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Chair

The Honourable Rob Merrifield

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● (0845)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We'll call the meeting to order.

We are continuing our study of the Canada-European Union free trade agreement, I guess technically the comprehensive economic and trade agreement.

I'm would just remind the committee that we are the only committee sitting this week. I don't know what they do in other committees, but we've got places to go, people to see, things to do. I appreciate all of your being here this morning and taking part in this important study.

We do have with us Spirits Canada and Rx&D, Canada's Research-Based Pharmaceutical Companies.

We'll hear from Spirits Canada first, Jan Westcott, president and chief executive officer.

We'll open the floor to your presentation first, and then we'll get to Mr. Russell.

Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada): Thank you, Mr. Chairman.

I'm Jan Westcott, the president and CEO of Spirits Canada, and I'm here with my colleague, C.J. Helie, who's our executive vice-president. We're pleased to be here today in support of the Canada-European Union comprehensive economic and trade agreement, or CETA.

Spirits Canada is the only national organization representing the interests of Canadian spirits manufacturers, exporters, and consumers. Spirits producers in Canada are primary manufacturers. We source locally grown cereals such as barley, corn, rye, and wheat, and transform them into high value-added consumer products. Our signature products and our international recognition are based on Canadian whiskey and Canadian rye whiskey, but we produce and market a full range of spirits products, including gin, rum, vodka, liqueurs, and ready-to-drink products. Spirits annually represent more than 65% of all Canadian beverage alcohol exports, significantly more than beer, cider, and wine exports combined. In fact, total spirits exports during calendar year 2012 were worth over half a billion dollars, and, happily, were 33% greater in value than they were in 2008, so we're on a good track.

Building on this international success, spirits industry exports in the first nine months of 2013 are running approximately 20% more than last year's. I mention as an aside that spirits are also the only Canadian beverage alcohol sector that is not subsidized by taxpayers. Canadian spirits brands have a great reputation internationally for quality and authenticity, and our members have invested heavily in recent years in new product development and expansion into new markets.

CETA offers another important step in the evolution of bilateral alcohol trade between Canada and Europe. CETA builds on the previous 2004 wine and spirits agreement, and will provide further positive forward momentum.

Today, I'd like to highlight four key sector-specific initiatives within CETA that would be beneficial to Canada.

One, spirits consumers will benefit from the elimination of remaining import tariffs.

Two, most of the growth in the market is in the premium and super-premium end of the business. People are drinking less, but they're drinking better. These premium brands will benefit from the conversion of certain liquor board service fees from an *ad valorem* or price-based application that penalized higher-value products to a new flat rate, volume-based price structure.

Three, Canadian spirits manufacturers will also now be able to source spirits in bulk from the European Union and bottle them here in Canada, providing first of all greater flexibility, potential cost efficiencies, as well as additional value-added activities here in Canada for certain companies.

Finally, CETA will ensure greater transparency and marketplace discipline in regard to state trading enterprises, otherwise known as liquor boards in Canada, engaged in various aspects of liquor importation, distribution, and retailing.

Last year, spirits represented over 80% of all Canadian beverage alcohol imported by the 27-member-state European Union. Our principle current markets in Europe include France, Germany, Finland, Spain, Sweden, and the United Kingdom, with these six countries representing the majority of our sales. There are great growth opportunities for us across many EU states, including the Czech Republic, Estonia, Hungary, Latvia, Lithuania, and Slovenia, as these eastern European consumers increasingly migrate from vodka to brown spirits such as whiskey.

Some trade critics are concerned that free trade agreements encourage offshore production to lower-cost countries. This concern does not apply to spirits because under Canadian law all Canadian whiskeys must be mashed, fermented, distilled, and matured in Canada; hence, our geographic indication, “Canadian whiskey” and “Canadian rye whiskey”. More importantly, fresh and pure Canadian water and Canadian-grown premium barley, corn, rye, and wheat are essential to creating the unique taste profile of our beloved iconic brands, brands that in a number of cases, such as Canadian Club and Wiser's, have been manufactured and sold continuously for over 150 years in this country. The growth in international exports of Canadian spirits translates directly into more jobs here in Canada on Canadian farms, in Canadian spirits facilities, and in hundreds of small and medium-sized businesses that serve and support our production and maturation facilities.

● (0850)

On behalf of our member companies, we want to extend our appreciation to the Prime Minister and Ministers Fast and Ritz for the leadership they have shown through these negotiations. We also want to commend our Canadian trade officials, particularly chief negotiator Steven Verheul and his team, who were extremely responsive to industry priorities.

I'd also like to recall for the committee members that the Canadian spirits industry has a request before the government for a reduction of $1 per litre of absolute alcohol in spirits excise duty. The impact of the 2006 excise rate changes has dramatically escalated the federal fiscal burden on spirits versus those of our direct competitors. Such a modest decrease in our tax load would be a critical precursor to the industry. It would allow us to take full advantage of the emerging trade opportunities being created through the government's trade agenda, thus enabling Canadian spirits to attain their full potential.

That's the end of my presentation. Thank you very much. At some point we would be pleased to answer questions.

The Chair: Thank you very much.

Before we get to the questions, we will proceed with a presentation by Russell Williams, president of Canada's Research-Based Pharmaceutical Companies.

The floor is yours.

[*Translation*]

Mr. Russell Williams (President, Canada's Research-Based Pharmaceutical Companies (Rx & D)): Thank you very much.

I would like to express my thanks for this opportunity to appear before you to discuss the landmark Canada-European Union Comprehensive Economic and Trade Agreement. It is a historic accord.

[*English*]

My name is Russell Williams. I am the president of Rx&D. I am accompanied by Darren Noseworthy, vice-president and general counsel of Pfizer Canada.

Our industry, the innovative pharmaceutical sector, is a key player in Canada's knowledge-based economy.

Rx&D applauds the Government of Canada on the CETA agreement in principle, which is an outstanding and truly historic achievement. With this new agreement, Canada is setting the pace. CETA has been recognized around the world as a model for other 21st-century trade agreements.

From the start of CETA negotiations, Rx&D has been a strong and consistent supporter of the Government of Canada's goal to reach a mutually beneficial trade agreement with the European Union.

We believe a knowledge-based economy like Canada's must be built on the foundation of innovation, not imitation. And IP rights help protect and drive innovation across all sectors.

There's no escaping the fact that Canada lags behind our other trading partners when it comes to life sciences IP. With CETA, Canada is taking one step towards establishing a more level playing field for life science investments, and sending a positive message to international investors that Canada is a market that supports innovation. And I say this despite the fact that only two of three requests were actually acknowledged within CETA, but those two, which I'd like to describe now, are a step towards levelling the playing field.

The life science IP improvements in CETA include, first, patent term restoration, which has offered to research-based pharmaceutical companies the potential to recover up to two years of time lost on their patents as the result of lengthy development cycles and government regulatory approval processes. I'd like to remind the committee that Canada is currently the only G-7 nation that does not have any form of patent term restoration.

The second improvement that you find in IP in CETA is something called the right of appeal, which will allow research-based pharmaceutical companies to more effectively appeal court decisions when a patent is ruled invalid. An appeal process is currently available to the challengers, but not to the patentees, so this is a matter of fairness in front of the courts.

Why do these changes matter? They matter because improved IP protection will help drive investment, support higher-paying jobs, and lead to an improved health care system and better health care outcomes for Canadians.

And we know it works. Each time Canada has strengthened its IP regime in the past, it has been good for Canadian patients, our health care system, our economy, and for our members as well as the generic manufacturers. The IP reforms enacted by the government 25 years ago drove a 1,500% increase in annual investment over time, unprecedented domestic growth in pharmaceutical R and D, and one of the fastest growth rates for the sector among leading OECD countries.

To be fair, we acknowledge that our member investments, which still exceed well over $1 billion annually, have declined over the last few years. This is due in part to other countries surpassing Canada's IP regime. As a consequence, the global pool of well over $110 billion in annual life science investments is migrating to other jurisdictions. Other nations also boast supportive business environments and top-flight scientific talent. It's a fiercely competitive global environment. Canada must keep pace.

● (0855)

[*Translation*]

However, it is more than simply an economic issue. Innovation continues to provide more efficient and effective means of fighting some of the most complex health problems. We hope to be able to decrease the number of hospitalizations and the need for surgical procedures.

[*English*]

Throughout the negotiations, CETA opponents have argued that the health care system would be imperilled by IP improvements. They made the same arguments—the same arguments—against the historic NAFTA agreement with the United States and Mexico. They were wrong then, and they are wrong now. Their recycled arguments make for sensational headlines, to be sure, but their analysis is simplistic and biased.

This speculation fuels fear, but adds little value to meaningful policy discussions. Moreover the dire predictions have continuously been revised. It used to be $2.8 billion, then it was $1 billion; next week it will probably be something else.

Let's now consider the facts: first, drug prices will not increase due to CETA; second, nothing in CETA restricts or impairs the ability of any Canadian government to manage and control its health or medication costs; third, as the Government of Canada has stated, the CETA changes will have no significant impact for a good 8 to 10 years, and will apply to medicines that aren't even available today; fourth and finally, the European Union has higher IP protection than Canada, yet somehow the EU countries spend less on health care as a percent of GDP than Canada.

The costs of new medicines must be placed in proper context. According to a recent analysis of the data from PMPRB, the total cost of patented medicines has grown by only 4.1% over the last five years and, in fact, there's been negative growth in recent years. At the same time, according to data from CIHI, total spending for the whole health care system in Canada grew by 28.5%.

CETA opponents also completely disregard the value of innovative medicines in improving the health of Canadians. Recent studies prove that investments in new medicines offset health and social costs by at least two to one. Imagine the positive impact that might have on managing future health care costs, of even small increments of innovation in the medicines—keeping employees off disability, keeping them at work, and promoting productive citizens.

The development of new medicines has changed the world: think of polio, asthma, rheumatoid arthritis, and HIV/AIDS.

[*Translation*]

There are still too many Canadians living with disabling, painful and potentially deadly illnesses. This is unacceptable. It is why a number of Canadian patient groups strongly support the IP changes in the agreement.

[*English*]

CETA by no means resolves all life-science IP issues, but is an important step in the right direction. It will help our members to advocate within the respective organizations to secure those new investments in clinical trials, in product management, and plant improvements.

