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Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

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● (1105)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'd like to call the meeting to order.

I want to thank the witnesses for being here.

This is a continuation of our study on CETA, the European-Canada free trade agreement. We have before us today the Forest Products Association of Canada as well as Canada Pork International.

Andrew Casey, I think, is going to lead us off, and then we'll have Jacques Pomerleau for the pork association.

Andrew, thank you for coming. We look forward to your presentation, after which we will open it up to questions and answers.

The floor is yours.

[*Translation*]

Mr. Andrew Casey (Vice-President, Public Affairs and International Trade, Forest Products Association of Canada): Thank you, Mr. Chair.

It is a great pleasure to be here with you today to discuss this topic.

[*English*]

The Forest Products Association of Canada is the national trade association that represents Canada's integrated pulp, paper, and lumber producers. The industry at large represents about 12% of Canada's manufacturing GDP. We directly employ 240,000 Canadians across the country and another 500,000 or so indirectly.

We are found in pretty much 200 communities across the country. When I say we're “in” those communities, I mean we are the economic lifeblood of many of those communities, keeping the towns running and keeping the jobs in the communities.

For many of you around this table, we've had numerous discussions over the years. Many of your constituencies are no strangers to the industry and certainly to the trials and tribulations we've gone through in the most recent economic downturn. Obviously many jobs have been shed in the sector. Many of you have felt the impact directly in your constituencies over the past couple of years.

I'd like to say that we're coming out of the economic unrest, but it looks like there's still some more uncertainty ahead. I am pleased to report, however, that the industry has taken some steps during the most recent economic downturn to better prepare itself to come out of the next economic malaise a little bit better prepared.

We've certainly undertaken progress on a number of fronts. We've improved our competitiveness and our productivity. We've looked to diversify our product stream. We're getting into the bioeconomy in a more fulsome fashion. We're adding that to our existing lumber, pulp, and paper production and trying to extract more value out of each and every tree.

The other two key parts of our transformational strategy include market diversification and leveraging our environmental reputation abroad. I think those last two components are integral to the Canada-European free trade agreement that we're going to discuss today.

Our industry is a significant exporter. We export well over 50% of our product, about $26 billion a year, to markets outside of Canada. We are one of Canada's largest exporting industries. We're also one of the most successful forest products exporting industries in the world.

Our primary market is, of course, the U.S. marketplace, where about 65% of our product goes. We send another 30% or so of our product to Asia, and certainly are looking at China as an increasingly important part of our product mix. The EU represents about another 5% of our market share. Various markets elsewhere around the world make up the remainder.

The government has been extremely supportive of the industry in terms of diversifying its marketplace in a number of ways. One is direct support for market development and market expansion in other parts of the world. Particularly if you look at China, the government has supported a lot of our development of that market. Ministers Oliver and Fast were recently over there doing some significant work in terms of outreach to their government. Much of this is government to government, so that's enormously helpful.

The second aspect of the government support that's been very useful for the industry in developing new marketplaces and diversifying our markets has been through free trade deals such as the one we're discussing today. I've been before this committee to discuss the Jordanian deal, the Panamanian deal, and also the Colombian deal, all of which are significantly smaller than this one but nonetheless help to diversify our marketplace. For that reason, we are very supportive of the deal we're talking about today, the deal with the EU.

To give you a sense of it, the EU imports from countries outside of the EU family about $23 billion worth of product annually. We ship about $1.5 billion worth of product to the EU. You can divide it almost into thirds: pulp, paper, and then wood products.

Our pulp and paper goes into that marketplace relatively tariff-free, but we do face a 7% tariff on our OSBs, the oriented strand boards, and plywood products going into that marketplace, which essentially renders our industry uncompetitive vis-à-vis our competitors.

On this particular deal, we've been working very closely with officials in the government in structuring the deal. There are two components of it that we're very supportive of. One, of course, is the removal of that 7% duty on our plywood products.

The second part is fairly unique. I don't know whether the committee has actually discussed this to date. We've advocated an annex for forest products procurement with governments. Right now the government procurement process for forest products in the EU is a fairly behind-closed-doors process. We're advocating something that's a little bit more open and that taps into leveraging our environmental pedigree.

The industry has come a long way in terms of its sustainability practices and its harvesting practices. We think that's an advantage in the marketplace. We would like to see that being used in the development of government procurement practices. So an annex to this deal has been written, and we believe it is on the table for discussion at this particular point in time in the next round. We understand that things are progressing smoothly. We're looking forward to seeing the final version of that.

All of that is to say that this is an important deal for us in that it opens up new markets for us. It expands our marketplace and is part of a market diversification plan that this industry has undertaken. We are grateful for the government's support in this regard. I look forward to entertaining questions from the committee after Mr. Pomerleau has provided his testimony.

Thank you, Mr. Chair.

● (1110)

The Chair: Thank you very much.

Mr. Pomerleau.

Mr. Jacques Pomerleau (President, Canada Pork International): Mr. Chairman and honourable members of Parliament, I am pleased to be here today to present the position of the Canadian pork industry on the comprehensive economic and trade agreement with the European Union.

First I will say a few words about our organization. Canada Pork International was established in 1991 as the export market development agency of the Canadian pork industry. It is a joint initiative of the Canadian Pork Council and the Canadian Meat Council, and our membership includes all the stakeholders from the hog producers to the processors and trading houses.

Our organization deals primarily with market access issues: promoting Canadian pork abroad, providing market intelligence, and working on other significant export-related issues.

It should be noted that more than 50% of the pork produced in Canada is exported. Canada is the world's third-largest pork exporter, behind the EU and the United States, and we account for nearly 20% of the world pork trade, so we are a significant player at the world level.

In 2010 we exported to over 100 different countries, close to 1.1 million tonnes, and that was worth $2.8 billion. This year we are on track to exceed the $3 billion mark, and our exports right now are up by close to 5% at this point.

Our industry is quite proud of the fact that we have been able to achieve an effective market diversification strategy. While more than a decade ago the U.S. market accounted for more than 75% of our total exports—and I'm quite sure you have heard that from many other sectors in the past—it's now just 32% of our total exports.

An essential factor for our success has been the opening of new market opportunities through the Uruguay Round in the mid-1990s, but also through regional trade agreements like the one we have with Mexico.

We need to note that Canada has been an exporter for over 100 years. Our export capacity was first built to supply the British market, from which we are excluded at this point, because when they joined the European Union, or the EEC at the time, we were excluded from that market. Therefore, we are very thankful to be given the opportunity today to express our views on the proposed agreement between Canada and the European Union.

As I mentioned earlier, Canada holds around 20% of the world's total pork trade, in spite of the fact that in practice our products have yet to gain meaningful access to the European Union, which is the world's second-largest pork-consuming market, behind China. To give you an idea of the size, China would consume around 50 million tonnes of pork per year and the European Union around 20 million. For that reason, CPI and its members are strongly in support of Canada concluding a comprehensive agreement with the European Union.

In our latest strategic plan, we identified the European Union as one of our highest priorities, and our interest in penetrating the European Union has greatly increased in recent years because of the sheer size of that market. It's also because of the interest that has been shown towards our products by many meat importers in Italy and the U.K. and by those who basically have a pork deficit within their own national markets. It's difficult for us to quantify the exact potential of the market at this time, but we estimate that if the conditions are right, the EU could easily become one of our top ten markets, if not one of the top five.

There are three areas of specific interest to our industry that need to be dealt with during the current negotiations. One is the EU pork import regime. Following the conclusion of the Uruguay Round, the EU was very creative in its efforts to minimize foreign pork access by amalgamating all meats instead of providing a minimum access for each. As a result, the EU pork TRQs represent roughly one-third of 1% of the total EU pork consumption.

In comparison, pork imports represent more than 25% of the total Canadian pork consumption and are three times larger than the total EU imports for a population of 500 million. Here in Canada we are just about 34 million. That gives you an idea of the difference here. Still, in spite of that, the EU current tariff rate quotas and their administration are very complex and not conducive to sustained trade.

● (1115)

In-quota tariffs are also very high, and they require performance bonds as well. In practice, it has never failed. We believe that Canada should be in a good position to negotiate a significant Canada-only tariff-free TRQ with simplified administrative procedures in its allocation.

Several western European countries were significant markets for Canadian pork at one time or another over the years, until the EEC adopted a series of technical measures—one called the third-country meat directive—that eventually excluded Canadian pork. Our major markets at the time were...I mentioned the U.K., which was a market for more than 75 years; France; and the Netherlands. The same measures were applied against our products when significant markets in central Europe—such as Poland, Hungary, and Romania—joined the European Union, and as a result we lost all of those markets.

Although the Canada-EU Veterinary Equivalency Agreement has substantially made it easier for some Canadian pork plants to become EU-approved, there are still negotiations required to make it a true equivalency agreement, and the Canadian Food Inspection Agency is fully aware of those and is always working with us in trying to ease those challenges.

Plants that wish to meet the EU standards under that agreement still have, in order to comply, to incur significant expenses and implement strict protocols, especially on some feeding material. At this time, only three Canadian pork plants are EU approved, with more considering it. Better access and less constraining plant registration requirements would definitely convince most Canadian plants to seek an EU registration.

