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Chair

The Honourable Rob Merrifield

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● (0845)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We'd like to call the meeting to order. We have one witness who is on his way and will be here in a very short time. We're dealing with CETA, the Canada-European Union free trade agreement. We are continuing that study, and we have the Canadian Generic Pharmaceutical Association here with us, represented by Jody Cox, director of government relations, and Jim Keon, president.

Also, I'd like to let the committee know that some of our witnesses have a plane to catch at 11 a.m., so you want to be out of the room a little bit early. We have business at the end of the meeting, so we'll accelerate this segment just a little bit to accommodate that.

So with that, Jim, you're doing the presentation? The floor is yours.

Mr. Jim Keon (President, Canadian Generic Pharmaceutical Association): Thank you very much, Mr. Chair.

Good morning. On behalf of the Canadian Generic Pharmaceutical Association and our member companies, I would like to thank you, Chair, and honourable members, for this opportunity to participate in your study of CETA, the comprehensive economic and trade agreement.

I'm joined today by Jody Cox, who is federal affairs director for the CGPA. She is responsible for our intellectual property and international trade files.

The generic pharmaceutical industry operates the largest life sciences companies in Ontario, Quebec, and Manitoba. We are Canada's primary pharmaceutical manufacturers and exporters, and are among the top R and D spenders across all industrial sectors. Generic pharmaceutical companies directly employ more than 12,000 Canadians in high-skilled research, development, and manufacturing positions. Our industry is a strong supporter of free and open trade. We export our high-quality, made-in-Canada generic medicines to more than 115 countries. We also procure raw materials and other imports for our medicines from around the world.

Canadian generic pharmaceutical manufacturers are globally focused, and all play an integral role in their companies' sophisticated global supply chains. This includes companies headquartered in Canada that are successfully competing in the global environment, as well as many of the world's leading generic pharmaceutical companies that have made strategic investments in Canada. The generic pharmaceutical industry also plays an important role in controlling health care costs in Canada. Generic drugs are dispensed to fill 65%—nearly two in three—of all prescriptions but account for less than 24% of the $22 billion that Canadians spend annually on prescription medicines.

Before moving on to the specific topic of CETA, I would like to provide a brief overview of the Canadian generic pharmaceutical industry's perspective on trade negotiations. The global generic pharmaceutical industry, as you might expect, is highly competitive. In order to operate in this environment, companies need to be able to access export markets for new generic medicine as soon as they open up to competition. Being late to the game generally means a permanent loss of potential market share that can never be recovered. The country's intellectual property regime for pharmaceuticals has a direct impact on the competitiveness of its domestic generic pharmaceutical manufacturing facilities. Generic pharmaceutical companies must navigate a domestic intellectual property system in order to manufacture for both its domestic market and its export markets. Companies typically have multiple manufacturing sites around the world, and the larger international companies have dozens of global manufacturing sites.

When changes are made to a domestic intellectual property system that create delays in when a generic medicine can be manufactured in a country, it becomes difficult for that country's domestic manufacturing facilities to compete effectively for new global R and D and production mandates from their headquarters. Excessive and conflicting IP requirements in trade agreements hinder competition and create barriers to trade for generic pharmaceutical manufacturers. Before CETA, Canada was already home to one of the strongest pharmaceutical IP regimes in the world. Canada's period of data protection, for example, was three years longer than that of any other country with a patent linkage system.

In addition, our patent linkage system created a great deal of unnecessary and costly litigation, because it did not bring finality to proceedings. This created an enormous financial risk for generic pharmaceutical companies that launched new generic medicines in Canada. It is the CGPA's view that too much emphasis in trade negotiations is placed on the wish list of rights-holders. More emphasis should instead be placed on the types of things that actually help to facilitate trade and would be beneficial to all life sciences stakeholders. These include things like regulatory cooperation, increased harmonization of regulatory standards, and mutual recognition of inspections.

Interestingly, the European Union's negotiations with the United States with respect to pharmaceuticals are focused in these areas, and not on intellectual property. The CGPA would like to see Canada take a similar approach in future trade negotiations.

I will now focus my remarks specifically on the CETA negotiations and the pharmaceutical aspects of those. Early in the negotiations, the European Commission tabled a series of proposals aimed at increasing pharmaceutical intellectual property measures for pharmaceuticals in Canada. This happened despite the fact that the actual pre-CETA market protected periods provided to brand name drugs in Canada were already consistent with the EU and about six months longer than in the U.S.

● (0850)

A study prepared for the CGPA by two leading Canadian health economists in early 2011 estimated that, if adopted, the proposals would delay the introduction of new generic medicines in Canada by an average of three and a half years. The cost to pharmaceutical payers of this delay was estimated at $2.8 billion annually, based on generic prices in 2010, and they've actually come down. In addition to increased drug costs, these original proposals would have had a major impact on generic pharmaceutical manufacturers. As I mentioned earlier, generic companies must navigate the domestic intellectual property system before they can manufacture for both domestic and export markets. Delays of this magnitude would have made Canadian generic manufacturers uncompetitive in attracting new R and D and production mandates to the country.

How did the CETA negotiations end up? The measures in the agreement, in principle, fall short of the European Commission's original and necessary demands on behalf of brand name drug companies. That's a good thing. But the measures will still delay market entry of cost-saving generic prescription medicines in Canada in the future. The full cost to Canadians of the actual delays in generic drug competition resulting from the new measures will depend on the specific manner in which they are implemented by the government.

The responsibility for the negotiation fell to Minister Fast and the Department of International Trade. The responsibility for ensuring the provisions are implemented in the least harmful way falls to Minister Moore and Industry Canada. That implementation is very critical to us. We are pleased that the government has made commitments for additional safeguards and reforms to Canada's pharmaceutical intellectual property regime to provide greater business certainty for Canadian generic pharmaceutical manufacturers. These commitments are actually outlined in a letter that Minister Fast sent to the CGPA.

I will quickly address each of the three areas, the first being the right of appeal. This was a very one-sided ask of the European Union. The Government of Canada understood there are major problems with our linkage system and the CGPA, as I said, has received written assurances from the Government of Canada that, in implementing the right of appeal that's spelled out in the treaty, it will also address the excessive and duplicative litigation by ending the practice of dual litigation. We welcome this. We've been advocating for these reforms for several years. Canada is the only country that allows brand name pharmaceutical companies to sue generic manufacturers multiple times on the same patents. This adds to the costs and risks of bringing generic drugs to the Canadian market.

While the specific implementation details will be crucial to the success of the reforms, we again welcome the commitment to reduce the burden on the courts, to bring earlier finality to pharmaceutical patent disputes, and deliver greater business certainty for generic companies in Canada. If implemented correctly, the reforms should end dual litigation and help protect Canadian consumers by ensuring invalid or non-infringed patents do not prevent cost-saving competition from coming to the market.

On patent extensions, we are disappointed by the inclusion of patent term extension in CETA. Given the overall strength of our Canadian intellectual property regime for pharmaceuticals, the adoption of such a measure was unnecessary. That said, as I said earlier, we do welcome some of the mitigating factors, including the government's commitment that the maximum length of extension—and this was in the technical document—will never exceed two years. The government has indicated that other predefined safeguards will also be part of the extension, reflecting the concerns that we raised. CETA sets an international precedent. It's the first trade agreement that permits an exception under the period of patent extension for the production and other activities related to the export of generic medicine. This provision recognizes the importance of Canada's generic pharmaceutical manufacturing to the domestic economy. If implemented correctly, this provision will help our members keep life sciences jobs in Canada.

We're pleased that CETA does not impose changes to the domestic data protection regime which were asked for by the European Union. We're disappointed, however, that the treaty obligations have been extended by three years to reflect current levels. From a global perspective, this is the first time that eight years of pharmaceutical data protection has been included in a trade agreement. It sets an unfortunate precedent for future agreements.

While the negative outcome of the CETA negotiations has been mitigated by the Canadian negotiators, the CGPA is also concerned about upcoming negotiations in the Trans-Pacific Partnership agreement. We are concerned that the hard-fought concessions achieved by Canada are not eliminated for pharmaceuticals. The TPP negotiations are complex and involve 12 countries with a wide range of economic and trade interests.

● (0855)

In the TPP negotiations, the U.S. has tabled measures that go far beyond the provisions tabled in CETA. We understand that this committee is planning a separate study on the TPP, and I would recommend that members play close attention to the pharmaceutical IP aspects of those negotiations.

In conclusion, I would say that the outcome of the pharmaceutical IP negotiations in CETA was mitigated by the Canadian negotiators and the minister, particularly when compared to the original proposals. However, as I said, it will cost Canada in the future with patent extensions.

I cannot stress it enough; proper implementation of provisions is key, and we are aware that the brand name pharmaceutical industry may attempt to undo many of the concessions and the commitments provided by the Government of Canada, particularly in regard to the patent linkage system. As such, we ask government members of this committee to ensure that pharmaceutical IP provisions are implemented in a manner both consistent with the new treaty obligations and in line with the commitments that the government has made to the pharmaceutical industry.

