies and approaches to that.

Mr. Shrybman, you're sort of positing the idea that Americans are perfectly correct and in fact doing the right thing to protect American jobs by implementing protectionist measures. That's exactly the kind of thinking that led to this Smoot-Hawley Act that turned a recession in the 1930s into a global depression, as the Americans did that and other countries reciprocated. Are you serious that we should be encouraging the Americans to pursue that course of action, and we should be reciprocating with more protectionism here in Canada?

Mr. Steven Shrybman: I think there's a misapprehension about the Smoot-Hawley Act and what it was about. It was about international trade. Procurement isn't about international trade.

The Buy American provisions we're complaining about were actually established during the New Deal in 1933, and the U.S. economy recovers after those local preferences are established. So I challenge your history, I'm afraid, Mr. Brison.

Hon. Scott Brison: The Smoot-Hawley Act was protectionist and Buy American issues are protectionist.

Mr. Steven Shrybman: Well, I don't agree with your definition. It's not protection to say that our procurement market is open to everyone but whoever wins the contract will use recycled goods from our community in that process. That's not protectionism, by my definition.

Hon. Scott Brison: Sir, we'll go back to my question. You seem to be affirming what I thought you were saying earlier, but I just want to go back to it. Are you saying that in fact we should be encouraging American protectionism and should be doing the same thing here? Is that what you believe to be the correct approach?

Mr. Steven Shrybman: I don't agree that it's protectionism. I think we should—

Hon. Scott Brison: No, no, sir; I ask the questions. I'd appreciate your—

Mr. Steven Shrybman: Yes, and I'm answering your questions. I'm saying that if you describe local preferences—that's what I'm talking about—as something that Europe has, China has, Japan has, but we don't have, then we should have them.

Hon. Scott Brison: No, we do have them. We still maintain that.

I'm going back to the point. Do you believe that we ought to be encouraging and supporting the Americans in their Buy American effort? Should we be introducing a Buy Canadian type of approach here, and in fact increasing barriers to trade between Canada and the U.S.?

• (1710)

Mr. Steven Shrybman: Well, I don't accept your definition of them as trade barriers.

When Ontario procured photovoltaic cells, it insisted that the company providing them had to create jobs in Ontario. Was that a good thing, in my view? Yes. When Ontario bought rolling stock for its transit system, it favoured a Canadian company. Was that a good thing? Yes. Would I like to see more of that in Canada? Yes. Do I have any complaint about the U.S., Europe, Japan, and China doing the same thing? No. Do I consider them to be trade barriers? No.

Hon. Scott Brison: There will always be some of that, but structural trade measures—deals that specifically limit access to our procurement by foreign companies—come at a very significant price to Canadian jobs and competitiveness. I want to make the point that the real competition down the road is going to be China, India, and Brazil. I think that the more we do to balkanize our Canada-U.S. markets, which seems to be the doctrine you are convinced of, the greater the cost will be, ultimately, in lost North American jobs, and I think we have to be awfully careful on that.

Mr. Steven Shrybman: We can disagree about the right policy—

The Chair: I'm sorry, but the five minutes have expired. We're going to have to move on.

Mr. Peter Julian: Mr. Chair, I think it would be appropriate to allow Mr. Shrybman to answer.

The Chair: I'm sorry, but we've established five minutes and seven minutes, and we've been doing reasonably well today. I can't accept making exceptions for one, Mr. Julian, other than for you, which we often do.

We're going to go to Mr. Keddy now.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Welcome to our witnesses. I think it has been an important discussion. Obviously the dynamics and the opinions are a little different among all the players, but I think that's important as well.

I want to go back to Mr. Trost's question and find the advantage in signing this contract. I don't think anyone's tried to say it's perfect, and I've certainly not heard the government saying so. Putting a trade agreement together in a little over six months is almost impossible; I'd say it's unheard of anywhere on the planet. We were able to bring the municipalities and the provinces onside, and that's a job all by itself. As well, we were able to work a deal with the Americans. We know a lot of the dollars were out the door, so we were trying to save what dollars are left. What I want to look at, again taking direction from my colleague's question, is how this bodes for the future.

As an aside, I quite agree with everything Mr. Brison said. Every once in a while we're totally in sync, as we are on his comments there.

The issue here is not just what we save from this deal; the issue will be how quickly we can get to the bargaining table the next time the Americans do this. They're a protectionist society. I used to joke that Americans are vaccinated with a protectionist needle, and quite frankly, they are. We have success stories here, such as Cherubini and other Canadian companies that are competing with the Americans toe to toe and doing extremely well. There are lots more success stories like that straight across the country.

I want to go to Mr. Buda for this. Where do you think this puts us in the next round of negotiations with the United States? Surely we can get to the table more quickly. Where do you think it puts us? The European Union negotiations have been mentioned; they are extremely important and have the potential to be as big a market as the United States is. Down the road, where do you think it puts us two or three years after negotiations come to fruition, hopefully, with the EU, and with additional negotiations and additional programs by the United States?

Mr. Michael Buda: We're sure not experts in international trade negotiations, but certainly our understanding of previous international trade negotiations was that they have not included sub-national procurements. Therefore, in general, provinces and definitely municipalities really didn't have much of an interest, nor did they need to be consulted that much.

If sub-national procurement is a direction in which the government is going to go in terms of inclusion in future trade agreements, then there's no doubt that this experience has already laid the groundwork for a more expedient and frankly more open process.

I think you're right, the fact that they have 13 provinces and territories signed on in six months is nothing short of remarkable. Each province has a different set of exclusions and exemptions and carve-outs. Our understanding of the agreement is that each province and territory has excluded a number of industries. In Ontario transit is excluded. It means that Toronto can continue its practice of sourcing domestically, which is one of our principles.

So I think that the relations that have been created and the lessons learned are going to make it easier to ensure that if this is a decision the government wishes to take, to include sub-national procurement—we don't have a position on that, but if they do—then some of the connections, contacts, networks, and knowledge have been created so that at the very least that deal is effective and efficient with as few unintended consequences as possible. As I said, we don't have a position on whether or not that's a good thing.

• (1715)

Mr. Gerald Keddy: I have a final question, if I have time, Mr. Chair.

The Chair: You have 40 seconds. Were you going to give another speech?

Mr. Gerald Keddy: I'll try to take a breath and ask the question.

There's been some discussion about the potential of \$33 billion worth of Canadian procurement that's on the table. I would argue that there will be the equivalent of \$33 billion worth of contracts on

the table from the U.S. The real numbers right now might be slightly less than that, but I think those are the glass-half-empty numbers, quite frankly. So I think we can roughly say we balance.

What does that bode for the future? Here's the situation: we got to the table once; it's always easier to come back the second time. Look, not just because I'm a government member, but I think this is a great agreement. I think we made tremendous headway, and I think the possibility of ongoing reciprocity in the future is before us, which means Americans at the table.

The Chair: Thank you, Mr. Keddy. Sorry, we won't have time for an answer to that last speech.

We are going to go vote. The bells are ringing. I appreciate everybody coming. We're going to have to wrap it up and get over to the House to vote.

The meeting is adjourned.

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