Although they have been rarely used when it comes to exports to Canada, EU pork export subsidies can in theory apply to all markets. Canada should insist that it should at least not be used for shipments to Canada within the framework of this agreement.

It is worth noting that all of the issues we have with the European Union have been well documented over the years by the Government of Canada. We really appreciate having been consulted since the very beginning of the negotiations and being kept appraised of all the latest developments pertaining to our products.

A final Canadian pork position has yet to be submitted to the EU and it is still being worked on, but we are quite confident that the Canadian negotiators will do whatever is possible to get the best possible deal for our industry.

Finally, just to take one more minute of the committee's time, we wish to bring to your attention that the free trade agreement between the European Union and the Republic of Korea was implemented earlier this year. And everybody is aware that the United States has concluded a similar deal, although it remains to be ratified by the South Korean parliament, which is, in our view, just a matter of time.

South Korea is Canada's fourth-largest market in value for pork exports, and sales are on track to get very close to $300 million this year. Our Korean customers are all telling us that Canadian pork is the top-quality imported pork in that country. The Canadian industry has worked hard to develop opportunities for a wide range of products, including value-added products such as chilled pork, which is now available in several large South Korean supermarkets.

It now happens that all of Canada's competitors in South Korea have a free trade agreement, and you will appreciate that the Canadian pork industry, as well as several others in the Canadian agrifood sector, have a very significant interest in not being left behind. Our South Korean contacts have repeatedly made it very clear that without an agreement with South Korea, the Canadian pork industry will be almost out of that market within two years, as the tariff elimination schedules provided in other FTAs will make us completely uncompetitive.

Therefore, we urge the committee to support efforts to resume the negotiations shortly and finalize a Canada-South Korea free trade agreement as early as possible. There is no doubt in our mind that not concluding an FTA with South Korea would more than negate any gain we could make in successfully concluding one with the EU. Both are important to us.

Thank you for your time today, and I look forward to answering any questions you may have.

The Chair: Thank you very much for those two presentations. We'll now open it up for questions and answers.

We'll start with Mr. Masse.

● (1120)

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thank you, gentlemen, for coming to this committee here today. Mr. Casey, I'd like to start with you.

With regard to your presentation, you mentioned something very important. It's not just the 7% tariff that's on there, it's also the behind-closed-doors elimination of the opportunity that takes place. Could you expand upon that? I think that's very important because non-tariff barriers can be just as significant.

Mr. Andrew Casey: Yes, absolutely. Thank you for that question.

You're exactly right. What's happening in Europe is that governments develop procurement policies for their own purchasing habits and they tend to be done behind closed doors and without any open process. You end up having—whether it's intentional or not is a question—non-tariff barriers being put in place.

In some cases, we find those to be quite restrictive for our industry. They will put in place criteria that really don't apply to any country other than a country like Canada. As I say, it's hard to cast aspersions as to whether it's intentional or not, but you have to assume that there is some intent there.

Opening up that process and having it as a free and open process whereby we understand what's happening and then having a method through which you can appeal if things don't go the way you think they should go...that's also part of this annex. You would set up a body that would have an objective perspective.

I think the other important point of this thing, which I did not mention in my opening remarks, is that quite often the EU acts as a first step, in many respects, on the environmental side of things. Other countries around the world will look to the EU as an example of how policies are developed and what sort of criteria are in those policies. When we look to our other marketplaces such as China, which represents an enormous opportunity for our industry, if they quickly adopt some of the policies that are being developed by the EU governments from a procurement standpoint, we could find ourselves shut out in other marketplaces as well.

So it's an important sort of beachhead to get in there. They can often set policies elsewhere just by example. For that reason, it's also important beyond just the current ramifications of the direct EU-Canada deal.

Mr. Brian Masse: So you're suggesting that we should have an appeal process built into this, to be able to expose that and then to challenge it. Would you suggest penalties as well?

Mr. Andrew Casey: Well, penalties probably would be extreme. I think you would want to have an open process, because a penalty would require that somebody has done you an ill.

Mr. Brian Masse: Yes.

Mr. Andrew Casey: I don't think we're saying that. I think what we're saying is to have an open process for how you develop the policies and then have experts come to testify if you feel the policies are restrictive in some way, and hopefully that can have them amended.

Mr. Brian Masse: Thank you.

I'm going to move over to the pork industry now, if I may.

I'm interested in your changing landscape with regard to exports and all of that. You've mentioned that the U.S. market has shrunk percentage-wise, but I'm just curious to know if it has actually stayed the same in terms of quantity. I'm interested in knowing what's happening along our border.

Mr. Jacques Pomerleau: In fact, since we were established, the percentage went down, but the total exports to the U.S. doubled. It just happened that we tripled our exports in the meantime.

Mr. Brian Masse: Okay. So it has been a success at the other end versus just in the U.S.

You mentioned as well the subsidies that could be applied. Can you get into a little more detail about those subsidies? Do you have any specific instances that you can refer to with regard to European pork coming into Canada? As well, quickly, who's dominating your European market right now in pork? Who would you have to start competing against to get that market share?

Mr. Jacques Pomerleau: You're talking about from outside the EU or within...?

Mr. Brian Masse: You mentioned in your presentation that the EU was providing some subsidies at different times for their pork exports to Canada and that we should stop that.

Mr. Jacques Pomerleau: Yes, but that was a long time ago. What I'm saying is that this has not applied recently to exports for Canada and we should make sure that it will not in the future. That's all I'm saying at this point.

As for the largest competitor, Denmark is exporting to Canada. One thing that I forgot to mention is that the EU has free access to Canada. We have no duty, no TRQ, when it comes to pork. But at the same time, some animal health considerations make it nearly impossible for most European countries to export to Canada, so in practice it's basically Denmark that is exporting to Canada.

On the other side, Germany is the largest producer in Europe, with 50 million hogs per year, which is about double what Canada does, and Denmark is also a significant player.

● (1125)

Mr. Brian Masse: Thank you.

I'm going to turn the rest of my time over to Mr. Ravignat.

The Chair: Okay.

You have a minute and a half, Mr. Ravignat.

[*Translation*]

Mr. Mathieu Ravignat (Pontiac, NDP): First, I'd like to thank you for being here, Mr. Casey.

You mentioned the difficult situation the forestry sector is in. Things are particularly difficult in my constituency of Pontiac. Four major plants have shut down. They were American operations. This sector is experiencing a lot of difficulty. If we asked these companies and the workers if NAFTA was a good thing for them, you would get a very mixed response. A considerable number of jobs have been lost. In Quebec alone, 20,000 jobs have been lost in this sector.

In a context of free trade with the European Union, how can we promote the changes we need to make in regions like ours, while opening up the market?

Mr. Andrew Casey: This is a very difficult question. I will answer you in English, if I may.

Mr. Mathieu Ravignat: No problem.

Mr. Andrew Casey: I want to make sure I give you a proper answer.

[*English*]

Absolutely. We've lost a lot of jobs across the country—there's no question. Some of the restructuring in the industry was necessary. We had an industry that had overcapacity; that was a result of our industry growing quite quickly and not having enough competition abroad, and a low Canadian dollar. When the recession hit, there was quite a significant amount of restructuring that had to be done, regardless of what was going on elsewhere.

We're coming out of it—I'll use an old expression that is maybe overused—leaner, meaner, ready to fight. It's an industry that's better prepared now to take on international competition. These trade agreements are essential in that they are there to open up new marketplaces for us. They allow us to diversify our markets. I can't say that jobs are going to come back in certain parts of the country; it's unlikely in many parts of the country. But for the 240,000 jobs that still exist in the industry—and many of them are in Quebec and other parts of the country as well—these types of agreements are absolutely essential, as well as other programs that are under way with some of the government's support to help develop new markets, and diversify those markets to solidify the industry and the hold it does have with the jobs that are still there in the country.

The Chair: Thank you very much.

Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you very much. I'd like to thank our guests for appearing today.

Mr. Casey, I'll start with you, please. I noted very clearly your comments about government procurement in Europe with the behind-closed-doors approach. I was glad to hear you say that what clearly needs to happen is a clear and open process for that, and again, the spirit behind this trade deal is to do exactly that.

I do have a question as it relates to the exports. I missed the figures in terms of the percentage that went to the States, to Asia, and to the EU. Can you just confirm? I thought I heard 65% to the United States.

Mr. Andrew Casey: Yes.

Mr. Ed Holder: Was it 5% to the EU?

Mr. Andrew Casey: Correct.

Mr. Ed Holder: And most of the balance went to Asia?

Mr. Andrew Casey: Yes, and then there's another small piece that goes all around.

Mr. Ed Holder: From that standpoint—and you talked about us coming out of this recession leaner, meaner, and stronger—what are the possibilities in terms of growth potential for the EU? How do you see that in terms of your industry, it being as significant as it is for Canada, in terms of the number of people directly and indirectly employed?