Jody and I would be pleased to answer any questions you have this morning.

The Chair: Thank you very much.

I'm sure you've spurred a number of questions, but before we get to that, we have with us from the Canadian Council of Chief Executives, Ailish Campbell, vice-president of policy, international and fiscal issues.

Ms. Campbell, thank you for being here. The floor is yours.

Ms. Ailish Campbell (Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives): Thank you so much. I would like to apologize to the committee for being late. I unfortunately ended up at your Sparks Street location. I like your old digs, actually, myself.

Thank you, Mr. Chairman, and committee members. Here is a little bit about our organization.

[*Translation*]

The Canadian Council of Chief Executives is a not-for-profit, non-partisan organization made up of 150 CEOs of Canada's leading enterprises. We engage in an active program of public policy research, consultation and advocacy.

[*English*]

The Canadian Council of Chief Executives represents 150 leading enterprises. Members collectively administer $4.5 trillion in assets, have revenues in excess of $850 billion, and are responsible for the vast majority of Canada's exports and investment in R and D. The council is representative of virtually every sector of the Canadian economy.

It is the strong view of the Canadian Council of Chief Executives that the overall impact of the Canada-European Union comprehensive economic and trade agreement will be extremely positive for Canadian consumers, Canadian companies, and Canadian workers. Our analysis of the agreement indicates an ambitious, far-reaching agreement that will boost economic growth, create jobs, and expand opportunities across the board for firms of all sizes, including small and medium-sized enterprises in virtually every sector. The CCCE would like to extend its congratulations to the Government of Canada; Minister Ed Fast; our chief negotiator, Steve Verheul; and their team for creating a next-generation trade agreement that covers traditional areas as well as regulatory cooperation, government procurement, and, for the first time, a chapter on sustainable development.

The Canada-EU deal also addresses such issues as agricultural protection, and promotes intellectual property as a driver of innovation. This will improve our country's brand and signal to the world that we are capable of negotiating a modern, far-reaching trade agreement. I know that members of this committee are interested in other specific aspects of the deal, including the investor-state provisions. I'd be happy to answer questions on those later.

Twenty years ago our country signed the North American Free Trade Agreement and benefited from a surge in exports, investment, and economic growth. The Canada-EU agreement is the next logical step forward in Canada's global trade agenda.

Based on our analysis, there are three key principal reasons that we feel CETA will be of benefit to Canada.

First, it positions us with privileged access to the world's two wealthiest markets. The agreement also provides Canadian firms with a first mover advantage over their U.S. rivals. Combined with NAFTA, access on top of this to the EU provides Canadian companies with access to over 800 million customers with a combined GDP of $30 trillion.

I've mentioned improved goods and agricultural trade. It's also vital to note that the services sector right now composes 70% of Canada's GDP. International trade and services were worth over 4.5% of our GDP. CETA provides broad and improved market access to a number of sectors, including engineering, professional, and environmental services. Again, this is a very future-facing agreement.

The CCCE also wishes to underscore the improvements that will occur in labour mobility and temporary entry of professionals. In our view, these provisions are of particular importance.

Second, CETA will enhance competition. Canadian consumers and companies will benefit from improved access to European products, components, and services. Eliminating tariffs on European imports will help lower prices in Canada. Canadian consumers will benefit from less expensive products, while businesses will benefit from cheaper imports. In short, CETA is firmly part of a consumer agenda for Canada.

Third, CETA will help diversify Canada's trade and set the stage for talks with Asia. The global downturn brought home to many Canadians the need to diversify our trade and lessen our dependence on the U.S., which currently buys 70% of what we export in terms of goods. Canada-U.S.trade is a mainstay of our economy, and this will not change. We should do everything in our power to strengthen it. But we need to be working equally hard to expand our trade with other regions, the EU in particular.

Canada has not concluded a single free trade deal with a large economy since NAFTA in 1994. With CETA, Canada can reclaim its former role as a leader in the global move towards trade liberalization. We would note that Mexico has had an FTA with the EU since 2001. Our ultimate objective should be eventually creating a NAFTA-EU free trade area once the U.S. has concluded with the EU.

Canada does not need to choose between such agreements as CETA and a separate push into emerging markets. We can and must pursue both. The Canada-EU deal establishes a template for other trade negotiations, including those with India, Japan, and the countries of the Trans-Pacific Partnership. The CCCE also feels that Canada should explore a strategic partnership with China, similar to what China enjoys with Australia.

In conclusion, given the export-oriented nature of the Canadian economy, the conclusion of a deal of this magnitude with a partner as progressive and as dynamic as the European Union is to be warmly welcomed. Canada is the eleventh-largest economy in the world, yet we are only 35 million people. Our prosperity and jobs depend on exports. Our prosperity and jobs depend on trade. CETA, alongside NAFTA, provides access to the customer base that firms require to create jobs and grow in Canada.

Finally, real results will only come when this deal is in force. The Canadian Council of Chief Executives encourages federal, provincial, and territorial officials, as well as the European Parliament and member states, to proceed as quickly as possible towards final approval and ratification.

Thank you.

● (0900)

The Chair: Thank you very much.

Now we'll move to question and answer.

We'll start with Mr. Davies.

The floor is yours, for seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman.

Thank you to all the witnesses for coming today and giving us your precious time. Welcome to the trade committee.

Mr. Keon, I want to get a clear idea of this. Will CETA increase the costs of pharmaceutical products in Canada once it is fully implemented, or not?

Mr. Jim Keon: Yes.

The patents will be extended by two years. That will occur in the future. The agreement is to apply patent extensions to products coming on the market after the agreement comes into force, so perhaps in 2015. At that time, patents will be extended by two years. By definition, generics will be two years later entering the market. The price differential between the brand product and the generic will be the extra costs to the health care system.

Mr. Don Davies: I realize the costs have been pushed into the future because of the way CETA will be implemented and the way the IP provisions will be implemented.

Could you give us a range of what you might estimate would be the cost annually of the IP provisions to the pharmaceutical industry?

Mr. Jim Keon: The best study that was done during the negotiations was by Professor Aidan Hollis, in Calgary, and Paul Grootendorst, at the University of Toronto. Their estimate was that for the full range of commitments that the Europeans were demanding at that time, the cost could be up to $2.8 billion per year. As I said in my presentation, the government did not agree to all those demands. There were lesser demands. There was no increase in data protection, only a two-year patent extension, so clearly the costs will be less than that.

I will give you a number, but the other qualifier I would put on it is that we're looking into the future, probably eight or ten years, before the costs come into play. It really depends on what products come on the market during that time as to what the actual costs would be.

Having said all that, if we simply take their estimate and use two years instead of the extra years that were being asked for, it could be somewhere in the range of close to $1 billion extra per year in the future.

● (0905)

Mr. Don Davies: If I understand this technical summary, it says, for the patent term restoration:

> The period of protection will be calculated using reference points including the filing of the application for the patent and the first authorization to place the product on the Canadian market.

Then, of course, we've capped the amount of time that will be added to the brand name patent holder at two years.

My reading is that this will virtually always add two years because of the way the patent system works. In other words, the brand name patent holder will apply for a patent as soon as possible to protect their interests and then apply for regulatory approval to Health Canada some time later. That period of time between those two things will almost always exceed two years.

Am I correct in that assumption?

Mr. Jim Keon: Yes.

Exactly how the system will work will depend on the Canadian legislation and regulations. Our expectation is that given the way the agreement is set out, in almost all cases pharmaceutical patents will move from 20 years to 22 years once the agreement is in effect.

Mr. Don Davies: In terms of creating jobs, will CETA and these provisions create jobs or cost us jobs in the generic manufacturing industry in Canada?

Mr. Jim Keon: CETA itself will not create new jobs. What we worked hard to do was to ensure that these excessive demands that were being put on our intellectual property system on pharmaceuticals did not ruin the Canadian generic pharmaceutical industry.

As I said, I think the mitigating factors are important. We have an export exception, so that during the period of extension—again, the implementation will be crucial—we will be able to develop a product, submit it to Health Canada for approval, and get approval.

We won't be able to sell it in Canada until the patents expire, but during that period we could export it to other markets. We're hoping that with that, our industry will continue to flourish in Canada.

Mr. Don Davies: What about R and D?

Is there anything in CETA that in your opinion will lead to more research and development in your field in Canada?

Mr. Jim Keon: If I go to the brand name side first, my answer would be no. The patents worldwide are of a national treatment obligation. So we give the same patent treatment to all countries. That's good because when Canadians go abroad they want patent protection the same there. But what that means, however, just in pharmaceuticals is whether the research is done at a headquarters in New Jersey or in Europe, you would get the same protection as if you did the research in Canada. It doesn't in and of itself generate and move research to your country.

If we look at the Patented Medicine Prices Review Board over the last number of years, we've seen that despite Canada having a generous pharmaceutical patent regime, research spending in Canada by brand name pharmaceutical companies by patentees has actually been going down. So we do not think that this agreement will increase that. In fact, I don't think the Government of Canada negotiated it that way. This was seen as a defensive interest for Canada.

Mr. Don Davies: This was a concession that we made. Would you agree?