The committee recently heard some presentations that referred to dual litigation, so I'd ask my colleague Darren Noseworthy to make a few comments on dual litigation before we finalize the presentation.

● (0900)

Mr. Darren Noseworthy (Representative, Vice-President and General Counsel, Pfizer Canada, Canada's Research-Based Pharmaceutical Companies (Rx & D)): Thank you, Russell.

Thank you for the opportunity to speak to the committee today.

Dual litigation, as a first point, was never raised with the innovative industry in the context of CETA, and we are deeply concerned about any changes that grant the industry a right of appeal at the expense of other existing legal rights.

Just in terms of background, in Canada, when a generic elects to make a copy of an innovative drug before the expiry of all the relevant patents, it will engage what's called the patent linkage system. Why does Canada have a patent linkage system? This is because without it, generics would enter the market while patent issues are being resolved in the courts. This is different from the European Union, where the innovator can obtain an injunction to keep the generic challenger off the market while the legal issues are being resolved in court.

Under our linkage system, when an innovator wins, the generic can appeal. But when the generic wins, it enters the market for the most part within hours, leaving the innovator with no remedy under the linkage regime whatsoever. This is why the industry has been calling for a linkage appeal right for several years. As Russell mentioned, it is simply a matter of balance and fairness.

In addition, if a generic is successful in its linkage case it may sue the innovator for revenues lost due to delayed market entry, and in such cases, as you can well imagine, the generic argues for market conditions that maximize its damages claim. This is unique to Canada.

So what is dual litigation? In Canada, when a party wins its linkage case another challenge is possible. Innovators can sue for damages in an infringement action; that is true. Equally, however, generics can bring a similar action seeking to impeach an innovator's patent. Even if the generic loses all the linkage cases up to the Supreme Court of Canada, it can still start a new proceeding to invalidate the patents. The point is that dual litigation cuts both ways: it exists equally for all parties and has been used by both innovators and generics alike.

There are many aspects of the current IP enforcement regime that are unfavourable to the innovative industry. Innovators must win every linkage case against every generic. If you win two and lose the third, you have lost your market and you have no right of appeal.

As for section 8 damages, claims worth hundreds of millions of dollars that only benefit the generic industry, again, are characteristic only of the system in Canada.

Moreover, heightened patent utility requirements and the promise of the patent doctrine, again, exists only in Canada.

In closing, the right of appeal is an issue of fundamental fairness that has a relatively simple regulatory solution. This was the mutually agreed upon outcome of the CETA negotiations.

Thank you very much.

Mr. Russell Williams: Just in conclusion, we salute the government for reaching this landmark CETA agreement in principle. Obviously, the next two years are very important as we move towards implementation. I think it has been said in front of this committee before: the devil is in the detail. We have a lot of work to do, but we will work in complete collaboration to build a stronger and more competitive Canada.

Thank you very much.

The Chair: Thank you very much.

I'm sure you've stimulated some very good questions and 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 being here and welcome to the committee.

Mr. Williams and Mr. Noseworthy, I want to start with patent term restoration. I'm reading from the detailed summary provided by the government. It says:

> 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.
> Period of protection offered by Canada will never exceed a fixed cap of two years.

I want to make sure I understand this. You're an innovator, you develop a new molecule, and you apply for a patent. I've been told that's usually done as quickly as possible so that you can protect your intellectual property against other people who may be seeking to file a patent.

At some later point you then apply for regulatory approval to market the product. Once that is approved, you're able to go to market. It's that period of time between those two applications, or the application and the product approval, with a cap of two years that CETA has given. Is that correct? Do I understand that properly?

Mr. Darren Noseworthy: I think that's generally correct. Obviously, the devil will be in the details of how it's implemented, but if it follows the European supplemental protection certificate model, that's generally how it will work.

Mr. Russell Williams: Again the devil is in the details, but it seems that it's modelled after the European model, which has five years. Canada cut that short and said only two years.

Mr. Don Davies: It seems to me, though, and what I've been told is that from the time of the filing of the patent until product regulatory approval, it is almost never less than two years.

Do you agree with that?

● (0905)

Mr. Darren Noseworthy: There are some products...and I think you'll see recently in the field of oncology where the development time and the regulatory approval time are in some cases less than five years, but certainly two years is less than what is offered in Europe.

Mr. Don Davies: What I'm trying to find out is this. When applying for a patent you have to put together all of the paperwork for regulatory approval and then get that approved, which I'm told will never be less than two years—or virtually never. What I'm told is that what we've really done is added two years. Even if there's a cap of two years, for practical purposes we're talking about two years.

Do you agree with that?

Mr. Darren Noseworthy: It depends on what the basis for the exclusivity is. And we talk about it. I read Mr. Keon's testimony. It's not taking the 20-year term and adding two years. There is a practical amount of exclusivity that innovators enjoy in the market. That's in the neighbourhood of around 10 years. We never reach the 20 years because of all the developmental issues that you've just identified. Adding two years will never even get us up to the 20 years.

Mr. Don Davies: I understand that.

What I'm trying to determine is, will it add generally two years?

Mr. Russell Williams: Sorry, everybody jumps in. My apologies.

No. The rules haven't been set and we can't come to those conclusions. We could look towards the European model and learn from it, and we're trying to understand exactly how it works. However, I actually see patent term restoration as remedial in nature. I would love it if our approval process were as rapid and quick as anybody else's in the world so that we could make innovative medicines available to Canadians as soon as possible. I have always seen this as remedial in nature. We're working very hard with Health Canada domestically—it has nothing to do with CETA—to try to improve the approval process so that's done more quickly for Canadians.

Mr. Don Davies: Right. We share those.

By the way, we also say the devil is in the details as well. I'm glad to see that both of you have used that term as well.

Mr. Russell Williams: We'll be talking over the next couple of years.

Mr. Don Davies: In terms of the right of appeal, in the government's technical summary, it says that "Canada agreed to a general commitment to ensure that litigants are afforded effective rights of appeal," which you've described, "which gives scope for Canada to end the practice of dual litigation."

If I understand you properly, have you been consulted by the government on the issue of ending dual litigation?

Mr. Russell Williams: Not prior to reading that in the technical document, as far as I can tell, no.

My understanding is that it wasn't part of discussions. You don't see that in the CETA accord either.

Mr. Don Davies: Okay.

Do you have any idea, then, why that is included in the document entitled "Technical Summary of Final Negotiated Outcomes of CETA"?

Mr. Russell Williams: This was the government's statement of its agenda moving forward. All I can say is that this is not part of the CETA agreement. The CETA agreement was a clear statement on equalizing fairness, if I can call it that, in front of the courts—but both sides would have the same rights. I have to say it's unclear to us exactly what that means.

Darren Noseworthy suggested what it could mean. It may look like there is forward movement with a right on the one hand, but that it gets changed with the other hand.

Mr. Don Davies: We'll need more information, I think.

Mr. Russell Williams: We're going to need a lot more information.

It would be disconcerting if it moves forward with one and takes with the other.

Mr. Don Davies: Thank you.

Do you have any idea of how many jobs Canadians can expect your industry to create as a result of CETA? Do you have any estimate to give the committee?

Mr. Russell Williams: What I can say is that Canada will be more competitive. This is a fiercely competitive environment. I mentioned that we were spending well over $110 billion a year in research. Canada gets about $1.2 billion or $1.3 billion. About 75% of that is in clinical trials. So it's not the same kind of research you often see in bricks and mortars, but right in our health care system with patients, hospitals, and universities.

Mr. Don Davies: May I interrupt you, Mr. Williams?

Mr. Russell Williams: It's hard to quantify the growth. It has been shown in the past that research dollars have grown significantly and that jobs come with it.

Mr. Don Davies: Did you expect that kind of research to increase in Canada as a result of CETA?

● (0910)

Mr. Russell Williams: We absolutely, certainly hope so, and we are going to be working for it. Otherwise the battles are not among companies; the battles are among other jurisdictions within the same company to bring those research dollars here to Canada. That's our commitment to the country.

Mr. Don Davies: Is there anything in CETA that you have seen that you think would work to prevent the creation of a national pharmacare program in Canada?

Mr. Russell Williams: CETA wasn't the focus of that at all.

Mr. Don Davies: Okay.

So you don't see anything in there that bears on that subject at all?

Mr. Russell Williams: No. The Canadian health care system and the way we built our health care systems across the country make that rather difficult to do.

Mr. Don Davies: I just have to say quickly, the "drinking less, but...drinking better" quote I'm going to use on my wife. Thank you for providing that to us.

I think I'm out of time.

An. hon. member: That's thoughtful!

Voices: Oh, oh!

The Chair: I can't give you any advice on where to use that, Don.

Voices: Oh, oh!

Mr. Don Davies: I wrote it down.

The Chair: Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Somebody has Christmas holidays on his mind, clearly.

The Chair: It's because things break down about this time of year.

Go ahead.

Mr. Erin O'Toole: Thank you, Mr. Chair.

Thank you all for appearing today. As both sides would acknowledge, it's important for us to hear from people, and we've been hearing from witnesses not just here in Ottawa. We were in Halifax and we intend to go to Vancouver in the new year. Thank you for being key stakeholders throughout the process. This truly was a transformative deal for Canada but also a transformative process in terms of engagement with stakeholders throughout. That's been a consistent theme we've heard, so thank you for working with Mr. Verheul and Minister Fast and the team to get us to where we are today.

I have a few questions for both sides. First, Mr. Williams, you spoke about drug costs. Certainly we heard folks from the generic industry here, and we've seen a lot of speculation and numbers that are, in many cases, based on studies that were based on pre-final outcome IP aspects of the agreement in principle, so they are not helpful to the conversation.

You took a strong position that we won't see the sky falling, as some might suggest. I wonder if you could expand on that and include the fact that some of the commentary in this area has not addressed the fact that the provinces have been bringing efficiencies to bulk purchasing of pharmaceutical products in recent years which is putting a downward pressure, to begin with, on drug costs and the fact that we're committed to making provinces whole at the end of a period of observation. We think it's been an appropriate balance. Could you talk about that issue in more detail?

Mr. Russell Williams: Thank you for the question.