Mr. Andrew Casey: Generally speaking, the EU is what you would call a mature marketplace. They're not growing exponentially. Our market share has shrunk over the past couple years. The important part about this deal is that they do import, from non-EU countries, about $23 billion worth of product. We're only $1.4 billion worth of that. Within that tranche, there's probably a fairly significant ability to grow, and of course one of the things that's restricted our growth is that 7% tariff on the building products side, the wood panel side, that's rendered us relatively uncompetitive vis–à–vis our competition coming in from outside of the EU on those product lines.

That would be an important part to help grow a little bit, but it will not be the holy grail for the industry. If we're going to look at the greatest potential for growth, it's going to be east into Asia and India.

Mr. Ed Holder: When we get further along, I'm sure we'll have you back to have that discussion.

You touched on market diversification, and you talked about the bioeconomy as a way to extract more value. Can you expand on that and help me understand it a bit more, please?

● (1130)

Mr. Andrew Casey: Absolutely. The traditional lines of business that the industry's been in for many years have been the lumber, the pulp, and the paper.

A tree, of course, can now be broken down into far more chemical-like components. One of the key aspects that the industry has been pursuing started with getting into the green energy business, which is using our waste material that comes out of making the pulp and paper—the sawdust and bark and chips of that nature. What doesn't get put into pulp or into oriented strand board then gets burned and you can make cogeneration power, which is basically using the heat to heat water to generate steam to power the plants. Most of our energy now, about 67%, comes from renewable biomass material.

The other part of this, which we're pursuing aggressively, is that you can essentially break a tree down—and we're getting way beyond my expertise in some respects—and turn it into anything that you could use plastics, steel, or metal for. You could make it as strong. To give you an example, one of our member companies, Tembec, has the worldwide patent for a thing called three-dimensional pulp. When you think of paper, paper is very strong in two dimensions. You can pull it one way, and you can pull it from the top, but if you pull it this way, it will rip in half. They've developed three-dimensional pulp so that you can't tear it that way. The process is one that can now be taken and moulded into any shape or form you want. You could make car parts or airplane parts; anything that you would use aluminum for, you could make with this thing. Of course, it's renewable and uses less energy.

Essentially, going into that—bioeconomy, bioproducts, biochemicals—all of that can be rendered from a tree. In a sense, you're going to end up using 100% of the tree that you pull out of the forest.

Mr. Ed Holder: Thank you.

I would like to move to Mr. Pomerleau, if I may.

On two comments you've made, I just want to reinforce them if I can. In one, you commented that you've been very pleased with the consultations you've had from the beginning in CETA discussions. I think it's important for the committee to be aware of that.

The second was touched on earlier, but I want to reinforce it. It was that while the market in the United States in terms of pork was at one point 75% and is now down to 32%, that is not at the exclusion of value of exports to the United States. In fact, you said that exports actually doubled. Did I hear you right? So we've gone to less than half in exports in terms of percentage, but we've actually doubled the amount of value to the United States.

Mr. Jacques Pomerleau: That's true.

Mr. Ed Holder: What do you credit that to?

Mr. Jacques Pomerleau: To the fact that in the early 1990s we specifically established CPI to diversify away from the U.S. market. It was a concerted effort by the industry to develop markets like Japan, to develop all the promising market opportunities, because at the end of the day what we have to realize is that we have to sell all the parts of the pig, and some markets are more valuable than others for some parts. For example, we are very pleased to be able to open this to China, because Canadians are not usually fond of offal. So you need all the markets for that.

But on the EU, where it's become very important for us is the fact that the EU is a major market for legs and hams, while that cut is always in surplus in Canada, bringing down the overall value of the pig. That's why the EU is so important for us.

Mr. Ed Holder: It's interesting that you mention this from your standpoint. By the way, compliments to free trade with the United States. That's all I can say. There's no coincidence of timing, obviously, between the free trade deal of the United States and the success of the pork industry.

You mentioned that the EU could be in the top ten and possibly the top five. With a population of 500 million, that feels a touch.... When you said “top ten”, my first reaction was that it felt a bit conservative, and as much as I like that word, it struck me as being a little reserved. Why so conservative in terms of your estimates? Also, how long do you think it will take to get into the top with the EU being the market of choice in the top five?

Mr. Jacques Pomerleau: It will depend on the agreement we reach

Mr. Ed Holder: That's fair enough.

Mr. Jacques Pomerleau: If we only get a quota of 25,000 tonnes, I don't think we'll go anywhere.

The Chair: That's very good. Thank you very much.

Mr. Ed Holder: Thank you.

The Chair: Yes, that is an interesting word.

Voices: Oh, oh!

The Chair: Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Yes, it is a troublesome word indeed.

Thank you, folks, for coming.

When Minister Fast was before the committee, he talked about how the benefits of the CETA agreement would be immense and he said that they would open up new markets for a number of agricultural products, including beef and pork. Yet when the negotiator was before the same committee, he said there had been no in-depth discussions with the EU as yet with respect to beef and pork.

Can you enlighten us? Where is this at in terms of the negotiation for beef and pork? I mean, we recognize that the Europeans have sensitive commodities, as do we, but do you know where discussions are at?

● (1135)

Mr. Jacques Pomerleau: We know exactly where they're at. We were warned from the very beginning that pork would be one of the very last items to be negotiated with the EU, because it's very sensitive. Therefore, right now we will be working in the next couple of weeks with our negotiators to develop a position, line by line, in terms of duties and in terms of quotas. We are working with them very closely.

Hon. Wayne Easter: Okay, so that's forthcoming.

Mr. Jacques Pomerleau: Yes.

Hon. Wayne Easter: That leads me into my next question. I was intrigued by the Europeans' amalgamation of meat. They're amalgamating meats. Could you expand on that somewhat?

I am concerned, from Canada's perspective, that as we go into these negotiations, they've admitted that there hasn't been a net benefit analysis done, that it's kind of a wish list. But when I look at how the U.S. is becoming more restrictive and how the Europeans... we met with European parliamentarians and learned more there than we learned from our minister, it's sad to say. The Europeans obviously set the stage in other ways to protect their interests, which we don't do.

Could you expand on that amalgamating of meats? Also, from your perspective, will that change in this negotiation or not?

Mr. Jacques Pomerleau: After the Uruguay Round, everybody was talking about giving 5% access to their markets. Because they were net importers of beef, horse meat, and others, the Europeans put all the meats together, and the share that was left of the total 5% was only 36,000 tonnes for pork. That's how they did it, because there were no rules on how to define the 5% access at that time.

Hon. Wayne Easter: But in this negotiation, will that change the way it should actually be done for each commodity—where beef is beef, pork is pork—instead of for all meats?

Mr. Jacques Pomerleau: Yes.

Hon. Wayne Easter: Then the objective is to change that so you have an import amount for each specific commodity? That's your understanding?

Mr. Jacques Pomerleau: Yes, and it would be for each cut. It would be not only pork or beef, but each line in the tariff line.

Hon. Wayne Easter: Okay, good. Thanks.

With regard to South Korea—and I know Korea and Japan are extremely important—what would be the cost to us if we were forced out of that market because other countries had managed to get trade agreements and we hadn't? We don't seem to be on the table—the parliamentary secretary is not here—and we just do not seem to be in that discussion with South Korea now. I don't know if we've given up or what. What will be the cost to the industry?

Mr. Jacques Pomerleau: It will be $300 million in sales per year. The duties are between 22% and 25%, and the Americans and Europeans have managed to get the duties eliminated within two or three years. So we will be at a 22% to 25% price disadvantage.

Hon. Wayne Easter: That's within two years?

Mr. Jacques Pomerleau: That's within two years.

Hon. Wayne Easter: Thank you.

Coming back to forestry, Mr. Casey, I'm sorry I missed your presentation; I was at another event.

Not so much on CETA—and I know the CETA agreement is extremely important—but where is the lumber industry at now vis-à-vis the United States? The softwood lumber agreement, which came about whether we liked it or not, is one thing, but are we expanding in the U.S. market? Are there more restrictions? We're finding with the U.S., on everything we do these days, that there are new fees. There's Buy American. Where are you at on the lumber industry?

● (1140)

Mr. Andrew Casey: The U.S. market has been a very difficult marketplace for us for the past couple of years, for obvious reasons. The housing market has sort of gone in that tank, and that was our mainstay. Our share of the U.S. marketplace used to be well up over 75%. It's down to about 65% now, and that's mostly because the market has shrunk, not because we've pulled out.

Hon. Wayne Easter: It's not because of political reasons?

Mr. Andrew Casey: No. In fact you could make the case that the softwood lumber agreement, while not the most perfect agreement by any stretch, actually helped us during the recession because it guaranteed us a market share, and we were able to keep selling into that marketplace. But I think it does illustrate the importance of deals like this, and also of the market diversification strategy that the industry has undertaken, because when you become too beholden to one particular marketplace, you are subject to whatever happens in that marketplace.

Obviously our industry was one of the first to feel the impact of the economic downturn. As we talked about earlier, in Quebec they felt the shrinking and the loss of jobs. They felt them in B.C. as well. So finding new markets for the products to lessen our dependence on that marketplace remains an important objective.