Mr. Jim Keon: I think that this was a concession we made as part of a broader deal to get access to the market. I'll give negotiators credit. They did mitigate some of the features and, as I said, the export exception and things like that are going to be helpful.

Mr. Don Davies: In terms of that, there's some more work to do in this area too. I understand that there's a commitment in the technical summary for the government to work on the issue of dual litigation. In other words, a patent holder can challenge a generic at Federal Court and then if they lose, they can then initiate patent litigation in the courts. I think it's recognized in the technical summary that this is a problem.

Are you hopeful or can you give the government any advice in terms of what you'd like to see in that regard?

● (0910)

Mr. Jim Keon: The agreement in principle mentioned that there would be added to the litigation system a right of appeal that the European Union on behalf of brand name pharmaceutical companies had asked for. In the technical document and in our other discussions with the government, they've committed to revamping the system in entirety, that is, what we call the patent linkage system for pharmaceuticals in Canada. It's a very complicated system. It blocks the generic approval at Health Canada until there's litigation determining whether a patent is infringed or not. So you're blocked.

When the generic is successful, there are still full patent rights to sue a generic under the Patent Act. What we're finding is an excessive amount of patent litigation delaying generics, adding to our cost, and adding to the cost of the brand name companies. So I think that simplifying this system and unifying this system will be a very important measure and it's something that we are looking forward to developing with the government.

The Chair: Thank you very much.

We'll now move to Mr. O'Toole.

The floor is yours for seven minutes.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair. I'd like to thank our witnesses for coming today and shining light on how the opportunity and some challenges with CETA will impact our economy and our employment.

Mr. Keon, I want to pause for a second on the $2.8 billion number you quoted, because certainly you did recognize that was an estimate based on the early negotiation stages of CETA. We now have an agreement in principle, which those professors did not have. We talked a little bit about the mitigating aspects of our negotiation, which you did highlight in fairness, but I'd like to pull them all together.

These are: the commitment to try to end dual litigation, which causes business uncertainty for both branded and generics; the export exception specifically for the generic industry; the fact that the European Union did not achieve their negotiated hopes with respect to data protection, patent extension, and retroactivity. So there's no retroactivity and no retroactive application. Those various mitigating factors alongside with the provincial move in recent years to bulk purchase in terms of pharmaceuticals together, all of those things considered, how accurate do you think that $2.8 billion number truly is?

Mr. Jim Keon: All of those mitigating factors are there and, as I said, we appreciate those and have congratulated the negotiators for having done that. The reality is that there will be extra costs, as I mentioned, with the two-year patent extension. The fact of the matter is generic drug prices have been dropping in Canada as a result of provincial regulation. So the gap between generic prices and brand prices has actually grown.

Generic prices now are capped in many cases somewhere between 18% and 25% of their equivalent brand name product. Any delay does add cost. Again, a very good mitigating factor is these costs for the health care system and these delays for generics will be into the future. So we'll have time to adjust. But if anything, the gap between brand prices and generic prices is going to increase and the costs will therefore increase as well.

Mr. Erin O'Toole: One of the benefits of the phase-in is that it will allow the federal government to work with the provinces to see what the delta will be once the extension comes into play as part of a multi-year health and social transfer. Our government has increased that. We've not cut it like the previous government did.

You mentioned the 12,000 jobs in the generic industry in Canada. I know some of the excellence in southern Ontario with respect to the industry, and I applaud it. You talked about research and manufacturing. How many of those jobs would be on the research side of the industry?

Mr. Jim Keon: The generic industry in Canada has a significant research base. Our largest member company, Apotex, has been the largest spender on pharmaceutical research and development for many years now in Canada. Apotex does both new chemical research—it owns a company Cangene, an arm of its own company—as well as research and development of the generic products in Canada.

Our percentage spend on research and development to sales is actually significantly higher than the brand companies in Canada. This is interesting, simply because we have a lot of that centred in Canada. Our ratio of R and D to sales is over 12%, and we have hundreds of jobs in R and D. I can't give you a precise number, but it's in the hundreds.

● (0915)

Mr. Erin O'Toole: Thank you.

Ms. Campbell, thank you very much for your presentation as well. I have one question for you.

I'm glad you seized upon one of the really innovative aspects of this agreement, which is the extension of the agreement beyond conventional goods and services into a broader range of services, including professional services. You quoted a stat I had not heard before—that these services account for 70% of our GDP. You described it as the most future-facing aspect of the agreement.

How do you see our services sector accessing Europe? What should we be doing in the next two years as we go towards ratification to prepare these industries to take advantage of a truly exceptional opportunity in the European market?

Ms. Ailish Campbell: I would say a few quick things. The first is that the solidity of our banking system has made our institutions globally well known. As well, our insurance services providers have used the last few years to acquire assets that were either nationalized or in distress. They are bringing to Europe that strong Canadian brand— strong regulatory and public governance systems, along with dynamic products and a reputation for excellent customer service.

I would say Canada is strong in engineering services. We think our internal accreditation of engineering services across Canada, our high engineering standards, will help us to take advantage of our capacity in clean tech, in oil and gas, and in other energy services in future work within the European Union.

I can't resist taking a moment to comment on your question about generics. First of all, intellectual property provisions are a policy to drive innovation, not contain costs. If you're looking at cost containment, look to provincial cost containment, bulk purchasing, but also look to the Patented Medicine Prices Review Board. Somehow the European Union has managed to have these intellectual property protections in place, while spending less than Canada on drugs, as a percentage of GDP. So how the European Union has managed drug prices is something for us to look at.

Second, to have a healthy generic industry, you have to have patented medicines to copy. We want to create a strong and vibrant R and D and innovative continuum here in Canada. Let's focus on health outcomes. Drugs help Canadians feel better. Innovations create new therapies that keep Canadians in work, keep Canadians healthy, and keep Canadians active. I encourage the committee not to lose sight of the big picture of innovation and health outcomes when considering the balance between IP protection and our important generic industry, which is also a significant employer in Canada.

The Chair: Thank you very much.

Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming today. Mr. Keon, what was your involvement with the negotiations? Was your organization consulted during the negotiations?

Mr. Jim Keon: Yes. We met with the negotiators on a number of occasions and presented our arguments to them. We made sure that we sent in written submissions to government on regular occasions.

Mr. Massimo Pacetti: So you had active input?

Mr. Jim Keon: Yes.

Mr. Massimo Pacetti: You spoke a little on how the generic companies are going to be treated in Canada. How are the generic companies currently treated in Europe?

Mr. Jim Keon: In Europe they have a restrictive regime in patent extensions, which makes it difficult to enter the market. Where they have a system that's better than ours is our patent linkage system. They do not face that.

So in Canada we cannot get our approval from Health Canada until we demonstrate we've addressed a whole series of patents. That leads, as I said, to an excessive amount of litigation in Canada.

● (0920)

Mr. Massimo Pacetti: They don't have that in Europe?

Mr. Jim Keon: They do not have that in Europe. They will not have that going forward.

Mr. Massimo Pacetti: So once the patent expires the generics kick in?

Mr. Jim Keon: In the European Union they have patent extensions and then after that the generic enters the market, but what they don't have is the amount of litigation we do. There's much less per capita in Europe than in Canada.

Mr. Massimo Pacetti: What is the position of the generic companies in Europe? What is their feeling? Are they in favour of the agreement?

Mr. Jim Keon: Interestingly, Canada did not make demands of Europe in the pharmaceutical area, so there will be no changes in the pharmaceutical IP regime in Europe.

Mr. Massimo Pacetti: Okay. That's what I thought. I'm sorry to interrupt but my time is limited.

Are you going to be able to export to Europe? What is your competition base in Europe?

Mr. Jim Keon: We have some exports to Europe, and we would hope to continue and build on those.

Mr. Massimo Pacetti: Will that require any investment changes?

Mr. Jim Keon: Sure. I think going forward when we're looking at new products there's always new investment in new equipment, the latest technology. Some of these are slow-release products, and we're hoping to—

Mr. Massimo Pacetti: Would you be able to handle the additional capacity right away? That's the first thing.

Mr. Jim Keon: Absolutely. Our companies are all forward looking and will be looking forward to—

Mr. Massimo Pacetti: Just another quick question before I go to Ms. Campbell. During the patent approval period you stated that you can sell to other markets. What other markets would that be?

Mr. Jim Keon: Any market where the patent has already expired. We've found right now, prior to patent extension in Canada, that our patents expire sometimes earlier than in the U.S., sometimes later.

For example, if a patent has expired in the U.S. and has not yet in Canada, our companies like Apotex and Teva would be able to compete to get that investment in Canada.

Mr. Massimo Pacetti: So you can go into the States and other parts of the world and compete?

Mr. Jim Keon: Once it's implemented. If it's implemented properly we would be able to, but only during the patent extension period, that last two years.

Mr. Massimo Pacetti: Okay. Thank you.

Ms. Campbell, thank you also for appearing. I guess your organization was consulted as well.

Ms. Ailish Campbell: Yes, we were. Broad stakeholder consultation was conducted by the negotiating team.

