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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, February 3, 2014**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Monday, February 3, 2014

• (0900)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** We'd like to get this started. We'll ask our members to take their seats and we'll get going.

We are continuing our study on the comprehensive economic and trade agreement between the EU and Canada. Tomorrow, we'll be into the Trans-Pacific Partnership. As a committee, we have a whole day of witnesses before us today.

I'll just let the committee know that we will be interrupted to some degree by a fire alarm from about 9:55 to 10:30; they are doing a drill. We don't have to move, depending on the noise level. If the noise gets too intense and we can't carry on with the meeting, we'll break, suspend at that time, and bring back the next panel a little later once the fire drill is over. We will play that as best we can depending on the noise level. So don't get too alarmed when the fire alarm goes off.

We want to thank our witnesses for coming forward. In this first hour we have with us, from the Wavefront Wireless Commercialization Centre Society, James Maynard, and from the Business Council of British Columbia, Jock Finlayson.

It's great to have you with us.

I see in my notes, Mr. Finlayson, that you're up first. We look forward to your testimony, and then we'll get into questions and answers. We'll kick it off with you, sir. Thank you.

**Mr. Jock Finlayson (Executive Vice-President and Chief Policy Officer, Business Council of British Columbia):** Thank you very much, Mr. Chair.

On behalf of my organization, I want to thank the committee for the invitation to appear before you today.

I should just say by way of background that the Business Council of British Columbia is a cross-sectoral business organization that represents about 260 enterprises that are active in all parts of the provincial economy—resources, manufacturing, construction, high tech, utilities, transportation, hospitality, retail, wholesale, trade, health care, education, and the professions. Our member companies and affiliated industry organizations account for about a quarter of all private sector jobs in B.C.

I should say that we have looked at the technical summary of the proposed Canada-EU economic and trade agreement in principle, which was unveiled last year. We have also looked at some of the academic and policy literature that has been published on this topic.

As well, we have consulted with our members who happen to have an interest in trade and investment relationships with the EU. Based on all of that, we are supportive of Canada bringing this agreement over the finish line.

Our judgment is that CETA will be positive for the Canadian economy, particularly over the medium and longer term. We expect it will boost gross domestic product, stimulate the creation of more jobs, reduce costs for taxpayers in Canada, promote two-way investment flows, and, importantly, help more Canadian enterprises, including enterprises based here in British Columbia, gain a stronger foothold in the EU marketplace. I would just emphasize that, notwithstanding some of the challenges that a number of European countries have been having, the EU is collectively the largest marketplace and economy in the world.

Specifically, we think that being part of a broadly based modern economic and trade agreement like CETA with the European Union is going to benefit our country in a few key areas.

First, the agreement will give Canadian firms improved and to some extent preferential access to the world's largest market, consisting of 28 countries that are home to more than 500 million relatively affluent consumers. The EU accounts for about a fifth of global economic output, consumption, and production. Once it is fully implemented, we believe CETA will result in the elimination of tariffs on a wide range of products of interest to export-oriented firms in Canada—including those in B.C.—and reduce a lot of non-tariff barriers to trade that tend to operate at the border. Very importantly, it will expand and promote trade in services between Canada and the EU. These will include engineering, professional, computer and information, and scientific and technical services, all of which are an important part of the economic base here in British Columbia.

Of interest, Canadian trade with the EU has actually been growing in a period when trade with the United States has been stagnating. So even though the EU is not a fast-growth market, it is actually a market that is looming a bit larger for Canada and Canadian exporters.

The Conference Board of Canada, in a recent study, projected that Canada's exports of goods and services to the EU are poised to increase significantly particularly if market access is in fact improved.

Second, we think CETA will open up government procurement markets both in the EU and here in Canada. This situation should be advantageous to our businesses because the EU procurement market is worth almost \$3 trillion a year. Under the terms of this agreement, Canadian companies will be better able to bid on most types of procurement contracts issued by public bodies in the EU collectively as well as by the national, regional, and local governments of the 28 EU member states.

At the same time, we have to recognize that EU suppliers will have a greater ability to bid for public sector procurement contracts here in Canada subject to a list of exceptions. Since the EU public procurement market is vastly larger than that in Canada, it stands to reason that Canada should gain more from reciprocal access to public sector procurement. In addition, taxpayers in Canada should welcome the prospect of greater competition in the whole domain of public sector procurement as this will tend to reduce prices, improve quality, and increase transparency.

Third, CETA will support and advance the strategic goal of diversifying Canada's international trade and commercial relations so that over time we will become less dependent on the United States.

• (0905)

Here I would note that increased diversification has been a strategic goal set by federal governments over recent decades. It's a goal that's also endorsed by most of the provincial governments and supported within the business community, so it's something I think most Canadians would like to see.

Fourth, and importantly, CETA will encourage greater direct foreign investment between Canada and the EU, and strengthen the protection afforded to investors from each party in the other's market.

The EU globally is an enormous source of outbound foreign direct investment. It is also the second-largest source of the stock of FDI here in Canada, at about \$175 million in 2013. Canadian companies, for their part, are increasingly our direct investors in the EU as well, and will benefit from the greater protections of foreign investor rights afforded by CETA.

CETA will also help to set the stage for Canada to participate in a credible way in another set of international trade negotiations that are also of interest to this committee. I'm referring here to the proposed Trans-Pacific Partnership. A Canada-EU agreement that addresses such topics as agricultural protectionism, intellectual property, foreign investment, and services trade will better position Canada to negotiate effectively as part of the TPP discussions.

Finally, I would just remind committee members, and you no doubt are aware, that the United States and the EU had signalled quite clearly that they intend to pursue negotiations aimed at reaching a far-reaching transatlantic trade and investment partnership arrangement. These are early days yet, but the EU-U.S. agreement if it comes to fruition is expected to go well beyond the elimination of tariffs and other border restrictions to trading goods by encompassing intellectual property, foreign direct investment, and the alignment of regulations concerning manufacturing and services.

In other words, the EU-U.S. agreement will probably be similar in scope to what we see in the proposed CETA. With CETA, Canada

becomes the first western developed economy to hammer out a comprehensive agreement with the EU. Should CETA not proceed, Canada will be on the sidelines and Canadian business will be placed at a competitive disadvantage in the EU market if the Americans and the Europeans in fact move ahead to conclude their own agreement.

In summary the Business Council of B.C. believes CETA will provide a number of benefits to Canada. It will enhance our access to the world's largest market for both goods and services, enable Canadian companies to bid for EU government procurement contracts on a non-discriminatory basis, promote two-way investment flows, and enhance competition and transparency in the domestic public procurement marketplace.

We also hope that the final terms of CETA will entail a gradual reduction in the agricultural trade barriers currently embedded in Canadian supply management regimes governing the production and sale of eggs, poultry, and dairy products. These regimes not only lead to higher prices for Canadian consumers, but they actually make Canada a less attractive place for value-added food-processing industrial activity. Based on the technical summary document released by the federal government last year, it's not clear to me to what extent CETA will actually affect agricultural supply management, but we'd like the committee to know that my own organization would strongly support reform of supply management regimes in Canada if this turns out to be part of the outcome of the CETA deliberations.

Thank you, Mr. Chairman.

• (0910)

**The Chair:** Thank you very much.

We'll now move to our second panellist from the Wavefront Wireless Commercialization Centre Society.

The floor is yours Mr. Maynard.

**Mr. James Maynard (President and Chief Executive Officer, Wavefront Wireless Commercialization Centre Society):** Thank you, Mr. Chairman.

Committee members, thank you for the invitation to appear before you today to discuss the importance of the Canada-EU comprehensive economic and trade agreement.

Wavefront is Canada's centre of excellence for wireless commercialization and research. We accelerate the growth and success of wireless companies by connecting them with critical resources, partners, and opportunities to drive economic and social benefits for Canada. Wavefront is dedicated to supporting wireless companies in Canada and is making a big impact on our economy in the process. We are very focused on specific aspects of commercialization. We work with SMEs in the wireless and ICT sectors to accelerate their go-to-market capability by facilitating access to specific key services that drive growth and profitability.

It is important to know that 90% of the export activity in the ICT space is conducted by companies of under 100 employees in size. This is a critical thing, and it's a significant driver of jobs, growth, and prosperity for the country.

We focus on five platforms that drive growth. We provide access to technology resources, key business and advisory services that companies often go without because of their size, and skills development and training. One of the important things is that we have a very strong market linkages program where we actively work on linking continents all around the world, making strategic linkages that then provide accelerated pathways to connections for Canadian companies going into markets. Over the last three years, as a centre of excellence, we've engaged in almost 20 trips to 17 countries and have introduced almost 100 Canadian wireless companies to major economic opportunities around the globe. We see the impact of trade and trade legislation every day in our activities with our member companies, and Europe is a big area of involvement for us.

As a result of these capabilities, an audit of our impact at the end of our first year as a centre of excellence showed Wavefront's activities had accelerated the time for Canadian wireless businesses to market by up to 12 months—anywhere from 4 to 6 months on average, but almost 12 months out of a sell cycle—by using the strategic assets that the federal government funding of a centre of excellence can facilitate. We've helped companies, on average, to grow 20% faster than they could on their own, and we've also shifted their trade, or their business, into international markets 33% faster than they were able to do on their own.

As a result, for every dollar of public funding that we've received as a centre of excellence, we have been able to generate \$4.80 of GDP activity. More importantly, those activities have returned \$1.25 back to the treasury, so it's a good financial deal for the Government of Canada to invest in organizations like that. In these times, a 25% rate of return is a pretty good rate of return. It is a good business deal for Canada.

On average, ICT exports to Europe are about \$1.8 billion per year. These exports face tariffs often as high as 14%. Upon entry into force CETA will immediately eliminate these EU tariffs on ICT products, making world-class products more competitive and creating conditions for increased sales. For example, Sierra Wireless, which is headquartered here in Richmond, B.C., is the world's largest provider of machine-to-machine communications devices. They generate about \$500 million annually in revenues, and they have about a 35% share in this sector. This tariff reduction will directly impact their competitiveness, so this is a good thing. Sierra Wireless is Canada's second-largest telecommunications manufacturer, so this

is a significant impact on a significant piece of the Canadian economy.

CETA should provide market access for the Canadian ICT sector that is commensurate with the access that is given to European competitors into Canada. This is a significant win for Canada given the size of the market to which we now have access. With this agreement, Canadian ICT companies will have preferential access now to the two richest economies in the world: the United States, through NAFTA, and the EU, through this agreement.

● (0915)

One thing that's really important is access in terms of people and temporary entry into Europe. Because so much of the IT sector is based around services, people are a big part of the opportunity here. The reducing of barriers, which allows our Canadian business people to enter more easily both for business purposes as well as for the delivery of services, is a huge benefit for us. Again, most of our companies are small and they don't have the legal departments to actually fight the overhead to get in. So this is a big benefit, improving the efficiency and effectiveness of our Canadian companies.

I think that a lot of my points are similar to what Jock has said so I won't be repetitive. One of the things I want to stress here is that while this is a great agreement, there's more work to be done because this is only the beginning. This is like laying the foundation to a huge trade opportunity and a huge window, especially the window that is open while the U.S. still does not have this agreement. I'd really encourage the committee to look deeply at other things that need to be built on top of this foundation to continue to drive the opportunity.

I have a couple of suggestions that can capitalize on this achievement and drive the momentum for Canadian small and medium enterprises in European markets.

First of all, it's really important to emphasize the importance of the trade commissioner service to Canada's small and medium businesses, given that most of our companies are under 100 employees. The fact that there's a network of trained, on-the-ground trade commissioners in all the major countries in Europe is a huge asset and a huge strategic leverage point that we can use to, again, accelerate our time to market in these markets. Right now many of the countries, like Finland and some of the northern European countries, do not have direct trade commissioner coverage. That's a huge hole; these have been cutbacks over the last few years. Again, this is about incremental investment that will deliver, many times over, return in terms of economic growth.

Second, we need to make more strategic use of some of our trade assets that are already in place. For example, EDC is regularly negotiating pull-lending facilities with major multinationals around the world. You are all familiar with the pull facilities, where they will go to an AT&T and they'll do a debt facility. The intent of the debt facility is to provide dollar-for-dollar access to Canadian markets and Canadian companies. It is very similar to an industrial regional benefit on the defence side.

We need to capitalize on those. We work hard to get the agreements in place, but then we don't actually hold accountability for the economic impact of those agreements. Most of those agreements for the pulls are based on a best-effort basis as opposed to having real strategic emphasis pulled on that. When we have large agreements with Deutsche Telekom, which is the number seven or eight wireless operator in the world, which has access in 55 markets around the world, not just Germany but 55 other countries.... When we have that trade facility in place, we need to strategically focus in and bring all the influence of the Government of Canada to drive that agreement to open up markets for our companies.

With the CETA and the EDC trade agreements, it's like we have our foot in the door and they can't shut the door on us. Now we need to push the door open and drive it to the next level to get our companies access. We have agreements now with AT&T, Telefonica, Deutsche Telekom, and America Movil. These are major agreements in major markets of the world where there is huge exploding growth. With extra emphasis, just incremental to the amount of energy that has gone into CETA and to what EDC has put in place, we can see huge economic benefits to our companies doing trade in these marketplaces.

The other thing is that I want to congratulate the government because it's very clear that the prosperity agenda and the focus on trade has had an impact. The bad news is that a lot of ministries and departments are now converging on duplicative and overlapping trade agendas. I would say, again, this is a question of focus. DFATD is focused on trade. We need to make sure that there is sharp focus to drive the trade agenda, because sometimes messages can get blurred when you have overlapping agendas from different ministries.

I think the last thing, to echo Jock's point, is that we need to bear in mind that a competitive country like Canada in global markets needs a competitive market inside Canada. I would strongly urge the committee to create emphasis on knocking down the trade barriers inside Canada, because oftentimes it's more difficult to do business between provinces.

Also important is bringing the Canadian brand together to create a unified international market as opposed to small regional voices from the provinces. We need to come together under the brand. I've experienced the strength of the Canada brand. We have a huge asset in that. We need to leverage that much more than we do.

● (0920)

The other piece is the opportunity cost for the lack of productivity investments in ICT in Canada. On average, that represents about 10 times our trade with Brazil. This is a significant thing. If we were, for example, to do away with supply-side management, that would force companies to invest; it would force them to become more

competitive; and that would better position them to take advantage of the international agreements.

That's it for my comments. Thank you for your time, and again congratulations on an excellent agreement.

**The Chair:** Thank you very much. I'm sure we'll get into more of that discussion as we get into the questions and answers.

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, Mr. Maynard and Mr. Finlayson, for being with us today. Welcome to the trade committee.

Mr. Maynard, I'll start with you and pick up on something you talked about, which is something I think we all agree on. Increasing trade opportunities for Canadian exporters is not just a question of signing an agreement. There's a lot of infrastructure that goes around that to fully take advantage of those agreements. You mentioned, I think, something very important, which is making sure that Canada has trade commission officers abroad to provide on-the-ground support for Canadian businesses that want to access those markets. The other side of that coin is to have effective Canadian trade offices here in Canada, particularly for our SME sector, so they have a resource they can go to if they have questions or are interested in accessing a certain market in Europe, and somewhere they can get information.

Do you feel that exists now, that we in Canada have sufficient resources to support our small and medium enterprises to learn about those export opportunities?

**Mr. James Maynard:** Yes, actually, I think we do. I know there have been some reductions, but if you look at the amount of overlap with provincial trade offices and NGOs like ours that are actively engaged in trade, I think if we can find new and creative ways...the existing organizations are there. It doesn't mean we need to have another overlapping layer but just that we need to find more effective ways to mobilize organizations to fit up into the trade strategy. For example, as is happening now, trade commissioners could be embedded inside organizations like ours. I think that's a very effective way to pull it together without having to overlap and get another layer of organization.

● (0925)

**Mr. Don Davies:** Okay, thanks.

I have one other question for you. We understand that Europe right now has stronger privacy laws vis-à-vis Canada. There was an article in the *Ottawa Citizen* from January 9, 2014, that expressed a European parliamentary committee's concern about the adequacy of Canada's data protection laws—I think they were talking about PIPEDA—in the context of CETA.

Are you concerned that Canada's weaker privacy laws will be an impediment in terms of fully taking advantage of trade opportunities in the IT sector?

**Mr. James Maynard:** I'm not really an expert on privacy. I can only speak to the experience of our companies. We have not seen that impact the ability of any of our companies to do business in the European market.

**Mr. Don Davies:** Mr. Finlayson, Steve Verheul, the chief negotiator for CETA, gave a speech recently. He said, "We need a business community willing and able to take on new opportunities. We now need to build a broader strategy to take advantage of the European market."

I'm just wondering if you have any comment on that, and if so, whether you have any suggestions for the kind of strategy the business community might need to have or the things it might need to do to better take advantage of CETA.

**Mr. Jock Finlayson:** Well, you know, even if we have good trade agreements in place, with important markets like the European Union, ultimately it's up to enterprises, entrepreneurs, and companies to step up and take on new business and to take the risk associated with investing abroad. Exporting is not an easy thing for a lot of companies—small and mid-sized companies—but we clearly need more of our firms in Canada to do that.

I don't think government can really force that to happen. Government can put in place framework policies, trade agreements, market access arrangements, and some of the support infrastructure Jim has mentioned, but ultimately it's up to companies and entrepreneurs to take advantage of opportunities that are there.

I suspect that Canada's going to have to raise its game. I think the business community in Canada is going to have to raise its game in terms of the global economy we're operating in today. The gravitational pull of the U.S. market has been powerful and in some ways overwhelming for a lot of our enterprises. We've just gone through five years in which the U.S. economy has really underperformed. Our trade has stagnated. We've seen that in our own member companies. I think it's really heightened the importance of diversification, of building markets overseas.

The job of government is to do the kinds of things like putting a trade agreement in place, but I think it's really up to the companies to take advantage of it. Hopefully, they will.

**Mr. Don Davies:** Former Bank of Canada governor Mark Carney stated that he estimated there was \$500 billion of idle capital, Canadian capital, right now. Compared to a lot of European countries, Canadian employers under-invest in research and development and employee skills training. Would those be areas that you would think the Canadian business sector should look at in order to more effectively compete with European businesses?

**Mr. Jock Finlayson:** I do believe the corporate sector in Canada is going to have to step up on things like innovation and employee training. We do undertrain relative to a lot of other countries. I'm not sure what all the reasons for that are. It's one of the reasons that more competition here in the domestic marketplace is a good thing. It will stimulate our own companies to up their game. A protective market is not effective in stimulating the kind of corporate behaviour that I think we want to see.

Trade liberalization, I think, can be helpful in not only creating opportunity abroad, but also more competition at home that will hopefully spur some of that corporate action.

**Mr. Don Davies:** Thanks.

You mentioned you thought that CETA would be positive over the medium and long term.

Do you see any short-term pain or structural adjustments to the Canadian economy? In terms of jobs, which I think is what people really are concerned about, how many jobs do you estimate will be created in British Columbia because of CETA? Do you have that number? If so, when might we be able to actually see those jobs?

**Mr. Jock Finlayson:** I'll answer that as an economist rather than as a business representative.

These kinds of policies and agreements affect the structure and performance of an economy over a long horizon, longer than the kinds of horizons that elected officials typically need to be preoccupied with, and that creates a bit of a dilemma, I think, for all of us.

I would not see this agreement as having a dramatic effect one way or the other, frankly, on the macroeconomy of Canada or B.C. in the short term.

I don't know how many jobs would be created in B.C. I've seen the federal government's modelling work from 2008 or 2009. That should be updated, by the way, because it's out of date now. I think it would be important to redo that study. It wouldn't be a huge number, frankly, because our trade with Europe is modest, but they would be high-quality jobs. One of the things we are concerned about is the quality of employment that's being created, particularly in the private sector. Export-oriented industries, industries that are involved in international commerce whether on the trade or investment side, tend to pay their workers more, tend to have higher productivity, tend to be more innovative. Those are the parts of the economy where we should be trying to stimulate growth and investment. An agreement like this can be helpful in a modest way, but it can be helpful in setting out on that path.

● (0930)

**Mr. Don Davies:** Thank you.

**The Chair:** Thank you very much.

We'll now move to Mr. Cannan. The floor is yours, sir.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** On behalf of my British Columbian colleagues, welcome to our trade committee, and thank you for welcoming us and being part of these important talks.

We've had an opportunity to spend some time out on the east coast, in Halifax, to listen to some of our friends in eastern Canada. Witnesses have come to the committee over the last several months to look at the economic benefits since the agreement was announced and prior to its announcement. This has been a work in progress for the past five years, and as you mentioned, it's not going to happen overnight.

We had the European Union ambassador at our committee last week. The EU has to translate it into 23 different languages, and it's a couple more years before it comes into effect. It is a historic trade agreement. It seems like a natural fit for British Columbia. I think the EU is about our fourth-largest trading partner. There are a lot of cultural ties. There are strong economic and environmental labour policies. They tend to bode well. You mentioned the professional perspectives.

I have a couple of questions based on your comments, gentlemen.

James, in your preamble, you mentioned the growth opportunities for small and medium-sized businesses, the SMEs. We know that about a million SMEs are exporting, the majority of them to the U.S. How do we get them to see those opportunities? One of the reasons we're out here, too, is to educate and create awareness.

From your industry perspective both of you, Jock and James, is there something the government can do to partner with the EU to help your members become more aware of these potential trading opportunities and partnerships down the road?

**Mr. James Maynard:** Promote the successes. In true Canadian fashion, we don't talk a lot about our wins like we should. We have some very interesting Canadian companies that are doing significant things in the European market. I just think if we promote those successes, that's the number one step.

The other thing is to work more closely with organizations like ours. We touch 7,000 companies a year across the country in terms of access to information. If we could work and increase our organization and alignment with the Department of Foreign Affairs and with EDC, and I would say strategic trade assets that the government's already deployed, then we could start to get leverage flow of companies into these markets.

**Mr. Jock Finlayson:** I would add I think big companies can sort of do it on their own. The one area where government can be helpful there is having competitive export financing programs in place because a lot of the people we're competing with are using those instruments quite aggressively.

We have 385,000 businesses in B.C. and 98% of them are small. The vast majority of them are never going to get involved in exporting outside of North America or even outside of Canada. The task for government, I think, is to try and work with the relatively small proportion of all businesses that are not currently involved in

international commerce but have the capacity to do so—in other words the high-potential businesses—and they would certainly include a lot of our technology companies that are producing tradeable goods and services from day one.

That's where I would put the effort, not with business holistically. I think you need more of a rifle shot approach frankly where you're identifying the high-potential sectors, working with accelerators, working with well-organized industry associations that represent particular subgroups of companies that have the potential to do trade.

That's where I would put government's limited resources in terms of providing information, assisting companies, and taking advantage of markets overseas.

• (0935)

**Hon. Ron Cannan:** So it would be like the forestry wood products, agriculture, fish and seafood.

**Mr. Jock Finlayson:** Forestries have been great, not in Europe, but we've had the story of the B.C. lumber industry and the penetration into Asian markets—which by the way took a dozen years—again it was a long-term exercise, industry working together with the federal government, with provincial officials, consistently through different governments and different ministers. They continued to push to get into the Chinese market and some of the other Asian markets. It has now paid huge dividends, and it actually saved the industry and allowed it to survive the epic downturn of the U.S. housing market.

That's a good example of where quite a targeted approach carried out over more than a decade really positioned us in a very favourable way. There may be some lessons there for how we would do it in other offshore markets.

**Hon. Ron Cannan:** Mr. Finlayson, in your opening comments you mentioned something about government procurements. Did you say the figure of potential market was approximately \$3 trillion?

**Mr. Jock Finlayson:** I've seen \$2.5 to \$3 trillion for the EU. They have a big government over there, as you know, so there's a lot of procurement that takes place. It's a huge market for us. As I understand it, very few Canadian companies today are selling goods or services into the EU public procurement market. One of the big wins that may emerge from this agreement—ultimately it's an empirical question—one of the promising areas I see here is improved access to that enormous procurement market in the EU public sector, which our companies really don't have today.

**Hon. Ron Cannan:** Which do you see as some potential British Columbia businesses to benefit from government procurement opportunities?

**Mr. Jock Finlayson:** We have very strong companies in engineering, in project management, in the IT side of the public sector. IT is a huge chunk of the procurement dollars spent by public sector entities. We have great companies in that area. Those would be three. Infrastructure providers. We're building a lot of infrastructure here in B.C. We have people and companies that know how to do it. There are lots of infrastructure opportunities I would think in Europe.

We focus a lot on tariffs, than what I would call kind of traditional trade barriers, but I think the bigger opportunities in agreements like CETA are potentially in services, government procurement, and investment more than just reducing tariffs, although that will be helpful as well.

**Hon. Ron Cannan:** I have one quick question for Mr. Maynard.

I know we're talking about breaking down tariffs internationally, and something we have talked about before is the interprovincial trade barrier. We worked with our provinces, the territories, and local governments. This is a historic trade agreement as far as even negotiations go.

Do you see the opportunity for the provinces to come together—and territories—to help break down those Canadian barriers so we can be more competitive internationally as well?

**Mr. James Maynard:** Yes. A lot of it is not explicit, but within the provinces, focus on excluding other provinces within their competitive process. It's one of those things where if you're from B. C., it's hard to do business in Ontario and vice versa. I think we need to find a way to work with the provinces and understand we need to build a Canadian economy, not just focus on regional performance.

**Hon. Ron Cannan:** I know Minister Moore is passionate about that as well.

Thank you very much.

**The Chair:** Thank you very much.

Mr. Pacetti, the floor is yours.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Mr. Chair. Thank you to the witnesses for coming here. I'm from Montreal so I guess I had to come here, but thank you for actually coming before us.

I have a question for Mr. Finlayson. The first thing you said was the Canada-Europe free trade agreement is going to reduce costs to taxpayers. Your member companies...are we going to get a guarantee that the consumer is actually going to benefit from this, or are your member companies going to pocket the profits or the benefits? What's your feeling on that?

**Mr. Jock Finlayson:** Every profit-maximizing business will try to maximize its profit. That's how market economies work. When I referred to more competition, I meant in the Canadian marketplace. If we reduce trade barriers in Canada, whether that's with the Europeans or anyone else, there's going to be heightened competition in our domestic marketplace, which will tend to reduce costs and actually reduce profits in industries that might be earning unusual profits today. That's how open trade works.

**Mr. Massimo Pacetti:** I have limited time, but when you're talking about bigger markets, you didn't mean Canada. You meant

Canada's going to have access to a bigger market. Wouldn't that also mean more competition and wouldn't that pose a bigger threat to Canadian companies?

**Mr. Jock Finlayson:** It will mean more competition at home, and not all companies will welcome that, but it will be good for the Canadian economy over time, and business in general will benefit from that. There may be some companies that don't, but that's not our problem.

● (0940)

**Mr. Massimo Pacetti:** Okay.

**Mr. Jock Finlayson:** The other side of it is in the procurement area, to the extent that we have more competition in public sector procurement markets in Canada. In principle, that should be beneficial to taxpayers. I'm a taxpayer; I'd like to see my governments be as efficient as possible in the procurement of—

**Mr. Massimo Pacetti:** My next question has to do with the fact that we're out here in B.C. How much influence or how much effect will trade with Europe have on businesses out here in B.C.? Just to get out to the Atlantic provinces requires a six- or seven-hour plane ride.