The U.S. will always be our most important marketplace simply because of proximity. We have a relationship with them. They build with wood, which is not a culture that is prevalent in all other countries, but I think if we can get that number down, share that, diversify that, and spread out to other countries, it would help the industry greatly.

The Chair: Thank you very much.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair. Thank you to the witnesses.

I want to just go to Canada Pork International and Mr. Pomerleau for a minute. In your comments, you talked about—I appreciate the confidence that you've given to the Canadian negotiators. Quite honestly, that's something that we've been hearing. I think that Canada is recognized in terms of the development of free trade agreements, that we are fair, and that we deal with a win-win so that these agreements are seen as good for both countries.

I think you would agree it's important that we have that analogy as part of it. I'm wondering if you could help me just a little bit. In one part of your presentation, you talked about the Canada-EU Veterinary Equivalency Agreement, which is there for pork plants to become EU-approved. We now have three, and there are some sitting in the wings.

For us to market—and they have to be EU-approved—does this agreement also then reflect that their plants also have to meet conditions for imports of EU pork into Canada?

Could you comment on that, please? Often, we hear that they put the barriers up. Is this one of those non-tariff type barriers that are there?

Mr. Jacques Pomerleau: The Europeans are like the Americans. When they develop their own regulations, they don't think of their trade partners. They develop the agreement for their own purposes.

There aren't too many who export to Canada, and they do have to meet Canadian requirements.

Mr. Bev Shipley: Are our standards much different to meet from theirs? If so, Canada is always recognized as a very high-quality product country.

Mr. Jacques Pomerleau: Yes, but the problem has to do with—I'll give you a couple of examples.

The Europeans require plastic pallets. Our plants are using wooden pallets. They require a wall between the packing line and the boxes. That's what we're talking about—structural changes. At the end of the day, they all meet the same safety standards. That's what we mean by getting a "true equivalency", when you recognize the results rather than the means.

Mr. Bev Shipley: I think that is important, at least on the record, to understand. They're basically structural and infrastructural items, not food safety-related items.

There was some comment about non-tariff barriers. Can you talk about any that we may need to be talking about—which ones we need to overcome?

Mr. Jacques Pomerleau: The non-tariff barriers.... The third-country directive, which has to do with the agreement on the plants, is the major one. For some others, we decided that we will live with them, such as the issue with Paylean or ractopamine. We'll never be able to convince the European public or the European authorities to drop their ban on those products. Our industry will adapt.

Europe requires that every pig be tested for trichina, which is a worm that has an impact on human health. Again, we would like to get the Europeans to recognize that Canada is free from trichina in its commercial herds. That is a process that we need to develop with them, but at least they're willing to discuss a protocol by which we would recognize that.

● (1145)

Mr. Bev Shipley: When we had the Canadian cattlemen in—just to have it on the record—their concern or objective was to create new market access for beef exports.

When you were talking in your presentation—and my colleague touched on that and asked a very direct question about you wanting to be in the top ten, or maybe one of the top five areas. I'm wondering if you can—and I know it must be hard to project.... But if you're so supportive of this agreement, there has to be some significant market access for your industry.

As you mentioned earlier, the whole objective when we market livestock is to market 100% or as close to 100% of that animal as we can. One, can you give us some expectation of what this would actually mean to you in market access? Two, do you see the EU as helping to market 100% of the animal, or is it your advice to us that we need to continue to grow these market agreements in countries where we have products that we see as not usable in Canada, and yet will draw a premium price in some of these other countries?

Mr. Jacques Pomerleau: If we want to have the EU in the top five, it means we would need to have in excess of over 100,000 tonnes per year. That's a figure—

Mr. Bev Shipley: Do we produce that much pork?

Mr. Jacques Pomerleau: Oh, we produce two million tonnes per year—

Mr. Bev Shipley: That's on average, though.

Mr. Jacques Pomerleau: —so that's not an issue.

The point is that the EU is by far the best market in the world for legs. They give a premium, especially for the quality of product we produce in Canada. They are aware of it, so it's to get that access. It would really help to lift the overall carcass price in Canada if we could get that access.

As I said, the legs are in surplus, and very few markets, outside of Australia, give a premium for legs.

The Chair: Thank you very much.

Mr. Ravignat.

[*Translation*]

Mr. Mathieu Ravignat: I would like to come back to the forestry sector, if I may.

What I'm a little more concerned about is that opening new markets is considered a panacea for the sector. I don't think this is the case. It may be true for large companies that want access to these markets, but it isn't the only part of the solution to help this sector.

With respect to competitiveness, what do you think this government can do to ensure that the sector—a sector in crisis—is transformed and becomes more competitive?

Mr. Andrew Casey: You are completely right. Just having free trade with all the other countries is not the only solution. But these are really big markets, and we need the markets to sell our products, that's for sure.

The other point you mentioned is true. We are looking to become a leading sector in bioeconomy and bioproducts, and that is where we need a little help. We want to be the first sector to…

[*English*]

getting the technology, getting there first. It's important to be the first out of the gate.

[*Translation*]

That is where we need a little help from the government.

The government has given us a lot of help so far in this respect.

[*English*]

through a number of programs, such as the pulp and paper green transformation program and the investments in forest industry technology programs. They have been very helpful.

[*Translation*]

But we still need more assistance to move forward.

Mr. Mathieu Ravignat: So the loss of jobs and the weakness in this sector are related in large part to the manufacturing side of things. Perhaps we can agree on that.

I'm also concerned about the notion that Canadian production focuses more on the export of raw materials than on value-added products. But I think it's the value-added market that creates good-quality jobs in this country.

How can we make sure, in a free trade agreement, that both sides of the sector are stimulated?

● (1150)

[*English*]

Mr. Andrew Casey: The industry needs the markets to sell the primary products to.

You are exactly right that moving up the value chain would be very welcome. It would bring more jobs. The problem is that you have to decide what value chain you want to move up on. It's unlikely that Canadians are going to start to work for $1 an hour to make cabinets, guitars, and violins. That's probably not a value chain we want to go up. The value chain we do want to go up is where we extract the maximum amount of value out of the tree and turn it into value-added products in the form of bioenergy, bioproducts, biochemicals.

That's something we can do here in Canada. We can add enormous amounts of value. There are many jobs here. If we go strictly to taking down a tree and burning it for energy, there are very few jobs in that. If you integrate that into the making of lumber, pulp, and paper—the traditional products—then you have an industry that will create more jobs than what already exist.

As I say, we already have 240,000 people directly employed in the industry. If we move into the bioeconomy a little more forcefully, we will grow that number fairly significantly, I would think.

[*Translation*]

Mr. Mathieu Ravignat: Okay, thank you.

If I have any time left, I'd like to share it with Mr. Côté.

[*English*]

The Chair: Okay.

You have one minute.

[*Translation*]

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you, Mr. Chair.

My question is also for you, Mr. Casey. I really enjoyed your presentation and your comments.

I agree with my colleague. Obviously, free-trade agreements are often presented to us in a very simplistic way. I found information from Statistics Canada indicating that, from 2008 to 2010, more than 40,000 jobs were lost in the forestry sector, while from 2009 to 2010, the sector's contribution to the GDP increased by $1.6 billion.

When we talk about $1,000 in benefits per family, it's simply a distraction. If this doesn't materialize for these families, it means little because it can very well be exported in the form of profits for these companies.

Do you have an idea about what we can concretely hope for, in terms of jobs, from the future free-trade agreement with Europe for the forestry sector?

Mr. Andrew Casey: As I was saying to Mr. Holder, it's a significant market, but it is not the largest one for us. First comes the United States, and then China, and Asia in general. Europe assures us a market of $1.4 billion. It's a significant market, but our industry represents $56 billion a year. So it isn't the largest market. The most important thing right now is to have a market in China and Asia. There are jobs in those markets.

[*English*]

The Chair: Thank you very much.

Mr. Cannan, you can finish this off with the few minutes remaining in this session.

I want to remind the committee that I have some information for which I'd like to go in camera for the last five minutes of the next hour.

Mr. Cannan.

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

Thanks to our witnesses.

Mr. Casey, I represent the riding of Kelowna—Lake Country in the Okanagan. Forestry is important to the interior of British Columbia specifically. I thank you for your industry and for working closely with our B.C. government. Mr. Thomson, our MLA and Minister of Forests, has been in China with Minister Oliver. We continue to diversify in Asia, as you mentioned.

Specifically with regard to the EU, you are saying that the upside is getting rid of the 7% tariff. Which sectors in Canada would benefit the most? You said plywood and OSB.

● (1155)

Mr. Andrew Casey: Yes, the building side of things would—OSB and plywood. That's where the tariff is, and they would benefit the most. As I say, we're selling somewhere in the $300 million area into the EU right now. It's a marketplace of $23 billion in forest products in general, and we are facing that 7% tariff against our competitors. So getting rid of that would certainly put us at an advantage vis-à-vis those competitors.

If I were to break it down, and if I understand the underlying question there, you'd find that most of the wood products would be coming out of British Columbia. The pulp and paper products would be coming out of Quebec and Nova Scotia.

Mr. Ron Cannan: Thanks for that.