Mr. Massimo Pacetti: I guess you would mainly represent companies, but in your presentation you stated that consumers would benefit. Would you see that the consumers would get more of a benefit from the free trade agreement or would your member companies get more of a benefit?

Ms. Ailish Campbell: We'd have to do a more in-depth analysis, but I can safely say that tariffs are a tax on consumers, and the elimination of tariffs should be passed on by the seller. In other words, the savings should be passed on to the consumer, and we believe that's a significant benefit. I will certainly take 7%, 10%, 25% and gladly keep it in my pocket.

Mr. Massimo Pacetti: Will your members be doing that? Because your members are going to be distributing the products to the consumers.

Ms. Ailish Campbell: They should be if they want to retain their customers.

Mr. Massimo Pacetti: Then you said something that was interesting that nobody else stated. The costs are also going to be reduced for some of your member companies.

Ms. Ailish Campbell: Inputs will certainly be reduced.

Mr. Massimo Pacetti: Inputs. But what we've also heard is that a lot of companies don't require investments to expand their markets and enter the European market. Your general view is...will they be able to enter the European market without additional investments or will they be required to invest whether it be in capital equipment or human resources?

Ms. Ailish Campbell: Certainly to expand to new markets requires investment. The good news that I would encourage this committee of international trade to take a look at is two things, the first is that trade is increasingly becoming disaggregated. We don't necessarily just trade wholesale products like iPads, like BlackBerrys. They're becoming much more complex. They require inputs that come from all over the world, so you need supply chains and access to diverse markets.

The second is that our foreign affiliate sales of Canadian multinationals using Canada as a headquarters and then basing subsidiaries abroad is also increasing.That's not well captured. The sales of those foreign affiliates is not included in GDP, for example, because of course they're abroad, not domestic, so we're not necessarily getting a full picture of the global economic footprint of Canadian firms.

The Chair: I'm sorry, time has gone.

Mr. Cannan, the floor is yours.

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

Thank you, ladies and gentlemen. It's always good to have you back.

Ms. Cox, we've talked many times over the years on these negotiations, so I thank you for being here, and Mr. Keon, as well. We appreciate your cautionary support for CETA. As you know, it's a historic agreement for all of Canada.

In your opening comments you mentioned, Mr. Keon, that Canada has a strong patent regime. From my understanding, and maybe you could clarify and help me understand, this patent extension in CETA basically harmonizes or brings our patent regime in line with the U.S., Japan, and the EU. Is that correct?

● (0925)

Ms. Jody Cox (Director, Federal Government Relations, Canadian Generic Pharmaceutical Association): I would say that's not correct. When you look at intellectual property measures, they're different in every jurisdiction you go to. So the measures that are in effect in Canada are different from the measures in the European Union, in the U.S., and in Japan. You go around the world, and everyone has a different approach to doing things. As a starting point, everyone has their international obligations under the TRIPS agreement, and then they may choose to go further than that.

You talk about the U.S. and the EU, so, for example, as Jim mentioned earlier, patent linkage is a core component of the U.S. system. There are also patent term extensions and other features. In the European Union, that automatic block on competition—which is sort of a fundamental feature of some of the implementation of the patent linkage systems in Canada and the U.S.—is not present. Again, if a generic company wanted to come to the market, you go through your health and safety approval, and then you can launch your product. If there's a difference of opinion, you'd go straight to an infringement action. It's not really about harmonization. I would say it's more akin to cherry-picking in some respects, in terms of where the original asks were coming from.

Hon. Ron Cannan: Thanks for the clarification.

I represent Kelowna—Lake Country, the third-largest senior population in census metropolitan, and drug costs are a big concern to my constituents. UBC Okanagan, UBCO, and the UBC campus in the Lower Mainland did a study last year, released in April, and it said that in 2012 Canadians spent $33 billion on drugs. It said that Canada is losing out on negotiating lower drug prices. It goes on to talk about the cost per person of about $947. It says that Canada pays about 20% more for brand name drugs, yet Canada pays 90% more for the supply of generics compared to countries that negotiate the pricing.

I think the present program isn't correct as far as showing the competition; we're paying so much more for generics. Maybe you can share some ideas you might have on what our government can do to help the generic industry to grow R and D. Do we need to review the pricing structure? What are some of your suggestions so we can help bring those prices down for all Canadians?

Mr. Jim Keon: Yes, generic prices have come down dramatically over the last five years. For example—

Hon. Ron Cannan: This report was just last year. It was released in April this year.

Mr. Jim Keon: I'm not sure what they were comparing, but the PMPRB study, the most recent one, would show that prices are approaching parity internationally.

As I said, now in Canada generic prices are regulated at the provincial level. There's a pan-Canadian agreement; the provinces have banded together. The top six generics, for example, can be priced at no more than 18% of the brand name product. Most other products have to be at 25% or you can't get on the formularies.

Hon. Ron Cannan: You were able to come in the market at 70% before, right?

Mr. Jim Keon: You used to be able to, yes.

One of the problems with that, quite frankly, is now you're coming in at a very low price. That's why this patent linkage system and the reform of it is so critical. What's happening now is that you're coming forward with a litigated product, you have approval from the court, Health Canada gives you your science and regulatory approval, and then you launch the product and you're sued for patent infringement. You're selling the product at 18% of the brand name price, and they're suing you for their loss damages, so it's a very complicated thing now for generics. We've actually seen some generics holding back, not launching products to the detriment of the health care system, simply because the risks and rewards are now out of balance.

The best thing that we could do here in Canada at the federal level is simplify that litigation system so there's a final decision when we launch our product.

Hon. Ron Cannan: Excellent. Thank you very much.

I have one quick question for Ms. Campbell.

I appreciate your wise words and the fact that the U.S. has been our number one trading partner and will continue to be our trading partner. We need to diversify, so maybe you could share a few moments about the fact that Canada is the first in with this historic 21st century trade agreement, about the advantage of being the first mover with an agreement with the EU, and about the opportunities you see from your association's perspective.

● (0930)

Ms. Ailish Campbell: I think first and foremost it's an interesting stylized fact that Canada actually has more stock of foreign direct investment, over $160 billion in the EU, than the EU, in fact, has in Canada. So I think this is an interesting opportunity to not only introduce Canadian firms to the European market—as I say, over 500 million of the world's richest and most sophisticated consumers—but also introduce Europeans to fantastic Canadian products.

We're particularly interested in the agricultural aspects of this, the reduction of protectionism, the opportunities that we think this provides for the fantastic global Canadian brand in beef, pork, for seafood producers who have their eyes clearly on the EU market and are looking from this now to Japan, to the Trans-Pacific Partnership, to Asia. As a beachhead, we will see seafood prices into Europe come down over 10% as a result of 96% of all tariffs coming down as of the day this agreement enters into force.

Canada is one of the most diversified economies as measured by the OECD. We have everything the world needs: food security, a stable supply of energy, fantastic R and D, and globally recognized excellence in financial and insurance services.

Canada has what the world needs. That's why we're firmly in favour of this agreement, a broader EU-NAFTA agreement. We think there's particular importance in terms of looking at even perhaps negotiating the automobile aspects of the trade deal alongside the U.S. because of rules of origin. To ensure Canada remains a location for auto parts and original equipment manufacturers is also important.

Hon. Ron Cannan: Innovation and opportunities. Thank you very much.

The Chair: Thank you. Your time has gone.

We're going to, as I said, finish this off a little bit early, but we have two more questioners and we're going into the second round, so we'll split the time.

Mr. Sandhu, three minutes, and three minutes to Mr. Holder, and that will end it.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, Ms. Campbell.

Canada has a large trading deficit; it's $62 billion right now. We also have a large trading deficit with Europe. In the last 13 years, we have bought $19 billion per year. We have a trade deficit with Europe; in fact, it's the second-largest trade deficit behind China. In 2009, for every dollar of goods we exported to Europe, we imported $1.52.

Some economists and politicians would argue that reducing tariffs will simple amplify this established trend. Can I get your comments on that?

Ms. Ailish Campbell: I would say two quick things.

The first is, I would fundamentally disagree in assessing the health of an economy on the basis of a trade deficit. We are a country of 35 million; the EU has 500 million. They can make a lot more stuff than we can and we want to consume it. We have a choice. Consumers have choices: that's the beauty of our democracy, our economy. We can choose to consume those products or not. I am fully in favour of consumer choice. That really is, in essence, what trade provides.

Overall, our terms of trade for Canada—that means the difference between what we pay for imports and what the world pays us for our exports—have been incredibly healthy. We've enjoyed a great terms of trade run here over the last 15 years in Canada.

I would argue, if anything, we should take that focus that you have on the trade deficit and move it over into true challenges like our infrastructure challenge in terms of landing our energy assets in Asia. Right now, we are leaving $35 on the table for each barrel of gas because we are selling it at a discount into U.S. markets, and we can't land it in Asian markets where we would earn more money—

Mr. Jasbir Sandhu: Ms. Campbell, I only have three minutes—

Ms. Ailish Campbell: To my mind, that's the focus of this committee.