**Mr. Jock Finlayson:** That's a very good point. I think Europe, the EU collectively, is our third- or fourth-largest commercial partner here in British Columbia. Like some other provinces in the west, we are quite heavily focused on the U.S. but also on Asia-Pacific. I don't think Canada-EU trade is going to transform the B.C. economy or anything along those lines. It will have a modest benefit. There are probably some other parts of the country that may have more commercial linkages than would the EU. We're part of Canada. We want to see Canada succeed even if we're not necessarily going to do quite as much trade with the EU as Ontario or Quebec.

**Mr. Massimo Pacetti:** Okay.

I have a question for Mr. Maynard. I have a tendency to agree with you in terms of smaller companies having a more difficult time exporting or even taking on the challenge, because normally they don't have the resources. I'm talking about personnel. They'll trade with the U.S. if doing that is something they're familiar with, but as soon as it starts getting a little bit more complicated, it's not necessarily that they don't have the brainpower, but they don't have the time. In your industry or your sector, is the wireless more focused on selling services or on selling the actual products or goods?

**Mr. James Maynard:** That's an interesting definition, because typically one of the challenges with our trade tracking is that we've tended to track hard goods manufacturers. If you look at a company like Nortel, which is actually tracking manufactured devices, in that case it's very little, but a significant part of it is software products. It's in that grey area. I'm sorry to be vague, but I would say the majority of the opportunities are in goods for Canadian companies in software and software services.

**Mr. Massimo Pacetti:** Is it easier for your member companies to sell to the bigger companies? For instance, Sierra is not a small company, but would your smaller companies not be in a better position to take partnerships with existing Canadian companies?

**Mr. James Maynard:** It seems as though in Canada you need to go and establish yourself in the international market before Canadian companies will give you the credibility to do trade here in Canada.

**Mr. Massimo Pacetti:** That's interesting.

How's your sector in terms of dealing with Europe right now?

**Mr. James Maynard:** For us in the ICT sector, Europe's a huge opportunity. This is one of the differences: we often view trade policy through a resource lens or an advanced-manufacturing lens, and we see it as a mature market. Europe right now is making huge investments to increase its competitiveness around manufacturing and infrastructure. These are all net new opportunities for Canada. I think one of the real wins in the ICT sector is that we can see the opportunity for immediate, large amounts of growth whereby Canadian companies can literally go from 10 or 20 employees to 100 employees in two or three years.

**Mr. Massimo Pacetti:** Where's the competition in Europe in the ICT sector?

**Mr. James Maynard:** It's in Finland.

**Mr. Massimo Pacetti:** Is it in Germany?

**Mr. James Maynard:** There's a little bit in Germany, but mostly it's in northern European countries. Finland is amazing in terms of their ability to deploy. For a small country of five million people, they punch well above their weight class.

**Mr. Massimo Pacetti:** I have just a quick question. You mentioned 33% faster shipping of goods because people have worked with the centre of excellence. How do you determine that number?

**Mr. James Maynard:** We track them.

**Mr. Massimo Pacetti:** But how do you do a parallel system so you can say what it would be if they had not done it and what it is if they are doing it? That is the concept I'm trying to understand.

**Mr. James Maynard:** We have an audit. We have a whole audit process whereby we track what they were doing before, and then, once they use our services, the growth to market.

**Mr. Massimo Pacetti:** Okay. Thanks.

**Mr. James Maynard:** We hire guys like Jock.

**Voices:** Oh, oh!

**The Chair:** Thank you very much. That was a very good round.

Mr. Hiebert, the floor is yours.

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

Thank you for being here, Mr. Finlayson and Mr. Maynard. We appreciate your time.

I want to start with Mr. Finlayson.

You talked about the 385,000 businesses in B.C. and how a small segment of them will ultimately benefit from this trade agreement. Are there certain members of your organization that will benefit more than others? Can you foresee a certain sector or category of businesses that could immediately see benefits from this trade agreement, versus some others that may not even be interested in exporting?

• (0945)

**Mr. Jock Finlayson:** I think the industries I see that are most interested in the Canada-EU agreement, based on the phone calls we've had and the turnout we've had at meetings where this has been discussed, would include the technology sector, broadly defined, and I think for reasons that Jim has alluded to. It wouldn't just be wireless. It would be other components of the ICT sector: some of the advanced manufacturing companies, aerospace, and optical equipment.

As for the forest industry, some tariffs remain in the EU that raise the cost of importing certain Canadian wood products, so those will be phased out over the term of CETA. That would benefit the forest products industry.

The seafood sector here in B.C. is quite an export-oriented industry. A lot of the seafood products produced here in B.C. end up being exported. For Europe, I think today there's \$50 million to \$60 million in trade, of exports into the EU marketplace, so there is some promise there.

Then there are the service providers. One of the things about this agreement is that it has a lot of... Now, we don't have the final draft, but based on the technical summary, there are a lot of provisions in there that are actually related to trade in services rather than goods. We have engineering companies and technology service-producing companies that are quite interested in the EU marketplace.

There is a broad interest. It's not something that's a dominant day-to-day concern for most CEOs I work with, but it is something that they see as beneficial over time. That's why we're very supportive of this agreement.

**Mr. Russ Hiebert:** What steps is the B.C. Business Council taking to educate its membership on the benefits of CETA? How are you doing that?

**Mr. Jock Finlayson:** That's a very good question. We had one written piece that we did for the members before the technical summary was actually released by the federal government, to sort of alert them to what we were hearing and what we had been briefed on by federal officials. We invited guest speakers—one academic, a deputy minister from the provincial government—a while ago to come in to do a briefing for our members on CETA. Now that the technical summary has been released and we've done a bit more of our own research on it, we'll be putting together a somewhat more substantive document to share with our members, and with others, by the way. We'll distribute that out through our network to many other industry associations in the province. It won't just be our members.

There is an education job, frankly. This has not been a topic that has been top of mind, I think, for most CEOs here in British Columbia, so it is something that we do need to push. Any additional information that the Government of Canada can provide us that helps to provide more detail, such as updating that economic modelling study I mentioned that was done a few years ago, would be very helpful. That would be beneficial for the outreach work we want to do.

**Mr. Russ Hiebert:** Okay.

We've talked a bit about the new \$3-trillion European procurement market being available to Canadians. Putting on the other hat, could you anticipate what type of British Columbia government procurement the European Union companies might want to get access to that would reduce the cost to taxpayers?

**Mr. Jock Finlayson:** I haven't thought about that, but I would say that a lot of major European companies are very experienced in the project development and construction business, so they would have better access into the B.C. marketplace, as I understand it, under the terms of this agreement.

For European suppliers of equipment, technology, and computers, one could imagine the full range of goods and services from sophisticated IT systems down to paper clips, and there may very well be European companies that could come in and compete in this marketplace. If they were allowed to do business on a non-discriminatory basis, that might pose some challenges, frankly, to local suppliers that may have preferred access to their procurement marketplace. But as a taxpayer and an economist, I think it's good to have more competition, and I think we would really welcome that.

Again, we have to remember that the EU is a marketplace of 500 million people. Canada's is 35 million. To the extent that there's a reciprocal opening up of procurement opportunities, it stands to reason that we're going to gain disproportionately. But more competition in procurement at home is something that I think we should welcome and that you should welcome as policy-makers and legislators.

● (0950)

**Mr. Russ Hiebert:** Yes. Thank you.

Mr. Maynard, you talked about the EDC's trade agreements, or pull facilities, as you described them. I'm familiar with them through the defence department. When I was parliamentary secretary for defence, we did a lot of work with industrial and regional benefits, but I'm less aware of how they work through EDC.

For the committee members, I'm wondering if you could elaborate on exactly what you're talking about when you refer to Deutsche Telekom maybe making a large investment in Canada. Then they have a reciprocal responsibility to...or even if there's a large purchase.... Can you explain how these benefits would work and how we can enforce them?

**Mr. James Maynard:** Yes, certainly. I don't understand all of the details. I can only speak as someone who deals as a partner with EDC.

Basically, they will go in and negotiate a debt facility with some of these large multinationals. In return, as part of the agreement, there is a commitment to provide dollar-for-dollar pull for Canadian products into that organization. If it's a \$100-million facility, the commitment would be \$100 million of Canadian goods and services on a best-efforts basis.

I think we could do more to drive the leverage from those agreements in terms of taking out the term "best efforts". That would be a good place to start. We could start to negotiate networks in terms of who the contacts are and how we can actually start to engage companies into that process and hold accountability to their performance....

**The Chair:** Thank you very much.

Before we go on any further, I want to use the chair's prerogative to ask the Business Council of British Columbia a question.

In your testimony, Mr. Finlayson, you referred to the TPP. Tomorrow we have a full day of hearings on the TPP as well, because we're having a joint study. I don't want to put you on the spot at all, but if there's anything you'd like to add with regard to the TPP, any comments with regard to that potential for this area of the country, I think the committee would be interested in hearing it.

**Mr. Jock Finlayson:** Thank you, Mr. Chair.

I should be clear that because B.C. is on the Pacific Ocean and we're Canada's Pacific gateway, according to many, we've been quite keenly interested in the process leading up to the TPP. We were very much pushing for Canada to be at the table prior to the decision that we would actually be there.

It's a big deal from a Canadian point of view because of course you have the U.S. there, and you have a number of the rapidly growing Asian markets. It's going to be a more complicated process, I think, than the Canada-EU agreement, because you have countries that are much more disparate in terms of their levels of economic development and maybe their environmental and labour standards. When we're dealing with the Europeans, we have I think a somewhat more common platform.

The Canada-EU agreement is obviously much further along. Our view, I would say, is that if we can't get over the finish line with Europe, it seems to me that it would be quite difficult to envisage that Canada could successfully be part of an emerging TPP agreement. That's why, in our written testimony, we noted that concluding the Canada-EU agreement will help to set the stage, I think, for Canada to credibly be part of the TPP process. We are supportive of it. Obviously we don't have as much information on it at this point in time, but we've communicated with government officials on a number of occasions.

Our province seems very supportive of the TPP, so we are looking forward to getting more information on that. But we're full-square behind it, based on what we know today.

**The Chair:** Sure, if you are just looking at trade agreements being tariff-free zones, if you want to look at it that way, I know they get much more comprehensive than that, particularly CETA, but if we were to look at our crystal ball, it would be fair to say that the TPP would be more advantageous for this part of the country than CETA.

**Mr. Jock Finlayson:** There's no question. We have a bigger commercial interest, a bigger trade flow.

• (0955)

**The Chair:** Which of your businesses would be the most impacted?

**Mr. Jock Finlayson:** With respect to the TPP, right across the spectrum of resource industries, everything from energy, forestry, mining, a lot of the same industries we mentioned in connection with Canada-EU. We have a lot of B.C. companies involved in selling services into TPP markets, so it is very broad.

**Mr. Jasbir Sandhu (Surrey North, NDP):** Thank you, Mr. Chair, and thank you to both of the witnesses for being here this morning.

There are a number of factors that are required to facilitate trade domestically. We need infrastructure to get our products to port and rail facilities. We need these products to arrive on time at these facilities.

Mr. Finlayson, could you describe the state of infrastructure domestically here in Canada?

**Mr. Jock Finlayson:** I'm more familiar with my own province. I would say one of our competitive strengths here is we have good infrastructure to support trade. We have Canada's largest port. We have a second port up in Prince Rupert. We've made major investments not only to expand port capacity, but also to improve the efficiency of port operations.

If you had the CEO of Port Metro Vancouver here, he could throw a chart up for you that shows the efficiency gains they've had

through improved management, and investment in technology and better systems.

We're actually winning business from other west coast ports to the south coming into B.C. That's obviously for the shipment of western Canadian primarily resource goods into overseas markets, but it's also on the receiving end of imports of products that are then shipped elsewhere in Canada. We're well positioned, frankly, in terms of physical infrastructure to support trade.

The bigger challenge is whether enough of our companies are able to take advantage of global market opportunities. Do they have the management capacity? Do they have the access to capital? Do they have the knowledge and information needed to do business? That's where the challenge is more than on the physical infrastructure side.

**Mr. Jasbir Sandhu:** How are your members being served by the railway companies?

**Mr. Jock Finlayson:** You would get a variety of views on that. There is some concern. I have been reading in the newspaper about not enough railcars being available for some of the bulk commodity producers.

The CEO of the Forest Products Association of Canada had a letter in *The Globe and Mail* a couple of days ago, in which he was quite critical of one of the major railway companies. I can't say too much about it. We have the railway companies as members, but we also have the large resource and shipping industries. There doesn't seem to be enough capacity in the industry to support the growth in trade flows for all the different industries that rely on rail. It's definitely an area of concern at the moment.

**The Chair:** Mr. Holder, please.

**Mr. Ed Holder (London West, CPC):** I want to thank our guests. I am the only Ontario member of Parliament here. It's great to be here in your part of the world. The eastern bastards are freezing. I just want you to know that.

What I heard from both Mr. Maynard and Mr. Finlayson was that CETA lays the foundation for greater opportunities within Canada. Mr. Finlayson, you made a comment about the TPP as well when prompted about that. Mr. Maynard, you said that what we do is we get ahead of the United States, which we clearly are with CETA, and that should be advantageous to us.

Mr. Finlayson, you indicated in the case of the TPP that the U.S. is there and is a major part of that play. Does the fact that we're ahead of the United States with CETA have any impact on the TPP as you see it? Is there any advantage? Is it neutral for us as it relates to the TPP?

**Mr. Jock Finlayson:** I don't think it's a huge advantage. We'll see whether the U.S. administration is able to get the authority that it currently lacks from Congress to actually participate in a meaningful way in both the discussions with the Europeans and the TPP. I think it would be unfortunate if they couldn't. There is a risk, and I don't think this is going to happen, but if Canada was to sit on the sidelines both in terms of Asia-Pacific and with Europe, and the Americans went ahead and finalized major comprehensive trade agreements with these two huge blocs, that obviously would be a big disadvantage from a competitive point of view for Canada. We're already a bit concerned out here that the Americans have a free trade agreement with South Korea, which has been implemented. For Canada, even though we started the discussions with South Korea prior to the Americans, our process is stretched out a bit. Korea is an important market for Canada, particularly for western Canada.

There is a competition here among countries to get access to markets. We don't want to be left out of that. I think there's a small advantage if we get the agreement with Europe ahead of the United States. I rather suspect the Americans will eventually conclude—if not under this president maybe the next one—an agreement with the Europeans because there's a huge strategic interdependence between those markets. I think in the big picture they will come together.

• (1000)

**Mr. Ed Holder:** Thank you.

**The Chair:** Thank you very much for your testimony. It's very valuable and we appreciate the questions. This is exciting to be able to talk about trade opportunities for Canada, and particularly for this area. It's a privilege for the committee to be able to be here in British Columbia. I know my colleagues certainly appreciate the weather that you have here if nothing else, beautiful sunny weather.

I just had to put that into the record for those in Ottawa who are listening to us. I might as well rub it in a little bit.

Thank you very much for your time with us this morning. With that we'll suspend as we set up the next panel.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1020)

**The Chair:** We will call the meeting back to order. We have our second group of panellists before us.

We want to thank, from the City of Burnaby, Derek Corrigan, mayor, and Sav Dhaliwal, councillor. Thank you for joining us.

We have from CUPE BC, Blair Redlin, research consultant.

Mr. Redlin, if you are ready, the floor is yours. We want to thank you for being here and we look forward to your testimony.

**Mr. Blair Redlin (Research Consultant, CUPE BC):** Thank you very much, Mr. Chair.

Good morning, everyone. Thank you for the invitation to speak with you about CETA on behalf of CUPE BC.

CUPE BC is the B.C. division of the Canadian Union of Public Employees. CUPE BC represents more than 80,000 workers in 170 local unions across many sectors. CUPE members in B.C. work for

municipalities, school boards, post-secondary institutions, and similar employers, mostly at the local level. Nationally CUPE represents 627,000 Canadians.

We have many concerns about CETA, the proposed economic and trade agreement with the European Union. Over the last few years CUPE's national president, Paul Moist, has repeatedly raised objections to the proposed treaty, and in 2011-12, toured 16 communities across the country to speak about his concerns. CUPE BC's recent past president Barry O'Neill and current president Mark Hancock have been doing likewise here in B.C. CUPE does this work in concert with a broad range of civil society groups under the umbrella of the Trade Justice Network.

For my part, I've been on the research staff of CUPE here in B.C. for the last several years, and my assignment included CETA. I've helped develop our analysis and have travelled twice to the European Parliament to meet with elected and civil society representatives there. I'm recently retired from CUPE staff now but continue to assist them with this topic.

CUPE's critique is based on extensive analysis of various leaked texts and now the 26-page agreement in principle summary released in October. Although it goes without saying that we support increased trade with Europe and the whole world, we think that trade arrangements between Canada and the EU should mostly focus on reducing tariffs rather than locking in sweeping investor rights protections that constrain the ability of elected governments to act on behalf of citizens.

Among other things, we're concerned about a big increase in pharmaceutical drug costs in Canada and now the potential federal subsidy of the drug companies through compensating payments to the provinces. We're concerned about restrictions on the ability of local and provincial governments to support local businesses and create local jobs through procurement and purchasing. We're also concerned about job losses in manufacturing sectors, the threat to public water, intellectual property, Internet issues, and that your committee, and Parliament, are reviewing and planning to endorse CETA based only on a 26-page technical agreement in principle and without the benefit of any actual text. To learn more about our analysis, I recommend committee members review the extensive body of CETA background information available on CUPE's national website, [cupe.ca/ceta](http://cupe.ca/ceta).

We have only a few minutes here today so I'd like to focus in my remaining time on one element of the proposed CETA that is especially worrisome and that is also the matter of intense debate and review in Europe right now. That is the matter of investor-state dispute settlements.

The European Union has an economy larger than that of the U.S. It is home to some of the world's biggest and most powerful corporations, companies such as private water giant GDF SUEZ, pharmaceutical giant Bayer, and oil giant Royal Dutch Shell, just to name a few. Canada needs to think very seriously about the implication of extending new rights to these European corporations and others to sue elected Canadian governments, suing them not in front of our long-established and respected courts, but instead at an unaccountable and secretive and non-appealable commercial arbitration panel.

If Canada does this, we will further reduce the ability of elected governments to act and regulate on behalf of Canadian citizens and it will increase pressure to privatize public services. Both the Canadian and European court systems are well developed and respected. Investor arguments against elected governments should be handled in the regular court system and not in these obscure, yet powerful, dispute chambers.

We now have lots of experience with this type of investor-state mechanism through Chapter 11 of NAFTA. It has not been positive, especially in the context of NAFTA's very broad definitions of investment, right of establishment, compensation for direct and indirect expropriation, minimum standards of treatment, and prohibitions against performance requirements—all things I recommend your committee study in CETA.

We've paid out over \$160 million in taxpayer-funded damages on NAFTA claims, and Canada has borne the bulk of corporate suits. Right now, for example, there are eight active complaints against Canada versus three each for the U.S. and Mexico. If all of those eight were successful it could cost Canada some \$2.5 billion.

Most important, we've been under unrelenting pressure to change public policies in response. Examples abound, including Mobil Oil's successful challenge to the research and development requirements of the Newfoundland government; Mercer International's current \$250-million suit against BC Hydro's industrial power rates; the \$130-million payment to AbitibiBowater by the Canadian government because Newfoundland exercised its provincial water and timber rights; Lone Pine's \$250-million suit against Quebec's fracking moratorium; and perhaps most egregious, drug giant Eli Lilly's \$500-million challenge of our generic drug rules in a case that the Supreme Court of Canada declined to hear.

•(1025)

It's not right that the NAFTA investor-state system is being used to circumvent decisions of the Canadian courts, and we certainly shouldn't expand that to Europe. Meanwhile, the U.S. is yet to lose a NAFTA Chapter 11 case, and all three North American governments have incurred tens of millions in legal costs.

Barrie McKenna described it well in the November 24 edition of *The Globe and Mail*, "Chapter 11 has become a way for companies either to bypass domestic courts and regulatory agencies, or to get

restitution denied through normal channels." The question is, why would we consider expanding to Europe a NAFTA dispute settlement model which has been so detrimental to us? If one accepts that we need an investor-state dispute system outside of the regular courts, why isn't Canada taking advantage of the CETA negotiations to insist on a system that better suits our interests?

Interestingly, it's just these kinds of questions and that kind of approach that caused the European Commission to announce on January 21 of this year that it's suspending investor-state dispute settlement negotiations with the United States while it undertakes a comprehensive consultation with the European public. The commission will publish proposed investor-state language in March, and then receive submissions and comments from citizens and member states.

What a contrast to the approach in Canada. As I noted earlier, I've been to the European Parliament a couple of times to discuss CETA. I must say it is much more open and transparent in these matters than in Canada where, for example, the federal government recently denied a freedom of information request for a copy of the working CETA text.

The European Commission made this review decision after extensive representations from civil society and hearing from the S&Ds, the second-largest group or caucus in the European Parliament, that the S&Ds oppose any inclusion of investor state in an EU-U.S. deal, and will vote against any deal that has it in it. The S&D caucus currently has 184 members, and they're supported in this position by the third-largest, which is the Greens-European Free Alliance. So a very significant chunk of the European Parliament is raising concerns, and the commission has been responding. Among other public inputs, the parliamentarians in Europe against investor state have been informed by a broad, four-year-long civil society engagement process that culminated in November's release of a new trade strategy for Europe, called The Alternative Trade Mandate, which I recommend to you.

The common critique both inside and outside the European Parliament is that implementing NAFTA-style investor-state dispute settlement with the U.S. would be bad for democracy and not in Europe's interest. Canada needs a similar examination of whether the NAFTA investor-state paradigm will serve our interests with Europe. The European Commission review of this in its deal with the U.S. will inevitably have implications for CETA, the details of which are still being negotiated. Our economy is closely integrated with the U.S., so it would be strange for the Europeans to agree to a model of investor state with Canada that is significantly different from that which they will agree to with the U.S.

It's not only in Europe that investor-state dispute settlement is being actively debated. Both Australia and South Africa have decided not to include the mechanism in their future trade agreements. Many South American countries are also opposed, including a big economy like Brazil, which has never included investor state in any trade deals.

The United Nations Conference on Trade and Development released a comprehensive briefing on the global status of investor-state dispute mechanisms in May 2013. It found that 58 new cases were filed against governments worldwide in 2012, a record number. I recommend that resource to you as well.

We need much more public debate of this in Canada, similar to the active process in Europe. CUPE BC urges your committee to ask for information about the European review of investor state and to give Canadian negotiators your advice about it. Ultimately, our view is the same as the S&D group in the European Parliament. We think we have advanced and respected court systems in both Canada and Europe, so there's no need to expand the undemocratic investor-state dispute system in CETA. A trade treaty dispute should be between trading partner states, not a special tool to benefit private parties.

Thank you for the opportunity to present today. I provided the clerk with my speaking notes, which include hypertext links to the sources that I've mentioned in this overview.

I welcome your questions later. Thank you.

• (1030)

**The Chair:** Thank you very much. I'm sure you've stimulated a few, but before we get to that, we'll have the Mayor of Burnaby.

The floor is yours, sir.

**Mr. Derek Corrigan (Mayor, City of Burnaby):** Thank you very much. It is a real pleasure to be here.

Good morning to everyone.

I am going to share my time with Councillor Sav Dhaliwal.

As you mentioned, I'm the mayor of Burnaby. I've been on city council for some 27 years. I have previously been a director of the Federation of Canadian Municipalities, and for about 20 years I have been a director of the Greater Vancouver Regional District. I have been mayor for the past 12 years.

Our city is the third-largest city in British Columbia, with a population of about 230,000 people.

Councillor Dhaliwal is presently a Federation of Canadian Municipalities director and is also vice-president of the Union of BC Municipalities.

This is a very interesting issue for our city, and as you can see we've taken a great deal of interest in how federal issues affect our municipalities, through our participation in the Federation of Canadian Municipalities. So it is really nice to have an opportunity to be here today to talk about CETA and specifically about my concerns regarding its negative implications for municipalities and for the hard-working families in our communities. This proposed agreement would have a significant detrimental effect on the ability of municipalities to protect and promote local resources, employment, and an improved standard of living for middle-class families. It would further widen the growing gap in our country and our cities between rich and poor by reducing the number of working people who are able to maintain a reasonable and modest lifestyle.

This agreement has been prepared without a meaningful public consultation process for municipalities. A confidentiality agreement, signed by the provinces and territories as a condition of their participation in the CETA negotiations, has made effective public consultation for municipalities and the resident businesses and individuals impossible. Lack of consultation on the details of the agreement will inevitably lead to inclusion of rules that will detrimentally affect local procurement policies. For example, the agreement will prohibit municipalities from using procurement as a local economic social development tool by requiring municipalities to remove any preference for local companies, goods, or services.

Foreign companies will have the right to claim damages if CETA rules are not strictly met, and the decision as to whether or not the municipality has violated the rules will be made by a tribunal of business people, in secret, without our participation. This is truly a threat to democracy as we know it in Canada. To add insult to injury, even when we win the occasional hearing, in some cases repeatedly, the so-called partners ignore the rulings and continue to practise protectionist policies where it benefits them to do so, and we cower from enforcing our rights. Have we learned nothing from the softwood lumber dispute?

We all seem to be programmed to light up when we hear that anything is free, whether it is a free sample, free enterprise, or free trade. We do this despite the fact that we know nothing that businesses do is for free. There is always some benefit to be gained by their shareholders. This proposed agreement is certainly not free. Ask Canadians in the auto industry, the forest industry, and the manufacturing industry how free trade has worked out for them.

Though its details are vexing, our ability to be involved in a tweaking process won't change anything. The real damage is inherent in the deal itself because it is designed solely to meet the interests of big business and multinational corporations. The root of the problem is our federal government's willingness, and in fact its zeal, to engage in these negotiations in the first place, again, of course, without any real consultation with municipalities and without any real understanding by the citizens who will be affected.

I am convinced that the majority of the provisions in these agreements are not for the benefit of Canadian citizens. They are instead a charter of rights and freedoms for multinational corporations. The international trade agreements protect the interests of big business and ensure that multinational corporations can exploit the resources of our country without impediment. It is patently absurd that we are providing multinational corporations more protection from expropriation than we do for our own citizens. Unfortunately we end up with the very businesses that stand to benefit as part of our negotiating team while democratically elected representatives are kept in the dark.

• (1035)

Trade agreements are about exporting jobs to the jurisdictions with the least protection for workers and the lowest wages and environmental standards. That is what makes manufactured goods cheaper and allows corporations the greatest profit. There is a reason that generation after generation of politicians provided protection for their country's internal production and markets. Tariffs and duties were imposed to protect jobs, to stimulate industries, and to ensure the legitimate autonomy of nation states.

Globalization is all about breaking down national identity, driving living and working standards down, and empowering the very rich, those who control these multinational companies.

Wealth is being concentrated in the hands of fewer and fewer people, but the greatest fear is that individual citizens will assert their democratic rights and change the rules of the corporate game. They have figured out, along with their legions of accountants and lawyers, that the best way to protect their financial interests is to establish that there are international consequences should any local or provincial authority interfere with their assets or their opportunities. Many of these corporations are bigger than nations in terms of their economic power, and most of them have directors who are part of the societal elite. Among them, they continue to acquire and accumulate, while the middle class dissolves into nothingness and the gap between rich and poor widens exponentially.

On the World Bank's website there is a file that shows the world's top 100 economies based on GDP and revenues. Thirteen of them are companies with \$406 billion GDP revenues. For example, Walmart has a bigger economy than Switzerland, Sweden, or Israel.

So what happens when citizens wake up and smell the coffee? If they do, they face international consequences for daring to assert their desire for local control of their own resources and jobs for their own people. In effect, they are powerless to act locally because their government has negotiated away their ability to stand up for their own community.