We did give you a bit of an overview of that in terms of costs. I will quickly highlight it as we go through it. One of the three elements of CETA is the right of appeal. It's pretty hard to predict what products you're going to have to appeal on and whether you're going to win them, and nobody is going to predict a budget based on whether you win an appeal on a drug case. That you can't cost out.

Data protection didn't change. That was the second of the three elements. Data protection remained at eight years even though Europe has ten years.

Patent term restoration is, as the question showed earlier, at the end of a patent, so these will be new products coming in. It looks as though what we are hearing—and I don't know this for sure, because it's going to take about two years to negotiate—is that it will be eight to ten years past the time at which we resolve CETA that patent term restoration would come into effect. That's why I can say there will be absolutely no cost increase during that period based on PTR.

To your point, IP is only one factor in the cost of medicines. In Canada, you can see from the PMPRB in fact that innovative medicines have been in negative growth for a couple of years. The provinces of Canada have been negotiating, whether through bulk purchasing or a joint body or it's actually on the generic side, to drive down those prices. Indeed, I've always believed the failed public policy of this country was to overpay for generics.

The Canadian provinces have all the tools to control costs and negotiate costs, and they are doing that. What we're hoping to do with the provinces is to show the value of innovative medicines so that a dollar invested in innovative medicines or vaccines can actually save money in the rest of the health care system, but you're right that they control their purchasing agreements with us.

Mr. Erin O'Toole: Thank you very much, and thank you for the materials as well.

With this agreement there has been a clear strategy of trying to balance innovation and the clients you represent bringing new drugs to market to help Canadians with encouraging a culture of innovation alongside the balancing of costs and certainty for the generic industry as well.

Perhaps both of you could comment on the dual litigation issue. Certainly the agreement has expressed bringing the right of appeal to the branded side to the member companies in your organization. Really, would not both sides benefit from more certainty? Now that the patent linkage system is enhanced and offers that protection to both sides of the industry, shouldn't that really be where rights are determined rather than through the second route of the Patent Act?

Being a former lawyer myself, I know that certainly the whole system was good for lawyers but not good for certainty. Could you perhaps both comment on the potential to bring efficiency?

● (0915)

Mr. Darren Noseworthy: The first point I would make, and it's the point I opened with, is that we can have that discussion. If the government would like to discuss efficiencies and issues with respect to the current linkage regime, we're certainly open to that.

The fundamental issue for us is that the right of appeal is about fairness; one side has it and one side doesn't. As a starting point, everyone should have right of appeal. Now, in order to obtain the right of appeal, should we be forced to trade off some other substantive right? I think our position is clearly that we should not.

If we want to discuss the inefficiencies and issues with the linkage regime, I think there are obviously issues on both sides, and I highlighted a number of issues in my opening address. This is not simply a generic issue; it's an innovative issue as well. The fundamental point is that there shouldn't be any trade-offs in the current linkage regime to achieve the right of appeal for innovators.

If we want to have a discussion about some of the improvements that can be made to the regime as it currently exists, we're certainly open to that, but we're certainly not open to trading off rights that we have at the moment against the right of appeal.

Mr. Erin O'Toole: Mr. Williams, you talked about the previous changes—from that point in time to today—including a 1,500% increase in R and D spending in Canada. You'll know that some people had said there were promises of more.

In your opinion, using CETA as an opportunity, how can we encourage even more R and D investment, and high-end, high-value jobs in Canada?

Mr. Russell Williams: Thank you for the question.

Very quickly, again, I brought a document that shows the growth of investment since the mid-eighties, and we have honoured our commitment of 25 years. This is an updating of that.

To your question, we believe that the signal coming from the Canadian government regarding innovation is a very strong and powerful one. We can do our research anywhere in the world. We have good science in this country. We have some very good infrastructure, and, frankly, the government has invested quite well in basic research. What we are trying to do now is to be able to say that we can be competitive.

There are a number of other aspects, whether it's pricing regimes, which we talked about, or it's manpower or regulatory issues or questions of reimbursement. In CETA, at least, we have a signal that we can attract some of those new dollars.

One of the problems is that it's going to take two years to implement. Over the next two years, we still don't have those weaknesses that CETA is trying to correct. But the commitment of Rx&D is to use CETA and the improvements therein to attract more investment to Canada. When Canada moved Bill C-22 and Bill C-91, that gave a signal to increase those investments.

First and foremost, you need the right place to invest in good science. Canada has it, but we can't rest on our laurels. Science is improving around the world, and that's why we needed the harmonization. That's why we're hoping for three out of three, if I can say it that way, because the competition is ferocious.

But this is a step forward, and we're going to attempt to attract new dollars.

The Chair: We'll now move to Mr. Pacetti.

You have five minutes. The floor is yours.

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

Thank you to the witnesses for coming forward.

My time is a bit limited, so I'll try to ask quicker questions.

Mr. Williams, I understand the competition with the generics, but exclusive of generics, most of the companies you represent are worldwide companies.

Is that correct?

Mr. Russell Williams: We're global, absolutely.

Mr. Massimo Pacetti: How would the CETA benefit your companies if they're already around the world? You're competing against yourselves.

Are there any other innovative companies that are not in Canada, or some of your companies that are not in markets in Europe? What is the benefit?

● (0920)

Mr. Russell Williams: The benefit is for Canada. The benefit is that we will do the research here in Canada versus somewhere else.

Mr. Massimo Pacetti: We're already seeing the research going out of the country. Now your companies will benefit because of the fact that there is a free trade agreement and the research will maybe be in countries with lower cost.

That's what I'm hearing from some of the other people who have come forward.

Mr. Russell Williams: There are a number of factors when you determine where you're going to do the research. One of them is the IP regime, and Canada was behind in that. It's moving forward to correct that, so there is more likelihood—

Mr. Massimo Pacetti: Sorry to interrupt, but there are countries in Europe that can say the same thing.

Help me to reconcile how your companies are going to be able to pick Canada over 34 or 35 countries in Europe.

Mr. Russell Williams: The European IP regime was better than Canada's, and still is.

Mr. Massimo Pacetti: It still is?

Mr. Russell Williams: It still is, but we've moved forward on it. We moved forward with the CETA agreement.

For instance, Europe has 10 years of data protection, we stayed at eight. We'll be able to attract more investment with—

Mr. Massimo Pacetti: Unless we go to 12 we're not going to be able to—

Mr. Russell Williams: There are a number of factors. It's science and it's other factors—

Mr. Massimo Pacetti: I'm just trying to put the facts on the table because you said that Canada will be more competitive and that drug prices will not increase, but I'm looking at the free trade agreement. The reason we're going to sign a free trade agreement is that prices are going to decrease, we're going to create jobs, and we're going to have investments. Those are the kinds of things that I want to hear.

Mr. Russell Williams: That's what I said.

Mr. Massimo Pacetti: I want to make sure that we're going to benefit from this agreement. Those are things I want to hear because we're signing an agreement with another entity on the other side and I want to make sure they don't benefit more than we do.

Mr. Russell Williams: Personally, if we had 12 years of data protection, I think that would be wonderful for this country. But right at this point, we didn't do that. We did move on patent term restoration and we are correcting the right of appeal.

In terms of your other question, there are other companies. For instance there are five Japanese companies in our association. They are thinking about where they are going to invest. We're talking with Japan and Canada in the free trade discussions there, but it isn't about the countries, it's about the environment in Canada where we'll decide to do research.

But if you're sensing a bit of nuance to my statement, no, we didn't go to the top of the class, but we made significant improvements in leveling the playing field and that will help Canada.

Mr. Massimo Pacetti: Okay. That's good. Thank you.

Mr. Westcott, in the spirits industry, what does Canada produce most? There are obviously the whiskeys you referred to, but what are the second and third products that the European market would be interested in? Do we manufacture rums and vodkas?

Mr. Jan Westcott: We produce pretty much everything. We produce vodka, gin, liqueurs, you name it. Predominantly our exports are whiskey, but we do export some vodka to Europe. We have a very strong liqueurs business so we also export some of those products. They are unique brands, unique flavour profiles, which we've had some success in penetrating Europe with.

Mr. Massimo Pacetti: So if the tariffs in Europe are removed we'll be able to export more? You already said that this year exports have grown by 20%. What is that due to?

Mr. Jan Westcott: In large part that's driven by a renewed consumer interest, pretty much worldwide, in brown spirits, predominantly whiskey, but not exclusively. We're seeing a huge—

Mr. Massimo Pacetti: Sorry to interrupt you, but my time is limited. They cut my time so I've got to run on this thing.

So if the tariffs come down are we going to be able to sell more whiskey and sell more products?

Mr. C.J. Helie (Executive Vice-President, Spirits Canada): Just for clarification, the EU did not have tariffs on Canadian spirits going into the EU. We've been building, since the 2004 wine and spirits agreement, in all the other non-tariff barriers. That's how we've increased 20% and we see CETA as another push to double that again.

Mr. Massimo Pacetti: My last question is on the investment. Is your industry going to have to make more investments?

The Chair: Sorry, your last question has already been done.

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 this morning to share their comments and their testimony.

It's an interesting panel, Chair, that you've put together, drugs and alcohol....

Voices: Oh, oh!

Mr. Ed Holder: I was thinking about that and as I was thinking about my favourite habit, but unlike some—no disrespect, Mr. Williams—it is not “drugs”.

Voices: Oh, oh!

Mr. Ed Holder: I'm going to focus some of my comments on Mr. Westcott's testimony if I could, just so I can understand. I think I understand your industry modestly but that's more of an internal perspective.

You talked about the growth of the industry, notwithstanding excise taxes and tariffs and the like. I'm particularly interested in the export components. Can you just give us a sense of where the focus of your exports is, as a percentage, to which countries? Just give me the top half dozen or five.

● (0925)

Mr. C.J. Helie: The U.S. is obviously our biggest export market at just over 80%. The EU as a group is number two. Then there's Japan, Australia, and Russia. Those would be our top five or six export destinations.

Mr. Ed Holder: You're not bringing vodka into Russia yet, are you?

Mr. C.J. Helie: No, but they are moving to brown sprits in a big way.