A couple of years ago I had the honour of representing the government in Finland. They're actually very similar to British Columbia and very innovative in the northern portion of their country with the forest sector. Is there some potential for collaboration with the EU, from an innovation perspective, to work on becoming more efficient all together as an industry through knowledge sharing and through an agreement such as this as well?

Mr. Andrew Casey: I'm not so sure there's any benefit from the agreement itself in that regard. You're exactly right that the Finnish government sort of undertook a forest industry strategy many years ago, whereby they decided they were going to devote significant resources to the industry to make sure it was strong and healthy.

I think the second part of my answer would be that we would hope there was none, because we'd like to get there first on a lot of these things. There's a huge value in getting these products first, getting the technologies developed first. For that reason, and to the earlier question from across the table, we certainly welcome government support in getting us there first. We think we have enormous potential to do it. As I demonstrated with the three-dimensional pulp, there are other sorts of products like that out there.

It does require enormous amounts of investment, and it is fairly risky. In that regard, government help to sort of jump-start it right now, particularly given where the economy lies, would be hugely welcome.

Mr. Ron Cannan: I have one quick question for Mr. Pomerleau. With the pork industry and the consultation, one of the concerns always is making sure that you're involved in the process. To date, do you feel that as an industry you have been kept apprised, and is it fair to say you have a good working relationship with the trade negotiator to date?

Mr. Jacques Pomerleau: We do and we're very pleased with the way it's going. We are consulted on even the small details.

Mr. Ron Cannan: Thank you.

The Chair: Thank you very much.

Thank you very much for coming in. The Forest Products Association is a big player in Canada, as you've described, as is the pork industry. It is great to hear that the negotiations are going well from your perspective, despite some of our members not discerning that the minister has given us that information. It's great to be reassured by you as witnesses.

We hope that the next two weeks are very fruitful in the negotiations with the pork industry.

We'll suspend now for a minute or two to reset for our next hour of witnesses.

● (1155)

(Pause)

● (1200)

The Chair: We'll call the meeting to order. I know that some of you are still getting a quick bite, and that's fine, but we have our witnesses prepared to go and we have enough members sitting at the table. We want to use our time valuably.

We have two witnesses.

We have with us Mr. David Skinner, from the Consumer Health Products Association of Canada.

Thank you for coming in.

We also have, from the Alzheimer Society of Canada, Debbie Benczkowski.

Is my pronunciation close...?

Ms. Debbie Benczkowski (Interim Chief Executive Officer, Alzheimer Society of Canada): It's very good.

The Chair: Thank you.

Mr. Skinner, the floor is yours.

Mr. David Skinner (President, Consumer Health Products Canada): Thank you very much.

Mr. Chairman and members of the committee, I'd like to start by thanking you for inviting Consumer Health Products Canada to provide our industry's perspective during the committee's review of a prospective comprehensive economic and trade agreement between Canada and the European Union.

Consumer Health Products Canada is a national industry association representing manufacturers, marketers, and distributors of consumer health products. The association members, which range from small businesses to large corporations, account for the vast majority of over-the-counter natural health products sold in the Canadian market.

The consumer health products industry is a mature but growing segment of Canada's health care system, currently generating approximately $5 billion in sales per year and contributing to the growth of the Canadian economy by providing high-quality employment for over 6,000 well-paid, highly skilled people involved in production, importation, and marketing of consumer health products in Canada. We further estimate that an additional 25,000 retail and distribution positions are supported directly by the sale of consumer health products.

We're aware that the negotiations between Canada and the EU thus far, as well as the discussions of the committee during these deliberations, have touched on various elements of intellectual property for prescription pharmaceuticals, including data protection, patent term restoration, and rights of appeal. We would note that these aspects of intellectual property do not currently exist, nor do they apply in the same manner for consumer health products. Our sector is in dire need of some data protection to ensure that we are attracting research investment to Canada and creating jobs for Canadians in domestic manufacturing and distribution of innovative products.

We believe that government and industry must work together so that Canadians can benefit from new scientific and technological breakthroughs in the area of consumer health products. But with that said, there are currently impediments to innovation in the regulation of consumer health products, which cause multinational corporations to negatively view the Canadian environment and its adverse effect on their ability to gain a return on investment when introducing innovative products.

One of the ways in which our industry innovates is by conducting research on established prescription drugs to find novel uses for them in the consumer market. When safety and patient benefits are demonstrated, this research is then used by Health Canada to process regulations for making a prescription drug available for self-care use.

Canadians benefit in several ways when medicines are switched to non-prescription availability, either for consumer self-selection or through the supervision of a pharmacist. They can treat common ailments and troublesome conditions more effectively without having to make a doctor's appointment. The prescription-OTC switch of antifungals for yeast infections, benzoyl peroxide for acne, and H2 blockers for heartburn are all great examples of this. For industry, switching from a prescription to a consumer market provides the opportunity for innovation.

However, there are also enormous benefits to the Canadian health care system and to the broader economy in switching products appropriate for self-care from prescription to consumer status. Research conducted for our association this year showed that visits to the doctor for colds, headaches, and heartburn cost the health care system $1 billion annually for adults alone. Once children and the associated costs of prescription drugs and lab tests are included, the figure exceeds $2 billion for just three of the hundreds of minor ailments that can be self-treated with consumer health products.

Prescription-to-OTC switching can reduce these costs in multiple ways. In some instances, just making incremental improvements to the self-care options available in the existing categories can generate substantial savings. For example, a Queen's University study showed that switching non-drowsy allergy medications to self-care status produced $65 million in net annual savings on doctor visits, dispensing fees, and drug costs in Ontario alone.

In other instances, by providing an entirely new self-care option, the impact on health care can be more dramatic. For example, in the switch of nicotine replacement therapy for smoking cessation to self-care status, not only were unnecessary doctor visits reduced, but overall quitting attempts rose significantly, contributing to the sharp drop in smoking rates in Canada since the 1997 switch of these products.

For the majority of Consumer Health Products Canada's multi-national member companies, innovation happens on a global scale. After investing in the rigorous research to support the safe use of a new product for the consumer population, companies decide within which global markets to file registrations. Jurisdictions that offer data protection or market exclusivity for switched products are the most attractive to industry because they offer the opportunity to recuperate the exorbitant costs of research.

● (1205)

The lack of a data protection period currently being offered to our industry in Canada is causing us to lag many years behind companies in the European Union. As an example of this, in a recent comparative review of the switch landscape in Canada versus the United Kingdom, it was found that between 1984 and 2009, 96% of the switches occurred first in the United Kingdom before Canadians had access to them. Of those products switched first in the United Kingdom, the average period of time before Canadians had access to them was 7.3 years.

A great example of the detrimental effect on the health of Canadians and our economy by the lack of data protection for the consumer health products industry can be seen in the prescription to over-the-counter switch of cholesterol-lowering medications in the European Union. In Canada, competitors are able to get to market within a few short months of the innovator by using the efforts of the innovator to gain regulatory approval.

It is unlikely that any Canadian manufacturer will view this environment as worthwhile to invest in this kind of innovation. Therefore, Canadians will wait many years before accessing a product that citizens of the European Union currently have access to. This switch alone is projected to bring billions of dollars' worth of cost-effective health care savings through reduced coronary heart disease, morbidity, and mortality. With that said, we must also consider the trade opportunity lost for improving the Canadian economy during those lag years by creating thousands of jobs in domestic research and manufacturing and sales.

It's for this reason and many others—outlined for the committee in our written brief—that we propose that Canada align with the European Union's Article 74a data protection period for one year for prescriptions to OTC or prescriptions to natural health product switches when the government relies on proprietary clinical trials of an innovator to approve this change in classification.

Thank you for your time today. Given the complexity of these issues, I would be more than happy to answer any questions you may have.

● (1210)

The Chair: Thank you very much for that information. We'll look forward to the question and answer part of it.

We'll now move to the Alzheimer Society of Canada.

Debbie Benczkowski, the floor is yours.

Ms. Debbie Benczkowski: Good afternoon, and thank you for the invitation to appear in front of the Standing Committee on International Trade today.

We at the Alzheimer Society of Canada have recently had the opportunity to meet with Minister Ed Fast in Toronto, and we are very pleased that this important committee is also interested in hearing from the Alzheimer Society today. I'd like to tell you a little about who we are, what we do, and why innovation matters to the over 500,000 Canadians who have Alzheimer's disease or another dementia, and who I'm here to represent.

The Alzheimer Society and our over 150 offices across Canada provide help for today and hope for tomorrow to Canadians who are affected by this terrible disease. We offer help by providing information, support, education, and awareness about the disease, how to cope, and how to enhance quality of life throughout the continuum of the disease. We offer hope by supporting research so that we can better understand, diagnose, treat, and prevent Alzheimer's disease.

Just a few words about the size, the scope, and the implications of Alzheimer's disease. Our "Rising Tide" report—which we released in 2009, and I brought copies along for you today—projects that within a generation the 500,000 Canadians with dementia today will more than double to 1.1 million Canadians. This year, 2011, is the year that the baby boom generation turns 65, and that means our problem will just get bigger, because aging is the greatest risk factor for Alzheimer's disease.