As local government, we have no control over what the national government does. We can only ask that you not trade away our limited ability to promote our local interests.

Thank you. I'll be available for questions.

• (1040)

**The Chair:** Mr. Dhaliwal, you have less than three minutes. Go ahead.

**Mr. Sav Dhaliwal (Councillor, City of Burnaby):** Thank you, Mr. Chair and committee members, and good morning.

Further to Mayor Corrigan's cited concerns for municipalities, I would like to say although he speaks specifically for the City of Burnaby, I believe that the City of Burnaby's concerns are shared by municipalities throughout our region, province, and country.

As Mayor Corrigan mentioned, as a director of the Federation of Canadian Municipalities, an executive member of the Union of British Columbia Municipalities, and past president of the Lower Mainland municipal government association, today I do not speak for these organizations, but my involvement in them over many years has given me some knowledge of our shared goals and objectives. This makes me feel confident in stating that most, if not all, share our deep concern about the implications for municipalities of implementation of this agreement, CETA.

It is at the local level, the municipal level, that we see and hear most directly the needs of all the individuals, workers, and businesses that are affected by trade agreements. It's here that we can directly interact to support the goals and the development of these businesses and address their needs.

The proposed CETA, and in fact all trade agreements developed by our federal government, diminish and sometimes completely remove those opportunities. In spite of these facts, we have no opportunity to stop or shape these agreements, and experience tells us that once they're in place, any amendments proposed to the federal government are rejected when they come before Parliament for review, regardless of the fact that everything from how we purchase most goods and services to the establishment of local economic development policies would be subject to new trade disciplines and possible court challenges under CETA.

Because of their many concerns, more than 80 Canadian municipalities have passed resolutions and motions against CETA. More than 40 municipalities are seeking a clear, permanent exemption from the deal. The UBCM has called for the exclusion of local governments from this agreement. The FCM has passed resolutions that they hope will enable local governments to be heard on this issue. In addition, municipalities across the country have opposed CETA's proposals, as proposed by local provisions.

The executive director of the Columbia Institute and policy analysts have noted—

**The Chair:** Excuse me. I see the text you're reading from, and you don't have the time to finish that text. I'll allow you to wrap up very quickly.

**Mr. Sav Dhaliwal:** I will then, Mr. Chair, by saying that given what Mayor Corrigan has said and what I have stated, and everything we know about CETA, Burnaby is concerned. Clearly, our concern is broadly shared by municipalities across our country. As Burnaby continues to work towards exposing all of the detrimental implications of CETA and to fight to ensure it will not be implemented as proposed, we will do so with the municipalities across the country knowing that they share our many legitimate, substantiated, and significant concerns about the dramatically detrimental effect CETA implementation would have and working to mitigate against those effects with every tool we have at our disposal.

Thank you, Mr. Chair, and committee members.

**The Chair:** Thank you very much. I'm sure you stimulated some good questions here.

We'll start with Mr. Davies.

•(1045)

**Mr. Don Davies:** Mr. Redlin, Mayor Corrigan, and Mr. Dhaliwal, thank you for being with us today. Welcome to the committee.

Mayor Corrigan, I want to start with you. There has been concern expressed that once a municipality privatizes its services, CETA may work to prohibit the retaking of that privatized service back from the public sphere, or it may impair it by subjecting the retaking of that to investor-state lawsuits which would effectively chill...

Is that a concern that has been expressed by your council or any other municipal leaders in your experience?

**Mr. Derek Corrigan:** It has certainly been expressed by our council. It has also been expressed at our meetings of the regional government here in the Lower Mainland. There is a concern that public-private partnerships, the effective privatization of infrastructure, will mean that in the future it will be impossible to take that infrastructure back into public hands. That concern has not been allayed despite our efforts to obtain legal advice and to establish some kind of protocol to ensure we are not eliminating an option from future public bodies.

It is a big concern for us locally and a concern for regional government also, and something that's shared right across Canada in my experience. Will we as a result of any privatization initiative lose the ability to make that a public enterprise?

**Mr. Don Davies:** How long have you been mayor of the City of Burnaby?

**Mr. Derek Corrigan:** For 12 years I've been mayor.

**Mr. Don Davies:** Can you tell us briefly, how does local economic development factor into the decisions you make as a council on a day-to-day basis?

**Mr. Derek Corrigan:** I think this is true even in a city like ours where we're in the middle of a big metropolitan area—we have about 10% of the population of metro Vancouver—we're focused on improving the economy of our city in relation to the economies even of the cities around us. We're attempting to develop business, to provide initiatives so business will in fact locate in our city. To ensure we are supporting the businesses that are local, we do attempt to put in rules that will establish a local preference, an opportunity for local businesses to be able to participate.

There has been a significant chilling effect in regard to that, and local businesses request that, request a benefit if they in fact are participating as taxpayers. We're finding the advice we're getting from our lawyers is that is not available to us, that we may very well suffer a challenge under the existing NAFTA.

**Mr. Don Davies:** I was going to move to that. When we mention lawyers, the first thing that comes to my mind is the lawyers' costs and money.

Has your city council done any estimate, or do you have any concerns about the costs that complying with CETA will fall to the City of Burnaby?

**Mr. Derek Corrigan:** As a lawyer myself for some 30 years, I'm well aware of the implications in regard to these agreements, and the requirement that we get legal advice and accounting advice consistently. These agreements have been a big benefit to lawyers. My profession has become wealthy as a result of interpreting these agreements, particularly since often they are so vague. Interpretations really are going to be subject to multiple challenges in front of tribunals and eventually in the courts. We have seen that already.

Canada has not had a good record in winning those battles, and so we're nervous. Each time we get a question, we look to get legal advice in order to deal with it. That is not something that was a factor in our ongoing procurement policies, that each time we went out to have a procurement decision we needed to hire a lawyer in order to make the decision about whether or not we could in fact follow the policy we had implemented.

**Mr. Don Davies:** Mr. Redlin, I'm going to talk about the investor state. I have the press release from the EU Trade Commissioner Karel De Gucht from January 21, and I will quote from this:

Governments must always be free to regulate so they can protect people and the environment.

He continues:

But some existing arrangements have caused problems in practice, allowing companies to exploit loopholes where the legal text has been vague. I know some people in Europe have genuine concerns about this part of the EU-US deal. Now I want them to have their say. I have been tasked by the EU Member States to fix the problems that exist in current investment arrangements and I'm determined to make the investment protection system more transparent and impartial, and to close these legal loopholes once and for all. TTIP will firmly uphold EU member states' right to regulate in the public interest.

The press release then goes on to say that, "The Commission wants to use the opportunity to improve investment provisions already in place.... In practice this would mean referring explicitly in the deal to states' right to regulate in the public's interest."

Is there anything that you've seen in the leaked documents that satisfies you that CETA has a clear statement that protects Canada's ability to regulate the public's interest?

• (1050)

**Mr. Blair Redlin:** Not at all. I haven't seen anything like that.

The quote that you are citing there is very important because that is the direction that the European Commission is going with the United States of America. Are we really considering that we will have a completely different arrangement than the U.S. has with regard to Europe, with regard to investor state?

I think that we should be stopping at this point and saying, "What about Canada?" Do we think that CETA should have language in it that protects the ability of governments in Canada to regulate on behalf of citizens and act on their behalf in the type of way that you've just described and that the European Commission is exploring in Europe?

This is an important moment, given the European Commission's decision, for Canada to say, "What kind of investor state, what kind of dispute settlement mechanisms do we want to see in CETA?" That is very challenging to do, given that we are in the dark, looking at leaked texts. I think the 26-page summary doesn't address that question and I think it's a very important question.

**Mr. Don Davies:** Mr. Redlin, can Canada have a trade agreement with a jurisdiction that increases trade but also protects the ability of the jurisdictions to take decisions in the interests of the citizenry to protect the environment and pursue local economic development? Is that possible?

**Mr. Blair Redlin:** Absolutely. I cited some examples of major trading partners in the world. Australia, South Africa, Brazil, many countries in South America have entered into trade agreements that are about trade and not about trying to constrain the ability of democratically elected governments to act on behalf of their citizens.

We can have trade agreements that reduce tariffs and reduce other real, concrete impediments but not this vague concept of non-tariff barriers. As I mentioned in my presentation—

**The Chair:** I'm going to hold you there.

Mr. Hoback, the floor is yours.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair. Thank you, witnesses for being here this morning even though we had a nice rainy morning to start off the day, or this session anyway.

I've got some questions on how Burnaby operates and runs its municipality. What is the major industry in Burnaby? I'm from

Prince Albert, Saskatchewan so you can give me a little bit of detail on what makes up Burnaby and what companies are actually your key industries.

**Mr. Derek Corrigan:** Burnaby is a high-tech city. It does a lot of work with the movie industry. We are home to 60% of the movie studio space in British Columbia so that's a big part of the business in our community.

Obviously we have major companies that do international work like Electronic Arts Canada. It's a company that was formed in Burnaby and has been extremely successful in the gaming industry. We're the home of Telus, which is a communications company that works all across Canada. We obviously historically have been a distribution centre because we are in the very centre of the Lower Mainland so movements in goods and services have gone out from our area. We're now becoming much more urban and developing town centres that are seeing a big increase in commercial and professional office space development.

Burnaby is very prosperous. We were named by *Maclean's* magazine a few years ago as the best run city in Canada. We're very proud of that accomplishment. We have no debt. We have over \$600 million in reserves. We are one of the few cities that have been able to meet the public sector accounting rules. Now most cities are modelling their reserve system after ours. So we are very pleased. It is a very well run city.

**Mr. Randy Hoback:** Congratulations. Those are all strong feathers in your cap. I congratulate you on your performance for sure.

When you go through the tendering process—let's say on a water pipe process, and you talked about how you think it's important to have local participation in tenders such as that—how much of a range are you willing to sacrifice in the cost of the project to make sure it's local? Is it 20% higher, or 30% higher, or equal? When you look at that, how would you take that into consideration?

**Mr. Derek Corrigan:** We're very aggressive at finding ways to deliver back into our local economies. People can't pay our municipal taxes if they're not taking home a reasonable wage. So in fact we're one of the few cities right across—

**Mr. Randy Hoback:** My question was how much you would you tolerate in that tendering process. Would you tolerate 20% over top of the lowest tender or 5% or equal?

• (1055)

**Mr. Derek Corrigan:** It depends on the evaluation of each and every project as to exactly what we think is the appropriate measure. Usually we work in terms of small margins—a 5% margin—in order to create an advantage for local industry in regard to our procurement.

**Mr. Randy Hoback:** If it's a small tender—for me, \$5 million is a huge number of dollars, but for you guys that's probably a small tender—then 5% on that is not a big deal. But what about a big tender? What if it's a waste water treatment facility that's \$100 million? How much leniency are you going to give to local players versus a bigger player that would come in with the expertise?

**Mr. Derek Corrigan:** We may not look at any local advantage in regard to larger projects. We work on those generally through the Metro Vancouver government, the regional government. Generally there isn't any local procurement advantage.

In fact, this isn't something we typically do in each and every area. It's not a matter of policy that each procurement has a local advantage. It means that in certain areas of procurement, we may decide that it's necessary to stimulate industry in our city or to encourage the development of industry in our city to look at procurement policies.

**Mr. Randy Hoback:** So how do you pick the winners and losers and in which areas? How do you go about doing that, and saying that this is a priority sector and this isn't? You may have local people in both those different sectors.

**Mr. Derek Corrigan:** Of course, and that's obviously one of the concerns all governments exercise—who picks the winners and the losers? And we know that—

**Mr. Randy Hoback:** But you're not picking it based on price or value necessarily. You're picking it based on, first of all, whether they are local, and second, you're willing to tolerate paying more for local—and I can understand that—but you're saying that not all sectors get that privilege. So depending on what type of sector they're in, they may or may not have that privilege.

**Mr. Derek Corrigan:** That's right. It may very well not be that area.

For instance, for providing communications assistance, we may want to give preference to Telus, the biggest company that's in our city. There are 5,000 employers in our city. We may want to be able to look at implementing policies that will in fact encourage Telus to keep situating in our city, and that is an advantage.

But it's difficult at all times to figure out who the winners and losers are. Often when we make applications for federal grants, exactly that issue comes up for us: how does the federal government pick the winners and the losers? So far we've found it's based mostly on who is sitting as an MP in your area.

**Mr. Randy Hoback:** Really?

**Mr. Derek Corrigan:** Really.

**Mr. Randy Hoback:** I disagree with that, because if you look at our Building Canada fund and if you look at the distribution right across Canada, that would not be proven, but that's your privilege and you're willing to believe what you want. It may not be based on fact, but it is what it is.

I'm just going to quote something. This is from Jayson Myers, president and CEO of the Canadian Manufacturers & Exporters—and, by the way, they're very happy with this agreement. I'm going to read to you what he said to us:

CETA will help Canadian manufacturers and exporters diversify into new export markets, increase their presence in the world's largest market, and help improve

Canada's position as a destination for manufacturing investment. This agreement enables new business opportunities, sets the standard for 21st-century trade agreements, and stands to benefit Canadian businesses, their employees and communities across the country.

I heard you say in your testimony that these guys are going to be screwed over. He doesn't feel that, so why would you make the statement you've made when Jayson Myers is stating this?

I can take this a step further. If you want to hear some of the other testimony we've had from different people who have been in front of us, I'll quote what David Lindsay, president and CEO of Forest Products Association of Canada, said:

We welcome a Canada-EU trade agreement. It will see the elimination of a quota and tariff on Canadian plywood and will help the Canadian industry secure access to key EU markets for its other product lines. As part of its Vision 2020 initiative, the forest products industry has a goal to increase its revenues by \$20 billion by 2020 through new markets and new innovations. The government's focus on regions that can provide opportunity for the industry's traditional and future products is important to achieving our goal and to supporting the more than 230,000 Canadians the industry directly employs cross the country.

If Telus wants customers, it needs to ensure that people have jobs. Is that correct? Now, I'm hearing from you.... You made a comment that the forestry sector—

**Mr. Derek Corrigan:** Do you have a question for me at all?

**Mr. Randy Hoback:** No, I have a statement. I have the time to do what I want.

**Mr. Derek Corrigan:** Oh, okay. I'll relax.

**Mr. Randy Hoback:** I guess I do have a question for you.

Why are you contradicting what people in the industry are actually saying?

**The Chair:** Your time has gone, Mr. Hoback.

Committee members, I will just remind you that when you're reading text, that's not a problem. The problem is that when you read it very quickly, the interpreters have a very difficult time catching up to it.

I know you're rather emotional about it, but nonetheless I will remind the entire committee.

Go ahead, Mr. Pacetti. The floor is yours.

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

Thank you to the witnesses for coming and seeing us today. I'm the only friendly one here, so I'm just giving you a heads-up.

**Voices:** Oh, oh!

**Mr. Massimo Pacetti:** I have a quick question for Mr. Redlin.

You said that you went to the European Parliament on a few occasions. Who did you meet with? Was it the Democrats, or is that...?

• (1100)

**Mr. Blair Redlin:** We met with people from all caucuses. They call them “groups” there. I’m thinking of the caucuses in Canada.

We met with the range of MPs, any MPs we could meet with. We also made presentations to committees of the Parliament, the intergroup on public services and others. Also, there are many civil society groups engaged with the Parliament, and we met with them, too.

**Mr. Massimo Pacetti:** When you say parliamentarians, what is the spectrum? In Europe it’s not clear. It’s even less clear than it is here in Canada sometimes. In Europe they’re not necessarily all to the left and to the right. The Green Party sometimes leans as far to the left as it does to the right.

Who would be in favour of this type of agreement? There has to be somebody in favour if somebody from the European Parliament agreed to this agreement. So who would be in favour?

**Mr. Blair Redlin:** What you would call the right wing is in the majority in the Parliament right now, so the right and the Liberals would.

**Mr. Massimo Pacetti:** Did you have any discussions with them?

**Mr. Blair Redlin:** Yes.

**Mr. Massimo Pacetti:** Was there any exchange of ideas, or was it just black and white?

**Mr. Blair Redlin:** They tend to have very specific interests about certain particular elements, based on the country they come from, the committees they’re on at the Parliament, so—

**Mr. Massimo Pacetti:** There are varied opinions in Europe as well, right?

**Mr. Blair Redlin:** There are varied opinions. That’s right.

**Mr. Massimo Pacetti:** So my question to you is if we took out the investor-state dispute settlement, would you be in favour of the free trade agreement?

**Mr. Blair Redlin:** I’d still be concerned about local procurement and about massive increases in drug costs in Canada, and I would have a number of other concerns, but I think it would make a big improvement.

**Mr. Massimo Pacetti:** So the major three would be the investor-state dispute settlement, pharmaceuticals, and procurement?

**Mr. Blair Redlin:** Yes.

**Mr. Massimo Pacetti:** Would they be in that order?

**Mr. Blair Redlin:** Umm...

**Mr. Massimo Pacetti:** Well, it doesn’t matter. They’re the top three.

Okay, thank you.

Mr. Corrigan, maybe I’ll give you an opportunity to clarify, and I will not be as hostile as my buddy Randy over there.

You’re saying that this agreement will benefit the multinationals. But then you also said that the people who lost with the NAFTA agreement were in the forestry sector, the auto sector, and the

manufacturing sector. Especially in the auto sector and forestry sector, they would be multinationals, so can you reconcile the two?

**Mr. Derek Corrigan:** In essence, in the past in Canada, in order for multinationals to do business here, we’ve required them to establish jobs here. We’ve said that if you’re going to utilize our resources, if you’re going to take away our commodities, we want to be sure that you create jobs in our country. In fact, despite what was said by the members, that’s an area in which we’ve had significant loss—in manufacturing jobs, particularly in traditional industries.

**Mr. Massimo Pacetti:** So you’re saying you want some type of job guarantee?

**Mr. Derek Corrigan:** I want to create jobs in Canada and to ensure that jobs are guaranteed and that if you are doing business in Canada it will be to create jobs and not simply to take resources.

**Mr. Massimo Pacetti:** There’s nothing wrong with that.

So what would your advice be? For example, in the manufacturing sector in my riding I have one of the largest suit manufacturers in North America. They’ve benefited from the free trade agreement with the U.S. Now, because of China, the only reason the jobs are still there is because they’re able to export to the States. So they’re bringing in goods from China, but they’re still able to export to the U.S. That industry is actually still benefiting from the free trade with the United States and not benefiting from the, let’s say, less expensive items coming from China. How do you guarantee that the jobs are going to stay in this country?

**Mr. Derek Corrigan:** It’s like the earlier question, how do you pick the winners and losers? Who’s going to win and who’s going to lose? Who’s going to be in a position where they’re going to be overwhelmed by imports that are going to cause their industry to go into bankruptcy, and who’s going to find that there’s new markets that are open to them?

**Mr. Massimo Pacetti:** Wouldn’t you rather trade with countries that you actually have a free trade agreement with, friendly countries, for lack of a better term?

**Mr. Derek Corrigan:** I think that it’s not necessary to have free trade agreements, or to create investor rights in order to do so. I think you can simply have tariff adjustments that will allow you to manage whatever investment you want.

• (1105)

**Mr. Massimo Pacetti:** What does tariff adjustments mean?

**Mr. Derek Corrigan:** Reducing or increasing tariffs based on what you want to stimulate in your own economy.

**The Chair:** Very good. Thank you very much.

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

**Mr. Ed Holder:** Mr. Chair, I would like to thank our guests today for a very engaging dialogue so far.

While Mr. Hoback was speaking, I went to get some tea. I was going to put some honey in it until I realized that it's a *produit de France*, a product of France. I don't want to offend anyone here, so I'll just set that aside for the time being. Perhaps when you're gone I might slide a little in, unless you find some good B.C. honey for me, and I'd be very grateful if you would, mayor.

By the way, Burnaby is a beautiful city. Congratulations to you for the honours that you obviously richly deserve, all of you. Councillor, I assume you're part of that as well, so let's throw an honourable mention to you as well. Thank you for that.

I'm going to start with Mr. Redlin, because I think he's feeling a little left out, and that's not right.

In your capacity with CUPE, I understand you're now retired, but you like it so much you're still kind of hanging on and doing more.

**Mr. Blair Redlin:** Because I did a lot of work on CETA, with this opportunity they asked me to come here and talk about CETA.

**Mr. Ed Holder:** So you speak from wisdom. How many years have you been involved in doing this, sir?

**Mr. Blair Redlin:** Twenty-three years with seniority.

**Mr. Ed Holder:** So you speak from some background and some wisdom.

**Mr. Blair Redlin:** I was a deputy minister in the provincial government here in B.C. as well. I was the deputy minister of employment investment for a period of time, and that included the trade policy shop.

**Mr. Ed Holder:** I come from Upper Canada, but I have to tell you, this is an absolutely stunning province.

Mr. Redlin, I have a question for you. You're talking about your focus on CETA, and I'm trying to understand where CUPE is in the mix of this. You look for balanced comments. You look for input that's constructive and supportive. That's the whole intention with our colleagues here. If I might ask you, in your capacity with CUPE and your understanding of them and any involvement you've had with any of the past deals that we've had, when Canada first struck the Canada-U.S. deal, was CUPE in favour of it?

**Mr. Blair Redlin:** No.

**Mr. Ed Holder:** When it was decided then to accelerate that to NAFTA, was CUPE in favour?

**Mr. Blair Redlin:** No.

**Mr. Ed Holder:** Then we went south with the Liberals and they went to Chile. Was CUPE in favour?

**Mr. Blair Redlin:** I can't recall.

**Mr. Ed Holder:** It's a little bit since then.

On Costa Rica were you in favour?

**Mr. Blair Redlin:** I don't think we had too much to say about Costa Rica.

**Mr. Ed Holder:** On Colombia were you in favour?

**Mr. Blair Redlin:** No, we were definitely opposed.

**Mr. Ed Holder:** On Peru were you in favour?

**Mr. Blair Redlin:** I don't recall that they commented on Peru.

**Mr. Ed Holder:** What about Panama? We just passed that.

**Mr. Blair Redlin:** I don't think they talked about that.

**Mr. Ed Holder:** Jordan's a little smaller, but it's on the other side.

**Mr. Blair Redlin:** No comments there.

**Mr. Ed Holder:** Israel?

**Mr. Blair Redlin:** No comments there.

**Mr. Ed Holder:** I haven't listed them all, but that's probably a pretty good indication of CUPE's perspective. I'm not here to suggest that you don't support anything, but it strikes me that what I'm hearing is either no, you didn't, and there either may have not been some comment, or you don't recall.

What I'm trying to understand is I look back and I'm particularly struck by Canada-U.S. and Canada and NAFTA. Going back 20 to 23 years ago, do you know what Canada's exports were to the United States? Do you have a number?

**Mr. Blair Redlin:** I don't have that number in my head.

**Mr. Ed Holder:** That's not fair because I do. That number was a little over \$80 billion of Canadian exports. Do you have any rough guess of where it is for 2012, or this past year?

**Mr. Blair Redlin:** No.

**Mr. Ed Holder:** I can help you with that too. You'd be pleased to know that we're actually at about a 400% increase, some \$262 billion. I'm not talking about trade the other way, which by the way, did you know that Canada is the number one trading country for 35 of the 50 United States? It's fairly compelling. That relationship between Canada and the United States is an important one.

**Mr. Blair Redlin:** I clarified in my presentation that we're in favour of increasing trade. We don't think this is the way to do it.

Also, many of the predictions about the Canada-U.S. trade agreement and NAFTA have actually been borne out. For example, we're a much more resource-dependent country, and our exports are much more...the export of raw resources, like oil and gas, and minerals. Our manufacturing sector took a big hit in response to NAFTA with the transfer of many manufacturing jobs to China and Vietnam.

**Mr. Ed Holder:** So aren't we glad in an economy where there are ebbs and flows....I come from a business background, only more lately into politics, unlike Mayor Corrigan whose commitment to public service has been like forever, and I salute you for that, but not me. I'm more recently into community service. As I see that, I still look at a 400% increase in exports as quite valuable.

You made the comment about pharmaceuticals so I'd like to bring it up, about the impact. You won't be surprised that in our nation's capital we had representatives from Rx&D, basically the name brand pharmaceuticals, and the senior representatives of the generics. The net effect of their testimony was they both thought it was pretty balanced.

By the way, I must tell you we did have someone in from the Canadian Health Coalition, I believe it was. They actually thought the generics were too high too. That was their perspective. We're not here for you to defend that.

But wouldn't you imagine if you have both sides that are seemingly contrary to each other, both coming back and saying it's a balanced agreement, that CUPE might take a more modified perspective on that?

• (1110)

**Mr. Blair Redlin:** The perspective of the Canadian generic pharmaceutical manufacturers association is to represent their members, whereas I think I'm talking about the broader impact on the health system and on the pocketbooks of regular Canadians. So if...

**Mr. Ed Holder:** Pardon me, but I would have thought the pharmaceutical companies were there to protect...certainly their corporate interests, but if they are not also in the interests of Canadians, and the generics are a great example of that because we all know that those are dramatically less expensive, but those were the ones that also came back and called that a balanced agreement.

Before I run out of time, Mayor Corrigan and Councillor Dhaliwal, thank you. Interesting perspective. I come from the tenth-largest city in Canada, London, Ontario. We call ourselves an urban oasis in a sea of agriculture. You talked about the things that are important to your industry. You talked about Telus and high tech and all, and of course British Columbia and how important it is.

It was interesting that the vice president of lumber sales and marketing from Western Forest Products, Bruce St. John, said, "A trade agreement with the EU will further diversify markets and strengthen relationships for coastal B.C.'s forest industry. Market diversity and strong global relationships promote business stability, which means secure jobs and reliable economic contributions from the forest sector." I share that with you because you made a couple of statements that I just want to challenge, and I'm going to do this quickly. You thought this deal was a threat to democracy. That's huge. It felt somewhat isolationist and protectionist.

**The Chair:** Very quickly.

**Mr. Ed Holder:** Chair, if I try to ask a question that goes beyond this, I just want to make the point that in terms of construction services for procurement, I want to make reference....

**Mr. Don Davies:** Mr. Chairman, on a point of order, there's going to be no time. This has been a marked attempt to prevent the

witnesses from answering. If he wants to ask a question, give the witnesses a chance to....

**The Chair:** You don't have the floor, Mr. Davies.

**Mr. Ed Holder:** My only point, sir, just to make you feel more comfortable, \$7.8 million....

**The Chair:** And Mr. Holder, neither do you.

We're going to allow a quick question from Madam Liu, and then a quick follow-up question from Mr. Hiebert, just very short. You have about one and a half minutes.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thanks, Mr. Chair.

I just had a quick question for Mr. Corrigan. You mentioned when you were answering Mr. Davies' question that CETA might add a burden on municipalities, and you mentioned the need to hire lawyers when going out for a procurement process.

We know from a CETA legal opinion commissioned by the Columbia Institute, actually some other deal would add more to the administrative burden of the municipalities and open the door to legal challenges from European corporations if corporations were to disagree with local purchasing decisions, as you know. The increased administrative burden for local governments would include revised tendering procedures, accounting, and successful suppliers for local government decisions, and also provide federal government with additional procurement information and statistics. As you can see, this is a great burden.

Is this a concern for you, and what do you estimate the costs will be for this? Moreover, where do you think the funds will come from to pay for these additional costs?