Mr. Ed Holder: So you said the CETA countries are number two, and obviously with the proximity to the border, it makes practical sense that the United States would be your country of choice. What might you imagine, if you could help me understand, how this CETA deal will improve exports to the EU as a volume or percentage standpoint? You can pick whatever timeframe. I'm trying to get a sense of why this matters so much to you.

Mr. Jan Westcott: It matters for two reasons. One, as we've indicated, is that we have identified some parts of the European Union where there is going to be greater opportunity for us.

Let's be honest: some cultures are more into beer and some cultures are more oriented to wine. Many of the former Soviet bloc countries are now free-standing countries and are primarily spirits-oriented societies. That's their culture, so our ability to sell them our products is a lot easier than us going to countries that are predominantly oriented in different directions. We see some significant opportunity. At one point, Slovenia, a relatively small country, was one of the fastest-growing markets for Canadian whiskey anywhere, a small base, but it was growing. We see real opportunity.

Just as I said that these kinds of agreements bring discipline to our own internal mechanisms in Canada, we see an opportunity for similar disciplines to be strengthened in Europe. Europe isn't homogenous, right? Every place isn't the U.K., and every place isn't Germany. They have differences, and we see some opportunities to improve the security of investments that people make in these different places.

Those would be, I would say, the two things that we see as opportunities, and yes, we expect that we will see more volume of Canadian spirits going there. It's going to be predominantly Canadian whisky.

Mr. Ed Holder: You surprised me when you mentioned in your commentary, Mr. Westcott, that the conversion of certain liquor board fees from an *ad valorem* to a flat rate would help your higher-premium brands. What I'm trying to understand is how CETA makes that happen.

Mr. Jan Westcott: As I understand it, trade negotiations are about trade-offs. You get something, the other guys get something.

One of the issues going forward for Europe for a long time has been the manner in which liquor boards recover what they call import “cost of service” differentials; there are some services that liquor boards provide to import products they don't provide. It's the basis on which they calculate those fees. They have been calculated as a percentage of price, which has tended to drive them up.

Liquor boards have undertaken audits that have established the cost of those things, and now we're going to move to a fee that more accurately reflects those costs. On more expensive products, if you have a price-based charge, you're going to pay more. As we convert to a flat fee, that should make those products more attractive or mitigate in some high-priced products price increases that consumers might have seen.

Mr. Ed Holder: I was surprised you hear you say in your testimony that you would imagine that, as a result of CETA, there would be more bulk alcohol, I'll say, sourced in Europe but bottled in Canada. Is that happening much at all? Why would you imagine that would be increased through CETA?

Mr. C.J. Helie: Under the federal Importation of Intoxicating Liquors Act, we cannot import bulk spirits for other than blending and flavouring purposes. Under CETA, there'll be an exception made: that if you're importing bulk spirits from Europe, you can bottle it as is without adulterating it.

For instance, Scotch whiskey doesn't want to be used as a flavouring component. It wants to be bottled as Scotch whiskey. If a company here finds that there's a competitive advantage to importing bulk Scotch and bottling and selling it here, they can do that under CETA, because of CETA.

● (0930)

Mr. Jan Westcott: Which means that we're going to buy the bottles here, which means the plants are going to run more efficiently...on and on.

Mr. Ed Holder: Just to be clear, you've said that except for blending purposes, that has not been allowed to happen to this point.

Mr. C.J. Helie: That's right. That's under the federal Importation of Intoxicating Liquors Act.

Mr. Ed Holder: You also talked in terms of CETA putting greater transparency and more discipline into the marketplace. I wasn't sure exactly what that meant. Could you clarify that for me, please?

Mr. Jan Westcott: We have liquor boards in Canada. Those are classed as “state trading enterprises”. For those operations, there has been a history—not just in Canada, but in many places in the world—that because they're not normal commercial operations with competitors, the perception has been that they haven't always treated products from outside fairly.

One of the fundamental principles of trade is national treatment. You treat imported goods no less favourably than your own. Every time we sign a trade agreement, assuming that it's a favourable agreement, it's an opportunity to make sure that those state trading enterprises are operating in reasonable, fair, and transparent ways—transparency is critical—so that our trading partners know they're getting fair treatment in Canada. Just as when we export our whisky to countries, we want to know that Canadian whisky is getting the same opportunity in that marketplace, and that our investments are being given the same respect as local domestic products, whether they be whiskeys or other spirit products.

Mr. Ed Holder: Sorry, we can't talk about drugs, but thank you both.

The Chair: Thank you very much.

We're through our first round. We'll have two more questioners. We're going to cut our time a little bit tighter so that we can get the next panel, which has three panellists full-time.

Mr. Masse, the floor is yours for three minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you, witnesses, for being here.

Mr. Westcott, you mentioned that there are going to be trade-offs, or winners and losers with this agreement. Who in your industry will face increased competition and have to adjust to this agreement? Does this also apply to the vintagers with wines and the wine industry?

Mr. Jan Westcott: I don't think I necessarily said there are going to be losers. We see this as an enhanced opportunity for us in the spirits business. We have a fundamental belief in competition. We think competition improves things. It makes things better. It focuses people on the customer. There's pretty strong penetration of European products into Canada already. I don't see that being tremendously enhanced by this opportunity. Most of the things we sought were put into effect in the 2004 wine and spirits agreement.

The fact is, every time we sign another agreement, it's like a staircase. It's another step up that makes progress. It allows you to have more aspirations on the next one.

Mr. Brian Masse: In terms of job growth, what do you expect? In Windsor, which I represent, Hiram Walker used to employ 3,000 people. That's where my grandfather actually worked. Now they're down to 300 people. What can they expect in terms of growth, through this agreement?

Mr. Jan Westcott: We're already seeing an increase in exports. Seventy per cent of what we make in this country leaves Canada; we don't have a big enough market to support it. We have a relatively mature domestic market. People aren't drinking a lot more alcohol nor do we necessarily want them to be drinking a lot more alcohol. We have a mature market here. The opportunities for us to grow the business have to come from elsewhere.

We believe in trade. What I can tell you is that if we don't do these kind of deals, we're going to close distilleries. We've closed 50 distilleries over the last 30 to 40 years. Canada has very high tax rates on spirits, probably the highest in the world.

Mr. Brian Masse: Isn't that the number one issue for the industry right now?

Mr. Jan Westcott: That's the issue. If you don't have the money in your jeans at the end of the day to invest, all the trade agreements that the Government of Canada makes won't do us any good if we can't go out there and seize that opportunity.

Mr. Brian Masse: That's what I think is really missing in some of the work we're doing.

Mr. Williams, you mentioned that the devil is in the detail. What do you mean by that for your industry, specifically?

Mr. Russell Williams: It's particularly in regard to some of the questions that we had a dialogue on already today: what kind of patent term restoration will there be, and how would it work? What does dual litigation mean? How will the right of appeal work? I mean, these are principles. It wasn't an agreement-in-principle, but it will be in the details of all that and how this is actually going to work in the next year....

● (0935)

The Chair: Thank you very much.

Mr. Hiebert, go ahead.

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

I'm going to focus on the drug side of the equation for the three minutes I have.

My question relates to the signal that we seem to be getting from CETA. As it relates to your industry, it seems that the negotiators walked a fine line by providing something to both sides, both the innovators and the generics.

For the innovators, you got two years' extra patent protection, and for the generics, they got an end to dual litigation. Is this not a fair balance? Is this not a way of walking that fine line—not harming one side of the industry or the other side of the industry?

Mr. Darren Noseworthy: It's not as clear-cut as that. When you mention the end of dual litigation, there are a number of fairly significant components to that equation that I tried to outline in my initial points. We have unique aspects in Canada. We have section 8 damages. Does ending dual litigation mean that the innovators don't have a right to sue for infringement but the generics can still bring actions to impeach patents? Does it mean that the generics are willing to forgo their right to section 8 damages? What does it actually mean?

If the starting point of that discussion is that if in order to get a right of appeal—which is something the generics have, and you don't—to get that equal footing, you have to give something up on the other side, then that's really where we're coming from. That would be unacceptable. When we say end dual litigation, that has a number of very complex components to it, and we're very concerned about the unintended consequences and what the generics are actually giving up in that discussion.

Mr. Russell Williams: If we recall what was on the table with CETA, there were three requests: patent term restoration, data protection, and right of appeal. In the agreement in principle it looks as if it was two out the three, which is progress, and I'm very pleased about it. But if with one of the three isn't really progress—and again, the devil is in the details, as Darren has talked about—that's not going to achieve what we set out to do, to try to get the environment to attract more investment in Canada.

To me, the balance is to win those contracts to come to Canada. There's lots of room in our health care system for generics and for innovators. But we have to create the environment to attract the investment here. I've always believed the generics should probably be supporting us more, because without our innovation they have nothing to copy. But they do have a role at the end of patent. We have to make sure that we have the environment, that we can do the research, and that it's protected. That's what we're trying for, and that's the balance I think we should be going for, to make sure there's enough in CETA to attract new dollars into Canada.

The Chair: That's our time.

I want to thank you very much, Mr. Williams, Mr. Noseworthy, Mr. Helie, and Mr. Westcott, for your time with us this morning and your presentation. We appreciate that.

We will now suspend as we set up the next panel, as we have three panellists, and then we have a little bit of committee business at the end.

● (0935)

(Pause)

● (0940)

The Chair: I call the meeting back to order.

We want to thank our witnesses for their time. In this panel we have three panellists. From the Alzheimer Society of Canada, we have Debbie Benczkowski. Thank you for being here; you'll start us off.

Then we'll have the Canadian Organization for Rare Disorders, Dr. Wong-Rieger; and then from the Canada Europe Roundtable for Business, Jason Langrish.

Thank you all for being here.

Ms. Benczkowski, the floor is yours.

Ms. Debbie Benczkowski (Chief Operating Officer, Alzheimer Society of Canada): Good morning. Thank you very much to the members of this committee for the invitation to appear here today. I'm happy to be here again, and I'm pleased to see that significant progress has been made on CETA since the last time I was here.

Before I begin, I'd just like to take a minute to acknowledge the gathering of the G-8 leaders who are meeting in London tomorrow for a special summit on dementia. This ambitious summit aims to put measures in place that will lead to major improvements in dementia care and research. The Alzheimer Society of Canada will do its part to make sure this happens. In fact, our CEO, Mimi Lowi-Young, is part of the Canadian delegation, which is led by the Minister of Health, the Honourable Rona Ambrose, and includes the Alberta Minister of Health, Fred Horne.