Alzheimer's disease is a terminal disease, and people with it can live for seven to 12 years after diagnosis. The cost of providing care throughout the continuum of this disease period is enormous. It is estimated at $15 billion today, and it will grow within a generation to $153 billion. So this is not a disease we can afford to ignore. It has an overwhelming impact on the people who have it and the people who care for them.

What is the Alzheimer Society of Canada doing to help? We at the Alzheimer Society are working on a number of fronts to provide help and hope to Canadians. In addition to our appearance here today, we are also working to affect change through preparing a well-researched and factual case about incidence, prevalence, and the economic impact of this disease, provided through our "Rising Tide" data. We are working at promoting continued and increasing public interest, evidenced by media coverage of the need for a national dementia strategy. We are working at maintaining an ongoing dialogue with senior bureaucrats and federal representatives through committee appearances like this one, including the neurological subcommittee on health.

We also work very closely with our 10 provincial Alzheimer Society partners to support their efforts to inform their provincial health representatives, so that we are presenting a common voice in the health accord negotiations to improve support systems for caregivers, improve brain health through increased research, and improve the integration of health care services post-diagnosis and as the disease progresses.

Today, I want to talk to you a little bit about why innovation matters to those I am here representing. Those people with Alzheimer's and other dementias want and need access to every single piece of brilliant science that might translate into medications that help their symptoms—treatments that can make them more able to lead normal lives for the time they can, and relief from the pressure and hour-by-hour responsibility of caregiving for families. Let me explain.

Therapeutic agents that target disease modification generally require studies that are often 18 months or longer. In fact, it can take as long as 10 to 12 years and $1 billion or more in development costs to bring a therapeutic agent to patients. This often leaves only seven to nine years of patent exclusivity for the industrial sponsor to recoup its investment in the development of a new drug. If a phase three trial has equivocal results that require a second phase three trial, companies frequently abandon a promising new drug because of the loss of patent exclusivity. It's a one-shot endeavour. Already a useful drug that could help people with Alzheimer's disease may have been abandoned for lack of corporate sponsorship.

Once the patent exclusivity on a new therapeutic agent expires, it can be copied and sold by companies that produce generic drugs in the competitive marketplace forever, without the costs of research and development.

● (1215)

As a result, developing new drugs has become an increasingly problematic business model that discourages the development of treatments for the fatal, chronic diseases—like Alzheimer's disease—that create the greatest demands on our medical care systems.

I have already shared the statistics for Alzheimer's disease with you. We know that this disease has the potential to overwhelm the medical and social support system in Canada and globally within a generation if nothing is done to prevent or slow the progression of the disease.

Patent rights policies for new pharmaceutical entities require reworking if the pharmaceutical industry is to continue to develop new drugs. For instance, prolonging patent exclusivity or allowing companies to recover some of the patent time lost during trials and regulatory approval processes would incent greater investment here in Canada.

Canada should benchmark against the exclusivity policies in the U.S., the EU, and other countries to provide a modestly advantageous policy. It is crucial that Canada take a leading position in this area so that business opportunities for the pharmaceutical industry in Canada are created, with a positive economic impact on Canadian health care, job creation, and investment in research—and for our stakeholders, the hope for a cure for Alzheimer's disease.

The brain is the body's most crucial and complex organ, made up of 100 billion neurons or brain cells. It controls all our life functions and allows us to act, move, think, feel, and express both our humanity and our individuality. If the brain doesn't work, every aspect of your life is compromised as a result. The brain is also the least understood, and perhaps the last frontier, in research. Ninety per cent of what we have learned about the brain has been learned in the last 15 years, but researchers still have a long way to go towards fully understanding brain function.

Diseases, disorders, and conditions like Alzheimer's are so complex that we need to, at a minimum, maintain, but also significantly increase our investment in research and development. This will give hope to Canadians affected not only by Alzheimer's disease, but also by the array of neurological conditions for which there are only limited treatments available, for many of which we still don't know the cause and there still is no cure.

We fear that without clear demonstration of Canada's support, promotion, and nurturing of innovation, key partners in industry may abandon research into Alzheimer's disease. It's already happening in the areas of stroke and psychiatric illness. We don't want this to happen to Alzheimer's disease. A reconsideration of patent policies will reset the system so that these critical, unmet medical needs can once again fit within the business model of pharmaceutical research and development and make a positive impact on new job creation in the vital knowledge economy.

Now we come back to the why. We don't know the cause or the cure, nor do we have effective treatments for the progression of Alzheimer's disease and other dementias. For this reason, we need to level the playing field and ensure that Canadians have the same access to innovation as the rest of the world, particularly the U.S. and Europe. For those Canadians who we represent, innovation means support for more research, drug discovery, and access to clinical trials. The research and development driven by this innovation translates into the work that will identify the causes and cures for this disease.

The Alzheimer's Society would welcome strong support and partnership with government and industry to really make an impact on this disease. We are doing our part at the Alzheimer's Society, as we are the largest non-government funder of Alzheimer's disease research in Canada. But we fear that our over 30 years and $35 million investment in supporting this research may be at risk if the scientists and researchers we have been funding leave Canada for other countries that will support their work.

We know that similar OECD countries have better access to medications than we do in Canada, including equity in access to clinical trials. Over the past 30 years, many drugs have been studied as possible treatments for Alzheimer's disease, but few have reached the market and have only been marginally successful in treating mild symptoms. Canadian scientists are working with their U.S. counterparts in academia, industry, and regulatory agencies to discuss ways to improve predictability and probability success. We need to be ready to take up the challenge and maintain our role as international research leaders.

● (1220)

Let me quote from the February 2011 report of the Canadian Institutes of Health Research:

> Despite having only .5% of the world population, Canada produces 5% of the world's new knowledge in Alzheimer's disease and other dementias, and over the past four years, 15% of the most influential publications.

We cannot afford to let that kind of momentum be stopped by the withdrawal of ongoing long-term investment in the drug development that could see a cure.

To sum up, my expertise is not in specifics of legislation or negotiations, but we at the Alzheimer Society of Canada believe that reforming intellectual property standards for medicines in Canada that are currently being negotiated in the CETA discussions will maintain our knowledge-based investments with the potential of a $12 billion boost to the Canadian economy; will position Canada as a world leader in advanced medical research and a magnet for global investments; and will result in increased chances of Canadians getting access to newer medicines available elsewhere that can treat and eventually cure Alzheimer's disease and other dementias.

Currently Canada ranks 23rd out of 29 OECD countries in terms of public coverage of new medicines. This inequity means that people with Alzheimer's disease and other dementias have far fewer chances of getting medicines that could help alleviate their symptoms and possibly slow the progress of this disease. Canadians affected by Alzheimer's disease and other dementias need to be able to have hope: hope that their complex conditions will receive the attention they deserve by legislators such as you and hope that Canada will maintain its support for research, development, and innovation.

I came here today because I want to connect the dots between the need to support innovation in Canada, which will lead to more research and development, which will translate into more equitable access to drugs and the development of effective treatments of Alzheimer's disease and other dementias in Canada.

Thank you for your attention.

The Chair: Thank you very much.

We'll open it up to questions and answers.

Mr. Côté, followed by Mr. Hiebert, go ahead.

[*Translation*]

Mr. Raymond Côté: Thank you, Mr. Chair.

My question is mainly for Mr. Skinner.

I won't hide the fact that it irritates me a little to hear the same thing again and again about protecting patents to encourage research and development in the pharmaceutical industry. For 25 years, I have been studying the economic impact and the importance of social programs, particularly in health, in relation to the gross domestic product of a country, of a government budget.

What I've been seeing for 25 years is also shown in the figures published by the OECD in 2007 for the G7 countries. I compiled these numbers, and a very clear curve is established between the control of government spending in health and the actual costs. We can see that the United States is the country that spends the most public funds, considerably more than any other G7 country, whereas in the United Kingdom, which exercises very tight control, has the lowest levels of public spending.

I will now come back to the pharmaceutical companies. The chair of socio-economic studies of the *Université du Québec à Montréal* published a study on the 15 largest pharmaceutical companies in the world—we are obviously not dealing with the Canadian context. This study indicates that, in general, research and development spending over a 10 or 15-year period, if I remember correctly, represents the equivalent of only about a third of marketing and administration costs.

In terms of research and development spending, I'm not saying it's a general rule, but I think that too often we unfortunately see the development of new products that are simply derivatives of existing products, products that have supposedly been improved. I'll be honest: I sometimes feel like I'm being had.

You're asking for alignment with the European rules, in the same way that we are having a speculative bubble on the stock markets. But doing this, are we not just creating a monster, a bottomless pit of money that, in the end, won't bring anything extra to my mother, for example, who has to take a collection of pills every day? In the end, what concrete outcome will this alignment bring to Canadians? Can you give us a clear answer?

● (1225)

[*English*]

Mr. David Skinner: Thank you.

Actually you mentioned the situation between the United States and the United Kingdom. In my example, I was using the United Kingdom as a very strong and positive model.

It goes beyond just the data protection that's afforded in the European Union for inventing new uses for established products. I'll talk a little bit about that, because it actually has something to do with my colleague's comments. In the United Kingdom, the biggest driver of cost containment is understanding an integrated health care approach that makes self-care—what people can do for themselves—a very big part of the National Health Service and so on.