**Mr. Derek Corrigan:** First of all, it's not surprising to pay \$400 or \$500 an hour for a lawyer now in order to give opinions, particularly on an area that is as confined as the trade agreement. What we're finding is oftentimes our staff will have enough information to be able to say, "This might impinge or this might have an effect". As a result, you go out looking for a legal opinion that often is vague in and of itself because there is so little understanding or settled law in regard to the trade agreements. In fact, we've seen as a result of many of these disputes that it's difficult to understand the base for the dispute, never mind the legal arguments that are applied to it. Often those arguments are done in secret before tribunals where municipalities like us aren't allowed to participate. So it does have a chilling effect.

•(1115)

**Ms. Laurin Liu:** Thank you. Now that I know I have my full five minutes of questioning, I would like to add that it's a particular pleasure to be here.

Speaking of procurement, I know that TransLink and B.C. Transit actually purchased buses from my riding, from Nova Bus, so my constituents are certainly very happy to have the jobs associated with local procurement.

My next question would go to Mr. Redlin.

In the agreement in principle, we discovered that the dispute resolution mechanism that would apply to the trade and environment chapter would be based on a consultative and cooperative approach. This would be a review by a panel of experts who would then issue a non-binding report with no penalties or trade sanctions in cases of non-compliance. Of course, this is a concern to me.

As an alternative to this approach, do you see any advantages associated with actually having an approach where international penalties would be applied in cases where a party is deemed not to be in compliance with the panel's report as it relates to the trade and environment chapter?

**Mr. Blair Redlin:** I'm actually not sure I would be in favour of that, because I think it should be the elected governments of Canada that should be able to make decisions about the environment.

Under NAFTA we've lost a lot of environment-related disputes, such as the S.D. Myers dispute, where we attempted to prohibit the export of PCBs and that was overruled by NAFTA. I think that the NAFTA environmental commission process has not been particularly useful.

I think it would be helpful in the kind of process that's talked about there, where there is an international review and a consultative process and a report. That is all helpful, but I don't think that international tribunals should be able to assess fines against Canadian governments for alleged violations of environmental rules.

**Ms. Laurin Liu:** Mr. Corrigan, you spoke about examples that your city has used to stimulate the local economy through procurement. You mentioned the example of Telus. Could you elaborate on other examples in which procurement has been used to stimulate the local economy?

**Mr. Derek Corrigan:** I think in our city we do something that is unusual in the sense that we have a fixed wage, a fair wage, that is imposed in regard to all of our construction projects. We set unionized wage scales in order to ensure that we are utilizing public funds to stimulate high-quality, high-paying jobs as a result of the work that has been done. It has been extremely successful. Our projects have been on budget. They've been on time throughout almost all of the projects over the course of at least the 25 years that we've been implementing that policy. We're worried that a policy like that may be challenged in the future as a result of these agreements.

I am unabashedly a nationalist. I am very much like the Liberals were 20 years ago. I am looking at protectionism as a way in which we protect our economy. The idea of globalization and the idea that we lose our national identity to this amorphous global entity seems to me to be entirely inappropriate. I think that being Canadian,

buying Canadian, ensuring we support Canadian industry, that we support Canadian business and Canadian high-quality jobs is very important.

**The Chair:** Thank you very much.

We did start the session a little bit later, so I'm going to give the last five minutes to Mr. Hiebert, who will close it off.

**Mr. Russ Hiebert:** Thank you, Mr. Chair. Thank you to our witnesses for being with us today.

Mr. Corrigan, you talked a lot about how well run the City of Burnaby is. Do you have any idea roughly how many businesses exist in the city of Burnaby?

**Mr. Derek Corrigan:** First of all, I don't talk a lot about, but there's an independent study that was conducted by *Maclean's* magazine—

**Mr. Russ Hiebert:** I just have a limited—

**Mr. Derek Corrigan:** It was a study done across Canada.

**Mr. Russ Hiebert:** I'm not disagreeing with you. Just quickly, how many businesses would exist in the city of Burnaby, roughly?

**Mr. Derek Corrigan:** There would be probably 5,000.

**Mr. Russ Hiebert:** Approximately 5,000 businesses, and of those 5,000 businesses, how many would do business with the city through a contract?

**Mr. Derek Corrigan:** A relatively small number of those businesses would, although we do have a very diversified job in the sense that we're working in parks and recreation, roads, sewers—

•(1120)

**Mr. Derek Corrigan:** Yes, I was aware that there was a threshold. That number is relatively small in regard to civic projects. Our most recent project was a community centre with costs in the area of \$40 million, so typically—

**Mr. Russ Hiebert:** How often do those come along?

**Mr. Derek Corrigan:** Oh, we're having projects like that probably every two years, projects of that nature.

**Mr. Russ Hiebert:** How many of those 5,000 businesses in Burnaby do you think would be involved in the export market?

Let me just put this in context. Your website for the city of Burnaby highlights that Burnaby is a high-tech city, with information technology, wireless, biotech, life science, new media, and environmental technology companies present in your city, and you're trying to attract more of them. Would you not suspect that many of those businesses would benefit from a trade agreement with the European Union, with access to 500 million people and a \$3-trillion infrastructure market?

**Mr. Derek Corrigan:** Well, certainly, our focus has mainly been in the Asia-Pacific. Much of our focus has been on China, Taiwan, and Korea for opportunities like that. Europe is a long way from British Columbia, so in regard to the issue of how much impact there would be directly on our business, it is, I suspect, different than it would be in eastern Canada.

**Mr. Russ Hiebert:** Would it be fair to say that these kinds of companies, though, are looking at world markets, and that the European Union, being the largest single market, would be one that would be attractive to them?

**Mr. Derek Corrigan:** I think there are obviously businesses on both sides looking at attractive markets. I think the most attractive thing about Canada for businesses is commodities. We know that the main area we're looking at is access to commodities. For us, it's professional advice and professional services.

**Mr. Russ Hiebert:** Exactly, and this brings us to Telus and Electronic Arts. In your opening remarks, you had some very harsh things to say about multinational companies. Did you know that Electronic Arts is a \$4-billion company? It's the third-largest company of its kind in the world. Are you aware that it's a multinational company?

**Mr. Derek Corrigan:** I'm aware, fully.

**Mr. Russ Hiebert:** Okay, and Telus, similarly, would be even larger in terms of its revenues.

**Mr. Derek Corrigan:** I don't know how multinational Telus is. I think Telus is more focused in Canada.

**Mr. Russ Hiebert:** Well, Darren Entwistle recently posted a blog on the Telus website wherein he comments on CETA. He says, "Uninhibited free trade and liberalization of foreign ownership rules will undoubtedly expose"—companies—"incumbent Canadian organizations to increased competition, including in" his industry, which he "wholeheartedly" supports.

He says, "Indeed, we welcome healthy competition and we believe that most Canadian entrepreneurs would share this view given the opportunities that free trade provides." He closes by saying, "We applaud the Government's move to strengthen our trade relationship with the European Union, and look forward to such future agreements with additional trading partners around the world."

Obviously you know Darren Entwistle. He's—

**Mr. Derek Corrigan:** Of course.

**Mr. Russ Hiebert:** —your largest CEO of the largest company in Burnaby. That's a huge ringing endorsement for this kind of agreement and future agreements of its kind.

You're trying to attract these kinds of businesses to Burnaby, yet you're basically telling the committee that, in your words, there's a small number of local companies that have contracts with the City of Burnaby that should have greater preference, and it's the reason why you, as a city, oppose this agreement, when in fact the largest employers in your city and the kinds of employers you're trying to attract endorse and benefit from these kinds of agreements. How do you square those two? How do you—

**Mr. Derek Corrigan:** It's not surprising. I disagree with them on tax reform too. Certainly, we have differences of opinion in regard to what we think is best for Canada. Darren Entwistle—

**The Chair:** That's probably the best answer you can give, so I'm going to call it there.

I want to thank you very much for coming forward, witnesses. It was a very interesting session. With that, we will suspend as we set up the next panel.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1130)

**The Chair:** We'd like to call the meeting back to order. We ask members to take their seats. We have witnesses before us and we look forward to this final hour before we get into a lunch break.

We have with us from British Columbia Technology Industry Association, Bill Tam, president and chief executive officer.

Also we have another mayor. From the City of Abbotsford, we have Mayor Bruce Banman.

With that, Mr. Mayor, the floor is yours.

**Dr. Bruce Banman (Mayor, City of Abbotsford):** Thank you very much, Mr. Chair.

Members of the committee, honourable colleagues, ladies and gentlemen, *bonjour* and good morning.

As the mayor of Abbotsford, it is a great pleasure for me to be here this morning in beautiful downtown Vancouver to represent our great city of Abbotsford and the interests of a key local economy here in British Columbia.

Just in case any of you visiting from out of town are wondering, yes, it is always this beautiful here. Welcome to winter on the west coast. I think you brought this cold snap with you, because it was much warmer a few days ago.

Anyway, all kidding aside, I would like to begin my remarks with a brief introduction to the city of Abbotsford, which often gets referred to as the city in the country. The city of Abbotsford is a city that is in the growth stage of development. We are the largest municipality located in the agricultural hotbed of British Columbia's fertile Fraser Valley. We are British Columbia's fifth-largest municipality. The Conference Board of Canada has identified Abbotsford's local economy as one of the most diverse in the country. Our main industries include agriculture, manufacturing, and aerospace, which means we most certainly have a vested interest in the Government of Canada's Canada and European Union comprehensive economic and trade agreement initiative.

As a local government leader in Canada, I believe it is critical for us to continue to support our communities' key economic drivers. In fact, local governments across this country depend on trade and investment to drive economic activity and create jobs for local residents and businesses.

One thing we do know is that trade liberalization leads to job creation and prosperity, resulting in a higher standard of living and quality of life for us all. With this in mind, as mayor of Abbotsford, I would like to voice my support to the Government of Canada for opening trade policies that will allow our local Canadian companies preferential access to sell their goods and services in the European Union as well as through international markets across the Pacific and around the world. We know that CETA will give companies across our country, including those in Abbotsford, access to a vast market of consumers who are among the wealthiest in the world. I believe this will be of benefit and provide opportunity for Abbotsford's local economy and specifically for producers in our agricultural sector.

What many don't know about Abbotsford is that we are an agricultural powerhouse. Abbotsford is one of the most intensely and diversely farmed areas in Canada, supporting significant berry, vegetable, greenhouse, dairy, poultry, and hog operations. To this end, Abbotsford boasts the highest dollar-per-acre agricultural land in the country, greater than the North Okanagan region here in British Columbia and greater also than the Niagara region in Ontario.

Today, we are the largest producer of blueberries in the world. Agriculture is the literal economic backbone of our community, permeating every aspect of our city from land use to sweeping income and employment benefits. Taken in its entirety, the total agriculture-related economic activity in our city amounts to almost \$2 billion every year, and we're only just getting started. It is safe to say that agriculture operates with the expectation of prospering in Abbotsford, not just surviving. In this regard, CETA will be a big win for our workers, businesses, and families as almost 94% of European Union agricultural tariff lines will now be duty free. This will also be especially beneficial to our berry growers, our pork producers, and our agrifood producers.

•(1135)

In addition to tariff elimination, the trade agreement will also provide improved access to European markets for our locally manufactured goods and services and new opportunities in European Union procurement markets. While our businesses will soon have access to a market almost 15 times the size of Canada's economy, so too will our consumers—the one area in which we would ask the Government of Canada to ensure that they remain sensitive to our Abbotsford-based businesses.

While CETA will give all of us more choice in consumer products, which will invariably result in lower prices and better service, the industries that have benefited from tariff barriers in the past will now have to compete with lower-cost imports. With that in mind, I am confident that a well-balanced agreement, along with a successful economic transition plan, will most certainly open the door for those industries to continue to thrive.

Mr. Chair, members of the committee, I thank you again for this opportunity to provide you with a community perspective on the proposed Canada-European Union comprehensive economic and trade agreement. As mayor of the city of Abbotsford, I am pleased to support this agreement and the outcomes that we expect it to deliver for our community.

Thank you so very much for your time.

•(1140)

**The Chair:** Thank you very much.

Two mayors, two different views—great to see.

**Dr. Bruce Banman:** It's not unusual for Mr. Corrigan and me to be on different sides of an agreement.

**The Chair:** Well, I'm sure the questions will come that way.

Mr. Tam, the floor is yours.

**Mr. Bill Tam (President and Chief Executive Officer, BC Technology Industry Association):** Thank you, Mr. Chair.

Good morning. My name is Bill Tam, and I have the honour and privilege of serving as the president and CEO of the BC Technology Industry Association. I'm pleased to make the presentation today to the committee.

Perhaps I can start with a little bit of background on the technology industry in British Columbia. It really has become over the last decade a transformative force in the B.C. economy. It spans the diverse sectors of digital media; life sciences; wireless, information, and communications technology; and clean technology. The B.C. technology industry has become integral and vital to virtually every sector, and is part of what we see as the future prosperity of the province.

Within British Columbia, I think one of the aspects we get to capitalize on is just the wealth of talent, diversity of the companies themselves, world-class universities, and experienced entrepreneurs, all with the goal of building and growing globally competitive companies.

Over the past 20 years, the technology industry has grown from \$4 billion in revenue to now about \$20 billion in revenue, so about five times over that period. At the same time, the number of people who work in the sector has blossomed from 30,000 people to now about 90,000, which places us among the largest employment groups in the province. In fact, if you total up the number of jobs in the oil and gas, mining, and forestry industries in B.C., actually more people work in technology than all of those industries combined. That's allowed us to be one of the fastest-growing sectors in terms of job creation. Over the past decade we've been able to grow our share of B.C.'s exports from 5% to now 10%.

A lot of this plays to the strong underpinnings that we benefit from in the rise of the sector. Obviously, here in Canada we benefit from consistently being ranked by the World Bank as one of the most favourable environments to start a business. At the same time, we're particularly proud of the fact that British Columbia is what we consider to be a hub for start-ups. A nation-leading 3.7% of those who are in our working population characterize themselves as working in a start-up. Equally important is the fact that the metropolitan Vancouver region was identified among the top 10 start-up ecosystems in the world in 2012. We consistently rank very high on the charts in terms of livability, sustainability, and just the environment it takes to build emerging companies.

We also benefit from a number of favourable business climate and competitive factors. These include competitive taxation rates, government-supported R and D programs, and I think one of the first angel tax credit programs in the country, which has worked particularly well in supporting the emergence of new and upstart companies.

Now, one of the aspects we recognize is that the strength of entrepreneurship also has potentially a downside—namely, that within our industry set we have an overabundance of what we would characterize as small and very small companies. In fact, here in B.C. only 3.5% of all companies have more than 50 employees. That's in the technology sector. Nearly 70% of all the companies employ fewer than four people.

We often refer to this as a “growth gap”. Fundamentally, it's a growth gap in that we have an imbalance in what we consider to be the innovation continuum of small, medium, and large enterprises. We don't have nearly enough medium and larger companies. What this represents is a persistent drag in terms of the ability to scale the industry as a whole.

Supporting the growth of tech companies and building an increasingly robust ecosystem and competitive framework is one of the things we're committed to doing. We recently published our four-point plan for growing the B.C. tech industry, which highlighted the importance of continued strategic investments to elevate and accelerate the rate of growth for tech companies in B.C. and address some of the critical issues around access to capital, expanding and developing the talent base, expanding the access to customers and markets, and building company capacity overall.

Maybe I can take a moment just to speak a little bit about the B.C. technology association and some of the things we've been involved with. Over the past 20 years, we have been established as a non-profit organization funded by members to really accelerate the growth, development, and advancement of technology companies located in British Columbia.

• (1145)

Our mission is quite simple. It's to help companies grow and build world-class organizations and to really make B.C. the best place to grow a tech company.

Over that period of time we've had the opportunity to link various aspects of the ecosystem, connecting entrepreneurs, small and mid-sized enterprises, large companies, post-secondary institutions and universities, government agencies, venture capital firms, and service

providers, all of which provide linkages across this vast ecosystem. Our membership spans all five key sectors including the information and communications technology sector, the wireless sector, life sciences, digital media, and clean tech. It includes companies from start-up to very large, and everything in between. In all, our member companies constitute and comprise about two-thirds of all the employees who work in the technology sector in British Columbia.

Our guiding principles are quite simple. We're here to help accelerate the growth of companies, to build a sense of community and common will to strengthen the B.C. tech ecosystem and to make sure that we can forge linkages and connect companies to opportunities, customers, and markets where they exist. In so doing, what we try to do is harness the entrepreneurial ingenuity and culture that does exist here in British Columbia. We focus on how we can help accelerate the growth of tech companies through the creation of more mid-sized and fast-growing companies that are globally competitive.

In 2010 we actually introduced our centre for growth incubator program, which was specifically designed to support the accelerated growth of companies by tying together mentors, coaches, resources, and the vehicles to help companies grow faster. Since 2010 we've had over 1,000 companies that have engaged in the program. We've provided more than 11,000 hours of support and coaching to them, and overall, these companies that we've worked with over the past three years have generated over \$118 million in new revenue and investments and created over 400 new jobs.

Most importantly, it has been a program that has yielded significant benefits to the B.C. tech ecosystem. We have noticed that the BCTIA companies that are engaged in this program have grown proportionately faster and have a better survival rate. In fact, their survival rate is over 94% and they have grown, on average, three to five times faster than their peers.

Recently we undertook an initiative, which is led by a consortium of some of the biggest technology companies in British Columbia, to establish an innovation hub in British Columbia, essentially what we would constitute as a living lab for accelerated growth, and to facilitate a new set of anchors across the key technology sectors of information technology, digital media, life sciences, clean tech, and wireless.

We believe that the concept of hubs is a well-proven concept. The hubs enable a fluid exchange of ideas, capital, partnerships, market access, and the education that is vital to allowing companies to succeed. Our vision is to help to foster that through results-oriented connectivity and to connect that across similar centres across the country and across the world.

We've had the benefit—as BCTIA partnered with many of the trade organizations here provincially, municipally, and also federally—of a partnership with the Department of Foreign Affairs, Trade and Development. We've worked very closely with the Trade and Invest B.C. folks, Industry Canada, Western Economic Diversification Canada, the Vancouver Economic Commission, the Metro Vancouver region, the City of Surrey economic development office, and many other organizations over the years. We believe that the realization of an innovation hub will actually serve as a catalyst to draw more attention to Vancouver, British Columbia, and Canada, by demonstrating our prowess and ability to garner globally competitive companies.

Perhaps turning the page a little bit and specifically looking at the Canada-European Union comprehensive economic and trade agreement, we see that as a really positive signal in a few different ways. First of all, its notion to remove over 99% of the imported and exported tariffs on goods would allow greater access to services and investment. For the B.C. tech industry as a whole, this is a huge opportunity.

It's worth noting that within the context of our export activity, our export activity for technology products and services more than doubled in the period from 1999 to 2009, growing from just a 6.5% share to almost a 15% share.

• (1150)

One of the key benefits we see is improved market access for the B.C. services sector, which incorporates professional services, environmental services, information technology services, and software, because over that same period from 1999-2009 we saw that the services piece was by far and away the largest growth area. Technology services now account for nearly a third of all B.C. exports in the services regime. That's the technology representation.

We believe that the agreement will benefit our tech industry in the four following ways.

First of all, as I mentioned, CETA offers preferential access to the EU services market. We—

**The Chair:** Your time is tight, sir. Could you go through those four very quickly?

**Mr. Bill Tam:** Yes, of course.

Also, CETA will improve labour and mobility. For us, I think the big component is providing the provisions that are necessary to have an increased talent pool.

Third, it will open access to government procurement, which is particularly important for clean-tech companies and a number of our ICT companies that are in that space, and last is increasing investment in capital flows.

On that note, perhaps I can conclude my remarks by thanking everyone on the committee for their time today.

**The Chair:** Thank you for your testimony.

We'll now move to questions and answers. We'll start with Ms. Crowder.

The floor is yours.

**Ms. Jean Crowder (Nanaimo—Cowichan, NDP):** Thank you, Mr. Chair.

I want to thank the witnesses.

Just in terms of truth in advertising, Mayor Banman, I have to say that I'm from Vancouver Island and I see on the Twittersverse this morning that we had snow in Nanaimo.

**Voices:** Oh, oh!

**Ms. Jean Crowder:** I want to start with Mr. Tam.

Mr. Tam, I think you may be aware that earlier today we heard from a witness from Wavefront Wireless. He pointed out a couple of challenges for the technology sector. You did sort of skate over them, partly with regard to.... You outlined, and I think quite adequately, support for innovation, but he also pointed out that there are some challenges in the technology sector with regard to human resources, and that many of these smaller companies in particular have some real challenges with regard to export expertise.

Are there some specific recommendations you can make for this committee with regard to support for the technology sector in the context of CETA?

**Mr. Bill Tam:** One of the aspects we identified was in fact that of addressing the issues around talent. That may speak to my colleague Jim Maynard's comments around expertise for export markets.

There are a few things that I think are necessary. One is to provide the kinds of support vehicles, through export agencies like EDC and others, that provide that kind of baseline, and also to work in cooperation with organizations like Wavefront, non-profit organizations that specialize in particular sector areas and that lead the entourage, if you will, or the opening of markets in very focused ways.

There's a third area that I would say is quite important. We actually work quite closely with our counterparts at the Department of Foreign Affairs and also with our colleagues in the B.C. government to bring multinational organizations to British Columbia, with the express intent of opening up the viewpoints of the innovations that exist here. By carving out those partnerships, it actually creates the opportunity to recognize the linkages that can be had here and allows those companies to more graciously move into the export markets.

• (1155)

**Ms. Jean Crowder:** Thank you, Mr. Tam. That's helpful.

I know that many people talk about the fact that there's a European market 15 times the size of the Canadian market, but it also goes the other way. Then you have countries that are 15 times greater than Canada also trying to get into the Canadian market. It works both ways.

Mayor Banman, I want to turn to you for a couple of moments.

Of course, I come from the most beautiful riding in British Columbia, Nanaimo—Cowichan, where there is significant agriculture.

**Voices:** Oh, oh!

**Dr. Bruce Banman:** I'm going to go to that credibility thing—

**Voices:** Oh, oh!

**Dr. Bruce Banman:** We'll choose to differ on that, but carry on.

**Ms. Jean Crowder:** I invite you to come anytime—

**Dr. Bruce Banman:** I've been there, actually.

**Ms. Jean Crowder:** —to do the wine tours in Cowichan.

**Dr. Bruce Banman:** Good question—

**Ms. Jean Crowder:** I just want to touch a bit on the agriculture perspective. I think you're probably well aware that the dairy farmers have raised some concerns with regard to CETA. I wondered if you also share some of their concerns with regard to the impact on the dairy farmers and cheese production.

**Dr. Bruce Banman:** I'm glad you asked me that question. While it's true that there will be increased competition for cheese, the one thing that has happened with the dairy is—this is my understanding from talking to the dairy industry—that we have a supply-controlled market and those concerns have been met.

One of the problems as I understand it, having talked to one of the largest producers of powdered milk in this area, is that it's our own agreements within the supply management that actually are now restricting them from being able to get powdered milk into China, for which there is a huge demand. We are actually missing out on a huge opportunity. According to one of the local dairy farmers that I spoke with, in the last 25-plus years their percentage has not increased much at all. It has been a flat industry with not a lot of growth, according to him.

So I think that while there are challenges within that, my understanding is that they have been mitigated to a certain extent. But we now have the ability, if we change our own Canadian policy, to have access to markets the likes of which we have probably not seen since the history of supply management.

**Ms. Jean Crowder:** I think the whole issue of supply management is probably a topic for another day because I think you would probably find there is no consensus at this table with regard to support for supply management.

You didn't specifically touch on it in your presentation, but with regard to the issue of procurement I know a number of municipalities have raised it, including your good friend Mayor Corrigan, and I wonder if the City of Abbotsford has examined if there is a potential impact on the city's ability to protect some of the services and goods that currently may or may not be protected in Abbotsford?

**Dr. Bruce Banman:** While I'm not an expert in trade agreements what I can tell you is this. I am sure there will be challenges in that way to begin with, but I believe that Canadians are among the most competitive in the world. We are among the highest educated workforces in the world, so I believe we will be able to sort that out. I believe what is required is balance.

I also go back to the fact that we have a duty to try to find the most efficient use of tax dollars. We found this out with the American trade agreement for instance. It opened up some of those corridors. In my local area, window manufacturing, for instance, which is not really pure procurement per se, but our trade benefit for windows for large projects in the United States was actually higher after NAFTA than it was before.

Is there a risk there? Yes. But I go back to the fact that I'm just a simple businessman, a chiropractor, a mayor, a small business owner, and I have had some pretty simple boy looks at it. We have 35 million people in one of the largest countries by land base in the world versus 300 million people. As for the desire for us to niche into that market, I think the odds are well in our favour.

**The Chair:** Thank you.

Just for the committee's information, and Ms. Crowder's, have you ever been to Jasper as far as beauty in a riding...?

Before we digress, Mr. Hoback, the floor is yours.

• (1200)

**Mr. Randy Hoback:** Actually, Chair, you are talking about wine tours. My colleague Mr. Holder said he'd be a great neutral judge on both of those tours.

Mr. Cannan, I know you are probably going to jump into this argument too. We'll see what happens when it goes forward.

**The Chair:** We usually get this in the afternoon not the morning.

**Mr. Randy Hoback:** We're not tired yet.

Mr. Mayor, it is great to hear you. It's a breath of fresh air considering what I heard before.

It seems like you have a community that's very aggressive and looking at these types of trade deals not as a hindrance or a problem but rather as an opportunity, which I think is the difference between the Conservative Party's position on this and the NDP. The NDP always feel they can't compete on anything. We'd rather look at it and say we can compete and our businesses can compete.

**Dr. Bruce Banman:** You're on your own on that one.

**Mr. Randy Hoback:** I'm just throwing it out there, but the facts prove for themselves.

I was looking at Abbotsford. Of course I'm from the great city of Prince Albert and when I think of Abbotsford I think of the air show and the aerospace sector that's growing in Abbotsford, and you touched on that a little bit. But before I go there, you talked about blueberries and you also grow cranberries I hear.

**Dr. Bruce Banman:** We grow blueberries and strawberries. We were the largest producers of raspberries in the world before Croatia and Chile got into that market. We grow strawberries, blueberries, and cranberries, and we have many cold crops, which are the things that as a kid you didn't like to eat, like broccoli and cauliflower and Brussels sprouts and that sort of stuff.

We actually produce 90% of the province's eggs as well.

**Mr. Randy Hoback:** I say that because right now in the EU the seasonal tariffs can be as high as 18% on cranberries. So if you look at that, it could really have an impact in this region when you take not 300 million but actually 500 million customers and throw that market at them.

Again, when you look at the tariff on frozen fruits and vegetables, which is what you're talking about here, these are high-value crops.

**Dr. Bruce Banman:** Yes.

**Mr. Randy Hoback:** These aren't wheat and barley; these are high-value per acre crops that employ a good number of people. That tariff could be as high as 14.5%, so the impact of that, of course, is that it locks in a zero percent tariff.

How do you see that impacting your region as far as the ability to access the market goes and in ensuring you have those 500 million customers buying your product?

**Dr. Bruce Banman:** Well, for us it opens up markets by reducing that tariff. Blueberries, for instance, ship very well fresh. There is an almost 10% tariff on blueberries now. That would open that market share up.

I might add that not only are we the number one producer of blueberries—and it's not only me saying this—we have some of the best blueberries and a different variety, because they're bush-grown rather than low-level blueberries. They are some of the sweetest blueberries there are. So the demand for those in foreign markets is incredible. We just need to be able to get access to them. I was speaking with the consul general of China, for instance, and she said that a cup of blueberries sells for six dollars U.S. in China. Let us at that market. Find us ways to get there so we don't have tariffs and duties and things in the way.