This group will work with other G-8 health ministers to explore how we can put more funds towards dementia research and drug development. The G-8 summit on dementia is our once-in-a-generation chance to conquer this fatal disease. The Alzheimer Society is in London to ensure that meaningful action takes place long after this meeting is over.

The G-8 summit is relevant to our discussion today. Member countries of the G-8 are rich with innovative ideas that will lead to more research and development so that more effective treatments are produced to help Canadians living with Alzheimer's disease and other dementias.

If you were at my last presentation, you may recall that the theme to this committee was about creating an environment in Canada that produces the best research and the most innovation. While it has been a couple of years since I last spoke to you, my message has not changed. It is important to remember that agreements like CETA have the ability to significantly improve the quality of life of individuals with chronic diseases such as dementia.

Recently the Alzheimer Society of Canada had the opportunity to meet with ministers Rona Ambrose and Ed Fast in Ottawa to discuss CETA. We're very pleased that this important committee is interested in hearing from the Alzheimer Society again today.

I'd just like to take a moment to tell you a little bit about who we are, what we do, and why research and innovation matters so much to the more than 747,000 Canadians who are living with dementia today. The Alzheimer Society is Canada's leading nationwide health charity for people living with Alzheimer's disease and other dementias. Since 1978 the society has served as the voice for people living with this disease. We are present in over 150 local communities across Canada where programs and services are delivered directly to people with dementia and their caregivers. Our mission is to alleviate the personal and social consequences of Alzheimer's disease and other dementias and promote the search for causes, treatments, and a cure.

I'd just like to speak briefly about the size, the scope, and the implications of dementia in Canada today. Dementia, of which Alzheimer's disease is the most common form, is a huge threat to our public health system and to our nation's productivity. By 2040 Canada will be spending $293 billion a year on this disease alone. Today the combined direct and indirect costs of dementia total $33 billion a year.

While we have the best minds in Canada and around the world dedicated to finding a cure and new interventions, we still need a fully coordinated response to curb increasing costs and meet the crushing needs of individuals and families impacted by this disease, which is profoundly life-altering and ultimately fatal.

Over the past few months, the Alzheimer Society of Canada has been meeting with our federal government and MPs, including some of you, about our solution to Canada's dementia crisis. Research and innovation are clearly part of our solution. You will keep hearing from us about this in the months ahead. Specifically, we have proposed that the government create a Canadian Alzheimer's disease and dementia partnership to lead and facilitate the development and implementation of a national dementia strategy.

How does this all fit with what I'm here to talk to you about today? Research is at the core of what 747,000 Canadians living with dementia need. Intellectual property issues will have an enormous impact on the development of new medications as well as the ability of industry to invest in our research efforts here in Canada.

● (0945)

It's crucial that Canada continue to take a leading position in research and development to ensure that Canadians have access to the best and most innovative treatments possible. These opportunities can only have a positive impact on our health care system and our economy, and spur investment in further research. This in turn will help pave the way towards more effective dementia treatments for Canadians, and possibly even a cure.

Diseases like Alzheimer's are so complex that we need to significantly increase our investment in research and development. We fear that without a clear demonstration of Canada's support, promotion, and nurturing of innovation, key industry partners may abandon research into Alzheimer's disease altogether in Canada.

In order to ensure that our country is on even ground with research efforts around the world, including Europe, trade barriers must come down to encourage research and development in Canada. People with dementia and their families will win.

We don't know the cause or the cure, and we do not have effective treatments for the progression of Alzheimer's disease and other dementias—yet. That's why CETA matters. Canadians want and deserve the same access to innovation as our American and European counterparts. Innovation means support for more research, drug discovery, and, importantly, access to key clinical trials.

As a significant investor in research for the past 25 years, the Alzheimer Society knows this as well as anyone. We need to continue to take up the challenge and maintain our role as international research leaders.

The last time I presented before this committee, I left you with a quote from the February 2011 report of the Canadian Institutes of Health Research. It's important, and I would like to take a moment to repeat it:

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

We cannot afford to let that kind of momentum be stopped. The long-term investment in drug development matters. We believe that reforming IP standards for medicines in Canada will position our country as a world leader and will result in increased chances of Canadians getting access to newer medications.

I'm thankful for the hope that you as legislators are giving today to those living with complex conditions like dementia, and I'm thankful that Canada will lead in research development and in innovation for the long term.

We at the Alzheimer Society also recognize the important work of this committee as it relates to furthering Canada's trade agreements and the impacts they have on fostering research and innovation for new medications. Together, we can ensure that our country leads the way on research and development to create effective treatments for Canadians who are living with Alzheimer's disease and other dementias. They need to have hope.

Thank you for your attention.

● (0950)

The Chair: Thank you for your presentation.

We'll now yield the floor to the Canadian Organization for Rare Disorders.

Ms. Wong-Rieger, the floor is yours.

Dr. Durhane Wong-Rieger (President and Chief Executive Officer, Canadian Organization for Rare Disorders): Thank you very much.

I am Durhane Wong-Rieger, the president and CEO of the Canadian Organization for Rare Disorders. I'd also like to acknowledge Maureen Smith, the secretary of the board of directors, who's here with us today as well.

We really appreciate the opportunity to present before this committee on truly a very important measure.

I would first like to acknowledge what Debbie was saying. My father died of Alzheimer's almost 40 years ago. Sad to say, even though quality of life and treatments in terms of symptom management are much better than they were when he was diagnosed, I think we're no closer to a real cure. We strongly endorse everything she's saying there and certainly acknowledge the Alzheimer Society for their amazing work.

I'd like to present a little bit of background on the Canadian Organization for Rare Disorders and put into context what our comments are with regard to CETA.

CORD is the national network of patients and patients organizations for people who are affected by rare diseases. A rare disease is defined in the EU and in the pending regulatory framework in Canada as a condition that affects no more than one in 2,000 persons.

There are probably 7,000 to 8,000 rare diseases. It affects one in twelve persons. So really, there are about 2.7 million Canadians who are directly affected by a rare disease. Even though each disease itself is very small, in aggregate it affects a very large number of people. About 50% of these conditions affect infants and children. Many of them actually die before the age of two. About 80% of them have a genetic origin, either a mutation that's passed on or a spontaneous mutation in the genes.

The good news is that about 3,200 of these disorders can be identified today by a very high-technology process, the most sophisticated of which we actually have in Canada: next-generation exome sequencing. It's not widely available yet, but we believe it will become much more available. It can really lead us on a great step forward in terms of identifying patients who are in fact affected by a rare condition, and even carriers.

The sad news is that fewer than about 400 of these 7,000 to 8,000 conditions actually have treatment. This is one of the reasons why, of course, many of the things we're doing are so very, very important. Many of the treatments we have currently are really only symptom management, mitigating the life-threatening condition, and sometimes avoiding some of these problems with very strenuous things like nutrition control or other kinds of symptom management.

In the decade prior to 1983, that entire decade, there were fewer than ten new drugs for rare diseases. In 1983 the U.S. passed the Orphan Drug Act, and it provided incentives for research and development into rare diseases. In 1999 the EU introduced their legislation to also support research and development into what they call orphan drugs. They're called “orphan” drugs because in many cases the drugs would be developed, but because it isn't very feasible to bring them to fruition, they are abandoned.

With the introduction of legislation in both the EU and the U.S., there have now been more than 425 new therapies for more than about 300 conditions, in fact benefiting worldwide more than 10 million patients. This is amazing. Canada, of course, has not been part of this. Up until now, and even today, we still do not have a definition for rare diseases and we do not have supporting regulations.

This has been a real challenge for us, not only because we don't get the same level of R and D in terms of rare diseases in Canada, but also because it means that drugs are being developed elsewhere. Because we don't have a definition and because we don't have a pathway for the regulatory approval of these drugs, they're very slow to come to Canada. Only about 50% to 60% of the drugs that are available to patients worldwide actually are available to patients in Canada. They don't come to Canada. We often have to call up companies and beg them to come to Canada. They see it as a burden in terms of trying to get their drugs approved and getting them available to patients.

● (0955)

The challenge for us, and the solution of course, is the harmonization of regulations and the ability to make sure that as drugs are being developed elsewhere or as we're developing the drugs in Canada, we're going to be able to have worldwide regulatory approval and worldwide orphan designations.

The lack of access early on in terms of clinical trials is not insignificant, because it means that in many cases, especially for patients with life-threatening conditions, they're not going to be in that first wave of therapies. Sometimes even 50% to 60% come to Canada. Sometimes they don't come to Canada until two, five, or even ten years after they're available elsewhere. This of course is not acceptable to us.

As I say, happily much of this dismal scenario is really primed for change. Over the past three or four years, CORD has been working very closely with Health Canada to develop Canada's first orphan drug regulatory framework. It's been designed really well to be closely aligned with the EMA and the U.S. FDA. The beauty of it is that as drugs are being developed, orphan status can be applied for simultaneously in Canada, the EU, and the U.S. This means we can implement clinical trials with the same conditions being set elsewhere so our patients and our clinicians can get in early. It means that as we're developing research and development in Canada, we can have worldwide application immediately. It makes a huge difference when you're talking about these very small patient populations. The regulatory framework was announced by the Honourable Minister Aglukkaq in October 2012. We were very hopeful that we would have the regulations implemented at that time. We were hopeful they were going to be implemented this year. We are truly counting on them being implemented in the first quarter of next year. We think we're on track for that. We're very optimistic about it.

This leads us to our support for CETA and why it's so very important for us. We are even more optimistic now that we've seen the announcement for the comprehensive economic and trade agreement. It will bring us even more closely into alignment with the EU, especially with patent restoration. We've had companies that have not wanted to bring their drugs to Canada because there was going to be a delay in the clinical trials. They were not going to be able to get them approved in time.

We're also very supportive of the proposed rights of appeal to address duplicate litigation under the patented medicines NOC regulations. After some 30 years of the Orphan Drug Act, we're now seeing the first generics for rare diseases. It is very important that there be a good balance between innovation and generics, which are going to give the best options to patients in Canada.