The United Kingdom was a very early adopter of the idea of not just dealing with invention, which is the patent protection system, because there are two ways you can improve health care. One is through inventing new chemicals that will have a certain safety and efficacy profile. Another is by using innovation whereby you would take something basic and find a new use for it.

The beauty of having an innovation incentive through a data protection period for something that is well established is that you already know the safety profile. The product has been in use for maybe 10 or 15 years. It's gone well past its patent life. The product is no longer at a very expensive level. It's been genericized and so on. You say that you've done some research and that product that always used to be used for arthritis actually has a very good anti-hypertensive effect, and it's much safer than the current anti-hypertensives and probably will give better compliance, and so on.

If you do all that research in Canada, you will get nothing for it. You will be penalized, in fact, because the minute you invest all the money into research and into making an application, the Canadian government will say, “Thank you for that. Now your competitors may do it as well today.” In fact, they go so far as to publish the label copy and everything you as the innovator have provided.

In the European Union, however, you have one year during which the government will not allow competitors to use your data to gain market access. It doesn't mean they couldn't do so if they had their own data. But that is a very tangible health care spending effect: being able to spend less money in terms of research to find new uses for established drugs, (a) because the safety profile is already established, so you're only looking at half the equation now; and (b) if you can find a new use for an established product and you can make it available for self-care, the costs drop right through the floor because you're into an open, competitive market.

And by the way, the governments don't pay for those kinds of things. People take them, and quite frankly we're in a period now where more and more Canadians are saying, "Please help me help myself. I want to be responsible for my own health care." We're at a very interesting point in time where Canadians—and indeed, Europeans as well—want to do more for their own health.

But unfortunately, as I pointed out in my presentation, Canadians will be at least seven years behind Europeans in terms of products they can use to lower the health care system costs and also help individuals.

● (1230)

The Chair: Thank you. Your time has gone.

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

Actually, that's a great segue, because that's what I want you to elaborate on, Mr. Skinner. In your opening remarks you talked about the seven-year delay and the 90-some per cent of products that were available to EU members or U.K. members, and not to Canada. Could you just elaborate on that information for the members of the committee? Just repeat what you said earlier and give us some more examples.

Mr. David Skinner: Sure. In the United Kingdom, when the data protection period came into play through the European Union, and even slightly before that in terms of the U.K. government's recognition that in order to have sustainable health care, people needed to be more involved in their own health care, they took the very positive approach to prospectively look at all of these very old prescription drugs that we've had for many years. They kind of knew the drugs were well characterized in terms of their safety and their efficacy. Which ones could they prospectively move into self-care status?

To do that the government requires research to show that something could be used in the conditions of a consumer going and talking to a pharmacist rather than having to go through a physician's service to make sure that everything is well directed. They could actually use it more on their own, with supportive care from pharmacies and nurse practitioners, and so on. So there was a lot of data.

That has resulted in a very long list, over time, of products that have been moved off prescription status and into self-care status. The 96% number that I referred to reflects the fact that Canada has followed along. In other words, we have many of the switches now that they had in Europe. But it has taken us at least seven years, on average, to make that similar move.

Mr. Russ Hiebert: Why?

Mr. David Skinner: It's mostly because of two things.

One is that companies will invest in markets where they can recoup their investment. That's the crass commercial side of it. So there's nothing in it for the company to introduce it in Canada until such time as they have basically recouped their cost in other countries; we're kind of last on the list. You could do it, but you have to wait until you've actually recovered the costs of the data requirements the government uses to make their decision, until you can sort of expand it and let your competitors come and feed off your plate.

The second part of it is that in Canada we don't have a government philosophy towards self-care. I think I mentioned recently in a speech that the last two health ministers who said that self-care was valuable and we should pursue it were Marc Lalonde and Jake Epp. That's quite a while ago, sad to say. I actually knew both of them, so I've been around a long time, and I know that there is no government self-care initiative.

So if you combine the commercial aspects, which the trade agreement can address, and the government regulatory aspects, then you can really start to fire on all cylinders, just like they do in the U.K.

Mr. Russ Hiebert: So you're saying it's the lack of incentive for these companies to export their products to Canada that causes the seven-year delay.

Mr. David Skinner: Yes. It's not a simple matter of just exporting it. You would have to register it for sale in Canada, so you would have to go through the same process.

We were talking about red tape reduction. For example, there's a process that one goes through to be able to decide on simvastatin, for example, one of the statins for cholesterol, and it's two years to three years of government review of your dossier. That's after three or four years of the research that you've put in to try to support that application.

Then, when it hits the decision point and the lead investigators in the government say it's suitable for this switch and they need to remove it from their list of schedule F products—the list of prescription drugs—there's another whole two years' worth of the *Canada Gazette*, part I, the *Canada Gazette*, part II, and all of these machinations beyond when the decision is made, to eat up an extra two years of time and give your competitors that much more time to catch up to you. The standpoint we look at is that there are a number of regulatory issues that can assist, but even if all of them went away, we would still not eliminate that gap between Europe and Canada. We would just shrink it.

● (1235)

Mr. Russ Hiebert: Ms. Benczkowski, you talked about extending the patent life protection to encourage investment in research and innovation. How long do you think it should be extended? Do you have a number?

Ms. Debbie Benczkowski: I don't pretend to be an expert in how long a patent life should be extended. I guess what we are saying is that the access piece is most important to people with Alzheimer's disease, and we're actually just saying that the playing field should be levelled with what is already occurring in the EU and the United States.

Mr. Russ Hiebert: You also mentioned that we were ranked at 23 out of 29 OECD countries.

Ms. Debbie Benczkowski: Yes.

Mr. Russ Hiebert: Are you saying that most of those countries have better medicinal coverage than we do?

Ms. Debbie Benczkowski: Yes. That's a report that was prepared by Rx and D. It's called the "International Report on Access to Medicines" and it is from 2010. For drugs for mental illness, which is where the Alzheimer's disease drugs are ranked within that group, they were ranked at 27 out of 29 in terms of access for Canadians to those drugs.

Mr. Russ Hiebert: So it was not to all drugs; it was just to Alzheimer's?

Ms. Debbie Benczkowski: Yes.

Mr. Russ Hiebert: I see.

For both of you, to wrap up, how do you see our negotiations with the European Union in this trade agreement impacting your industries?

Ms. Debbie Benczkowski: I guess what I said is that I think it's most important that Canada maintain our investment in innovation and research and development. That is where people with Alzheimer's disease and people who are affected with neurological disorders.... It has the least success rate in terms of having drugs that treat the disease and will cure the disease. We're looking for equitable access for Canadians to the same drugs that are available in those markets, and the comparable ability to promote and support our investment in research and development and innovation in Canada, so that it doesn't leave Canada.

I also talked about the Alzheimer Society's investment in research. We feel very strongly about the investment we have made in research, which has been based on the donations of ordinary Canadians over the last 30 years. That's how we fund research at our society. We feel very strongly that our investment is at risk if innovation is not encouraged to the same extent in Canada that it is in the EU and the U.S. We're afraid that those researchers we support, and that we want to support, those young researchers that we want to bring along and are going to help us find the causes and cures of this disease, will leave Canada, because there will be better fields afar in other countries for them to do their research.

The Chair: Thank you very much.

I'll ask Mr. Skinner to answer that because it's a broad wrap-up question. If one of the other questioners...? Our time in this segment is gone.

Mr. Easter.

Hon. Wayne Easter: If you want to answer it now, go ahead.

The Chair: Okay. Go ahead.

Mr. David Skinner: I'll make it a quick answer. What we're seeking is to have the data provisions that are in the switch legislation for the European Union included in the trade agreement so that we can parlay those into a Canadian benefit.

The reason for this is that Health Canada has said we will not put anything into our regulatory system unless directed to do so by an agreement. So far, the only existing agreement that impacts any kind of data exclusivity is TRIPS, and that's only for new chemical entities. It's the one that allows you to extend the use of something still under patent.

Hon. Wayne Easter: Thank you. That relates to the area that I was going to ask about. Also, thanks for the information. It's interesting information that I certainly wasn't aware of.

On the cost side, though, it seems to me that what your organizations are asking for is to extend patent protection, using the trade agreement to do it. Number one, have you looked at the cost side? We're informed by the generic industry that the additional costs of longer patents would increase the cost to our public health care system, in one way or another, to $2.6 billion or $2.8 billion. The pharmaceutical industry, on the other hand, disagrees with those numbers, and they talk about there being new investment, new drugs, and better results, so the generic drug figure doesn't have as much merit as it sounds like on the surface.

So number one, have you looked at the cost side? Also, do you see our health care system being better off as a result or more costly?

● (1240)

Mr. David Skinner: Just to make a finer point, one of the things that often gets confusing, and for me as well, is that the patent extension period isn't really what we're talking about. I can speak to the principle of innovation around having a year to recoup your research costs for innovation in an area where there is an already existing product that can have a new use. When it comes to switching that product and making it available for self-care, we have looked at the cost-benefit side of it. We'll circulate some numbers after this meeting; I don't have them at my fingertips.