● (0935)

Mr. Jasbir Sandhu: Ms. Campbell, you pointed out that tariffs are a tax on consumers. Recently the Conservative government removed 70 countries from a tariff reduction list. That's going to add some taxes on consumers.

Would your council oppose that tariff that's been increased by the Conservatives?

Ms. Ailish Campbell: I certainly didn't think it was an ideal move, no.

Anything that increases tariffs we think is not an ideal move. I believe that this increase was to perhaps create some negotiating leverage for our negotiators who are undertaking negotiations with India, for example, and to encourage countries such as China to come to the negotiating table at the WTO. And I would encourage us to consider how we may look bilaterally at our relationship with China.

But I agree with you. I think increasing those prices was not an ideal policy choice.

Mr. Jasbir Sandhu: So it was definitely a tax on consumers, on Canadians.

The Chair: Your time has gone.

Mr. Jasbir Sandhu: A very short question?

The Chair: Very short.

Mr. Jasbir Sandhu: You listed a number of winners, the sectors that are going to win with CETA. Are there any losers that you can think of?

The Chair: Very quickly, please.

No? Fresh out...?

Ms. Ailish Campbell: No.

Thank you for the thoughtful questions.

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

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

I'd like to thank our guests for being here today.

Mr. Keon, I've heard your testimony and your responses to some of the questions. I'm not sure if you're a glass-half-full or a glass-half-empty kind of guy, because your comments confuse me a little.

First you talked about the $2.8 billion potential increased costs, and then, when you were challenged on it, you suggested that it could be $1 billion and not implemented for the next 10 years. If you're going to make a comment like that, my own suggestion would be that what was then might have been then, but to keep it current is I think more helpful for the committee and perhaps for others you speak to.

Second, you said twice that implementation is critical. I think we get that. From where we came to where we are, and even where the Europeans came in from, I'm not sure why you'd presume that implementation wouldn't be done the right way. I have great confidence, as I heard Ms. Campbell talk about, in terms of our committee and all they have done, especially with regard to where the Europeans had come from.

I guess the third thing, though, or the other side, is that it's your expectation that litigation will be reduced, so that'll be a good thing for your industry, for your plea, from where the European position was to where we are, and also, there's an export exception.

Here's my question of you. I know how a lot of various industries in Canada often will compete with each other and with other jurisdictions across the country, across the continent, or across the world, but I'm not as well versed about how it works within the generic world. Does that export exception give the generic companies in Canada an opportunity to sell their products? What does the fact that it's been put in place mean to your industry?

Mr. Jim Keon: Thank you for your questions.

I was asked about costs, so I answered.

On the implementation, we're also very confident that it will be done correctly, and that's why we presented the comments we did.

Mr. Ed Holder: Thank you.

Mr. Jim Keon: In terms of the exports, it is an extremely competitive world market for generics. What is absolutely critical is when you can get to market.

Patent increases diminish the competitiveness of the domestic generic industry. The patent export exception that has been negotiated and committed to is an important mitigating factor that should help the generic industry maintain its competitiveness and its ability to export.

Mr. Ed Holder: I'll come back to what Ms. Campbell said, which I think is true: were it not for the patent drug companies, you wouldn't be here. I think it's that kind of yin and yang, that relationship between each other, such that somehow you make it work.

Ms. Campbell, I have a quick question for you. There's speculation that corporate Canada has sat on the sidelines in terms of investment over time, perhaps as a result of the recession. I'm not sure if you can comment on that, but I'm wondering, to what extent does CETA make corporate investment from Canadian companies.... Does it make us much more optimistic that they or you will do that?

Ms. Ailish Campbell: We have a very healthy economy. We have regained all the jobs—full-time, good-quality jobs—lost in the recession. I would not characterize that as corporate Canada sitting on the sidelines whatsoever.

We've had an extremely volatile period over the last few years. Look at households. I'll just speak for myself. My husband and I were making decisions about whether to buy a new car. We're holding back. We're being conservative with our money. I know it's a little folksy, but it's the same thing you're seeing with large firms as well. They're waiting to deploy their cash for when they see solid investments that they know will improve their product offerings and create a product that consumers want.

What I would say is this. Certainly, access to a market of 500 million additional savvy consumers provides more opportunities for Canada. We know that we can't have the economy and the jobs we have now unless we're open to providing our products to the world. It really is up to business, innovators, and entrepreneurs to seize the moment. I will say that absolutely. I think the government has created a huge opportunity here, and it's up to Canada to seize it.

The Chair: I want to thank you very much. This has been a spectacular panel.

For the generic industry, I'm pleased to see that you're looking at the opportunities CETA provides you, as well as some of the challenges. I'm very confident that the opportunities will outweigh the disadvantages.

Thank you very much to the Canadian Council of Chief Executives. You were very positive. Thank you very much for your testimony.

With that, we'll suspend very briefly as we set up the next panel.

● (0940)

(Pause)

● (0940)

The Chair: Our witnesses are in place. We have with us from the Canola Council of Canada, Jim Everson, vice-president, government relations. Thank you for being here. You've been before our committee many times.

We have from the Canadian Aquaculture Industry Alliance, Ms. Salmon, executive director. Some of the committee members are wondering if you got that job because of.... You've heard that before, haven't you?

● (0945)

Ms. Ruth Salmon (Executive Director, Canadian Aquaculture Industry Alliance): I have, and it's true.

The Chair: We will yield the floor to Mr. Everson.

Mr. Jim Everson (Vice-President, Government Relations, Canola Council of Canada): Thank you very much, Mr. Chairman, and thank you to the committee members for having the Canola Council here today to talk about CETA. It's a pleasure to be here and to share with you how the Canola industry will benefit from the comprehensive economic and trade agreement with the European Union. It represents an opportunity to improve our market access and improve predictability around the regulation of biotechnology.

First I'll say a little bit about the Canola Council of Canada. The council is a value-chain organization representing the entire canola sector in Canada—the 43,000 canola growers, seed developers, the crushers that process seed into oil and meal, and the exporters who export canola for processing at its destination. The Canola Council is the vehicle through which the industry comes together to set objectives and implement plans for the entire sector.

For some basic numbers on our industry, canola returns the most income to farmers of any agricultural product in Canada. It contributes $19.3 billion to the Canadian economy annually, and supports 249,000 jobs. Our industry has doubled production in the last 10 years. This year a record 16 million tons were grown by Canadian farmers. This expansion has brought with it significant investment in rural communities. For example, there has been more than $1.6 billion invested in crushing and processing capacity in the last six years, which reflects confidence in the opportunity provided by the sector.

Importantly, this income and economic impact is generated mostly as a result of international trade. Canola export of the seed, oil, or meal brought in approximately $9.6 billion in exports in 2012. Just to put that in context, Canada's overall agrifood and seafood exports were $48 billion in 2012. Canola represents 20% of this value.

Since we export more than 85% of what we produce, we are very reliant on predictable access to markets. This is why agreements like CETA and others are so important to our industry. Our industry succeeds because we are competitive internationally. We've done best in markets that are free from tariffs and non-tariff barriers. Government, through diplomacy and trade negotiation, has a big role to play in growing and maintaining our market access. Efforts by the government to conclude CETA, particularly by agriculture minister Gerry Ritz and trade minister Ed Fast, are critical for the Canadian canola industry to continue prospering from international demand.

Let's talk a little bit about what CETA means directly for canola. Firstly, eliminating tariffs on canola oil will help us increase exports by up to $90 million. Eliminating tariffs on canola oil means our canola crushers and oil exporters will have privileged access to Europe. This increased access is occurring at an opportune time, as I illustrated with the $1.6 billion invested recently in crushing capacity in western Canada.

We're already serving the European market, and tariff-free access on oil will allow us to ship more value-added product. Our canola oil is a valuable feedstock for EU biodiesel production, reducing greenhouse gas emissions by 90% compared to conventional diesel. With the tariff-free environment now, our industry is well positioned to serve a larger portion of this market.

Secondly, CETA includes important provisions for biotechnology. The EU's regulatory system for biotechnology creates risk for exporters and creates uncertainty for seed developers looking to introduce new seed traits. Biotechnology is the key to making Canadian canola growers competitive in world markets, but the EU's regulatory environment creates real barriers to trade and innovation.

CETA includes provisions for cooperation in the area of biotechnology, and this is a significant development for our negotiators. CETA will enhance the existing forum for discussing issues around biotechnology and their impact on trade. This will help improve cooperation among regulators in areas of science-based approvals, low-level presence policies, and the minimization of trade impacts of regulatory practices.

This is a long-term opportunity. The success of this provision will depend on the ability of the two governments to arrive at solutions. We are hopeful that these working group discussions on low-level presence policies will reduce the potential for low levels of approved biotechnology traits to cause trade disruptions. This has the potential to significantly reduce risk for exporters, and thereby increase returns producers earn from the market.

Lastly, alongside CETA the Government of Canada was able to secure a commitment for the timely and efficient processing of canola trait applications. Canada's canola sector adheres to a voluntary market access policy to respect the regulatory requirements of our export markets.