I would say the one thing we are concerned about is that CETA doesn't really fully harmonize the Canadian and EU intellectual property regimes, first in terms of data protection, and second with respect to a very important provision for orphan drugs, which is market exclusivity. It's seven years in the U.S. and ten years in the EU. That gives drug companies exclusive marketing rights for that period of time. This we believe is very beneficial to ensure that we're going to have that same access that other countries have.

We're very supportive of moving forward with Canadian-based R and D, and we think CETA will really help to get more companies in Canada committed to doing that level of research. We are very confident in the long-term benefits of it. We know there are some concerns about the potential health care costs, but we recognize that in the long term, this is going to be much more beneficial.

In closing, we do support the general provisions of CETA. We are very supportive of the measures to compare data collection, analyses, and practices, and we hope those will actually lead into an application into the regulatory framework for drugs as well.

We are very happy about the way the agreement will actually benefit orphan drugs and ultimately patients in Canada.

● (1000)

The Chair: Thank you very much.

Now we'll move to Jason Langrish, executive director of the Canada Europe Roundtable for Business.

You're no stranger to the committee. Thank you for being here. The floor is yours.

Mr. Jason Langrish (Executive Director, Canada Europe Roundtable for Business): Thanks, it's a pleasure to be here. Thanks for the invitation. I remember when we started on this process in 2006, every six months the composition of the committee changed. It's nice that there's been some stability over the last few years.

I want to talk about the geopolitical implications of this agreement. Now, I will echo that our organization supports the position of both women and their organizations, although it would be indirectly through our membership, composed of companies that do the primary research. We are supportive of the intellectual property provisions, but we're much broader than that.

As an association, we're funded by 50 Canadian and European companies. In pretty much every case, these companies have significant operations in Europe or Canada. If they're a European company, they have significant operations in Canada and vice versa. We've been active on this file for several years. We also have the written support of about 120 chief executives of the biggest companies from Canada and Europe, so it's quite a broad coalition.

I'd be happy to answer any questions about the specific benefits of the CETA for different industrial sectors, but, as I said, from a geopolitical perspective, Canada is a country that exports two thirds of what it produces. Obviously, this agreement is going to be offering what Canada needs, which is access not so much to a new market but a market where substantial opportunities are still available.

But the more important part of this agreement, or at least as important part of this agreement, and where it is groundbreaking, is the way in which it goes behind the border. That reflects the reality of business. Here I will cite the example of centres of excellence, though I don't know if it's a concept the committee is terribly familiar with. Take a company like Bombardier. They produce one thing in one location, taking advantage of the favourable conditions that that location provides. For example, they might make landing gear in one place, assemble fuselages somewhere else, and rolling stock somewhere else. That's what's characteristic of international trade. Over half of international trade now is components that pass back and forth through a supply chain. In many cases, they go back and forth many times and value gets added increasingly until you have the final product.

The way we tend to evaluate our exports is by taking the final product to customs and then assigning a value to it. But the problem with this analysis is that a lot of trade has already occurred in creating that final product. Even if you have a low tariff, even one around 2% or 3%, it gets added every single time. Implicitly, it's a tax. You may say, “Oh well, the final product exported has a 5% tariff”, but it may have embedded tariffs of 10% already, so you could be looking at a 15% markup. Removing tariffs does matter. But if these products are moving back and forth through supply chains all the time, then moving your people matters, having your investments protected matters, and having access to things like proper procurement and protecting your intellectual property matters. That's why this CETA is so valuable. It tackles all of these issues.

I just came back from about a week in the European Union. I was in London, Brussels, and Berlin in particular. Sometimes people say, “Oh well, CETA doesn't get a lot of press, it doesn't get a lot of coverage over there”. On the street, that's probably true, and the attention is focusing on the negotiations with the United States. But certainly from the point of view of continent's decision-makers, CETA does matter very much. It shows that Canada and the EU are making common cause, setting progressive terms of trade. The WTO did manage to achieve an outcome, although fairly a limited one, and I think it's the type of ambition we should probably get used to in terms of what we could achieve with lesser-developed economies or emerging economies. In some cases, they have emerged, or some parts have emerged, some parts have not. I think we need to temper our expectations as to what we can achieve with those economies. Certainly, we're not going to be able to do the same things with those economies that we're able to do with the European Union and vice versa. For an example, if you look at Brussels, they see CETA not only as an important agreement in its own right—a breakthrough on all these fundamental issues that characterize 21st-century trade and investment—but also as a template for their future negotiations, notably with the United States of America.

● (1005)

The reason this is so important is that a EU-U.S. agreement will have a very profound impact on Canada as well. It will clean up a lot of the outstanding rules-of-origin-type issues within the Canada-EU agreement. But also it's an opportunity for us to modernize our relationship with the United States. Sometimes when you can't do things directly, you have to do them through other vehicles. We've tried for many years to do things directly with the United States. There has been some success, but you can't do these things in the same way you can do them in these big comprehensive negotiations.

So CETA positions us well with the European Union. It gives us preferential access to the EU market and to the U.S. market. We've also created the template for the broader NAFTA-EU integration that's ongoing. This is an opportunity we should also grasp.

In particular, when we're in the European Union, we should be selling our expertise not only in how we've been able to deal with the EU but also our experience in dealing with the U.S.—in negotiating the FTA with the U.S., in negotiating NAFTA, in dealing with the executive, in understanding that in the United States you have to deal with both Congress and the White House. It's not all one and the same. Sometimes that's a message the Europeans aren't terribly familiar with.

Going back to the negotiations with Asia, there's a lot of talk to say, well, Europe's kind of a slow-growth market, so we need to be focusing on the Asian markets. Yes, we do. We have to be focusing on the Asian markets as well as the European markets. But we also have to be realistic about what it is we're able to do in the Asian markets.

My take on it is that in many cases we don't need a free trade agreement to sell them the things we want to sell. That's a question of business going out and developing those markets and Canada developing the infrastructure to get our product to those markets and to take advantage of those markets.

Let's take China as an example. Yes, it's a rapidly growing market. Yes, there are opportunities within the market. But if you participate in China, and let's say you need to have a foreign partner, you have to share your intellectual property. It's not protected. As many times as not, that intellectual property gets taken or stolen and then gets used against you.

So there are opportunities, but there are also pitfalls in those markets. Let's also look at that. Let's continue to focus on those markets but let's realize that this is not a reality that we will have to face in terms of dealing with the European Union. That's very reassuring. It also underlines that what we've negotiated with the European Union is something that's very much based on shared values, shared levels of development, shared institutions, and shared outlooks on things. It's very much a negotiation amongst partners, a negotiation of equivalency. It's not a race to the bottom.

To recap, I think the CETA, in and of its own right, will bring significant economic benefit, but it positions Canada to be a leader in international trade, both directly through the Canada-EU agreement but also by giving it an integral position in the NAFTA-EU integration that's ongoing. It's also an integration that will force the Asian countries to come to the table and negotiate seriously for fear of losing out to what, if it's completed—I'm talking NAFTA-EU—will represent over 60% of the world's economy and be by far the largest agreement ever negotiated.

We should take this thing at face value, but we should also see what it offers down the road, and what it offers potentially down the road is very significant for Canada.

Thank you.

● (1010)

The Chair: Thank you very much.

We'll now go to our question time.

Mr. Sandhu, the floor is yours for seven minutes.

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

Thank you for being here today.

I've been always taught that details matter. Somebody in the testimony earlier today even went so far as to say that the devil's in the details.

So have you seen the devil? Have you seen the details of the CETA agreement?

A voice: The devil?

Mr. Jason Langrish: I don't know; I'd have to go back several years through my life. I guess at times I may have. I'm assuming this question is focused at me, or...?

Mr. Jasbir Sandhu: Have you seen the details of this agreement?

Mr. Jason Langrish: I haven't seen the final text, but I've been following this agreement for several years. I'm fairly comfortable with what's in it.

Now, we couldn't give our unequivocal support to the final agreement until we see it. There are some questions as to exactly what the intellectual property provisions will look like, exactly what will be covered under the government procurement provisions. But generally speaking, I think I'm familiar with 90% to 95% of what's in that agreement.

On behalf of our members, we're comfortable with what's in the agreement and we're supportive of what's in the agreement. However, there are some technical issues still to be resolved.

Mr. Jasbir Sandhu: We've had a large trade deficit. We had a trade surplus of $26 billion back in 2006, and we have a $62-billion trade deficit right now. We have a large trade deficit with Europe. Especially, we export a lot of raw materials. Seven of the top ten materials we export are raw materials, whereas we import more finished products from Europe. Do you see the trade deficit being narrowed and whether we will we be exporting more processed goods with this new agreement?

Mr. Jason Langrish: It's difficult to say. I'm not sure that's necessarily the right focus. If you look at Canadian firms, you see that sales of foreign affiliates in Europe are over four times what we export over there. These data don't really capture trade in services very well, which accounts for 70% of our economic activity. So yes, based on conventional measures of goods passing through customs, basically, we're running a trade deficit with Europe; however, this doesn't represent the majority of our economic activity with Europe.

Another point to be added is that we tend to have a focus on whether we are exporting more than we're importing, but imports matter too. Imports are what we use in our production processes, so sometimes running a trade deficit isn't necessarily a negative thing. If it's sustained, it could be a problem. But there's no indication yet that with any of our major trading partners we have what's called a “structural deficit”, which is a deficit that, no matter what we do, we'll never be able to change it and we'll never be able to get it positive.

I think it's too early to tell, but it's not something I'm particularly worried about. Will it be balanced? I wouldn't know. I think it's too difficult to answer that question.

Mr. Jasbir Sandhu: You mentioned that we have a large Asian market, and we can go in there even though we don't have a trade agreement with some of the countries. Part of what you talked about was that you need to have domestic enablers to help our exporters. Can you talk about those enablers and how we can help our exporters?

Mr. Jason Langrish: I think the very first thing—and this was touched on by a coalition of business groups—is that we have interprovincial barriers in this country, which are ludicrous, quite frankly. With these, we put ourselves at a competitive disadvantage. This is quite a bizarre situation. So at a minimum, for instance, the benefits that we're extending to the European Union, we should be extending interprovincially. That would be a first starting point.