As far as frozen berries go, we sit on a cache of frozen blueberries. For the frozen market alone on vegetables and blueberries, again, we have the most productive farmland in Canada. The Niagara region produces one third of what we produce, to put it in perspective. Let us at those markets.

If we value food security in Canada for our own Canadian market, it seems logical to me that we want to do everything we can to support farmers.

I believe this is also going to work with some of the very money the federal government has invested, because recently you invested \$2.8 million for the development of innovative production practices and quality pest management tools for the Canadian berry industry. So you're going to support the very money you've used to help production to begin with.

**Mr. Randy Hoback:** That's exactly right, and actually it seems every break week or personal time when we have a chance to be back in our ridings, our agriculture minister has been out and about

breaking down barriers in all sorts of markets, whether they're for beef or pork.

You also mentioned pork. I found it really interesting to go to the pork producers' function right after this was announced. They said that finally there is a light at the end of the tunnel and there is something they can see, and this gloomy thing called the pork sector actually has some future and hope in it.

What are they saying to you?

**Dr. Bruce Banman:** We have watched a slow dwindling of the pork industry in our area. We are down considerably from what we used to be.

Given both the European and the Asian appetites for pork, there is an opportunity there. We have some of the finest pork-raising practices in the world.

I would say to you that it's probably easier to get into the House of Commons than it is to get into a pork farm in my area. You have to go through biohazard checks and security. They have all the technology to raise what is, in my understanding, some of the cleanest and healthiest pork.

That industry sure could do with some more markets, and anything we can do to help especially what they call the “cold market” or the “fresh market” would be greatly appreciated and helpful to my region.

• (1205)

**Mr. Randy Hoback:** Just quickly on the aerospace sector, that's a growing sector in your city. Can you just talk to us about what it means to them?

**Dr. Bruce Banman:** In Abbotsford we have two things. First, we have the only jet firefighter in the world. It was produced and innovated right in Abbotsford. We're very proud of that. That is through Conair, and they are one of the world's largest manufacturers of firefighters.

We also have all of our C-130 Hercules. There we actually take the wing frame off—which is what you hang the plane on—and we strengthen that, lengthen the fuselage, and put more powerful engines on it. We are now one of two places in the world that are full maintenance facilities for that. That 12.5 acres actually produces as much in wages in our local economy as roughly 140 square miles of farmland does. It's amazing what they produce for the economy, because they're all great high-sector, high-paying jobs.

I've talked with them and they've said, “Let us at these markets”. They also have similar trade and procurement policies. They're looking to get into that area.

**Mr. Randy Hoback:** As far as the future of that sector is concerned, then, it's market share, more activity—

**Dr. Bruce Banman:** It would be more market share. I would remind this committee that aerospace technology is the fifth-largest industry in Canada. It is a high-sector industry. It has great-paying jobs. On our floors, I think people start at between \$25 and \$30 an hour to sweep floors. Most of the people there are from all over the world. It is a very diverse workforce.

Abbotsford actually is the third most culturally diverse city in Canada. We have people from all over the world. A third of them are immigrants, and we have 40 languages spoken within the city. It's an amazingly diverse city, and aerospace is quite important to it.

**The Chair:** Thank you very much.

To go back to your comment that it's easier to get into the House of Commons than a hog barn, they'll let anybody in. That's why we're there.

**Voices:** Oh, oh!

**The Chair:** Go ahead, Mr. Pacetti.

**Mr. Massimo Pacetti:** Speak for yourself, Mr. Chairman.

Thank you to the witnesses for coming in front of the committee today.

I have a quick question for you, Mr. Banman. Can you please give me that statistic again on agriculture in Abbotsford, the per acre...?

**Dr. Bruce Banman:** If you include all of the subsidiaries in that market, it's close to \$2 billion a year. We are the most productive per acre. The Niagara region is the next closest, and it produces a third per acre that we produce. We live in some of the richest, most fertile lands in the world.

**Mr. Massimo Pacetti:** Is that productive in terms of yield or dollar?

**Dr. Bruce Banman:** The total dollar yield per acre is how they do that. It's not just the weight; it's the actual value of the product. We also include greenhouses as well.

**Mr. Massimo Pacetti:** Okay.

Speaking as a Quebecker, I think some people would disagree with you in terms of blueberries. There are some good blueberries grown in northern Quebec, so I think some people would dispute that.

This leads me to my other question for you. Is it not easier for your fresh produce to be shipped to the Asian market or across the Pacific than to send it all the way over to Europe?

**Dr. Bruce Banman:** You know, I don't really think it makes that much of a difference, because what happens now is that most of that fresh product ends up going by jet. That's why the airlines give you a hard time about taking a second bag. They have found out that there's more money in cargo than in your overpacking, bringing twelve pairs of socks when you only wear three.

**Mr. Massimo Pacetti:** That's right. I know the feeling. It's happened to me.

**Dr. Bruce Banman:** So it really doesn't make much difference within that. We get fresh products brought in from all over the world.

**Mr. Massimo Pacetti:** Distance is no longer a factor, then.

**Dr. Bruce Banman:** It's not as big a deal as it used to be, no.

**Mr. Massimo Pacetti:** But in terms of market, is that a factor? Do you sell out all your blueberries, for example?

**Dr. Bruce Banman:** No. Actually, what happened is that one berry farmer started making a lot of money, so more and more got into it. Blueberries are vastly important. We don't always sell out—for instance, when we have a bumper crop—and we end up sending much of them to the United States market.

I would say this. One thing is that, if we should learn anything, it's that we're the egg producers, and my grandpa taught me the simple rule of "Don't be putting all your eggs in one basket." Diversity is good. We need to be diverse. Take a look at what happened in the United States market. Some of our industries were devastated by that downturn.

• (1210)

**Mr. Massimo Pacetti:** So the agreement will provide you with additional markets.

**Dr. Bruce Banman:** I think it will balance things off so that when one market is softer, the economy will actually be more balanced. I don't think we should ever be scared to look at diversity and ways to get into other markets.

Will some industries be hurt by it? Yes. Again, maybe I don't know much, but we have \$300 million just in Europe, and—

**Mr. Massimo Pacetti:** Thank you. I'd like to get a question in to Mr. Tam.

Mr. Tam, in terms of your industry, Canada is beginning to feel the effect of a labour shortage, a skilled labour shortage. Is there any threat that some of the European countries will be exporting more labour than we will, in the technology sector in particular?

**Mr. Bill Tam:** Here in B.C., we're probably the poster child for the labour shortage in the tech sector. Our estimate is that we're already at full employment, and the labour shortage issue around that has been exacerbated over the last six to twelve months.

You know, we actually look at it the other way—

**Mr. Massimo Pacetti:** So in terms of that shortage, is it an inability to export or is it because you have much more ability to export and therefore there is a shortage?

**Mr. Bill Tam:** When it comes to talent and the correlation to export, I think there are two sides to this coin.

One is that the ability to access foreign markets in the services area is by rights the ability for companies here to have workers we can send abroad to do the work that's necessary for things like government procurement contracts or others overseas. We see that as a benefit because it builds the expertise, if you will, for when they come back.

The other side of the coin is around the flow of labour across those areas. I realize that these agreements don't address immigration policies, but we think that there probably is a discourse that needs to occur in talking about how we expand upon things like start-up visa programs and others that can actually attract more—

**Mr. Massimo Pacetti:** Just getting back to mobility, are there certain markets that are easier for you to get into and for you to go into and get some help?

**Mr. Bill Tam:** Let me just make sure I understand your question, if I may. Are you talking about people who are doing temporary jobs in other markets?

**Mr. Massimo Pacetti:** Yes, Canadians you send overseas to do jobs.

**Mr. Bill Tam:** The vast majority of our purview is probably workers who go into the U.S. There's probably been much more feedback on that. If anything, the issues around that have been around border thickening and more—

**Mr. Massimo Pacetti:** So again, it's looking for diversification in markets?

**Mr. Bill Tam:** Yes.

**The Chair:** Your time has gone. The question was finished, so I'll allow a very short answer.

You said “yes”, so I think we're good. Okay?

Mr. Cannan, the floor is yours.

**Hon. Ron Cannan:** Thank you, Mr. Chair.

Thanks to our witnesses. I would be remiss if I missed the opportunity to say, yes, I did live in Jasper at one time. It's a beautiful part of the country. It's a very diverse and beautiful country. You can google “happy Kelowna” and find not only why the Okanagan is making people happy, but that it has some international award-winning wine.

Mayor Banman, I know that the agricultural community is very important to our community as well. The cherry growers are looking at the opportunities with 500 million more mouths to be fed and watered and at all the opportunities the Canada-EU agreement provides.

I need just one clarification. In your opening comments, Your Worship, you said, “While our businesses will soon have access to a market almost 15 times the size of Canada's economy, so too will our consumers”, which is “one area in which we would ask the Government of Canada to ensure that they remain sensitive to our Abbotsford-based businesses.”

**Dr. Bruce Banman:** I think one of them was brought up. That would be dairy, for instance, and I think what does the most damage is that all of a sudden the rules change overnight. You have to allow—I believe on both sides—markets to accommodate for that.

We would ask you to just be aware that whenever there's change, associated risk comes with it. Again, while I'm not a trade agreement expert, I would just caution us to make sure on that. It's those unforeseen circumstances that sometimes create some hardship. There are going to be winners and losers in all things, but that allows people to find a new place to jump, so to speak, or to adapt.

●(1215)

**Hon. Ron Cannan:** Thank you for that clarification.

Speaking of winners and losers, that's something that government is never comfortable choosing. I like the competitive nature, and our businesses are very competitive in the global market. It's a rules-based, stable, strong, predictable scheme in place as far as the rules go and for our trading partners.

From one of the previous witnesses, we heard about the concerns for local government on procurement. We also heard that there's close to \$3 trillion in procurement opportunities with CETA. On the procurement issue, maybe you could comment from your perspective in local government.

**Dr. Bruce Banman:** Well, again, I think it's always difficult when all of a sudden you're perhaps forced to compete in a market share that didn't exist the day before....

I still think that if you take a look at the fact that, relatively, we are a smaller market than Europe.... I believe that our sector is going to have competitive advantages to be able to infiltrate into theirs. While some companies may be worse off, I think that the taxpayer overall.... If, for instance, I can take a \$15-million overpass and turn that into a \$12-million or \$13-million overpass, the taxpayers win.

I think we need to look at it from that particular base as well. Again, I'm not an expert in trade agreements, and I'm sure that, as you have done, whether or not that threshold of \$7.8 million is enough and needs to be raised a bit.... I'm not an expert on that, but I would expect the committee to take that into consideration.

**Hon. Ron Cannan:** Thank you for that.

The aspect of working with local government, provincial government, the broadest, deepest consultation, from your perspective have you heard any concerns from any local businesses to the agreement?

**Dr. Bruce Banman:** I have not talked to the businesses with regard to procurement, to be fair.

**Hon. Ron Cannan:** Or any part of CETA?

**Dr. Bruce Banman:** Every business I have talked to has been supportive. They look forward to being able to gain access to those markets and they look at it as an economic boom. I have to say that Abbotsford's unemployment rate is just slightly above the British Columbia average. Again I go back to the fact that the high-tech sector is interested and feels there are advantages to this. That's virtually every business I have talked to including a local power wash company that makes power washers and sells them all over the world. The European market is not a big market for them, but they have footholds in there and they look forward to expanding their market.

**Hon. Ron Cannan:** I would be remiss to not talk about the consultation. The Federation of Canadian Municipalities has been consulted, as we mentioned. Your hard-working member of Parliament had served for nine years on your council and worked with FCM. I just wanted to clarify whether you have any comments as far as who's been apprised of the agreement in working with your member of Parliament?

**Dr. Bruce Banman:** I had a brief discussion with Minister Fast. First off, the big question was how did I get picked for this? He said, "I have no idea. I was away."

But I have also read the FCM statement and it is overwhelmingly positive from what I've seen. Again, there are going to be a couple of nitpicky things I'm sure we can focus on, but I think it's important to look at the overall picture. When we only have one major trading partner, diversification is in our best interests long term. Especially when I take a look at how many more times we are going to come to a fiscal cliff that we have to jump off before things actually do go sideways. We need to diversify our market share.

**Hon. Ron Cannan:** Fantastic. I agree with that.

One quick question, Mr. Tam, coming from the Okanagan, innovation technology is a big hub. Working with our Okanagan College and UBC Okanagan, we see the great opportunities. How do you get your members engaged and excited about CETA and show them the opportunities?

That's one of the reasons why we're out here, trying to spread the word and the opportunities. What are you proposing to do within the association and how can we help?

• (1220)

**Mr. Bill Tam:** First of all I want to commend Jeff Keen and our colleagues at Accelerate Okanagan for the terrific sort of environment that they create there.

I think it's an education process that as associations we need to undertake in conjunction with government. Within our spectre, the obvious place for companies to go is the U.S. and the European agreement allows us to offer up new opportunities.

**Hon. Ron Cannan:** I look forward to working together. Thank you. Jeff is a hard worker and doing great work. Thank you.

**The Chair:** Thank you very much.

We are going into our second round. We have two questioners with five minutes each, Mr. Sandhu followed by Mr. Holder.

**Mr. Jasbir Sandhu:** Thank you, Mr. Chair. I too want to be on the record as saying that Surrey is actually one of the best cities to live in. It is the fastest-growing city. We will pass the population of Vancouver by 2030.

Along with that I do want to mention that I picked berries in Abbotsford back in the 1980s, so I am very much interested in having berries exported to other countries.

Mr. Banman, are you familiar with the trade commissioner services overseas?

**Dr. Bruce Banman:** No, I am not familiar with that, to be honest with you. Perhaps I am but in a different way, but not by that particular title.

**Mr. Jasbir Sandhu:** Trade commissioners are Canadian-based specialists who serve our exporters in the embassies to identify intelligence about local markets and stuff. Do you think a resource like that would help farmers out in the valley?

**Dr. Bruce Banman:** Absolutely I think it would. Overwhelmingly though I really think, whether we want to admit it or not, the world is becoming a much smaller place. It is easy to import and export jobs for a number of reasons. I think that one of the things that has to be taken into consideration is how competitive you are. Tariffs to protect one's own industry I don't think are wise.

I'll go to the wine industry in the Okanagan. I remember back in the day Harry McWatters, who is actually a good personal friend of mine, started the micro-industry in wines. We had protected that industry and they had produced horrible wine, to be blunt. Now we have some of the best wines in the world. We compete internationally and I believe that all they want is a chance to free up the ability to infiltrate those markets. We are internationally renowned and that's what happens when you allow industries to flourish and set them free.

**Mr. Jasbir Sandhu:** My colleagues asked earlier on about the dairy industry in the Fraser Valley. I wasn't quite sure what the response was that we got from you. Are the dairy farmers being heard, or are they going to benefit from this EU trade agreement?

**Dr. Bruce Banman:** My understanding, having talked to them, is it is going to be pretty much a wash. While the cheeses will be inboard competitive, it's not going to actually hurt the dairy farms themselves. If anything, that may have an impact upon the big producers, such as Saputo for instance in Abbotsford, that actually make the cheese.

I think the flip of us sending Canadian cheddar abroad—I don't think we can keep the orange dye in it but there will be a white cheddar that's sent aboard—and other things will actually force us to be more innovative and infiltrate those markets. Again, my understanding from talking to local producers is the rules of supply management are stopping them from getting into those other markets because they have a quota that they can produce. They're penalized if they produce over their quota.

So if we're able to take that extra product and use that for export, I think that they'll win. The market has been flat as I understand for about the last 20 years, according to the dairy farmers I've talked to.

**Mr. Jasbir Sandhu:** Mr. Tam, we've seen a large deficit in manufactured goods that we export to Europe. In fact most of the goods that we export to Europe currently are either agriculture goods or not processed products. Do you think your industry will benefit from having this agreement in place, that it will increase our manufactured goods to the European Union?

•(1225)

**Mr. Bill Tam:** I think the manufacturing sector in technology has been pretty static over the last ten years. I see the opportunity for us in the export market is really more around services in software and soft goods. I think there is no doubt that it will help to spur on more competitiveness in our manufacturing sector, but I think the nature of our industry sector is much more geared towards soft goods.

**Mr. Jasbir Sandhu:** Mr. Banman, you mentioned that there will be some winners and losers, and we talked about some of the winners. Who are some of the losers in your city?

**Dr. Bruce Banman:** To be honest I don't know. Whenever you change policies like this, it's inevitable. I think what you want to do is make sure that it's balanced and you put yourself in a better position. From what I've seen from my area of the world, that's definitely going to put us in a much better position. I've talked to manufacturing. Abbotsford is a very diverse economy. I talked to manufacturing and the high tech section here; there are those who say the benefits outweigh the risks.

As a chiropractor I deal with that all the time. I tell patients all the time that there are risks to care and there are benefits to care. What you have to do is to make sure that the balance overall is worth the risk. From what I've seen and heard, the vast majority feel that the benefits outweigh any risks.

**The Chair:** Thank you very much.

Mr. Holder, you have five minutes.

**Mr. Ed Holder:** Thank you, Mr. Chair. I'd like to thank our guests for being here today. I've decided I now love every city and town in beautiful British Columbia—it's just the safest approach I think—there isn't one city that isn't a postcard. So compliments to you, mayor, and to preceding mayors and colleagues from other parts of British Columbia, and my colleagues opposite.

I'm really disappointed Mr. Sandhu is leaving our committee because—as your role as a berry picker and understanding the importance of picking berries in Abbotsford—I think you were one berry away from supporting this agreement. So it is a little disappointing.

You know, it's rather interesting. Canada has a population, mayor and Mr. Tam, of some 34 million people. We talk about the 500 million people in the European Union. That can either be an opportunity or a threat. I heard a colleague opposite talk about the 500 million as a potential threat because those are the folks potentially coming to Canada who could be competing with us. Mr. Tam, you talked about the services. Are you afraid of Canada's competition from a service standpoint into the EU?

**Mr. Bill Tam:** Not at all. I think, if anything, it affords us the opportunity to build scale. Scale is what matters to be competitive in the tech sector. It's an area that we've taken advantage of in the U.S., but as Bruce has stated eloquently it's by diversifying the markets with equivalent scale that we grow better companies.

**Mr. Ed Holder:** I'm not sure. Do we call citizens of Abbotsford, Abbotsfordians? What do you call them?

**Dr. Bruce Banman:** You know what? I would encourage you to come for a visit and then you can learn all about it. But it doesn't really matter. Abbotsfordians works just fine.

**Mr. Ed Holder:** Well, the fine people of Abbotsford, would you be concerned about their ability to compete against the market of 500 million people of the European Union?

**Dr. Bruce Banman:** I take a look at the recent statistics that came out from the school board. We are in among the top 10 educated cities in Canada, or at least my area is. I can't speak for all of Canada. So, no, I say, "Bring it on".

**Mr. Ed Holder:** In the spirit of that, the proceeding questioner, my friend, Mr. Sandhu, asked a question about where the losers are. I want to give you some comfort, gentlemen. We just this past week had the European Union ambassador to Canada in front of this committee who was asked that very question: who are the losers? Obviously, if there are winners, who are the losers? She said emphatically, on behalf of Canada, there were no losers.

I think what I hear from both of you is that the spirit of trade makes it such that the consumer's the winner because of the potential for better pricing, and high-skilled labour is the winner because we have the opportunity to put that forward and show what we can do worldwide. What I've heard from both of you is that you're not afraid to compete.

Mr. Tam, you talked about your innovation hub as being an example of where those things just work, that they are the basis on which innovation companies and start-ups have a place to go. Do you think, in conjunction with how we can compete in Europe, that's part of the future, those types of hubs?

•(1230)

**Mr. Bill Tam:** Absolutely, because it's a coalescing point. First, it's for multinationals to actually get a glimpse. It's much easier when you have a hub. You can actually take them around to the companies fairly easily, in terms of the things that they might be interested in. Second, it provides an education foundation, where we can actually help with their ability to understand what it means to be in export markets, how to grow something competitive globally.

To your earlier comment, the nature of technology—and having been an entrepreneur for the last 15 years—is about failure, and it's from that failure that we breed success.

So I think, in the end, this is a win situation for everyone involved.

**Mr. Ed Holder:** So Mayor Banman, in the spirit of "Bring it on"—that's the quote—

**Dr. Bruce Banman:** Yes.

**Mr. Ed Holder:** We're not going to have the opportunity to hear from you, I don't believe, tomorrow about the Trans-Pacific Partnership. Do you have a thought as it relates to the great city of Abbotsford?

**Dr. Bruce Banman:** I do. Actually I have a thought that's more in relation to Canada as a whole. One of the things that we have to consider is the brand of the Canadian maple leaf, the brand of Canada. It is seen as being one of the cleanest, one of the most pure. It has good branding across the world.

Abbotsford, like I mentioned, in the third most culturally diverse city. Coincidentally, we're far enough outside of metro, so we're actually considered our own metropolitan area. Yes, go figure. We're the third most culturally diverse city in Canada. We're very much like Canada. Our diversity is our strength. The reason that is a strength is that we have connections and footholds and relatives in virtually every country in the world. That is a huge leg-up. We have already built-in connections. We just need to be able get into those so that we can find ways to infiltrate those markets, in my opinion.

We are educated. I took my education in the United States. I have to be honest, up here I'm kind of middle of the road, but down there it was a walk in the park. We are better educated than our neighbours to the south. We're better educated than most countries, actually, if you take a look at the statistics. That diversity, that innovation, and what I believe is that Canadian entrepreneurial spirit and spirit of just surviving, the country itself breeds in that ability to find ways and niches to take advantage of.

You take our Canada branding. If you find a bunch of items in a store, there is a preference, I believe, to buy Canadian.

**The Chair:** Thank you very much.

We certainly appreciate both of your testimonies and your time before us answering questions.

We thank the committee also for their good questions.

This wraps up this session. We'll now break for lunch and be back at two o'clock.

So thank you very much again, and we are suspended.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1400)

**The Chair:** We'd like to call the meeting back to order.

We want to thank our witnesses for this panel for coming forward. We have with us, from the City of Victoria, Marianne Alto, councillor. We also have, from the Coast Forest Products Association, Rick Jeffery, president and chief executive officer.

We thank both of you for being here. We look forward to your testimony. We'll then open this up to questions and answers. If this morning is any judge, I'm sure we will have a very interesting time ahead.

With that, we want to start with you, Marianne. The floor is yours.

**Ms. Marianne Alto (Councillor, City of Victoria):** Thank you very much, Mr. Chair.

For those who aren't aware, I am Marianne Alto, a Victoria city councillor, and I'm also elected to the regional government in the Capital Regional District.

I'd like to thank the standing committee for allowing me to appear today. It's a great honour to be part of the dialogue.

What I'm here to talk about today obviously is CETA, but particularly what my council understands some of the terms to be and how CETA may affect municipalities, Victoria in particular. I say how my council "understands" it because, until very recently, very little information about CETA has actually been made available to municipal governments, this despite the fact that, as we understand it, negotiations have been ongoing since 2009.

This has been a real source of frustration to the Victoria city council, so much so that in May 2012 we unanimously endorsed a resolution expressing concerns about the terms that we understand CETA may include and the influence it may have over municipal decision-making. I have left copies of our resolution with your clerk for your information.

Let me be clear from the outset that neither my council nor I are opposed to international trade, fair trade agreements, or the robust exchange of goods and services between and among nations. But my council and I would appreciate being engaged in the development of that trade and those agreements, particularly when the terms of those agreements affect municipal authority and decision-making.

If CETA includes clauses, as we believe it does, that have an impact on municipalities, this would have been a perfect opportunity for the federal government to include its municipal colleagues in a way that was not only collaborative and respectful, but that could have added value to the process and content of CETA. From our perspective, we believe it's unfortunate that this opportunity was overlooked.

As we understand the process to date, the federal government has completed multiple rounds of negotiations on the agreement and has made significant progress in key areas, including goods, services, investment, and government procurement.

We also understand that the federal government has worked hard to resist some protectionist measures and to seek ambitious outcomes across negotiating areas, and has also instructed its negotiators to move forward quickly to try to get a really good agreement for the people of Canada. These are all really laudable goals, goals that could have built alliances across jurisdictions and created a broadly supported and beneficial agreement that would have met with accolades across a broad interest base. But we believe that collaboration did not happen. Instead, we observe that CETA has been constructed without consultation with local government, and as snippets of detail about the agreement have emerged, municipalities and our professional associations have expressed their discomfort and concern about CETA and with the process that has brought us here to the conclusion of the negotiations.

The UBCM and, to some extent, the FCM have suggested that CETA undermines local government powers and have raised concerns about the local governance implications of the proposed agreement. It is some of these concerns that have influenced my council's resolution.

First, there is the issue of water. Of tremendous concern to Victoria is the idea that CETA negotiators may open or may be open to the privatization of municipal water services. While the Canadian government has in the past tried to preserve its sovereign control over water when negotiating international trade agreements, we understand that the EU has specifically requested that drinking water services be included in this agreement. This would seem to open the door to private ownership and operation of municipal water infrastructure by multinationals. We understand that the proposed rules would allow a water conglomerate to bid whenever a Canadian municipality or its utility tenders for goods or services related to water supply systems, such as treatment technology, or engineering design and construction, or operational services. Victoria is absolutely opposed to this and completely committed to the public ownership of water.

In June 2011, Victoria's council unanimously endorsed an initiative to protect the public ownership of water and water services in our city. We believe that any potential risk to publicly owned water resources is absolutely unacceptable. Privatizing municipal water systems operated by European companies has already led to poor or unreliable service and higher water prices, and French municipalities have begun returning their water systems to public control in the last decade.

The suggestion that CETA may remove our local right to make decisions about public ownership of water is a major concern about the intrusion CETA may have into local governance and is one of the primary concerns expressed by Victoria.

Our second concern is the possibility that CETA may affect the ability of local government to include local and Canadian content requirements in our procurement processes. Victoria's ability to "buy local" is an important tool for stimulating our local economy and fostering innovation. A policy that prefers local suppliers can have a positive impact on local production, jobs, and consumption. This is an important aspect of our own local economic development strategy and is a crucial complement to our recently completed official community plan.

This local advantage has long been recognized as significant and desirable, and Canada has signed international trade agreements over the last 30 years that have allowed buy local and buy Canadian policies. But we were concerned to see this trend seeming to take a different direction when, in 2010, the Canadian government signed a deal with the U.S. that included measures preventing local governments in Canada from giving Canadian or local contractors preference in some municipal construction projects. And we're concerned that what we understand as the current CETA takes it a step even further.

• (1405)

Some draft documents that have been shared suggest that the EU believes that CETA terms mean that municipalities can no longer give preference to local or Canadian suppliers, or restrict tender calls or bidders to local or Canadian companies. If this is true, this is a serious limitation of local governments' ability to choose local suppliers and workers and to support and foster our own locally driven social and economic development strategies.

A third concern for Victoria is the risk that CETA could increase our costs and create legal hurdles for local government. It looks to us like CETA may allow multinational corporations to present municipalities to choose larger transnational RFP respondents. Under the proposed agreement, as we understand its terms, unsuccessful corporate bidders may have the right to challenge a municipality's decision in awarding a contract. For us this would mean significant litigation risks and increased administrative costs, as local governments are forced to report on and defend procurement choices and respond to legal or administrative appeals of those choices. We understand too that CETA suggests that local governments might even have to compensate unsuccessful bidders if a court finds that CETA procedures and rules were not strictly observed.