● (0950)

New genetically modified seed traits are not introduced into Canada until they are approved in our major export markets, including the European Union. Commitment by the EU to process applications in a timely manner will help facilitate innovation by bringing predictability to seed developers and giving growers access to new technology earlier.

In conclusion, I thank you for the opportunity to explain the benefits of CETA. The canola industry supports the Government of Canada's sustained commitment to improve market access through ongoing negotiations. This includes seeking a multilateral solution through the WTO, the best solution for free, fair, and predictable trade. It also includes completing agreements with Korea, Japan, and the Trans-Pacific Partnership, and it includes increased engagement with China and the implementation of the Canada-European Union free trade agreement. These efforts will have major benefits for the 249,000 people supported by the canola industry from coast to coast.

Thank you very much.

The Chair: Thank you very much.

We'll now move to Ms. Salmon. The floor is yours.

Ms. Ruth Salmon: Thank you very much, Mr. Chairman. I really appreciate the opportunity to be here.

I'll just say a few words about our association. The Canadian Aquaculture Industry Alliance is a national industry association here in Ottawa. We represent the interests of Canadian aquaculture operators, feed companies, suppliers, as well as provincial finfish and shellfish associations. The majority of my comments this morning will be focused on farmed seafood, but I thought it would be useful to give the committee an overview of the EU market for all Canadian fish and seafood.

The EU is the largest seafood import market in the world. It's a growing market and it's characterized by high-value niches. Canada's fish and seafood exports to the EU are currently in the area of $400 million. These exports have attracted an average tariff of 11% in the past, with some tariffs as high as 25%, obviously making access difficult.

With CETA, 96% of tariff lines will become duty-free immediately and others will be duty-free within seven years. This will certainly open up large new opportunities for seafood including farmed seafood. The next slide is basically a look at the current situation analysis for farmed seafood products exported to the EU. Along with the limited potential to increase farmed seafood production right now in Canada, serving any new markets requires diversion of products from existing markets. When you add the high tariff rates to this supply limitation, you can see why the EU has not been a priority export market in the past. However we do have some very limited opportunity or have had limited opportunity with high-value niche products like oysters, value-added mussels, caviar, and farmed sablefish. Here's a list of some of the products we currently export to the EU, both in finfish and in shellfish.

So what's the near-term opportunity? When CETA is fully implemented, those companies that are doing business in the EU now will be looking to expand. While competition in seafood is intense, the demand for seafood is growing in the EU. Canada certainly has a reputation for consistent high-quality farmed seafood products, so it's a very good foundation to work from. However, if the Canadian industry is allowed to grow, the EU will become a natural new market for high-end farmed seafood products.

I want to spend a minute talking about the global trends and seeing where aquaculture fits in. The global population will exceed nine billion by the year 2030. We also know that land and freshwater resources are becoming scarce for increased food production. Aquaculture is the fastest growing food industry in the world, with an annual growth rate of 6% to 7%. That growing population, along with what is certainly an increasing awareness of the health benefits of seafood, creates a very strong market demand for farmed seafood now and into the future.

I'll just take a minute to talk about what the industry in Canada looks like right now. We're currently valued at $2.1 billion. We employ about 14,500 full-time workers across Canada, most of those in rural and coastal communities. We farm in every province and the Yukon. We're one-third of the value of fisheries production and, similar to the case for canola, we export the majority of what we produce.

Over the past 10 years, our story has been different from that of other commodities. Canadian aquaculture is making a contribution to the economic and social fabric of the country while contributing to the world's protein requirements, but we have the potential to do so much more. Canadian aquaculture grew rapidly from the early eighties to the end of the nineties, but since that time, even considering pockets of growth in some areas of the country, overall industry growth has basically been stagnant. Despite our enormous competitive advantages, Canada's share of the world's farmed fish market has fallen by 40% during the past decade. Canada now accounts for only 0.2% of global aquaculture production.

● (0955)

This stagnation has taken place while other producers in New Zealand, Norway, Scotland, and Chile have raced ahead. As a result, our rural communities are forgoing greater prosperity, our food processors are losing out on export opportunities, and our economy is missing out on potential growth. Not only is this a missed opportunity for Canada, it's a missed opportunity for the world. Seafood is one of the most highly traded food commodities, and globalization only underscores the opportunity and the urgency for Canada to increase its competitiveness.

The obvious question is, why have we flatlined? The principal challenge confronting our sector is the complicated set of regulations that restrict growth and limit investment. Our industry is regulated by the Fisheries Act, which is a wildlife management act never intended for an innovative food production sector. This is a piece of legislation that dates back to Confederation, when commercial aquaculture in Canada did not exist.

In addition, rapid development of the sector in the 1980s and 1990s resulted in a myriad of federal, provincial, and local regulations, many of them implemented before commercial-scale aquaculture was a significant activity. As a result of this patchwork approach, many of these policies and regulations are reactive and inefficient. Together, they create an overarching policy framework that retards competitiveness, obscures certainty, and stalls growth. Unfortunately, most governments to date have been slow to modernize and streamline this regulatory framework.

Discussion about the need for a new regulatory and legislative framework is not new. Numerous reviews, numerous standing committee reports and studies have been done over the last 30 years that highlight the inappropriate and onerous legislative, regulatory, and policy environment here in Canada. In response to this, our association recently launched a comprehensive national aquaculture development strategy to address the vast and complicated structure of legislation, regulations, and policies that negatively impact the development of our industry.

This slide shows you the result of recent discussions with some of our finfish and shellfish members who are interested in investing and growing their aquaculture businesses in the short, medium, and longer term. Projected growth is based on the assumption that we will achieve improvements to the regulatory, legislative, and policy environment. This projected growth not only positively impacts employment and economic activity for rural and coastal communities, but also allows us to capitalize on trade agreements such as CETA.

In summary, our association certainly supports and applauds the federal government for CETA. However, our industry requires increased growth and competitiveness to take significant advantage of this market opportunity. Our industry offers tremendous opportunities for Canada. Working together with government, we can renew a vibrant aquaculture industry in Canada and unlock the full range of economic, environmental, and public health benefits that flow from a competitive, sustainable, and growing farmed seafood sector. That work, together, will require regulatory reform, a national aquaculture act, and a vision for growth.

Thank you very much, Mr. Chairman.

The Chair: Thank you very much for your presentations, both of you.

We'll now move to question and answer.

We'll start with Monsieur Morin.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Ms. Salmon, how will the aquaculture industry benefit under the agreement we're discussing today?

● (1000)

[*English*]

Ms. Ruth Salmon: Sorry, could you repeat the question? I only got the end of it.

[*Translation*]

Mr. Marc-André Morin: In your view, how will the aquaculture industry benefit under the agreement?

[*English*]

Ms. Ruth Salmon: As I mentioned, initially the benefits will be that those who are exporting to the EU will increase that activity. However, because our industry has been stalled in production, that really needs to change in order for us to take full advantage of the new market opportunity.

There's huge demand. Other countries are taking this opportunity. If we could parallel CETA with increased production in our industry, that will become a priority market for our industry.

[*Translation*]

Mr. Marc-André Morin: Do you have a sense of how many jobs the agreement could generate? What sector of the aquaculture industry would they be in?

[*English*]

Ms. Ruth Salmon: What we've done is look at some measured growth in our industry. For example you will see, on the slide here behind you, that within five years we could look at increasing our current jobs of 14,000 to 16,000 jobs and that's without even changing the footprint. Within 10 and 15 years you can see those numbers going up significantly, which again is a combination of production, so jobs on the farms, as well as jobs in the processing sector. These are very reasonable, limited. This is just a quick snapshot from some of our members who we know are interested in investing, but the actual numbers are probably going to be larger than that.

[*Translation*]

Mr. Marc-André Morin: I have another question for you. Do you currently face any non-tariff barriers that are preventing you from selling your products on the European market?

[*English*]

Ms. Ruth Salmon: That hasn't been a barrier to date. It's been the lack of production growth and the tariff rates that have been the issue to date. With a reduction in tariff rates and increased production, I see that as being a very positive market situation.

[*Translation*]

Mr. Marc-André Morin: Switching gears a bit, I'd like to talk about the competition that unfortunately exists. We are up against fierce competition from other producing countries, including Norway, Scotland and no doubt others you are familiar with. In some cases, those countries are using Canadian-made technology. Over the years, Canada's aquaculture industry has survived, as we can see from your graph. How do you explain that? What I fail to understand is if the industry is doing well in Norway, why can't the same be true of Newfoundland, Nova Scotia or Quebec?

[*English*]

Ms. Ruth Salmon: The technologies and the industries are very similar. It's such a global industry that what you see happening in Norway is very similar to what you see happening here on the industry side. The difference is that they have a national vision for growth. They have their own legislation that gives them the right framework to move forward. The limiting factor here is more on having an enabling framework to move forward, because if you walk on a salmon farm in Canada and you also walk on one in Norway they are very similar in terms of how they operate. The limiting factor is our regulatory and legislative framework.