As well, the second starting point is our critical infrastructure, notably for export, but things like rail, ports, airports, and those types of things. We could do much more in terms of developing those and utilizing that export capacity to penetrate the European market.

I'll give you an example of how you could switch those deficits over in a heartbeat. I don't know what our trade situation is with Japan, but we could be running a deficit with Japan of $7 billion. If we get one LNG plant up and running, all of a sudden we're going to go into surplus. In many cases, that's the nature of the beast. If you can facilitate certain industries, they can swing the numbers so much, and certainly when you have a more limited relationship with certain countries, that can have a more significant impact than negotiating a comprehensive trade agreement can.

But the thing is, to go back to the European Union, the nature of our relationship is different. The export and import of goods is the minority; it's the smallest part of the relationship. The biggest part is the investment and the services pieces. The conventional statistics are not capturing those properly. Or if they are, they're not being translated properly; they're not reflecting the reality of our relationship. We're too focused on what we put on a boat and send to Europe, and not focused enough on what we are actually doing in terms of economic activity in that market and, reciprocally, what the Europeans are doing in our market.

Whether or not you're opposed to or supportive of the oil sands, in the last 10 years, the majority of the investment that's come in has been from European firms. It hasn't been Asian firms. It's been Shell, Statoil, BP, and Total. They're the ones who have been putting in the money. They're the ones who've been putting money into our economy and creating jobs. That gets ignored when we talk about our relationship with Europe.

● (1015)

Mr. Jasbir Sandhu: You mentioned that you represent companies in Europe and in North America.

Mr. Jason Langrish: Yes.

Mr. Jasbir Sandhu: Which one of your European companies would benefit most from this trade agreement?

Mr. Jason Langrish: Which one of our European companies?

That's a good question. The devil is in the details.

Mr. Jasbir Sandhu: Right.

Mr. Jason Langrish: That's a tough one. I don't know. It will probably be a company like Siemens, or perhaps Rio Tinto, a miner that bought Alcan. They would probably say they'll benefit, in some cases through tariff elimination, or in some cases by the movement of their workers. I mean, it depends, right?

In other cases, it could be an Alstom. If the government procurement contracts become fully open and Alstom scores a $2 billion contract on the Toronto Transit Commission, let's say, then they'll be the biggest beneficiary, but we don't know.

The Chair: Okay. Thank you very much.

Now we'll share our seven minutes with Mr. O'Toole and Mr. Cannan.

The floor is yours.

Mr. Erin O'Toole: Thank you, Mr. Chair.

I'll be brief. With all this talk from the NDP about the devil this morning, I think there's a tweet in there somewhere.

Ms. Benczkowski, I want to take a moment to comment. I heard your CEO on CBC Radio during my five-and-a-half hour drive through snow to Ottawa yesterday, and I want to compliment you on the work you're doing. Certainly some of the numbers that were expressed at the rise of Alzheimer's and dementia sufferers in the next decade and a half—which I think was the period chosen—and the challenges of working within the long-term care environment, which was the focus of the program, and some of the recent violence....

It was refreshing to hear that your group is considered one of the world leaders and was invited by Prime Minister Cameron personally.

I just wanted to steal a minute to congratulate you on that and your important work, and to thank you all for your advocacy.

Ms. Debbie Benczkowski: Thank you.

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

Thanks, ladies and gentlemen, for being here. I too echo the comments to both ladies on your dedication to your organizations.

Debbie, you have appeared here before, and I actually just retweeted one of my colleague's comments about the upcoming summit tomorrow on the Canadian Institutes of Health Research and its important work.

I represent the constituency of Kelowna—Lake Country in the Okanagan, and demographically it has the third highest population of seniors...so it's a very significant gerontology study for UBC and UBC Okanagan. I appreciate your efforts.

From your perspective, you're supportive of CETA because of its strength and your hope that the pharmaceutical industry will work together with EU partners to come up with a cure for this illness.

Is that your perspective?

Ms. Debbie Benczkowski: Yes, absolutely.

I think our major wish for Canadians who are living with this disease is that they have access to hope. I think that is the thing. You heard also from Durhane of the same kinds of issues. When we don't know the cause or the cure for a disease, hope is the best thing we can offer people. That's what we hear from Canadians across the country.

As I said, 747,000 Canadians are living with this disease today. It's going to balloon to over 1.4 million Canadians in the next decade or so. This is us. This is our parents. This is our sisters and brothers.

We said that in 2011 the baby boom generation started turning 65. We have this enormous wave of people who are coming. We know that the impact on our economy is going to be tremendous, and without any cure, without any treatments that are helpful to people, the cost will not be able to be contained.

When we see the investment that's been made in diseases like HIV/AIDS and cancer, although the people who are living with those diseases are not cured, they certainly have the ability to live with more hope than people with dementia have right now. We hope that this kind of agreement interest will create interest in doing research and innovation in Canada, and also offer people with dementia the opportunity to access clinical trials as well. That's hugely important.

We have a project right now where we're trying to encourage people with dementia to participate in clinical trials. We know there will be an increase in research dollars, and thankfully the Canadian Institutes of Health Research is putting more dollars into dementia research and the Alzheimer Society of Canada funds dementia research. But we know that in order to get the approximately 15,000 people required over the next few years to participate in all these studies, we need 150,000 volunteers to do that.

We want to maintain this momentum. We want to maintain the access to hope for our folks who are living with the disease. That's our priority.

● (1020)

Hon. Ron Cannan: Thank you.

Thanks also to you, Ms. Wong-Rieger, for your passion and offering hope for your members of the Canadian Organization for Rare Disorders. I've met with your members in the past, and it's obviously something that's not as profiled on a day-to-day basis as some illnesses, but obviously affects Canadians from across the country, so thank you for your work.

To Jason, thank you for coming back to the committee and for the stability we have. I've been here since 2006 so I think that, with our strong, stable national majority Conservative government, hopefully we can continue to move forward.

I want to share the fact that there is optimism and hope. In October, month Canada had a $75 million trade surplus. So we're moving in the right direction, and CETA, together with NAFTA, is potentially going to open a combined market of about an 800 million people.

One of the concerns is that small business is still the bread and butter of the industry and job creation. I spoke with our Kelowna Chamber of Commerce on Friday, and the EU is the second-largest foreign investor in Canada. It says basically that one in ten Canadian jobs is linked to foreign direct investment and that CETA is going to open up doors to EU, which is already the second-largest foreign investor. As executive director of this group, can you maybe share your perspective on where you think the foreign investment from the EU will create an increased number of jobs and in which sectors Canada will benefit from this?

Mr. Jason Langrish: Picking sectors is a bit of a mug's game. I always cite the example of the wine industry in the FTA with the United States. It was supposed to be decimated and it bloomed—

Hon. Ron Cannan: It's a good choice coming from the Okanagan —

Mr. Jason Langrish: —so I'm hesitant to pick who will win and who will lose. But, you know, Canada has a market of a certain scale. We have some big companies, but we don't have as many big companies as China, the European Union, or the United States. That's a reality of a smaller domestic market, and you aren't going to change that, although you will have some big champions.

What that means is that you go down to the next level of business development, which tends to be middle-sized and SME-type operations. Some of those can have export-driven operations and some of them can go and invest internationally, but I would think if you look at the lion's share of their operations, they subcontract. They contract to governments or they subcontract to larger firms that deliver services globally. For example, they take the advantage of Bombardier, a Canadian company that goes all over the world and has investments all over the world. A Canadian firm that gets established with Bombardier, delivering on a product in Canada somewhere, by extension will likely get additional opportunities delivering out of market in the European Union, China, or what have you.

So I think that's going to probably be the biggest area of benefit for these smaller and medium-sized companies. It's going to be working with larger globalized entities.

● (1025)

The Chair: Thank you very much.

Mr. Pacetti, you have five of the best minutes the committee can offer.

Mr. Massimo Pacetti: Thank you for that endorsement, Mr. Chair.

Thank you to the witnesses for coming forward

I have just a couple of quick questions.

Ms. Benczkowski, does your association actually do the research or is everything farmed out to the pharmaceuticals?

Ms. Debbie Benczkowski: We have a research competition every year that we run. Our research is primarily investigator driven, so our researchers come to us, provide us with an idea, make application, and we fund their research.

Mr. Massimo Pacetti: So who would you partner with? Would you partner with the pharmaceutical companies or with other—

Ms. Debbie Benczkowski: We partner primarily with the Canadian Institutes of Health Research and the new Canadian Consortium on Neurodegeneration in Aging, which is the latest project to really come forward to provide funds for dementia research.

Mr. Massimo Pacetti: So would the CETA agreement allow you to form any partnerships with anybody in Europe to pool your research dollars, or is that something that...?

Ms. Debbie Benczkowski: It's a possibility and it's certainly something we would have to look into. We do have very close relationships with international research funding bodies all over the world. Through the American Alzheimer's Association, we're part of an international funders group.

Mr. Massimo Pacetti: So the agreement wouldn't enhance any partnerships. Would it just make it maybe easier?

Ms. Debbie Benczkowski: I would hope it would make it easier. As we said, the devil is in the details, so we hope that it would make it easier for us.

Mr. Massimo Pacetti: Thank you.

Ms. Wong, you talked about the lack of regulatory harmonization, but what qualifies or distinguishes an orphan drug category as opposed to the other categories?

Dr. Durhane Wong-Rieger: The EU and the U.S. have about the same definition of rare diseases, and that is orphan drugs. Orphan drugs are for diseases that affect very small patient populations, fewer than one in 2,000. They're also severe, life-threatening, or progressively debilitating. For these diseases there's typically no treatments, so the goal is to actually be able to stimulate research and development because the cost of the research and development is as high as it is for any common disease, but the return on the investment can be very low because the numbers are small.

Mr. Massimo Pacetti: Okay, that's what I thought.

But the CETA agreement does not specifically address this regulation. It has to be done with Health Canada.

Dr. Durhane Wong-Rieger: Right now, Health Canada has already proposed the orphan drug regulatory framework, and we're pleased with it because it actually does take the best of what's available—

Mr. Massimo Pacetti: I'm sorry to interrupt—but if you were to sign CETA without Health Canada being on board, it wouldn't give you anything. So you need Health Canada to be on board.