You'll note that throughout my remarks, I've said over and over again phrases like "maybe", "could mean", "might include", "we understand that". This is all because of the remarkable lack of information, or detailed information, that has been available to us about CETA and its terms up until very recently.

That leads to the last concern I'll address today. As a facilitator, I find a particularly exasperating aspect of these negotiations to be the lack of transparency or inclusion of the municipal or citizen voice. While we may be facing something like reduced control of water resources, restricted procurement policies, and increased administrative and legal costs, this agreement may pass all these potential burdens on to municipal governments and taxpayers already lurching under the weight of federal and provincial off-loading. It may do so, it seems to us, without its author, the federal government, having had a strategic conversation with the people who will be left dealing with many of the day-to-day effects of CETA.

In the face of this shift of authority and the plethora of limitations on local governments' democratic capacity, I would argue that the federal government has—so far—failed to adequately engage municipal governments in the dialogue about CETA. Federal government leaders have an obligation to provide objective information about CETA's costs and benefits for municipalities, and municipalities should have a meaningful opportunity for input before negotiations conclude.

I want to be clear that Victoria understands that there could be potential benefits to municipalities and their residents from CETA, but we haven't been engaged sufficiently to be able to make an informed analysis, comment, or decision.

At the start of my remarks, I noted that both UBCM and FCM have taken positions on CETA. It's important to remember that as long ago as 2010, UBCM delegates endorsed a resolution that specifically addressed the negotiations then ongoing between the governments of Canada and Europe. UBCM was concerned at that time that the European Union and corporations were insisting on full access to procurement by subnational governments and agencies like municipalities, school boards, universities, hospitals, airports, transit authorities, and other organizations. As stewards of the municipal purse, UBCM said then that an agreement like this could reduce or eliminate the right of a city to specify local publicly funded investment in goods, services, or capital projects.

UBCM worried that cities could lose the right to make their own spending decisions, that the federal government was not listening, and that negotiations were taking place in private without input from local governments. They called for our provincial government to negotiate a permanent exemption for local governments from CETA. This call for a municipal exemption is the cornerstone of Victoria's own resolution.

As I said at the start of my remarks, Victoria is not opposed to trade and its supporting agreements. We believe municipalities should consider the larger issues that permeate any discussion of international trade, and should resist any blind adherence to protectionism. But within that consideration, municipalities must not overlook or relinquish their obligation to ensure that local decisions can still be made by local decision-makers for the good of local communities. Without being privy to the exact terms of CETA, my council and I are concerned that this agreement is undermining that obligation. From what we know, CETA weakens local decision-making autonomy and restricts our ability to make decisions that support our local economy. It too easily opens debate about who makes decisions on important municipal issues like water ownership, procurement policies, administrative expenses, and resource allocation. Our civic governments deserve to be heard and respected, and this process has done neither.

It is with these assertions that Victoria city council unanimously endorsed the resolution that I've shared with you today. We remain hopeful that the federal government's decision to hold these hearings indicates a desire on your part to now include municipalities in negotiating the final terms for CETA.

● (1410)

We reiterate our request that the City of Victoria, like many other municipalities, be exempted from CETA, and further ask that the federal government protect the city from any restrictions to its autonomous powers that might remain in any final terms of the Canada-European Union comprehensive economic and trade agreement.

I thank you for your time today, and I look forward to your questions.

**The Chair:** Thank you very much.

We'll now move to Rick Jeffery from the Coast Forest Products Association.

I understand your colleague Susan Gagnon is with you. The floor is yours.

**Mr. Rick Jeffery (President and Chief Executive Officer, Coast Forest Products Association):** Thank you, Mr. Chair.

Susan is my director of communications, so she has come here to try to keep me in line.

Thanks for inviting us here today to talk about this very important topic. We look forward to the questions and answers afterwards.

I'd like to start by offering our congratulations to the Government of Canada on what we think is a highly proactive approach to initiating and completing a bilateral agreement with the EU on trade. We'll be speaking in support of this agreement today.

One of the things I—unlike my colleague Ms. Alto—find very positive about this agreement is the depth with which the federal government consulted with the province. It's a hallmark of collaboration that I don't think has existed in other trade negotiations up to this point in time, and I mention it to speak to it and to encourage the Government of Canada to continue that practice in ongoing trade discussions they have elsewhere.

Today I'm here speaking on behalf of the members of Coast Forest Products Association. We have 20 large forestry companies that operate up and down the coast of British Columbia in all facets of the business, from logging to solid wood production to remanufacture to pulp and paper. We represent a modern, innovative, and sustainable industry that produces logs, lumber, pulp and paper, and a range of high-value wood products to markets across the world. Indeed, we send our products to over 26 jurisdictions across the world in North America, Asia, and Europe. I'm counting the EU as just one jurisdiction.

There are 38,000 people who rely on the coastal forest industry for their livelihood. Communities up and down the coast and on Vancouver Island, including Victoria and my home town of Colwood, rely on our industry for their stability and viability. Even though it doesn't seem that apparent, there are a lot of people in the industry who are in those communities.

We've just completed a value-added study on the coast. We surveyed over 100 remanufacturing companies and found out that those that are manufacturing coastal forest products employ more than 3,000 people and have annual sales of over \$1.6 billion. Some of that goes to the EU. What I'd say about that is the product mix we send into the EU, into markets like the U.K., Belgium, and Italy, tends to be on the higher end of the value chain. That is in part due to the fact that many years ago we had a pinewood nematode issue that kind of destroyed our markets, and we haven't been able to recover from that. The world's forest products industry changed, and we changed with it and we still enjoy high-value niche markets there.

By the way, we're non-partisan. I'd like to just speak to the current government agenda around trade, training, transformation, technology, and taxation. Those are all highly important areas that affect the competitiveness of our industry and, ergo, the livelihood of the 38,000 to which I just referred. We are encouraged by a government agenda that looks at those issues in a proactive way, and certainly CETA fits in there.

Just to run through some really quick statistics, B.C. wood exports to the EU were \$304 million including \$127 million in softwood lumber. Our pulp and paper exports were \$168 million. Of that, \$161 million was pulp. So you can see that with numbers like that, CETA will have a significant impact on the industry.

What's in it for us? First and foremost is the matter of tariffs. Our exports face tariffs that average 2.2% with highs of 10% and there are quotas that get filled very quickly.

● (1415)

Under this agreement, these barriers are expected to be eliminated, which is very important for the coast of B.C. and our forest industry, because the high-value products we have going in there attract these quotas and tariffs and affect our ability to service those markets. CETA also provides the ability to address non-tariff barriers such as standards certification, conformity assessments, and those kinds of things.

That's a very active part of the world. Market access is something we spend probably upwards of 30% to 40% of our time on, above and beyond just the straight trade stuff. CETA provides that framework, and indeed we're actively talking to them about their illegal logging standards and certifications and those kinds of things.

I talked a little bit about the value added. As I said, this is a very important market for our value-added wood products, including some plywood and—this is not for the coast—the OSB and wood pellet business that our interior friends enjoy. So something like CETA fosters that cooperative trade environment and allows us to get to the root of these issues.

That's kind of it directly on CETA, but as I said earlier, we'd encourage the government regarding its five Ts, including trade, especially around priority markets in the Asia-Pacific region. Those include the Trans-Pacific Partnership, Japan, and Korea. I'm going to India on the 21st to head up another trade mission. We're trying to plow the ground in India. There are issues in the TPP for the forest industry. Japan has a wood points program that is conveying large subsidies to its domestic wood. Korea has a quality indication system on treated wood and is trying to introduce lumber-grading standards that will make it prohibitive for us to export there. China has all manner of subsidies. So when we get to negotiating with them, there's a whole opportunity there for us to level the playing field. As I said, we're trying to develop India as a market. In the Trans-Pacific Partnership we have issues with log export controls. We have issues with how chapter 19 of NAFTA on dispute resolution will be dealt with, and they've been making noise about our provincial timber sales.

At the end of the day our goal is to ensure that we have trade with our valued overseas partners and that the trade be as unencumbered as possible so we can compete and have a healthy and robust

industry here. We also look for continued collaboration among the Government of Canada, the Province of British Columbia, and the forest industry on CETA as well as on these other trade agreements. If I have one negative thing to say about the EU piece, it is that there was a little bit of a convoluted route to the federal negotiators, but we managed to get there. With that I'll close and I look forward to the questions.

Thank you.

● (1420)

**The Chair:** Thank you very much.

We will start with our questioners, beginning with Ms. Crowder for seven minutes.

**Ms. Jean Crowder:** Thank you, Mr. Chair.

I want to thank the witnesses.

I'm going to start with Mr. Jeffery. Mr. Jeffery, you and I have had conversations in the past about the importance to British Columbia of value added. I wonder if you could briefly outline some key recommendations for the committee in the context of this trade agreement to support value added.

**Mr. Rick Jeffery:** Yes. The thing about the value-added industry on the coast of British Columbia is that it's very commercially driven. When we undertook our value-added study, we were very interested to see the breadth of the industry on the coast. There are over 160 firms. We surveyed a hundred of them. Those one hundred were directly involved in converting B.C. coastal products into value-added products.

So for us, with the value-added perspective in mind, among the things that are important is making sure those products do not attract tariffs, and we think CETA gets us on that. We want to ensure there are no non-tariff trade barriers in respect to that.

The value-added guys right now have a problem with chain of custody in terms of trying to demonstrate to the Europeans that the wood is sourced, that it comes basically from us to us as a log and we convert it into lumber, and then they are going to turn around and try to convert that lumber into some kind of value-added product. It's very onerous for a small company to try to track that chain of custody, so they have an issue there. CETA has a framework around that. We're actively working on that with NRCan, with the international trade department, and with our provincial counterparts, who I notice are here, to ensure that we simplify those systems and make sure the value-added guys don't get locked out.

Those are the two main issues for us. Other market access issues may come up.

This lumber grading issue comes up every once in a while. The EU has their own standards for lumber grading, so that remanufacturers trying to send some boards in there need to have the appropriate stamps, certifications, and those kinds of things. If we don't do that right, they'll get buried under bureaucracy and not be able to capitalize on those markets.

• (1425)

**Ms. Jean Crowder:** Thanks, Mr. Jeffery. That's helpful.

Ms. Alto, I wanted to touch on a couple of points. I'm going to paraphrase here, but essentially the buck stops at the municipal governments, as we've seen over the years. I have to declare that I was a former municipal councillor, and we saw it roll downhill from the feds to the province to the municipal councils. They're the ones closest to the citizens and the taxpayers.

I want to raise a couple of points. One is a question that we did ask this morning. Once something like a water system is privatized, do you have any degree of comfort that a municipality would be able to retrench that back into the public sector if it didn't work out under CETA?

**Ms. Marianne Alto:** Well, we don't have any comfort, and we don't have any comfort with this particular idea, as we don't have comfort with a lot of what we think might be there, because we haven't seen it. We are aware that in other jurisdictions—I think I referenced the remarks of France—they have done the experimental foray into privatization of water supplies, have found it to be lacking, and have tried to go back. They have had some success, but it's a very complicated matter to try to undo an agreement when it has been entrenched in the establishment of providing something as essential as water.

So for Victoria, it is one of the most significant concerns, because it's a very proactive community. It's a very eclectic council, I should say. It's not at all reflective of any particular viewpoint, so it was a surprise to me that this particular resolution passed unanimously. It's because of the fact that there is such anxiety around two things in particular. One is the whole procurement strategy issue, with all of the attendant details, but the other is the very significant risk that the city council saw to the provision of an essential service, which we see water as being. We've been proactive in trying to make sure that it remains public indefinitely and we'll resist really every effort to try to privatize that.

As an aside, I want to mention that it isn't just about water, but about water as a resource. The Capital Regional District, as you're well aware, is embarking currently on a very massive sewage treatment plant at the direction of the federal government, and the provincial government as well, and is abiding by the rules set out by both of those larger governments. There is a high degree of anxiety at that table. One of the reasons driving that project forward as quickly as it's going, despite some resistance from the local community, is the notion that it is such a big project that it could in fact and would in fact fall under the terms of an agreement like this.

So there isn't just water from the perspective of consuming water, but water from the perspective of a resource that you may use for other things once it's treated. There are many aspects of anxiety around water.

**Ms. Jean Crowder:** One of the other things I want to touch on, which you also touched on, is with regard to language. I have the technical summary of the final negotiated outcomes here, and I must admit that I've read through it a number of times, and when I come to the end of it, I'm still not entirely clear on what some of this means.

I want to read a couple of things for you. Under government procurement, for example, for anybody who wants to read page 16, it says, "Maintained ability to include social and environmental criteria in contract requirements". Further on down, it says, "Maintained broad exception for" and lists a number of things. One of them is aboriginal businesses. Of course, as the aboriginal affairs critic I'm interested in that, but nowhere in there do I see any definitions of what that means.

**Ms. Marianne Alto:** Yes, you raise a really important point. Because the technical report is the only report—and that's why I referenced that recently information has come to light—that we've had a chance to really look at. There is an enormous degree of vagueness around what the parameters may be in the end.

Certainly, from Victoria's perspective, we've just completed a fairly exhaustive official community planning process, which included about 7,000 of our residents, a very high return rate. That has several components that are absolutely integral around social and environmental and economic development strategies. Those rely heavily on our ability to make choices that favour local or regional or provincial or Canadian respondents to any particular projects. Our bridge, for example, we're rebuilding a very historic bridge in Victoria, which is a \$93-million project. It is a project where we looked very deliberately at which parts of it could be handled by local contributors. Again, without any clarity of the definitions, without any examples of the definition, without a lot more information generally, there is nothing on which we can hang our hats to say, "That looks good."

I appreciate my colleague's comments around the parts that he could identify that were good for his industry, but we can't do that. As municipal governments, we haven't seen the evidence that says we have the ability to retain our autonomy to make good local decisions and still serve our taxpayers, which we want to do. I have to say again, we're not against trade agreements. We're a very eclectic council that understands that this could be good for us, but we don't know because we haven't seen it.

• (1430)

**The Chair:** Okay, thank you very much.

We'll now move to Mr. Hiebert.

**Mr. Russ Hiebert:** Thank you.

Thank you both for being here this afternoon.

Ms. Alto, you identified three different areas that you were most concerned about: water, procurement, and consultation, if I understood you correctly.

**Ms. Marianne Alto:** Right.

**Mr. Russ Hiebert:** Suffice it to say that the Government of Canada has been very clear that Canada's water is not for sale. It wasn't under NAFTA and it's not going to be under CETA. I wondered if you had a chance to look at this document. It's the technical summary of the final negotiated outcomes. Have you seen this?

**Ms. Marianne Alto:** We've had it very recently. Can I quote chapter and verse? No, I can't.

**Mr. Russ Hiebert:** No, I wouldn't expect you to do that, but I think it's been out for some time. Do you know how long it's been around?

**Ms. Marianne Alto:** I think it was October.

**Mr. Russ Hiebert:** October?

**Ms. Marianne Alto:** Yes.

**Mr. Russ Hiebert:** Okay.

So when I looked up "procurement" in this document, on page 17 it talks about the thresholds at which the competitive nature of this agreement would apply to local government. As it relates to goods and services, it's around \$315,000. Then for infrastructure, construction, and so on, it's much larger, at about \$7.8 million as it applies to municipalities.

I'm not sure if you were aware of that, but now that you are aware, does it give you some measure of comfort that at least underneath those thresholds municipalities would have some discretion as to how they would allocate their resources? If they wanted to pick local companies, even if they might be more expensive, they would have the prerogative to do that.

**Ms. Marianne Alto:** Within those thresholds, yes. Of course, it's always good to be able to say below a certain amount you've given us the ability to make local decisions. But I guess our position would be: why is it that you set a threshold without consulting us?

When I go back to the Victoria bridge example, we have one of the largest infrastructure projects in our history. Had this been in place at the time that we began the project 18 months or two years ago, we would have had, we believe, less ability to manoeuvre than we had at the time. When you look at \$7.8 million, that's 10% of our bridge project. We have a number of projects coming down the pike that are around infrastructure. They're going to be much larger than that.

**Mr. Russ Hiebert:** Fair enough, but the trade-off would also be, you know, if you can select an equivalent provider of a service or a construction infrastructure at a lower cost for your tax base, they would probably very much appreciate not having to pay more in taxes for the same product. Would that not go well with your constituents?

**Ms. Marianne Alto:** Absolutely, but I guess I'm a bit confused about why we wouldn't also have the ability to do that if the thresholds were either very much higher or if we'd had input as to where the thresholds make sense. Obviously, we're in a position where we're looking to decrease the burden on our taxpayers and try to resist any downloading that continues to happen. But at the same time, the position that we had would be that we could have made better decisions together if we'd been in the tent with you.

**Mr. Russ Hiebert:** I have some questions for Mr. Jeffery as well, so I just want to go through these very quickly.

On the topic of consultation, I just looked up the FCM's comments on the trade agreement when it was announced, and this is the statement of the president of the FCM. He said:

This morning's announcement shows that the voice of Canada's local governments has been heard and respected in trade negotiations with Europe, and opens the door to a much stronger economic partnership between the federal government and Canada's cities and communities.

He goes on to say:

Today we are seeing the positive results of FCM's two-year collaboration with International Trade Minister Ed Fast, who has worked hard to answer serious questions about potential impacts on small businesses, strategic industries, and local decision-making.

Clearly, somebody at the FCM seems to believe that they were well consulted. Do you have a difference of opinion with—

**Ms. Marianne Alto:** Yes, I actually do. I think you're referring to a really important part that the FCM did manage to achieve in its conversations with the federal government, and that's the inclusion of I believe seven really fundamental principles in the agreement, which I didn't have time to reference in my remarks.

Those are great. It's a great place to start. They adhere to values, and to the principles of collaboration and a collective approach to making decisions. Those are all really excellent, but they don't have enough detail in them, I would argue, to provide the comfort that certainly the City of Victoria would like to have around knowing exactly the rules of the playing field before we start embarking on large infrastructure projects.

As an aside, the co-sponsor of our resolution in Victoria, councillor Christopher Coleman, actually was a board director of FCM at the time.

● (1435)

**Mr. Russ Hiebert:** Okay. There might be a difference of opinion within the organization, and that's sometimes understandable.

Mr. Jeffery, you talked about how important this agreement is to coastal forest companies. You're currently exporting to the European Union. Do you have any prospects or predictions as to how much this might increase in terms of exports?

**Mr. Rick Jeffery:** Certainly for our plywood producers this will be very, very good news, because right now they pay I think a 10% tariff, which prices them out of the market. We have one full-blown plywood producer on the coast as well as a couple of veneer producers who produce the veneer for plywood. So there will be a very tangible and immediate benefit for that sector.

As you know, global market conditions are improving. The EU is starting to come out of its protracted problems. We will see over the next three to four years very much positive, improving marketplaces at the same time that this agreement kicks into place. We expect that the combination of those two things will allow the industry to continue to grow the market share in the EU that we lost in the eighties. We had a very strong market there, we lost it, and now we're trying to recapture some of it.

So I can't give you a quantitative answer to that, but our expectation is that we will be able to capitalize.

**Mr. Russ Hiebert:** That's great news.

At the end of your remarks, you made some comments about the Trans-Pacific Partnership. We will be addressing that topic tomorrow, so I'm wondering if you could elaborate on that now, for the benefit of our researchers, to get your comments on the record.

**Mr. Rick Jeffery:** Yes, sure.

The TPP is in full swing. There are three issues in TPP that are of concern to the forest products industry. The first one is that we want to ensure that the provisions in NAFTA, especially around chapter 19, continue to be enforced—i.e., they don't get negotiated away. Chapter 19 is the dispute resolution chapter in NAFTA, which is tied into the softwood lumber 2006 treaty between the U.S. and Canada, where ultimately we have access to those dispute resolutions at the end of the day.

In softwood, as you may know, there is an arbitration panel—the London court of arbitration—but we don't want to lose our ability to go through the NAFTA process and be able to use those dispute resolutions.

There is noise from Japan around log exports and around our tenure system in British Columbia. That intrudes into TPP as well as in the Japan free trade discussions. The noise has been that in the TPP there's a view that the U.S. or Japan might want to see elimination of our log export restrictions. Whilst we all need to work towards some rational construct there, it's a very, very complicated issue that has far-reaching impacts for the coastal industry. We want to ensure that as those discussions go on, we're fully informed and are providing input.

On the tenure piece, there's a view that because B.C. has 95% crown ownership, somehow that constitutes a subsidy. We're not going to be changing our tenure system any time soon, so we have to make sure that any kinds of trade agreements there respect the tenure system, respect our access to the NAFTA chapter 19 piece, and respect the fact that people have invested a whole bunch of capital in this business on the basis that they know there's a log supply there.

So changes to the log export policy have to be very thoughtful and measured.

● (1440)

**The Chair:** Thank you very much.

Mr. Pacetti, the floor is yours.

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

Thank you to the witnesses for coming today.

I will begin with Ms. Alto.

Victoria is a major city in Canada, is it not?

**Ms. Marianne Alto:** We think so.

**Mr. Massimo Pacetti:** Yes, so do I, and you weren't engaged in this process at all. I find it hard to believe that the city would not have been engaged in the discussions on the free trade agreement.

**Ms. Marianne Alto:** We were surprised as well.

**Mr. Massimo Pacetti:** Are you not part of FCM? I understand you are. What was the linkage there?

**Ms. Marianne Alto:** Yes, absolutely, and as I mentioned, one of my colleagues was on the board of FCM earlier when this process began. I need to speak specifically to that.

Our understanding, as it was explained to us by FCM, was that their degree of comfort with how the progress of CETA was going was based on the agreement the federal government came to with them around the inclusion of basic principles. They continued to communicate with us their frustration on their lack of ability to see the details, and the fact that, although it's a good thing for me to negotiate with you the fact that we have certain values and certain principles together on which we'll build things, if we can't start to talk about how this is going to affect your organization and my organization, then we're really leaving it at a very general level.

FCM has communicated very clearly with us that they went a little distance and they did get some agreements—and it is important to acknowledge that—but not nearly enough for its member cities to be able to say, “Great, we're as comfortable as you've expressed for your industry.”

**Mr. Massimo Pacetti:** How about on the provincial side?

**Ms. Marianne Alto:** UBCM, the Union of British Columbia Municipalities, took—I don't know if it's a very different—a significantly different position in that their analysis of the process was there wasn't nearly enough detail. In fact, there was so little detail upon which to base their decisions that they actually passed a resolution that they put forward to the province asking the province to exempt all of UBCM's member municipalities from CETA. It communicated that to the provincial government, I believe in 2010, as the City of Victoria did last year.

**Mr. Massimo Pacetti:** What was the reply to that resolution?

**Ms. Marianne Alto:** I believe it was no.

**Mr. Massimo Pacetti:** Okay, thank you.

Mr. Jeffery, we had a witness this morning who stated that with CETA most of the benefits are going to be to multinationals, but in turn, if you look at some of the multinationals that had a harder time with the North American Free Trade Agreement, or just with the Free Trade Agreement with the United States, they were from the forestry sector in particular, and the automobile sector.

Do you have a comment on that?

**Mr. Rick Jeffery:** I wouldn't share that assessment. I'm not sure who you were talking with, but the forest products industry on the coast of British Columbia is very integrated—

**Mr. Massimo Pacetti:** Is it integrated with the United States?

**Mr. Rick Jeffery:** No, internally. On the question on whether the value-added guys or the multinationals are going to be the people who win or lose in this deal, on the coast we have a very integrated industry. We start with large companies, most or all of which are Canadian owned or privately owned by Canadian interests. They are the larger guys. The smaller guys are all privately owned.

The supply chain is very integrated. You start with logging. You end up converting logs into lumber. Then the lumber goes to the smaller value-added guys. One can't exist without the other, so we all kind of benefit from the agreement.

**Mr. Massimo Pacetti:** When does value added start? Is it after the logs? Is lumber considered part of that?

**Mr. Rick Jeffery:** We would argue it starts when you start managing the forest, but that's—

**Mr. Massimo Pacetti:** I'm not an expert on this.

**Mr. Rick Jeffery:** What I will say is the traditional definition of it is you take something that has been processed in a primary fashion, so touched the first time, and when you touch it the second time, it's either secondary or tertiary manufacturing. That's what you'd call value-added—

**Mr. Massimo Pacetti:** In your presentation you stated the products from the high value would be the ones making the most money or being able to—

**Mr. Rick Jeffery:** Right, and that product range can be anywhere from a clear shop-grade board that you're going to send there that would be made into windows and doors, say, in Italy, to actual cabinets or those kinds of products.

**Mr. Massimo Pacetti:** What some people are afraid of is that we actually do send the boards to Italy and they get returned into windows, as you just stated, or furniture, or things like that. Is that inability we have in Canada not being able to export to Europe?

**Mr. Rick Jeffery:** There are a whole bunch of factors that go into that. If somebody can actually make money making windows and shipping them into Italy, they're free to do that.

**Mr. Massimo Pacetti:** Of course they are—

**Mr. Rick Jeffery:** What you find is that for those kinds of products, cabinets, windows, and those kinds of things, it's better to do that manufacturing closer to the customer. We're not very close to the Italians, for instance, so what we do is build our business around —

• (1445)

**Mr. Massimo Pacetti:** We find Italian furniture in Canada.

**The Chair:** Go ahead. We'll allow a quick answer.

**Mr. Rick Jeffery:** There are some things that you can do and you can't do. The point of the matter is that the supply chain in British Columbia is commercially driven. You can't legislate a value-added industry. You have to create the hosting conditions for an entrepreneur or a company to be able to go out and say, "I can do this." So what we have on the coast of British Columbia—evidenced by 100 firms, 3,100 people, \$1.6 billion a year in sales—is a very robust, value-added industry that's driven commercially.

**The Chair:** Thank you very much.

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

**Hon. Ron Cannan:** Thank you, Mr. Chair, and thanks to our witnesses. It's great to have some more perspectives on this issue.

First of all, Ms. Alto, as a former city councillor, I spent nine years in Kelowna city council, I was with UBCM, and I've had just over eight years now as the member of Parliament for Kelowna—Lake Country. I had the pleasure of being with Mayor Dean Fortin to do

the groundbreaking for the Johnson Street Bridge, \$16.5 million in federal funding. How is that coming along?

**Ms. Marianne Alto:** It's great. We love the federal government when it comes to infrastructure.

**Hon. Ron Cannan:** Unconditional love, isn't that right?

**Ms. Marianne Alto:** Absolutely. Much more than, I have to say, our provincial counterparts who gave us nothing.

**Mr. Rick Jeffery:** They've even done it in a manner where you can still drive over the old bridge.

**Ms. Marianne Alto:** Thank you for pointing that out.

**Hon. Ron Cannan:** I see in your bio that from 1992 to 1996 you worked for the health minister at the time.

**Ms. Marianne Alto:** I did. Wow, you've looked up my background. That's so exciting.

**Hon. Ron Cannan:** That was with which government?

**Ms. Marianne Alto:** That was the NDP government in the 1990s.

**Hon. Ron Cannan:** Who is in government now?

**Ms. Marianne Alto:** That would be the Liberals.

**Hon. Ron Cannan:** Yes. We try to be reasonable and work with our colleagues from all parts. I know that MP Crowder and MP Lunney are two great MPs on the island. They're both retiring but we work together as I know it's a coastal forest community as well.

I know it's one of those situations where we tried to make sure that all levels of government.... As you say, there's only one taxpayer so I understand the concern. That was a historic bridge and something that's been sentimental to many in the community.