In answer to your first question, there's no question this industry is competitive and seafood is a very competitive industry. But the demand for seafood is growing at such a pace that we, as Canadians, can take a bigger advantage of that growth and we're not doing it right now. As you can see, we've dropped market share in the last decade by 40%. With that growing market—and the UN is concerned that we're not going to be able to meet the world's seafood demands by 2030—we know there's a larger share there for Canada to take.

● (1005)

[*Translation*]

Mr. Marc-André Morin: Do you think the industry will need more substantial investment in order to grow and benefit from the agreement? Norway, for instance, has invested heavily in a host of sectors that have a development fund in which it reinvests oil profits. Do you feel the government is doing enough to support your industry?

[*English*]

Ms. Ruth Salmon: The government doesn't need to invest dollars in our industry. There are investment dollars there waiting to happen. Just to give you an example, I talked to the salmon farming companies that are all members of our organization and asked them what was being invested in the industry worldwide. The numbers are staggering but only 7% of those numbers are coming back to Canada. I asked what should it be and was told 20% or 25%.

The money is there but it's going to other countries because we don't have an enabling framework to support aquaculture. Amendments are held up for years. There's no access to new sites easily. Companies are investing outside of Canada where it's a better place to invest. The money is not a problem. The industry has the money to invest. Government doesn't need to invest dollars in this industry, significantly. Of course, there is some program support that would be helpful but it's not significant dollars. What this government needs to do with industry is work towards a national piece of legislation and an enabling framework so that companies know this is a good place to invest.

The Chair: Thank you very much.

Mr. Shory, seven minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for appearing before the committee this morning.

Mr. Everson, I was looking at some news and just before CETA was announced, Ms. Miller, the president of the Canola Council of Canada, said:

> Market access is critical to our industry – that's why we've been supportive of the negotiations since the beginning. The government's continued commitment in today's Throne Speech to trade and to concluding CETA is great news for our industry.

Now, I understand that the canola industry has almost 250,000 people working in Canada, which is of course an incredible number. I want you to shed some light on how CETA will affect these jobs.

Mr. Jim Everson: I think, as I said in the presentation earlier, we have estimated that the increase in market opportunity for Europe could be as much as a $90-million increase, which is a doubling of our potential oil sales to the European Union. So Europe is not a huge market for the canola industry; we have larger markets in other jurisdictions. But at any time you remove tariffs off products going into a market, you make those products more competitive and, as Ailish Campbell said on the earlier panel, that's a tax on the farmer in Canada.... If that tariff is eliminated, then more returns come to the industry and come to the farmer in Canada. It helps the Canadian farmer to be more competitive in the European marketplace. All around that's a good thing for the canola sector.

Mr. Devinder Shory: Would it impact the number of jobs we have now?

Mr. Jim Everson: It would have a positive impact on jobs. We don't have a job figure, so I don't have a number to be able to use. I think a more predictable access creates more confidence, then it creates the opportunity for jobs.

Mr. Devinder Shory: You mentioned there was a $90-million increase in the market. There was an eager European market waiting for Canadian goods. Will the canola industry be ready to deal with the increased demand that CETA will create for goods? How will this impact the industry as a whole?

Mr. Jim Everson: Certainly, the industry will be ready. The industry is increasing its production year after year. In 2013 we had a record crop of 16 million tonnes, and we expect that we can increase production further. So the industry will certainly be ready to serve the market in Europe. Much of our market for canola in Europe, which is different from our international markets, for the most part, is in the biodiesel sector. There's a big opportunity in Europe because they have a very ambitious biodiesel, biofuels policy to increase the mix of transportation fuels up to 10% of their overall fuels. So we have a real opportunity there, and we've done a lot of work to prepare the industry appropriately to serve that market.

● (1010)

Mr. Devinder Shory: It's the last question before I go to Ms. Salmon.

Mr. Everson, is the industry ready? Will the industry be able to meet the demand?

Mr. Jim Everson: Yes.

Mr. Devinder Shory: Thank you.

Ms. Salmon, in your press release of October 18 when we announced CETA's completion you said:

> The Canada/EU trade deal announced today is welcome news for Canadian aquaculture. This will open new opportunities for Canadian farmed salmon, arctic char in the Yukon, oysters on the Pacific coast, and mussels in Atlantic Canada. Canada's seafood farmers stand to benefit from coast to coast to coast.

So Canadian aquaculture companies have a lot to take pride in, of course, as Canadian seafood is among the best in the world. Europe is the single largest importer of fish and seafood products, bringing in $26.7 billion worth of it in 2011 alone. With more than 500 million consumers, Europe is a market 14 times larger than Canada. How do Canadian aquaculture companies, which are offering the best seafood in the world to this hungry market, stand to benefit from increased access through CETA?

Ms. Ruth Salmon: I think in our experience the European market has been a very discerning, high-value niche kind of market. It's different from other markets for seafood in that they're willing to pay for high quality products and unique products, and that's certainly where we have seen the interest. So I would say that is probably the area that will expand if production can expand as well.

Mr. Devinder Shory: Another point the witness before you, Ms. Campbell, made was on first entry to the market. We all know that recently the United States has expressed interest in signing a trade agreement with the EU. Does the fact that Canada is the first major developed economy to sign a deal with the EU offer a competitive advantage for Canadian aquaculture companies? By getting access to this market first is there a benefit, and if so what is it and what is the potential of that benefit?

Ms. Ruth Salmon: First of all, I think Canada is a larger market for seafood. The United States, in terms of aquaculture products, is quite small. Given the fact that we've already established some good relations, and our products are viewed as high quality, and we have signed the deal first and will be able to take advantage of that, that puts us in a good position compared to the U.S.

Mr. Devinder Shory: This question is for both of you. Moving forward, would the completion of CETA have a potential to open other emerging markets in the Asia-Pacific region?

Mr. Jim Everson: I would say CETA wouldn't directly. I think there is a clear success in demonstrating that Canada is capable of negotiating and finishing a really large, comprehensive, and broad deal like this. I think that creates some real credibility for our government and our negotiators when they're dealing with the Trans-Pacific Partnership, agreements with Japan, and better relations with China. I think in that way it's very helpful in terms of accessing Asia-Pacific markets.

The Chair: A very short answer.

Ms. Ruth Salmon: I would support what Mr. Everson said completely. I think it bodes well for future negotiations.

The Chair: Very good.

Mr. Pacetti, five minutes.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses for coming.

Mr. Everson, in your brief you mention "exporters who export canola for processing at its destination". So the first thing you refer to is the exporting portion. Where do you export to right now? Presently do you export everywhere around the world, or is it concentrated?

● (1015)

Mr. Jim Everson: The canola industry exports to some 55 to 60 countries around the world, but we have a very large export to China, to the United States, Mexico—

Mr. Massimo Pacetti: So Europe would represent how much of your market?

Mr. Jim Everson: A fairly small amount.

Mr. Massimo Pacetti: So there is potential for expanding the market, like you stated. Are the tariffs the barrier right now?

Mr. Jim Everson: Yes. Tariffs are a barrier.

Mr. Massimo Pacetti: The reason I'm asking that is, what is the competition from the other end? What are European canola producers being charged as tariffs if they were to export to Canada?

Mr. Jim Everson: We also have tariffs here that will be removed through the Canada-European trade agreement. There is a range of tariffs, both in Canada and in Europe, relating to oil. They're roughly the same.

Mr. Massimo Pacetti: So if the tariffs come off on both sides will you be a winner?

Mr. Jim Everson: Yes.

Mr. Massimo Pacetti: You'll still come out ahead. Okay, I just wanted to make sure.

In the second part of your brief you spoke about how the "EU's regulatory environment creates real barriers to trade and innovation" when it comes to biotechnology. Can you expand briefly on that?

Mr. Jim Everson: We have a biotechnology crop. Farmers in Canada have chosen to grow genetically modified canola because it provides all kinds of agronomic and competitive advantages for them in the international marketplace. In all markets around the world, and especially in Europe, there's a zero tolerance for any new technology brought into the market that is not approved in that market.

Mr. Massimo Pacetti: That market would be Europe?

Mr. Jim Everson: That market would be Europe.

Companies that introduce innovation to the Canadian farmer in Canada have to get approval in all countries, including Europe. Europe is notoriously difficult for receiving those approvals. The timeframes are very long.

Mr. Massimo Pacetti: How will that change?

Mr. Jim Everson: With this committee that we have on biotechnology, through the dialogue that we have and the cooperation we have, and through the regulatory cooperation provision of the agreement, we are looking for an improvement in the timeframes that Europe takes for approvals.

Mr. Massimo Pacetti: Is that a done deal? You're working on it.

Mr. Jim Everson: The procedures, the committees, are in place. It's not a done deal until they produce some deliverables.

Mr. Massimo Pacetti: Okay, that's what I wanted to hear.

I have limited time so I want to get a question to Ms. Salmon.

Of course, the first question I'm going to ask is, did your name have to correspond to the—

Ms. Ruth Salmon: I know. It sounds awful, but that's how I got the job.

Mr. Massimo Pacetti: I just wanted to make sure that was the reason, or whether you had to change your name—one of the two.