But here's the nub of it. When a product is switched, as I mentioned earlier, the costs come down for them; that actually reduces the cost to the provincial governments. I understand where the provincial governments come from in terms of their concern about there being any increased costs for products they're already covering, but when a product comes off prescription status for self-care use, then take it off the formulary so it's an immediate saving.

Sometimes they have to look at the unintended consequences of such an action. I remember when a cough syrup was taken off the Ontario formulary. That cough syrup was no longer reimbursed, but a codeine preparation was reimbursed, so all of a sudden it got substituted for codeine and there was no cost saving; there was a cost increase. Also, probably it was not the most appropriate therapy either, to expose a narcotic versus a non-narcotic....

So we're always aware of the unintended consequences of strict cost savings, but when it comes to self-care's value to the health care system, that is where the big numbers can crunch. We have just recently noted that just on the cost savings around cough/cold, for example, if only 10% of the very few people who run to see a doctor every time they get a sniffle were encouraged to do something for themselves—saltwater gargle or do whatever they need to do—half a million physicians would be freed up. There would be enough physician resources for half a million Canadians to have access to a GP who don't have that right now. So the impacts of small changes in self-care are huge in terms of cost savings.

Hon. Wayne Easter: You mentioned this at the end of your presentation, and I missed a couple of words, but on Article 74a for a year...can you explain that?

On this switch landscape, as you call it, it seems that we are far, far behind where we ought to be. Why wait for a trade agreement? Why not pressure the government now to do what might create some efficiencies, some innovation, and some investment? Why wait for the trade agreement?

Could you explain this Article 74a for one year...? I didn't quite catch that. Also, why wait?

Mr. David Skinner: Article 74a is what's in the European Union's legislation about a data protection period. It's a straight reference that can be pulled from the EU legislation.

Hon. Wayne Easter: Do we have anything in Canada that is similar?

Mr. David Skinner: No.

Hon. Wayne Easter: Why don't we?

Why would Health Canada take the position unless directed to by an agreement? They won't do certain things. I mean, they're supposed to be here to improve things, not to be an obstacle.

Mr. David Skinner: They would take the position that data protection—there is a section within the food and drug regulations called Division 8. It is the area where new uses for already new chemical entities can get some additional data protection, but it doesn't apply to anything that is more established.

They would say that is not in their mandate of protecting Canadians against fraud and danger. Unless the Canadian government says that it, as the Government of Canada, agrees to do this under a trade agreement, then they have no mandate to do it. That's common.

Now, we of course have been pushing for regulatory efficiencies for many years. In fact, that Division 8 provision has come up for discussion several times over the past 15 years. The unfortunate part, to be quite crass, is that our sector kind of gets thrown aside because the debate then starts to really centre around extending patent protection for Rx products. Then the generics industry and the Rx industry have their battles over that, and it becomes the sole focus and we get thrown aside.

● (1245)

The Chair: Thank you very much.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chair.

Welcome to our witnesses. This is an interesting and I think extremely important discussion that we've started here. There seem to be some inconsistencies. I think everyone on the committee would be in agreement that we're looking to—let me say that I don't think anyone is against protecting intellectual property. The questions are for how long you protect it and how it affects other industries.

Ms. Benczkowski, you made a comment that we rank 23rd out of 29 of the OECD countries in innovation. Yet at the same time, you said that 5% of the new Alzheimer's drugs come out of Canada. That doesn't seem to jibe somehow. There is a disconnect there. It would seem that we actually are more than pulling our weight in innovation without any proposed changes if we're inventing 5% of the new drugs that are coming on the market.

Ms. Debbie Benczkowski: What I did say is that in the "International Report on Access to Medicines", Canada ranked 23rd out of 29 OECD countries in access to medications for the mental illness class of drugs. That was what I was talking about.

That's just to correct the record.

Mr. Gerald Keddy: What this discussion is about...if we break it down to the lowest common denominator, it becomes a vote. There's a little bit of a new wrinkle into the switch idea, because it certainly would seem to me—I'm hesitating to comment because I don't want to sound like I'm speaking for government—that we're at a committee here and having a discussion on this. A year's extension of exclusivity for patent protection doesn't seem to be the end of the world.

I don't know how Canadians lose by that. It encourages the switch, which is what you've discussed, and it allows some additional patent protection for a one-year period, which is fairly brief, to get out there in the marketplace.

Do you have examples of how many drugs or number of drugs that have come up that could have been switched for a different application and that didn't occur because they couldn't get the one-year patent protection?

Ms. Debbie Benczkowski: That's your question.

Mr. David Skinner: Yes.

I have several examples of ones that eventually occurred but that took many years.

Famotidine is an example of where you would have had to research a different use for an already established prescription product. Famotidine has long been used, and has a good safety record, to treat ulcers. But it was perceived by researchers that it could also be used for other upper GI indications—heartburn, reflux esophagitis, and so on. Since the original research as a patented molecule never focused on that aspect of it, it wasn't an approved use for that product. Therefore, our industry had to research and do the clinical trials and so on to show that it could also be used for this other indication, this other use. That cost considerable money. That was one of the products that was switched early in the U.K., and it took another seven years or so in Canada to get that through.

There are other product examples I can give you, such as naproxen sodium—Aleve is a brand name—in the United States. Virtually everybody else in the world switched it, and it took almost 12 years for Canada to do so.

● (1250)

Mr. Gerald Keddy: My other question has to do with patent extension. Let's say there's a three-year patent extension. Could you comment on how that would affect the generic drug companies in Canada?

We know that generic drug costs are higher in Canada than in many countries in the world, but we have a very robust generic industry in Canada. If it were simply a matter of delay, where their business plan would change in the short term but not in the long term, because it would only be a delay of three years, they'd still be in business. I don't see any reason why that would close the industry down.

Do you want to comment on that? Have you really looked at what that would do? It's extremely important for Alzheimer's disease as well that we have access to plentiful and quality cheaper drugs.

Ms. Debbie Benczkowski: The only comment I would make is that we don't have any Alzheimer's drugs in Canada that are off patent protection yet because the drugs are so new.

Mr. Gerald Keddy: Aricept must be.

Ms. Debbie Benczkowski: Not yet; the drugs are still so new that.... I think Aricept will be the first one to go off patent protection, but it isn't yet. I don't have the dates for the other ones.

We really have only four drugs that are available, and they're really only available in the mild and moderate stages of the disease. After that time they become ineffective and really don't work very well, so people go off them. The decline is then quite steep once they go off those medications.

On the cost to the health care system, I would just also comment that there is a huge cost to the health care system of not making sure that we have investment in research. I talked a little bit about the investment that's needed in brain research to treat all the many neurological conditions for which we have really no treatment and no cure. We know now that the cost to our society of people having Alzheimer's disease is $15 billion a year. Within a generation, or by 2038, that cost will balloon to $153 billion if we do nothing.

So there's a cost to doing nothing as well.

Mr. Gerald Keddy: Thank you.

The Chair: Thank you very much.

We need to set aside a little bit of time to go in camera, but first I want to give a couple of minutes to Madame Péclet.

[*Translation*]

Ms. Ève Péclet (La Pointe-de-l'Île, NDP): Good afternoon. Thank you very much for being here today.

I would like to talk again about intellectual property and patents. We know that, if Canadian regulations adjust to the European legislation, the duration of patents will change. We know that the direct consequence of that kind of decision would increase the cost of prescription medication.

You are talking about reducing the costs to the provinces, but I think instead it's a question of increasing the spending of the health budgets of provinces. We also know that the ratio of research and development in Canada is 6.9%. In France and the United Kingdom, it's double, but the cost of medication is 10% less than the cost of medication in Canada.

In 2009, the Canadian pharmaceutical sector received $2.3 billion in financial support, as part of the support to the private sector for research and development, which generated $1.5 billion in investments in the area of employment. So it cost Canadians $1.48 in public financial support to the pharmaceutical company to generate one dollar in economic spinoffs in payroll. So the spinoffs are less than about 32%.

What will the consequences be of increasing patent duration on job creation and research and development? Will it increase research and development in Canada?

[*English*]

Mr. David Skinner: I can maybe provide a very quick answer from our perspective.

We're not advocating the patent extension period. What we're talking about is a separate issue; that is, data protection for new uses. I don't really have anything I can provide you on the costs that might accrue to provinces for extending the patent of a prescription drug that's on their formulary. We're talking about how you actually provide some incentive for establishing new uses for already established safe products that will give a greater impetus to lowering the costs.

If there were 20 candidates for switch and ten of them were to switch, you could lower the costs of provincial health care considerably because those would come off formulary and they would lower in price, even if you had more than one year's data protection—and the only reason we're saying one year is that we have no years now.

● (1255)

The Chair: Thank you very much.

I want to thank you both for coming in. It's indeed been an enlightening and a differently slanted look at the EU negotiations and agreement we're discussing as a committee.

We'll suspend very briefly to go in camera. We'll have to clear the room for those who are not supposed to be here for the in camera session.

[*Proceedings continue in camera*]

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