You mentioned in your opening comments—and my colleague Mr. Hiebert reaffirmed—that bulk water wasn't part of NAFTA and it's not part of CETA. Actually our colleague Larry Miller had a House resolution in Parliament to deal with water and bulk water is protected. So I just wanted to clarify the concerns that you had that there was no consultation. Minister Fast as a trade minister also spent nine years in local government in Abbotsford and worked closely with FCM over the last several years and we have several news releases from FCM supporting it.

So maybe you could just clarify, is it the concern that giving access to procurement by municipalities will encourage privatization of the water systems? Is that your concern?

**Ms. Marianne Alto:** It's one of the concerns, but I think the privatization issue for us is linked very clearly to procurement in general. You look to our bridge, and we love our new bridge. But had this been in place two years ago when the planning for the bridge began and the actual RFPs were let, our impression is that we would have had a lot less choice than we had at the time around who we actually wanted to build the bridge.

When we talk about the things that we needed to do, as my colleague has suggested, around making sure the old bridge stayed open and around making sure there was a demonstrable benefit to the community, not just from the outcome of the bridge itself but to the people who were building it, it was important for us to have that opportunity. Given the size of the project, my understanding of the rules would be that we would have had a lot fewer opportunities to make choices with local procurement.

Water is a big issue for us because I understand your references to bulk water, but we are still unclear about the operational issues on water possibilities and privatization and particularly around not just the sale and operation of water systems but the output of things like our new sewage system.

So water is still a big concern for us because we haven't seen the details, but procurement is almost more of a concern for us because so many of our local strategies around economic development are built primarily on our ability to prioritize our local contributors. We are again really nervous about the limitations that we see there on what we can do, when, and under what threshold.

**Hon. Ron Cannan:** We're here to ease your anxiousness and nervousness and let you go back to the island and be in peace.

In fact on FCM's website there are answers to a lot of those questions. Actually the question is there, "Will giving access to procurement by municipalities encourage privatization of public water systems?" Minister Fast says:

Nothing in any of Canada's international trade agreements can force countries to privatize or regulate their public services. Decisions to either privatize or deregulate in certain public sectors are guided by domestic policy decisions. When a government decides to do so, foreign companies who enter the market are always subject to Canadian laws and regulations.

Obligations in the Government Procurement Chapter of the CETA will not force municipalities to privatize water distribution, nor prevent municipalities from setting standards to ensure that Canadians have access to safe drinking water.

If public water treatment and distribution entities are covered under CETA, this simply means that any procurement of goods or services in support of the government ability to provide such water services would be required to follow the obligations of the chapter.

● (1450)

**Ms. Marianne Alto:** If you want me to go back to my city and give them reassurance about the efficacy of all that you've just said, the best thing you can do is give me the agreement to take with me.

**Hon. Ron Cannan:** Once it's translated.... We had the European ambassador here at our committee last week. They have to translate it into 23 different languages and—

**Ms. Marianne Alto:** I'd like to see the agreement and take it home with me, and then I'd be able to say to all my colleagues around the table, who are, by the way, of very different political stripes, that our concerns are unjustified. Just give me the agreement, and I'll be a happy person.

**Hon. Ron Cannan:** Once it's translated, including into both our official languages, there will be an opportunity. It's been tabled in the House of Commons. There's public debate. This isn't going to happen overnight. Going through the whole process will take a few more years. I just want to make sure you're comfortable knowing that it's not going to be rushed through and it's not going to be implemented by the time you get back home. There will be lots of opportunity to.... I appreciate your feedback.

**Ms. Marianne Alto:** That's good to hear.

**Hon. Ron Cannan:** Mr. Jeffery, we had a chance to meet before. The forest sector is a very strong component in my riding as well, in the Okanagan and Kelowna—Lake Country, with Tolko and other companies.

From your perspective, the value added is one component, but how do you see eliminating the barriers for both this agreement and the TPP with regard to the opportunities we've seen going into Asia and now into Europe, which is the fourth-largest market for B.C.?

**Mr. Rick Jeffery:** I think there are two elements to it, as I've said. One is eliminating the tariffs. Get that irritant off the table. That's nice. That goes to competitiveness right off the bat. The second thing is the non-tariff trade barriers or market access stuff. That's where we spend, as I said, far more of our time—not so much on the tariff schedules themselves, although they're problematic, but on phyto-sanitary issues, on lumber property issues, and on code issues and those kinds of things. Those are the ways you can try to inhibit our ability to have our products used in a country. If our products can't be used in the country, then we can't sell them there.

CETA provides a framework to deal with those non-tariff trade barriers. So when we look forward to the Japan agreement, the TPP agreement, those are the kinds of things we're looking for: transparency in the non-tariff world—so that people can't erect market-access barriers—and transparency in the tariff world.

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

**The Chair:** Thank you very much.

Mr. Sandhu, the floor is yours, and we'll split the time remaining between you and Mr. Holder.

**Mr. Jasbir Sandhu:** Thank you, Mr. Chair.

Thank you, witnesses, for being here today.

Mr. Jeffery, what is the dollar value of products you export to Europe right now?

**Mr. Rick Jeffery:** It's \$304 million, and \$127 million of that is softwood lumber. On the pulp and paper side it's \$168 million of which \$161 million is pulp, so there's a lot of pulp and not a lot of paper.

**Mr. Jasbir Sandhu:** How many jobs do you think will be created with the implementation of CETA ?

**Mr. Rick Jeffery:** I cannot give you an answer to that—we haven't done that analysis—but I would expect a positive employment impact.

**Mr. Jasbir Sandhu:** Do you know how many would be on the coast?

**Mr. Rick Jeffery:** If we're driving 38,000 jobs, it would be somewhere north of that. It's hard to quantify that stuff prospectively. You need to kind of look at it and say, "Okay, well, what's the market there now? How does this increase our competitiveness? Where do we think market share could increase?" and then see how mills operate and adapt to that. Then you can start to put your job estimates towards it. But I'd say there's a positive job impact for several reasons: one, it's market diversification; two, it's market diversification into a high-value marketplace. If we get rid of tariffs on those higher-value products, then that—

• (1455)

**Mr. Jasbir Sandhu:** You don't have any numbers, though?

**Mr. Rick Jeffery:** I don't at this point in time.

**Mr. Jasbir Sandhu:** Councillor Alto pointed out that they haven't been consulted with regard to this deal. Has your association been consulted?

**Mr. Rick Jeffery:** Yes. We met regularly with the Province of British Columbia and the International Trade folks along the way to be briefed. We also met with DFATD officials along the way as well.

**Mr. Jasbir Sandhu:** Were you asked to sign any confidentiality—

**Mr. Rick Jeffery:** Absolutely.

**Mr. Jasbir Sandhu:** And it was you who...?

**Mr. Rick Jeffery:** Yes.

**Mr. Jasbir Sandhu:** Okay.

**A voice:** [*Inaudible—Editor*]

**Mr. Rick Jeffery:** Yes, that's right.

Oh-oh, I'm in trouble now.

**Voices:** Oh, oh!

**Mr. Jasbir Sandhu:** Ms. Alto, we've seen over the years the costs being downloaded, whether it's housing, whether it's education, or whether it's medical costs that are being downloaded to the provinces and ultimately to municipalities. Do you see any downloading of costs to municipalities in regard to this particular agreement?

**Ms. Marianne Alto:** I'd be able to answer that question if I had a better look at it, but from what we think we understand, we're concerned about some of the risks associated with what we think are potential possibilities for legal costs associated with the response to challenges from local decisions that we might make in preferring one company over another. We think there will be more administrative costs in trying to sort out the higher degree of expectation and the

perhaps more rigorous rules and regulations around procurement strategy.

We're concerned at some level around how we will begin to integrate this type of detail in rules and regulations with what I think is probably a greater degree of detail and expectation of record-keeping, of definitions, of defensive decision-making—the type of paperwork that I guess we don't currently need to do because we have more local autonomy.

All of this comes back to really a lack of clarity on what those expectations will be. What are the thresholds—not around the financial thresholds, but around the thresholds for the type of management costs, and legal costs, and responsive costs that we might be facing?

**The Chair:** Thank you very much.

Mr. Holder.

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

I'd like to thank our guests for being here today. It's important what you have offered.

Ms. Alto, I also looked at your background, and I want to offer my very sincere compliments on your commitment to community and your great background of community service. My Cape Breton mother used to say that community service is the price you pay to live in a place. I think you get it, so I honour you for that commitment.

As I heard you speak, you said you weren't against trade, and I salute that. I think that's progressive. But you wish you had more information, is what you said.

Can I infer from this that you aren't against CETA but you just wish you had more information to make a more declarative position on it? Is that correct?

**Ms. Marianne Alto:** Yes. That's absolutely true.

It's really important for me to say that we have a very eclectic council that is not particularly swayed in one direction or the other. If we were able to say that all of the concerns we have raised have been absolutely refuted, and be able to look at the language that said that, then I wouldn't be here—or I might be here saying something similar to what my colleague here said.

**Mr. Ed Holder:** You might then well be the proactive public relations person for Mr. Jeffery and for Ms. Gagnon's group.

**Ms. Marianne Alto:** Absolutely.

**Mr. Ed Holder:** But you're here on behalf of your community, and you know, it's interesting; we just had the Mayor of Abbotsford speak, and the three words he expressed when considering the agreement were, "Bring it on"; very proactive, very aggressive words. It's my hope that Victoria will feel the same way, not being just the most romantic city in Canada but beyond that being equally the most progressive.

I hope you were satisfied with the response we gave you with respect to water rights. I think that is important.

I had another question, though. It's not a picky question, but I'm trying to get a sense from you, a belly button sense, of something. You heard through earlier comments that in terms of local construction for local procurement, the limit's at \$7.8 million. I guess there are two parts to this that I want to ask you about.

Number one, what this does is it allows Canada the ability, with its services...especially since we heard in earlier testimony from people about the services in British Columbia, that at that very technical and high level they compete with anyone in the world. I wouldn't doubt that people from Victoria feel the same way about their capabilities. So here we have a monstrosity huge procurement opportunity the other way for citizens of British Columbia and, if I might say, Victoria.

The other question I have, though, is that if \$7.8 million isn't the right number, what is?

• (1500)

**Ms. Marianne Alto:** I think it would have to be a lot lower. I think we would have to have a negotiated conversation about what that would be.

Victoria at the moment, like many municipalities, is facing a really significant crisis in infrastructure development and repair. We're really behind the eight ball with a number of different very, very large projects that will be coming up in the next decade. When we're looking at those types of numbers, they are all in the multi-millions of dollars.

**Mr. Ed Holder:** Sure. And to be fair, I think you meant "higher", not "lower".

**Ms. Marianne Alto:** Yes, sorry.

**Mr. Ed Holder:** It's not that I want to correct your record, but I think that's what you meant.

**Ms. Marianne Alto:** Yes. You're right.

**Mr. Ed Holder:** Now, where does it draw the line in terms of the opportunities? As political persons, we always try to balance care and cost. When we think about the responsibility for the taxpayers, we think about where we draw the line in terms of that best value for taxpayers relative to focusing specifically on local interests.

I think it's fair to say that we've tried to find that balance, so that it would allow you as a politician to be able to say in good faith to the good people of Victoria, look, here's what we've done: we've set a balance where there will be a lot of individual procurement that we can control at the local level; we think our folks can compete with the best and the brightest in the world; but when it gets to a certain stage, to offer best value for you as taxpayers, we're not uncomfortable with that limit of \$7.8 million.

How do you feel about that?

**Ms. Marianne Alto:** I think the majority of our council would probably agree if that number was higher.

Certainly, there are elements within our council who would be opposed to CETA in principle, but there's the majority and that's why I think our resolution ultimately, when it was crafted in the way in which it was, was able to be unanimously supported, because

without the detail that you're referring to, we would rather be outside the tent than be in a tent that we don't know anything about.

Yes, we could negotiate. I would love to be in a position where we could have a conversation like this, where we actually sat down and said that from Victoria's perspective, given ultimately what we're facing, the threshold that makes sense for us is this, and then be able to have an informed conversation with you about the pros and cons about that for the country.

**Mr. Ed Holder:** Could it have been a lower number maybe?

**The Chair:** I think your time is about gone.

**Ms. Marianne Alto:** No, and I don't know the answer to that question because we haven't been able to have the conversation. That's the point.

**Mr. Ed Holder:** Well, we don't want it to be lower.

**The Chair:** That's fine. We could go on, but I think you made the point very well that when you're uncertain of actual facts, you become nervous. I think you presented that well and that's fair.

I appreciate your testimony. I appreciate the opportunity to be here. We certainly thank the committee for their questions as well.

With that we will suspend as we set up our next group of panellists.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1515)

**The Chair:** We'd like to call the meeting to order.

In this session, we have two presenters with us.

From Farm House Natural Cheeses, we have Debra Amrein-Boyes, president.

Thank you for being with us.

We also have with us Mr. Sven Freybe, president, from Freybe Gourmet Foods.

Thank you very much for being here.

We will start with you, Debra. The floor is yours.

**Ms. Debra Amrein-Boyes (President, Farm House Natural Cheeses):** Thank you for inviting me.

I come from a small family farm in the Fraser Valley. We make cheese on the farm, so it's farmstead cheese-making. I know that with the announcement of CETA there was a lot of furor in the dairy sector, and I'm not about to really elucidate on that. I'm just here to give my perspective.

I grew up on a prairie farm in Saskatchewan. In 1803 my ancestors moved from Scotland to Quebec and bashed out a farm in the wilderness on the north shore of the Ottawa River. In 1907 my grandfather and his brothers came west on the train. They got off in Regina, went by horse and cart a couple of hundred miles north, and bashed out another farm in the prairie wilderness. So I'm a pioneer. I come from a pioneer family. This summer we celebrated 100 years—it's actually more than 100 years—of our family's farm in Saskatchewan. My parents are still there.

The difficult or disappointing part is that it's very difficult to hand on farms to the next generation in the landscape we live in, as in the global landscape. It's hard to make a living in agriculture. Many of you may have grown up on your grandpa's farm or have visited, and you know that things are always changing.

We look at the spirit of Canada and... I'm just speaking off the cuff. I don't have notes, so it's not very political and it's not very technical, but I—

**The Chair:** Never apologize for that.

**Ms. Debra Amrein-Boyes:** Good. Thank you.

I lived in Europe for 10 years. I'm also a Swiss citizen. I married a Swiss and lived there. I lived in the Swiss Alps. I learned to make cheese there. When I became widowed I moved back to Canada.

There are a few things that I learned through that. I learned that Canada is not on the radar of most people in the world. I travelled around the world, and I remember standing in line once on a Greek island to buy a ticket to go on a boat. Someone asked me where I was from, and I said, "Canada", and he said, "Oh Canada. Canada is so banal." I thought, little did he know it's such a wonderful place where everyone wants to be. We live the life that everyone really wants. We're so blessed in this country, because we're allowed to be pioneers and we're allowed to explore and to create and to grow. Living in Switzerland, I learned that if I wanted to be a farm-set cheese-maker, it's just so difficult. Everything's so nuts. So we have that opportunity.

I think it's a wonderful opportunity for people like myself and my family. We have a small family farm. As I said, several years ago when our kids left home and therefore most of our labour left home, we had to make a decision as to what we would do. My husband was an immigrant from England who started farming. He came in the 1970s with \$75 in his pocket and worked his way to own a farm. This is possible in Canada, which is wonderful. There's that pioneer spirit. We're a country of many immigrants and wonderful blends of cultures. We're so blessed in that way. We had to make a decision. Do we sell out? Do we expand taking on more debt? Do we diversify? You come to that point where you have to do something.

We're within the supply-managed sector of dairy. The circumstances at the time were difficult in the sense that there was a response to consumer demand among the processors for lower butterfat in milk. It was difficult to make ends meet because there had to be some changes in the product. That also spurred on our decision to look into diversification. We felt supported along the way by the infrastructure, the systems. That's where we are.

We built the business up diversifying into cheese-making. We use the milk of our own cows. We changed our situation around so that we are not conventional dairy farmers anymore. What we found is that it's a very different perspective from the supply-managed farm that we were before, in the sense that we're in direct contact with the consumer now. We directly hear from our customers what they want. We directly respond to their demands, because we have to market our own products. What we have found is that hands-down the consumer wants to support local.

I was at a conference a couple of days ago on non-GMO. There was a survey done by Ipsos Reid at the behest of an organization

from the Prairies. The one statistic that I brought along is that when it comes to the claims on packaging or products that have the highest motivational factors for purchasing, number one by a long shot is local. People want local products first and they want transparency.

I'm not afraid of CETA because I believe that in our situation as a small business we're close to the ground. We know and forge relationships with our consumers, with our customers. They know us. My husband delivers cheese to the city. He has his little cap on, and people see him on the street and recognize him. They want that connection.

All of you have to admit that you wish you could live on a small family farm. You really want that. My dad told me once that life is about relationships, and that we're living the life that everyone really wants. That's encouraging because there's a lot of work behind it, as you all probably can guess, or know.

We know our consumers. We know our customers. We know what they want and we can respond to that.

The agreement isn't finalized, but I know the numbers that are being tossed around are that there is going to be  $x$  amount of fine cheese or European cheese allowed in addition to what's already allowed into the Canadian market.

● (1520)

I believe—I could be wrong, because I haven't studied a lot of the numbers—that it averages out to be about a pound of cheese per person in Canada. A pound of cheese is something the size of this number seven we see here, and once you've eaten that pound of cheese, you still have a lot of time left in that year, so I'm thinking that the local cheese-makers are the ones who will actually draw you to them. Yes, that's what I think.

I believe that Canada is a wonderful place, with every opportunity, and also that we can make cheese just as fine as all those Swiss who think they're so great. I'm Swiss, too, so I can say that. As for the French, my youngest daughter graduated from McGill and is in southern France right now studying French. She was going to make something for a little get-together. It was a German pretzel thing that she was going to bake for a little potluck. One of the French girls said, "Oh, those poor Canadians, always trying to do things that other people do better."

**Voices:** Oh, oh!

**Ms. Debra Amrein-Boyes:** My daughter phoned me. She was so distraught, and I said, "Just tell her that Canada is a wonderful blend of every culture and we do everything well."

I'm not worried about competing with the European cheese. I've eaten some terrible cheese in France, and I've eaten some wonderful cheese in Switzerland even though the Swiss need to understand that cheddar is a wonderful cheese. It really is. In the fall, when you really want a McIntosh apple and a piece of cheddar, and you live in Europe, you can't get it. You really want it, but they ask, "Why would you want that?" Cheddar is a wonderful thing.

So I think it's time that Europeans found out about us. I also think that expanding the market in this way is one way to allow agricultural families to stay on the farm, because it is difficult. We're now in the process of transitioning our farm to one of our daughters and her husband—she's just made the big decision this week to give notice at her real job—and we feel confident that we can expand the business and also that we have consumers who want good-quality local food.

Forging relationships with local communities and helping to build the local community, that's what we do. I have only eight staff in my little creamery. We process about 1,500 litres of milk a day. We could say that's seven days a week. That's cow and goat; we added both because there's consumer demand, which is good for us. We can add what the consumer wants. We can look at ways of expanding that. I think that will guarantee the grandchildren on the farm, and I think this can be a century family farm again one day.

As far as agricultural products go, I really want to support the.... I always say that if we're getting all our food from China, or Mexico, or wherever, and one day there's a political crisis, or a geographical, geological, or whatever crisis, can Canadians, because of that and because of economics, end up starving when we can produce everything we need and the world needs?

I grew up on the Prairies, like I said. I remember in the sixties seeing pictures of those mounds of wheat on the docks in India—remember that?—and that was Canadian wheat. We were so proud to feed the world, and now.... Sorry. I love being a Canadian farmer. I think we are grassroots. I think what we have to do and offer and the fact that we have the opportunity to expand our markets....

We're only provincially licensed at this point in time, but I think that's something the federal government can work on: taking down those barriers between provinces. We have demand for our cheese all across Canada, so let's do it.

• (1525)

**The Chair:** Thank you very much.

I personally relate so well to your story, in a way, in that I grew up on a dairy farm and we had a processing plant, and we made all the products as well.

**Ms. Debra Amrein-Boyes:** And you escaped.

**Voices:** Oh, oh!

**The Chair:** Yes, that's right. I went into politics. It was a pathetic thing. Don't do that.

**Ms. Debra Amrein-Boyes:** Don't worry.

**The Chair:** Canada needs more of you. I love the optimism and the opportunity that you see. It's great.

We'll now move to you, Sven. The floor is yours.

**Mr. Sven Freybe (President, Freybe Gourmet Foods):** Perfect. That's lovely. You will find some interesting similarities with what I'd like to say.

Unfortunately, I did prepare notes, so I will have to stick with them probably.

As mentioned, my name is Sven Freybe. I'm the CEO of Freybe Gourmet Foods. I'm the third generation in Canada, and the sixth overall within our family to be involved in the business. Similar to what Debra just stated, we had to make one of those decisions, as she put it, in this past year. We decided to sell our family business as opposed to trying to continue it, so I can offer some interesting perspectives behind that as well.

We manufacture products like air-dried salamis, pâtés, sausages. Pretty much everything we do has its roots in products coming from Europe, specifically Germany. Some of what we make remains very traditional. Other things are tweaked to fit the North American palate.

I am very thankful for the opportunity to come to speak to you today. Similar to what was mentioned, what I'm very passionate about is innovation within this country and why, in my opinion, CETA provides for excellent value and is a great step forward for our industry and country. It really should be the catalyst for us to be able to accelerate future trade deals.

I'm sure you are all quite well versed in statistics. I won't take too long on it, but Canada's meat-processing industry has an annual revenue of about \$24 billion, \$4.4 billion of which is for export. We're the largest manufacturing component in the country's food processing sector. In B.C., the food manufacturing sector, which is made up of small to larger businesses, is now the province's largest manufacturing sector with over \$7.6 million in revenue.

As I mentioned, there are three areas in which CETA is of significant benefit to us. The first is around industry support. The second is the responsibility we have to consumers. Third is based on the growth opportunities that it provides. I'll just mention some of the numbers.

The reality is that ours is an industry of very high risk versus low reward, one that faces quite a disproportionate set of challenges, from food safety areas such as listeria and E. coli, animal health, mad cow, and now the PED virus, which has just come into Canada, to severe cost fluctuations with respect to fuel, grain, transport, land costs, as well as quite fixed perceptions, for example, around the safety of the meat itself. A CDC study put forward that twice as many instances of outbreaks of food-borne illnesses were to be attributed to lettuce in salads as opposed to meat products, yet the stigma within the marketplace is that meat is the dangerous product.

Trade agreements provide us with the necessary industry support to open up lucrative new markets, to increase the returns that we as manufacturers or as industry have, and to allow us to reinvest that within our marketplaces.

CETA is one of these agreements. The EU is the world's largest import market for agricultural and food commodities. According to the Canadian Meat Council, of which I was a board member for the last two years, CETA represents a potential export increase of over \$1 billion in revenue, compared to an average over the past three years of \$54 million. The significance of this magnitude of increase to our industry cannot be overstated because it really does allow for some stability within the otherwise rough waters, and it allows us to put forward reinvestment.

To contrast this with some of the delay in concluding the South Korean free trade agreement, since the signing of the U.S.-South Korea free trade agreement, Canadian agriculture and food exports to this market have decreased from \$1.1 billion in 2011 by almost \$800 million, or 72% in the past two years.

Our industry does require support. The fact that with CETA we have a signed agreement before the Americans do is a huge opportunity for us to get a larger footprint in the EU marketplace.

In our industry—I'm talking from a five years' perspective—the benefit of CETA is primarily for fresh meat producers and limited to producers such as ourselves. In fact, it will serve to increase the competition in our segment. My perspective on it, to be clear, is that as long as access is fair and balanced, where we're not giving up market rights to receive little in return, and likewise for subsidies—don't muddy the water—this is a very good thing as it allows for increased choice and selection as well as better pricing to Canadian consumers.

This leads me to the responsibility that I believe we have to our consumers. It is my responsibility to build and run a successful business that has a strong reputation built on great products, which differentiate from others and provide excellent value, in order to initiate repeat business. If any other company, whether from Canada or Europe or elsewhere, is able to do that better than me, they should. It is really the consumer who wins in that circumstance.

● (1530)

This forces me and our business to look deeper into our vision and to understand to reinvest in ways that allow for our growth and for our continued success.

We as a country often discuss the productivity gap. In my opinion, in order to become better, to become more efficient, we cannot be afraid of competition. I believe that we must embrace it. We have to learn from it, and we have to change as required.

As an example from outside of our industry, and Debra touched upon this briefly, CETA allows for more dairy product into our country. This is obviously my opinion, but actions that weaken our supply management system are in some ways a very significant positive step as they allow for greater competition and choice, and ultimately the consumer benefits. I'll touch upon that in a few minutes.

However, CETA really can build the Freybe business in two key ways. It's based on innovation and partnerships. To provide some perspective, Aldi, a chain that started in Germany and which I have quite a bit of respect for from a strategic perspective, is the third largest grocery chain in Germany. They have over 4,100 domestic stores all based in a marketplace that's less than half the size of British Columbia. European manufacturing systems are set up to supply this huge and demanding marketplace. It's something that they've achieved over the last 10 to 20 years, as these stores have taken over the market that's there. In order to feed that beast, they require extreme automation, streamlining, and consolidation.

The Canadian marketplace, which really is small in comparison, is not attractive enough to them in order to create unique innovative products for our marketplace. They're not able to customize for us what we can customize for our marketplace. As a domestic producer, this is where we're always in the best position in order to innovate and design products that meet our needs better than what they're able to provide.

To be clear, Europe is not a target market for Freybe. It makes very little sense for us to manufacture German products in Canada just to send them back to Germany. Germany has the lowest food basket costs within the EU and it's extremely competitive. However, my focus and responsibility is to develop great innovation processes that allow me to borrow ideas from Europe and make them a better fit for North America.

We are, however, in a great position to utilize CETA to create partnerships. That's the part that excites me quite a bit. While I mentioned our market is generally too fragmented for them to allow for these small and unique items, it's perfect for them to sell a focused portfolio of products, products that they are great at and able to manufacture in large volumes and are unique to this marketplace perhaps. In the past six months we've begun relationships with at least two companies within the German marketplace to really understand how we can work together, either by having them manufacture products for us within Germany and we sell them here, or we just sell products here on their behalf. The value for them is that we provide the knowledge and the expertise on the ground here, and we provide for them the gateway to the U.S. marketplace. This becomes a win-win for both of us in that these partnerships allow us to provide a greater choice to the marketplace, but it allows us to grow, and that's quite critical.

Ultimately Canada is a nation of exporters. It's in our DNA. In order to secure our future growth, it's my opinion that we have to do all we can to cut down any barriers that prevent competition and innovation.

CETA for me is a big win and now that the delicate task of years of details is under way, we need to solidly set our sights on what is probably the next big deal for us, especially in this marketplace, which is the Trans-Pacific Partnership. The U.S.A. is already quite a bit ahead of us in this venture in developing the framework and the conditions for the TPP. I believe that Canada must be a very vocal contributor, not afraid to stand its ground. We must be a very vocal contributor. We appreciate and require the continued support, as with CETA, from the Canadian negotiators that were able to ensure a commercially viable program moving forward.

As businesses, we're not allowed to stand still. We require a trade mandate that grows with us, that opens doors and provides us with growth opportunities.

Briefly, I have a few words of caution. As mentioned, trade negotiations have to be balanced and fair and cannot allow for any one-sided access into a marketplace. There are numerous examples within the meat industry, and I'm assuming within the food industry, of differences in such things as food labelling laws, naming regulations, as well as food safety limits and regulations in place. These details are very critical, as what may appear to many people to be a minor difference could in fact be quite a significant cost and therefore a market benefit.