Ms. Ruth Salmon: No. I already had it before I applied.

I used to work for the dairy industry, and no no one ever commented on my name then.

Mr. Massimo Pacetti: Sorry, I had to ask.

You represent members from every region across the country, I assume.

Ms. Ruth Salmon: Correct.

Mr. Massimo Pacetti: I wasn't sure.

You were being a bit contradictory, and I want to clear something up. When you came to your slide, you were talking about how we're falling behind competitors by 40%. I assume it's not only about tariffs.

You stated that there's limited investment, but then you said there's more than enough investment available out there.

Can you clear that up?

Ms. Ruth Salmon: The decrease in competitiveness is not related to tariffs. It's strictly related to a regulatory legislative policy framework that the other countries have, a more enabling framework than we have here.

Most of the same companies invest in Canada, as they do in other countries, so they're global companies. When they have discussions about where to invest, Canada gets maintenance dollars and not new dollars because there are no new projects, no production—

Mr. Massimo Pacetti: The investors here have a choice.

They can either invest in Canada or invest—

Ms. Ruth Salmon: Absolutely.

Most of our companies—

Mr. Massimo Pacetti: They're worldwide companies.

Ms. Ruth Salmon: —are investing in Canada. They're also the same companies that are investing in Scotland, Norway, and Chile. The money is going elsewhere. But the money is there.

When the discussions around the board table come around—

Mr. Massimo Pacetti: So this is not about CETA, but it's about the regulatory framework here in Canada.

Ms. Ruth Salmon: That's exactly the limitation. Because of the growing demand for seafood and the high quality of Canadian products, we'll be able to capitalize on CETA if we can expand production.

Mr. Massimo Pacetti: What do you need to improve the regulatory framework that your companies are under right now?

Ms. Ruth Salmon: We are now working with the federal government on a work plan, that hopefully is going to see some success in terms of regulations that make sense from our industry, and also not duplicate what is going on right now. There's a lot of duplication.

Mr. Massimo Pacetti: Was that part of your input with CETA when you had discussions with negotiators?

The Chair: That will be the last question.

Go ahead and answer.

Ms. Ruth Salmon: That and a national agriculture act.

If we can get those kinds of things, then CETA will then add to—

● (1020)

The Chair: I'm sorry. Your time is gone.

Mr. Hiebert and Mr. Holder are going to split the last questions, and we will have to cut this whole session a bit short because of the bells.

Go ahead.

Mr. Ed Holder: Thank you, Mr. Chair.

I'd like to thank our guests for being here today.

I was thinking, frankly, that after the next election Charlie Angus might be looking for a new position. My concern is that he's going to change his name to “Charlie Tuna”, so Ms. Salmon, I'd be a little concerned about that, if I were you.

That's just to give you a little heads-up there.

Some hon. members: Oh, oh!

Mr. Don Davies: On a point of order, that should be “Angus Beef”.

An hon. member: You're being callous this evening.

Mr. Ed Holder: If you don't like it, that's just bad Cape Breton humour.

First I'd like to thank you both, the Canadian Aquaculture Industry Alliance, and of course the Canadian council, for your great support of CETA.

I think this is really all about allowing job creators to create jobs. As I heard you both say, you already do business in Europe, to more or less degrees, and if we can find ways to take tariffs out of the equation and make regulations more compliant—and Ms. Salmon, I certainly heard you say that with some strength—it would be beneficial to your industry, which means beneficial for Canadians and for jobs in this country.

If I could, though, Ms. Salmon, I really appreciated your references to global trends. I'm going to focus on that for a moment. When we think of where the world is going, and this affects the canola industry as well, with its great growth, and the aquaculture, which is not...and that concerns us.... But if we imagine where the world is going population-wise, and who's going to feed the world, Canada has a huge opportunity. I might even say it's a moral obligation to do its part as well, as the world grows. I think we're well positioned to do that, which is why I was struck by your comment that aquaculture is the fastest growing food industry in the world and Canada has not yet capitalized on it.

One of the things you pointed out in one of your slides was that with tariff rates of up to 25%, the EU has not been a priority export market. I get that. In fact, when this committee was in Halifax, we heard from one witness, who indicated, for example, that with fresh fish the tariff rate is at roughly 8%, and for processed fish it's in the mid twenties. That's consistent with what you've said here.

What this does with the greatest majority of tariffs—well over 90% being removed immediately on signing and the balance over several years—we think, is to create an opportunity. I'll touch on the regulatory in a moment, but my question is, will the focus change?

Ms. Salmon, I'm not sure what percentage of the aquaculture industry stays within Canada or is exported. I'd like to know that precisely. Secondly, to what extent—again, notwithstanding the regulatory regime, but the removal of tariffs—will that assist your industry going forward?

Ms. Ruth Salmon: We have certainly been an export-oriented industry. One of the main reasons for that is that we're so close to one of the major seafood markets in the world, the U.S. That has been the easiest place to do business because of the proximity, and we can provide fresh product in a very short period of time.

However we do have the opportunity to grow both in export markets in other countries, such as the EU, as well as in our domestic consumption here. We've not focused on that. Again it's all to do with our limiting production, we're in the same place now as we were 13 years ago.

We have been an export-oriented industry. We will continue to be that. Seafood is a global commodity, but we do have the potential to increase, particularly in the EU, as well as in our domestic sales.

Mr. Ed Holder: How many years has the United States been an important market for you?

Ms. Ruth Salmon: The industry is a young industry. It's only 30 to 35 years old. That's part of our issue; when we started here in Canada no one knew what to do with us and where we fit from a legislative perspective.

We're a young industry and the majority of the trade has always been with the U.S., simply because unlike other countries we have a natural advantage to provide fresh seafood in a very short period of time.

● (1025)

Mr. Ed Holder: Sure. It's interesting because the obvious proximity of your industry to the United States and our geography, with 90% of our population within a couple of hours of the border.... It seems to me it's probably no coincidence when I hear your example of the implementation of the North American Free Trade Agreement allowing access on a less regulatory basis. It's certainly our expectation that this will assist your industry going forward as well.

I was also pleased to hear that it wasn't an issue for you that you were looking for government assistance, as much as you were looking either for government to get out of the way or government to ensure that the regulatory regime is consistent.

Ms. Ruth Salmon: That's exactly it.

Mr. Ed Holder: I'd like to learn a little more about that.

Ms. Ruth Salmon: We'd be happy to meet with you and share more of what we're doing.

Mr. Ed Holder: I'm not sure if the issue is provincial, federal, or just some mishmash, so I think we need some clarity around that for our purpose. I don't think you need to limit it to me. Perhaps you could send some information about that through the clerk.

Ms. Ruth Salmon: I'd be happy to do that.

Mr. Ed Holder: That's just to help us understand if there are ways we can support your industry.

Ms. Ruth Salmon: It's important, I think. Thank you.

Mr. Ed Holder: Good luck on that. I think yours is one of the great opportunities to—

Ms. Ruth Salmon: —feed the world.

Mr. Ed Holder: —feed the world. I think that's well said. At the same time, to create job opportunities for Canada as well.

Ms. Ruth Salmon: There's no question.

Mr. Ed Holder: Mr. Everson, your industry has always been exceptionally supportive when representatives have appeared in front of us because you understand the importance of export, what that means. I won't dwell on the issue of capacity. I think a couple of my colleagues have asked that question. It certainly is clear to me that you've got the ability to do that.

I need some clarity around a couple of things you talked about. You talked about biotechnology in your formal comments. You said that the EU's regulatory system for biotechnology creates risks for exporters and some uncertainty in some aspects of your industry. You've indicated that the EU's regulatory environment creates real barriers to trade in innovation. To what extent does this agreement get around that or the things that can, should, need to be done to support our canola industry?

Mr. Jim Everson: Biotechnology is the challenge in a lot of markets just from a regulatory point of view. It's particularly challenging in Europe. As I explained earlier, the main issue there would be that Canadian canola farmers benefit from new seed innovation that the companies provide: better weed resistance, better yields, better stand establishment. These products make the producer better agronomically and better competitively.

The challenge with these products is that they require regulatory approval in all the markets that we ship to. It can take an extraordinarily long time to get that approval in some markets. Europe is one of them. While in Canada a technology like this might be approved in 18 months, in Europe it can often be three or four years. During that time, the company, the seed innovator, cannot commercialize the product in Canada. They are voluntarily withholding the product until it gets approval in the major markets. So the Canadian farmer doesn't have access to that new seed innovation until it's approved in other markets.

There's an important reason for that: to be sure we don't jeopardize our exports by having an unapproved seed technology in a shipment of Canadian canola to a market. What we're trying to do, and where the agreement will help, is that it sets up a consultative body within a trade environment, which is a new thing for us, whereby we're not just talking about the human and health aspects—which won't change—we're talking about the administrative procedures of approving those products in a timely manner.

The Chair: Thank you very much.

We want to thank you for your testimony and thank the members for their questions. I'm sure we'll have some more. We may be able to chat with you one-on-one to get those answers.

With that, we want to suspend as we move into the in camera session.

[*Proceedings continue in camera*]