Dr. Durhane Wong-Rieger: Well, you do need to have the definition and you do need to have the provisions that are already in the Health Canada agreement.

Mr. Massimo Pacetti: So you need Health Canada to move forward. That's what I need to hear.

Dr. Durhane Wong-Rieger: Well, that would provide the base of what is necessary in terms of the definition and the approval for clinical trials, and for the research and development. But at this point the Health Canada regulatory framework does not include everything that would be in CETA as well, for instance, in terms of patent restoration, etc.

Mr. Massimo Pacetti: Right. Okay, that's fine.

I just want to get in a question to Mr. Langrish. Thank you.

You talked about the benefits to Canada and Europe. Obviously we've been talking to a lot of people.

My problem, or my concern right now is—and I'm going to speak directly to your member companies, and you probably represent bigger companies—is whether they will pass on the savings to consumers? They would compete with each other, but would they pass on to consumers the savings they'll receive from the agreement?

Mr. Jason Langrish: I can't answer that question because no trade agreement will ever ensure that tariff savings—if that's what you're referencing—get passed on. So I can't answer that, yes or no. However the history of trade agreements is that they do increase competition in market, and competition drives prices down.

Mr. Massimo Pacetti: Until somebody takes over the market and then prices return.

Mr. Jason Langrish: Yes, well that's what you have antitrust authorities for, though. We're confusing two issues.

Mr. Massimo Pacetti: Does Canada have the skill set to export to European markets? I look at smaller businesses in my riding and they have a tough time just exporting to the States. Unless they have a real connection to Europe, they have a tough time exporting their products and their knowhow.

Do you see that as a problem? Again, I think your member companies are on a larger scale and I don't think the Bombardiers will have that problem. But would you see that as a problem?

● (1030)

Mr. Jason Langrish: Well, I think that most smaller companies will export to their neighbours. In most cases in Ontario they're going to export to export to Quebec or Manitoba or the United States. Most in New York State will export to Vermont or Massachusetts. That's just the reality.

It's only once you get to a certain size and scale that you're able to export internationally, globally. So for most there probably won't be immediate opportunities there. However, never forget about the subcontracting opportunities. Supply chains are what matter nowadays. I don't think we talk enough about how important these things are, and that's where most of the trade actually occurs nowadays. So if you can build yourself into that supply chain you don't actually have to be exporting directly to the market, but are participating in the vehicle that drives exports, and that's an opportunity that small and medium-sized enterprises can get involved in.

Generally the way they do that would be through local procurement opportunities, not just public procurement—which is what's covered under the CETA provisions—but procurement opportunities with the larger companies that have supply chains and also export.

Mr. Massimo Pacetti: Okay, good point. Thank you.

The Chair: Thank you very much.

Mr. Shory.

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

Thank you to the witnesses.

I have a question for Ms. Benczkowski, but I will go to Mr. Langrish before I get to her.

Mr. Langrish, one of the [*Inaudible*] of our million-plus SMEs is that they are in the business of exporting and the majority of them, I would say, target the U.S. market only. How do we encourage those SMEs that are the job creators to get the benefit of this EU agreement and move their products to the European market?

Mr. Jason Langrish: Some of that I addressed in the last question. If the company is not large enough to export globally, and this will hold true for any market outside of the markets they are in close proximity to.... A small or medium-sized company has to have the resources to be able to deal with customs procedures and those types of things.

The CETA will clean up some of those issues and will make it easier for SMEs to export. Fruits & Passion is a Quebec-based company that's active in Europe and exports products to the European Union. They're a good example of a medium-sized company, one of our members, and our smallest member frankly.

I'm not going to make the case and say that we represent this scale of company. It's not really our raison d'être.

There will be some that will crack through, but again, it's really tapping in and just accepting that these smaller companies are generally going to export to their neighbours, and if they're going to go global the best way to get them moving along that path is subcontracting opportunities with the larger, more globalized firms.

Mr. Devinder Shory: Last month I read one of the op-eds you wrote for *The Globe and Mail*, in which you said:

> Strategically, the CETA will give Canadian firms an early mover advantage in the EU market relative to their American competitors, whose government is currently negotiating its own trade pact with the EU.

You also mention that the CETA is not just about moving products to the EU but about the services sector activity by Canadian companies on the ground in the EU.

So what should companies be doing between now and the implementation? What should they be doing to take advantage of this early mover status? Of course, if they do not lay the groundwork, there will be times when they find themselves left behind.

Mr. Jason Langrish: I think in some cases they're going to have to see the final text, because it will determine some things. For instance, if you're accessing government procurement markets in the EU and you're a company like CGI, you will need to know what exactly is open and what isn't open. So there will be some companies that will need to wait and see the final text.

There will be some sectors in which they can probably make the decision now. For instance, at this stage the beef and pork producers could probably ask whether this agreement will be ratified or not. And if the answer is that it will be ratified, then they can probably start getting their production facilities structured and getting their clients on the European side in place, so that once the agreement is ratified and becomes implemented, they can go. But these things tend to go out over a bit longer period of time, so I wouldn't be too worried about what happens between now and ratification, let's say, over the next year. I'd be more concerned about what happens over the next 10 years.

● (1035)

Mr. Devinder Shory: Ms. Benczkowski, I was reading through some of your testimony. You were in front of this committee in 2011 and said:

> Over the past 30 years, many drugs have been studied as possible treatments for Alzheimer's disease, but few have reached the market and have only been marginally successful in treating mild symptoms.

I believe you mentioned something similar today. So is there a feeling now that when the CETA is implemented it will open the door to more innovative research on this disease and more drugs actually reaching their intended market?

The Chair: That will be the last question.

Ms. Debbie Benczkowski: I would say I certainly hope so. There are really only four medications that are available to people right now, and they are of limited value to people. We often say the non-pharmacological treatments are of more value to people than those that are available, but we do know that if there is more opportunity to conduct research and innovation that our people may possibly be able to find hope through a cure, or even treatments for this disease, and as I said before, that has been offered to other disease groups and there has been significant progress with polio, HIV/AIDS, cancer, and those kinds of things.

We want to make sure the research and innovation that happens is happening in Canada. Obviously, if there's a cure anywhere in the world that's going to benefit people with Alzheimer's disease, we would certainly welcome that, but we want to see the research and innovation happen in Canada, because we have an excellent top-notch research community here. We want to see it being well funded. We want to see the work progress here, and equally as importantly we want people to have access to any kinds of treatments that are available as soon as they're available, so that there's no lag time for them in Canada, and so they also have the opportunity to participate in clinical trials. Those are hugely helpful for people who are dealing with a hopeless disease right now.

The Chair: Thank you very much. We want to thank all of you panellists for coming and sharing your expertise with the committee. This is a phenomenal agreement, and you point out many different reasons why. So thank you for that.

We will now suspend as we move into an in camera session, but before that, Mr. Davies, the floor is yours.

Mr. Don Davies: Thank you, Mr. Chairman.

Mr. Chairman, I previously submitted a notice of motion that I would like to move today and I'll read it into the record:

> That, pursuant to Standing Order 108(2), the Committee undertake a study on the Annual Report Pursuant to the Agreement concerning Annual Reports on Human Rights and Free Trade between Canada and the Republic of Colombia for the period August 15, 2011 to December 31, 2012, which was tabled in the House of Commons on June 14, 2013 and invite officials from the Department of Foreign Affairs, Trade and Development and other witnesses to appear and report its findings to the House.

Briefly, Mr. Chair, we have had two very sparse reports pursuant to the Canada-Colombia Free Trade Agreement. As all members know, it was an integral part of the Canada-Colombia Free Trade Agreement, given that country's challenges with human rights, that an annual report be filed that tracked the relationship between trade and human rights and labour development in that country. Really, we have not fulfilled the aims of that report or the purpose of that reporting requirement in either of the last two years.

I was watching a question-and-answer session with Nelson Mandela when he came to Canada in the 1990's when he was asked about the relationship between globalization and free trade and human rights, because with South Africa, of course, trade embargos played an important role in ending apartheid. He pointed out that human rights and labour rights are inseparable from commercial and trading rights. I think this committee and our Parliament recognized that when we put that reporting requirement in the Canada-Colombia Trade Agreement.

So the official opposition of New Democrats would like to move this and conduct at least one meeting where we can call officials from DFAIT and perhaps some civil service society organizations to give us their views.

Finally, Mr. Chair, I'll just conclude by expressing my appreciation to you and Mr. O'Toole for the agreement that the committee meet with some human rights labour organizations when it does go to Colombia. As you said, it's of importance to all parties in the House. I think this motion is consistent with that.

Finally, I want to take this opportunity to express best wishes for the holiday season to my colleagues on all sides of the committee and hope that you and your families have a safe and enjoyable holiday season.

● (1040)

The Chair: Mr. O'Toole.

Mr. Erin O'Toole: Thank you, Mr. Chair.

Certainly, I concur wholeheartedly with the latter part of my colleague's statement and extend thanks and best wishes to everyone on the committee for the holidays and an exciting 2014.

As for his motion, I would call for a vote on it and no further debate unless we go in camera. I would just say to his points, the last report is online. It was clear that there's no evidence of any causal link between tariff reductions as a result of the trade agreement and human rights issues in Colombia. Considering that we have a very busy schedule to deal with CETA and TPP all within this sitting, there's no time and really no substance to discuss. So I move for a quick vote.

The Chair: He had a motion. He just moved for a quick vote.

Mr. Pacetti, very quickly and then we'll go to a vote.... Go ahead.

Mr. Massimo Pacetti: Okay, now I've got the pressure on me. I don't understand why you want to go in camera when I don't get a chance to wish all my colleagues around the table a Merry Christmas and a happy holiday, but I guess I can't say that on the record.

When do we envision having this meeting, Mr. Davies, considering that we're planning on going to Colombia...just in terms of scheduling?

The Chair: Mr. Davies.

Mr. Don Davies: Any time between January and June would be fine.

The Chair: We can talk about it afterwards.

Mr. Brian Masse: A recorded vote.

The Chair: All in favour?

(Motion negatived: nays 6; yeas 5)

We will suspend very quickly as we move in camera.

[*Proceedings continue in camera*]