• (1535)

One example comes from labelling. Dual-language labelling is obviously mandatory in Canada for both products manufactured here and those imported into the marketplace. However, the reality is that this is not enforced in the market as can be seen in the case of numerous U.S. products that utilize English words only that potentially have phrases such as "all natural", which we may or may not be prevented from using.

The point is that the cost of producing and maintaining a dual-language labelling system is significant and real. So in an industry such as ours with tight margins, those who don't have this requirement have a price advantage over us. I have one last "ask", which is that I strongly urge the government to be cautious with respect to trademarks and geographical indications. There's no reciprocity in CETA as it relates to generic and trademark GIs.

I want to ensure that European-origin products cannot be marked as superior to Canadian products simply due to their origin. Freybe has won over 600 medals, more than 425 of them gold, over the last 40 years in sausage-making competitions in Germany. So these are the Olympics of the sausage-making world. That shows that what we manufacture is on par with the best of the best in Europe. We've been using names such as "Black Forest ham" and "Thuringia bratwurst", which is where we come from in Germany, for years. We believe it would be wrong to make Canadian consumers feel that just because something is coming from a German region as opposed to a Canadian one that it is superior.

Thank you very much for your time.

**The Chair:** Thank you.

Actually I feel proud to be a Canadian and to have great champions who can compete internationally here testifying before the committee. That's great.

We will move to our questions and answers.

Madam Liu, the floor is yours.

• (1540)

**Ms. Laurin Liu:** Thank you for your testimony.

Debra Amrein-Boyes, I'm lucky enough to live in a riding in Quebec near Oka, where we produce Oka cheese. So I definitely understand the benefits of having a rich sector of artisanal and local cheese producers. I think we should do everything in our power to make sure that you thrive and that you do your best in Canada.

My first question for you is about your access to European markets. We know that unfettered access is limited to dairy exports that are considered to be unsubsidized, but we know that in early 2000 a WTO panel ruled that any export from Canada that was sold below domestic price was considered to be subsidized. So in fact with the prohibitions on using export subsidies in the EU, Canada wouldn't actually be in a position to benefit from the opening of the EU dairy market. Is that something you see from your side as well?

**Ms. Debra Amrein-Boyes:** As I underlined before, I believe that Canadians want to buy local. As you mentioned, there is a lot of concern among artisan cheese-makers that they'll have too much competition from imported European cheeses. Rather than focusing our attention on being able to export into the European market, I think it's more valuable for small Canadian artisan cheese-makers to have support from the infrastructure of local government and the Canadian system to help them continue on.

Our farm is a licensed producer of milk, and that has to go through the supply-managed system, which is fine. I'm a processor. We have two companies on our farm. My husband is the farmer, and I'm the cheese-maker. So we do both. We work together, but it's the processor who's selling the milk. So if we understand that the processor—whether it's the small artisan cheese-maker or a larger processor—is the one actually putting the product in front of the consumer, then if there's support for the processor as well as increased awareness of the value of agri-tourism for those who are interested in going out to the farms to actually explore what the Canadian farmers are doing, I think there would be increased support for Canadian farms. Even the small producers have to jump through the same hoops as the big ones. We have to have the same level of sanitation, the small level of food safety, the same hazard plans. We have to have sampling and testing of our products in the lab just as the big ones do, but we don't have the margins that the larger ones have.

We in our little town of Agassiz pioneered the circle farm tour program that has now spread across the Fraser Valley. It's extremely valuable. It brings people out to the farm. So our direct sales to consumers are very valuable.

**Ms. Laurin Liu:** I definitely agree with you on that point. I also agree with you on the point that we should do everything we can to encourage the purchasing of local cheeses and encourage our local cheese industry. What CETA would actually do is it would give the EU an additional exclusive access of 32% of the current fine cheese market in Canada above and beyond existing generous access. So this would actually, I feel, penalize small artisan cheese-makers such as yourself and the ones near my riding and across the country. We know that exporting European countries often have fewer, much larger companies due to the climate and other costs, transportation and social costs. The cost of producing and processing milk in Canada is higher, as you might know.

It seems like Canada would actually be at a disadvantage in this considering what's included in CETA at the moment. We also know that consumers might not even see lower prices in buying European cheeses as the vast majority of European Union cheeses already come into Canada with little or no tariffs. So it wouldn't be a good thing for producers like yourself, but consumers also wouldn't see any benefits in this deal. I wonder if that's something that you're concerned about as well.

**Ms. Debra Amrein-Boyes:** Once again it's the consumer who's buying the product. If they're encouraged to buy one product over another, or if they're allowed to do comparisons and Canada's Canadian cheeses come out on top of the comparison, or if there's a lot of work done to support local and to encourage people to buy local I think that.... I mean I know in cheese shops, there's one I just heard about this morning in Calgary, people go in and there are 70 or 80 different kinds of European cheeses and the customer said, "But don't you have any local cheese? We want to support local." So if that's supported then the threat of incoming European cheeses isn't as great because it's the consumer really who chooses.

• (1545)

**Ms. Laurin Liu:** My next question will be for Mr. Freybe. I would like to know what the tariffs that you currently face are.

**Mr. Sven Freybe:** Zero. Currently there are none.

**Ms. Laurin Liu:** So after CETA those tariffs wouldn't change.

**Mr. Sven Freybe:** In our segment there's no change. There's a change to fresh meat being exported to Europe in terms of the allotment, and there are some minor ones in terms of canned meats and such with import duties that will be dropped. In our case it doesn't impact our business.

**Ms. Laurin Liu:** Do you have an estimation or a forecast of how many jobs you'll be creating from CETA?

**Mr. Sven Freybe:** It would probably be quite speculative in nature. The food industry has relatively flat growth, which is part of its strength as well at times. It provides for stability. So it's very difficult for me to be able to say how much would come specifically from CETA.

**Ms. Laurin Liu:** The same question to Ms. Amrein-Boyes. Do you have an idea of how many jobs will be created from CETA?

**Ms. Debra Amrein-Boyes:** I couldn't say that, but the one thing I can say is that if there are increased imports into our market of European cheeses—that's the foodstuff that we're talking about in my case—it can only increase awareness of cheese. Increased awareness increases consumer interest, it increases purchases, and

therefore increased interest in our product creates increased production.

**Ms. Laurin Liu:** There will be more European cheese for our market.

**The Chair:** Thank you very much.

We'll now move on to Mr. Holder. The floor is yours.

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

I would like to thank our guests. This has been the most compelling pair of stories that we've heard today. It's very personal. It's very human and I feel very honoured to listen to your testimony today, so thank you both.

My Cape Breton mom used to say if you ate today thank a farmer. I think she made that expression up and it really is true. So I have a lot of thanking to do because I certainly appreciate what you do.

Ms. Amrein-Boyes I heard your story, Scotland to Quebec to Saskatchewan and now here to beautiful British Columbia. I'm motivated when I hear that there's interest in your family to take on the farm because that's not always the story that you hear.

I'm little disappointed in both of you though, if I might be very bold. The reason is this. I would have thought with those amazing artisan cheeses and sausages we might have had a little sample. I'm getting bored of just black coffee. It would have been really nice, Mr. Chair, to have just sampled British Columbia's very best stuff.

**The Chair:** He's trying to get rid of that pound of cheese by today.

**Mr. Ed Holder:** I will say though when I heard your stories, first, Ms. Amrein-Boyes, I hope you write a book. Not just the book that you wrote, which is very interesting about recipes and homemade cheeses, but your personal story too.

**Ms. Debra Amrein-Boyes:** Thank you.

**Mr. Ed Holder:** Mr. Freybe, I think you could co-author it and actually write your own book as well.

In terms of your cheese production, are you restricted at all, Ms. Amrein-Boyes, by anything to do with supply management? I got a sense that you were out of that. How does that work?

**Ms. Debra Amrein-Boyes:** No. We're in full compliance with supply management in the sense that our farm is a licensed producer of milk. We created a second business on the farm, a limited company that processes milk. We have a very good arrangement.

When we wanted to do this, the first thing we did, after checking with our municipality to see if it was legal to have processing on farm, which it was, was to go to our milk marketing board and discuss how we could make it work. We have nothing but good things to say about the support we found there. As for how it works, we produce the milk on our farm, it's picked up by the licensed shipper of milk, and it's brought round to our creamery, where it's dropped off. Then we process it.

**Mr. Ed Holder:** That's interesting. I'm going to challenge you on one thing.

In the House of Commons, one of our colleagues on this committee, who's not with us today, is a Quebecker. He and I are going to have a little something in the House of Commons for Quebec artisan cheeses and Ontario wines. It's a beautiful mix.

There's a reason I say that. No disrespect to B.C. wines, but you did make the point about how tough it often is to do interprovincial business. But I think Canadian cheeses, be they going from British Columbia into Ontario and Quebec.... Or, if I might even be so bold, show them what real cheese is like and consider exporting to some of the markets that we're opening up as a result of our trade agreements. You might be surprised, because that Canada brand—that was discussed earlier when someone talked about the maple leaf—represents quality and a certain way of how we do our business. There's an ethical standard, almost, that goes with that maple leaf. I would actually challenge the local side and say, “That gets you so far, but you have no restriction on the cheese that you could export in CETA as a result of that.”

Mr. Freybe, I just want to get a question to you. You've given a very considered defence or support of free trade, with some caveats. I think I know, but I was going to ask you this at one point: are you bullish on the Trans-Pacific Partnership and Korea as well? How critical would that be for the work that maybe not you exactly do, but for the type of industry that you're involved in and that you represent? Why would that matter?

● (1550)

**Mr. Sven Freybe:** First, Mr. Holder, I think we both would like to invite you to our facilities to take a tour. About the transparency, come and take some products—

**Mr. Ed Holder:** Not more than \$500 worth.

**Voices:** Oh, oh!

**Mr. Sven Freybe:** We used to sell our products into Japan, Korea, and Taiwan through various trade channels in the U.S. and through Canadian partners. We've essentially pulled out of all three marketplaces, for different reasons, but here's what I believe the TPP in essence will do for us. Take a market such as Japan. Years back, we had a retail store in Kobe. It was destroyed in the earthquake and wasn't rebuilt. We sold our products there. My grandfather started selling products there. We find it a very fascinating marketplace for us. It's one of the few Asian marketplaces where, from a brand perspective, from trying to build and develop the Freybe brand throughout North America, we find great opportunity and potential.

What I am coming to, really, is that I believe—I obviously don't know the specifics—anything that can lessen duties for entering into

those countries would be a massive benefit for us. We are at such a disadvantage right now in China and in those marketplaces that whatever we can do will be of benefit.

**Mr. Ed Holder:** What about trans-Canada marketing in terms of your business?

**Mr. Sven Freybe:** We do that as well. Now that the exchange rate is where it is, all of a sudden the south looks a lot more advantageous than the east. We're growing in the eastern Canadian marketplace.

The real challenge for our business, and I suspect perhaps for Debra as well, is logistics. Freight costs across the country are exorbitant. I can land product here from Germany and by rail cheaper than I can ship product to Toronto by freight truck. That's the challenge for this market.

Likewise, the competition in the Ontario marketplace, due to its size, is real, so our objective is how do we.... We're a larger size of business, but we share the platform in that we want to be unique in what we do. So we'll go after the east. We sell from coast to coast now, but for us it's about finding the right niche markets.

**Mr. Ed Holder:** That's interesting. My wife has some very small boutique businesses: the oldest flower shop in Canada; a chocolaterie for which she has to get the chocolates flash-frozen and sent from Calgary to London, Ontario; and a gift basket company. I share that with you because, with eight employees, there might be a similarity there. The cost of shipping from Calgary to London is bizarre. It would be cheaper for her to get it from Europe than it is from Calgary. That's part of this confusion.

**The Chair:** Very quickly as your time is pretty well up.

**Mr. Ed Holder:** Ms. Amrein-Boyes, perhaps I could ask you a similar question to the one I asked Mr. Freybe. Could I encourage you to consider shipping and marketing into Ontario and Quebec, into eastern Canada?

**Ms. Debra Amrein-Boyes:** Absolutely. Actually I was inducted into a French cheese-making guild. I have compatriots, *confrères*, everywhere. One in Toronto wants to have our cheese. We're still provincially licensed though, because we're small and we haven't produced enough to actually provide that market, but we would love to do that.

One thing you might like to know is that this fellow in Toronto actually chose three of our cheeses to take to Washington, D.C. for a Canadian reception there. President Obama has had three of our handmade cheeses from Agassiz.

● (1555)

**Mr. Ed Holder:** And this committee has not, Mr. Chair, for the record.

**The Chair:** Yes, I know, but he's not bitter.

**Mr. Ed Holder:** Mr. Chair, can I ask you, though, when these two guests of ours write their books that we have a chance to buy them?

**The Chair:** There we go. Perfect.

**Ms. Debra Amrein-Boyes:** At a discount?

**The Chair:** Full fare for him.

Go ahead, Mr. Pacetti. The floor is yours.

**Mr. Massimo Pacetti:** I thought Ed was going to ask for a free one.

Thank you for coming to visit us today, Ms. Amrein-Boyes. Getting back to your daughter, she could compete using poutine. She could perhaps introduce that into the European market. We have good curd cheese in Canada, especially in Quebec. That could have been her good—

**Ms. Debra Amrein-Boyes:** Her contribution.

**Mr. Massimo Pacetti:** Maybe they'll try to perfect poutine.

You made a statement about wanting to buy local, that people want to buy local. I agree with you and I feel the same way, but I don't think people will buy local at all costs. There is a cost factor. I don't know what that cost factor is. On some days I'm willing to pay anything, and on some days I want equal product for equal price and maybe even less so.

What's your experience with that?

**Ms. Debra Amrein-Boyes:** It's a certain demographic as well. Let's be realistic. It's a certain demographic. As I have said before, we're not filling the shelves in every supermarket with artisan cheese. There's still industrially produced cheese that is serving a great part of our market and selling a lot of Canadian milk, but there is a growing interest in using local products. As an artisan cheese-maker, and a small one, we have a small part of the market, and that works for us.

**Mr. Massimo Pacetti:** What does that mean for you? CETA will help bring more publicity for foreign cheeses, I would imagine, but you'll still have to find a way to advertise and make sure you do have proper shelf space. The big grocery stores don't allow you to have good shelf space.

**Ms. Debra Amrein-Boyes:** Actually, that's really changing. We have the small production facility on the farm and we have never gone down the road trying to sell our product in a grocery store. They have come to us. Whole Foods Market sells our cheese. Choices Markets, all the higher end stores in Vancouver and the Lower Mainland have come to us specifically and asked for our product. They are giving us that shelf space.

**Mr. Massimo Pacetti:** Are you able to furnish and supply on a consistent basis?

**Ms. Debra Amrein-Boyes:** Yes.

**Mr. Massimo Pacetti:** How about specialized stores? In my area, Italian cheeses and French cheeses are very popular, and the local cheeses are being introduced because, as you said yourself, people do want to buy local.

**Ms. Debra Amrein-Boyes:** They do, yes.

**Mr. Massimo Pacetti:** It seems to be only the specialized stores that have that. They can't compete. The specialized stores seem to

have a problem competing when it comes to even charging a little bit more for these cheeses sometimes.

**Ms. Debra Amrein-Boyes:** Yes. I guess it just depends on the customer, what the consumer wants, if it's enough. What we have to our advantage in British Columbia at least is we don't have plant quota, and we're not dictated what kind of cheese we can make. We have more flexibility. We can respond to the market. We can create a different kind of cheese. I had several people ask me a few years ago, why we don't make a Grana style or a Parmesan style cheese. No artisan cheese-makers make it so we made it, and now it's on the menus of the top restaurant.

**Mr. Massimo Pacetti:** Thank you.

**Ms. Debra Amrein-Boyes:** Thank you.

**Mr. Massimo Pacetti:** Mr. Freybe, I have a quick question. Do you anticipate any savings in your industry? The fact that you're not going to have any savings in tariffs or duties, will there be any savings, or just higher volumes?

**Mr. Sven Freybe:** Essentially it's high volumes, yes. I think it comes down to the details, and I will use the U.S. as an example. Right now, all meat shipped into the U.S. has to be inspected at the U.S. border. It goes through an additional cost that within our industry is about \$20 million a year. The U.S. meat coming into Canada doesn't have that same cost. If within CETA, and those are the details to me that are relevant, we're having to pay inspection costs upon selling into Europe, yet we don't have inspection costs to them coming in, that would be an unfair advantage and not appropriately balanced, in my opinion.

**Mr. Massimo Pacetti:** So you do anticipate some savings. Is that through the inspection costs or—

**Mr. Sven Freybe:** No, sir, that's an example of our current business into the U.S. I don't forecast savings in terms of selling into CETA, but rather opportunity.

**Mr. Massimo Pacetti:** What I'm trying to get to is whether or not the consumer will benefit from this.

**Mr. Sven Freybe:** The Canadian consumer?

**Mr. Massimo Pacetti:** Yes. From your product, from your company, from your—

**Mr. Sven Freybe:** Within our product, no.

**Mr. Massimo Pacetti:** Okay.

I think you just answered this, but you were also talking about access being fair for everyone. You're saying, I would imagine, that it be fair from both sides?

● (1600)

**Mr. Sven Freybe:** Yes.

**Mr. Massimo Pacetti:** Do you see anything in the agreement right now where that is a factor, where there are inequalities?

**Mr. Sven Freybe:** I haven't read the.... You know, I don't know where the details are within it, but in the last version I saw, the GIs, the geographical indications, weren't really spelled out as to which ones would fall or which ones wouldn't fall. That's why I'm not familiar with this.

**Mr. Massimo Pacetti:** Okay.

**Mr. Sven Freybe:** But that's where there was a particular concern for us.

**Mr. Massimo Pacetti:** Can you give an example?

**The Chair:** Thank you very much, Mr. Pacetti. The time has gone.

Mr. Hoback, seven minutes.

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

Thank you, witnesses, for being here this afternoon.

Ms. Amrein-Boyes, whereabouts in Saskatchewan is your family from? I'm just curious. I'm from Prince Albert.

**Ms. Debra Amrein-Boyes:** It's a little town where my grandfather homesteaded. It's called Dewar Lake, which is my family's last name. They came from Scotland, as I said, in the 1800s. It is 25 miles, if I can use miles, east of the Alberta-Saskatchewan border on the highway that goes between Calgary and Saskatoon.

**Mr. Randy Hoback:** Excellent. I know that area quite well.

**Ms. Debra Amrein-Boyes:** Oh, good.

**Mr. Randy Hoback:** I've looked at both your businesses and what you're developing, and I'm just kind of curious, as the government that's doing trade deals like this, what kind of support you would need to take you to the next level—i.e., “Hey, I want to now go into France and actually give them some good cheese, because they don't have good cheese.”

**Ms. Debra Amrein-Boyes:** That's right.

**Mr. Randy Hoback:** What kind of support do you think the government should provide, or could provide? The government can't do the work for you, but in the same breath, we can offer assistance in some way. What do you think you'd need?

**Ms. Debra Amrein-Boyes:** It's as Mr. Freybe said: fairness in getting across borders, and things put in place that make it easy for us to get through the paperwork, for instance. I know that British Columbia is doing a food expo in Japan. They're taking B.C. products. The BC Food Processors Association is facilitating that.

If we can have access to that kind of help—

**Mr. Randy Hoback:** So just take the burden off the regulatory side of things and make it simpler.

**Ms. Debra Amrein-Boyes:** Yes.

**Mr. Randy Hoback:** Okay. That's good.

With regard to your plants and facilities, with this agreement, of course, you'll have the ability to purchase European machinery. Do you see that helping to bring down your costs, or do you utilize any of that machinery at this point in time?

**Ms. Debra Amrein-Boyes:** Actually, in the size of facility we have, we have to buy European machinery. There's a history of small cheese-making in Europe, and there isn't in North America. North

American machinery is not the type that we can use. So it's expensive.

**Mr. Randy Hoback:** How about you, Mr. Freybe? I'm looking at the cost of machinery and stuff like that.

**Mr. Sven Freybe:** Really all of our machinery comes from Europe, predominantly Germany but also Italy, France, and Austria.

**Mr. Randy Hoback:** Again, that will help lower your costs as you expand your operations to be more efficient.

You also talked about partnerships. I found that really interesting, because I see two avenues that I'd go down in this stream.

Debra, you talked about the McIntosh and cheese. I also think of cheese and salami, and cheese and meats. I also see the opportunities in Canadian companies partnering to take advantage of their marketplaces with stuff like that.

You also talked about partnership with other companies in Europe, taking some of their products here and manufacturing them here. Give me an example of that.

**Mr. Sven Freybe:** Well, without giving away trade secrets, we're looking to produce an organic salami. It's very difficult to find sufficient organic meat supply within Canada. As such, while we've had partnerships with local farmers in B.C. and Alberta, it isn't possible for us to get the supply we require.

We've been engaging in conversation with a company that we've dealt with over many years to potentially have them produce for us, as they already sell that into the marketplace, and then to have it branded under our product name.

**Mr. Randy Hoback:** Have you done anything as far as...? The second part of my question was about the partnership of Canadian companies, where smaller companies say, hey, logistically we can't do it by ourselves, but perhaps we could partner with a meat manufacturer, say, or a vineyard and put together a product package.

Have you guys explored that, or is that something that needs to be pursued a little further?

**Ms. Debra Amrein-Boyes:** I haven't explored that at this time, no.

**Mr. Sven Freybe:** Likewise. I'd say we've explored it to a certain degree, but the biggest challenge for us has been on the retail side, to get the retailers to buy into some of those strategies and provide a shelf space for some sort of cross-merchandising.

**Mr. Randy Hoback:** You need the ability actually to get onto the shelf itself then.

**Mr. Sven Freybe:** Usually.

**Mr. Randy Hoback:** I hear that in the meat sector quite often.

Mr. Chair, I'm going to call it quits there.

**The Chair:** I'm going to pick it up before we get into the last questioners and just ask you both this question that's gnawing at me.

You've both won awards for excellence in your respective areas. You seem rather young and you're competing with Europeans and people who have been in the industry for generations, for centuries. How did you get so good at it? Is it secret recipes that have come down over the ages? What's your secret to success on that side of it?

• (1605)

**Ms. Debra Amrein-Boyes:** It's hard work. It's a lot of work and focus, and I think just a passion. You have to be entrepreneurial. One of my daughters married someone from Slovakia. He's a lovely fellow. She arranged his immigration to Canada. He was here for six months, and we had an opportunity for them to help expand the business. It would be an absolute perfect thing for them to grow into. He's not an entrepreneur. He could not do it. I don't know why personally but I have ideas. The idea is you have to have that pioneer spirit, someone who wants to go out and meet the challenges. You meet the challenges every day. In farming, agriculture and food production, there's a new challenge every day and you have to be up for the challenge.

**Mr. Sven Freybe:** I have the advantage of coming from a German family, so everything is quite regimented in terms of performance, recipes, and such. Our family started in 1844. We came in 1954 to B. C., and we will be 60 years this year in this province. At the end of the day on our side, obviously passion is absolutely the word, but likewise, we've always been prepared to take less in terms of profitability in order to produce what we think is a better product.

**The Chair:** Do you have patents?

**Mr. Sven Freybe:** No.

**The Chair:** No patents on food.

Mr. Sandhu.

**Mr. Jasbir Sandhu:** Thank you to both witnesses for being here this afternoon.

Ms. Amrein-Boyes, I have a question for you. Will you be exporting any cheese to Europe?

**Ms. Debra Amrein-Boyes:** Well, we can go there.

**Mr. Jasbir Sandhu:** So you're hoping to expand your market.

**Ms. Debra Amrein-Boyes:** I mentioned before that we're just at the point of transitioning into the next generation with one of our daughters. We want them to be able to have a successful business and carry on for the next generation as well and keep those people on the farm. We will explore that, yes.

**Mr. Jasbir Sandhu:** Mr. Freybe, you talked about most of your products being German based and you manufacture them here. Are you looking at expanding your market of the products you manufacture here into Europe, or are you looking at bringing European products here for export maybe to the United States?

**Mr. Sven Freybe:** We're looking more at the latter. I think that's the greater opportunity for us.

The only thing I would foresee is we have a great opportunity within snack foods. Snack foods in North America are much more significant than in Europe. If there are traditional items for here that we might be able to provide there, that would be of some interest.

**Mr. Jasbir Sandhu:** Mr. Hoback had a question for you in regard to lowering costs if you purchase your machinery from the EU. What

is the current tariff that you pay on your machines that you purchase in the EU?

**Mr. Sven Freybe:** I'm not familiar with any current tariff that we would be paying in our category. It might be buried in the cost. It's certainly not highlighted.

**Mr. Jasbir Sandhu:** It could be that we don't have any tariffs on those products right now.

**Ms. Debra Amrein-Boyes:** That is correct, yes.

**Mr. Jasbir Sandhu:** There will be no cost savings in that regard.

**Ms. Debra Amrein-Boyes:** No.

**Mr. Jasbir Sandhu:** How many jobs do you anticipate creating with this new agreement, Ms. Amrein-Boyes?

**Ms. Debra Amrein-Boyes:** As I mentioned before, we're not in a position to be actively focusing our attention on export into the European market at this time. We believe that increased awareness of fine cheeses in Canada will increase sales and therefore increase production at our level. Therefore, we will add to our production staff and our facility as required. Hopefully that will keep growing.

We began by growing every year 30% a year and then another 15%. Even in the downturn in 2008, our company still grew. There's a growing demand for quality food. That's our mantra, if you will: quality first. If we make a cheese and there's something wrong with it, it doesn't go into the marketplace, because we want our name to stay associated with highest quality.

• (1610)

**Mr. Jasbir Sandhu:** Mr. Freybe, how many jobs are you hoping to create locally?

**Mr. Sven Freybe:** Likewise, being that we're not anticipating selling into the marketplace for the foreseeable future, we do not anticipate creating any jobs at this time. However, as I mentioned, within the Canadian meat industry we expect an increase of over \$1 billion in revenue, and within that and especially on the meat-producing side, we anticipate there to be—

**Mr. Jasbir Sandhu:** I'm well aware of that.

You talked about geographical indications. Would you have liked geographical indications for your sector?

**Mr. Sven Freybe:** I wish that the European names would not be protected in the Canadian marketplace.

**Mr. Jasbir Sandhu:** I believe Canada has actually given 179 GIs to Europe but we haven't gotten any back from Europe.

**Mr. Sven Freybe:** It's not fair.

**Mr. Jasbir Sandhu:** Is that a good thing or a bad thing?

**Mr. Sven Freybe:** In principle I find that a bad thing, from the perspective that if there are products that are great from here, if we're giving up GIs, I believe we should be gaining GIs in exchange.

**The Chair:** Thank you very much.

Mr. Cannan, the floor is yours for four minutes.

**Hon. Ron Cannan:** Thank you, Mr. Chair.

Thanks again to our witnesses. To summarize a couple of comments coming from the Okanagan and Kelowna—Lake Country, we have an artisan goat cheese producer there and that goes well with our wine industry. I know we have a hard-working representative, the director of international trade for the province, Janet Quiring, and we were just talking during the break about how the province is expanding some of its liquor laws.

Have you done any cross-promotion with the wine and alcohol industry to look at expanding your market, not only here but across the country?

**Ms. Debra Amrein-Boyes:** Actually, we create two cheeses for Mission Hill winery in the Okanagan. We don't sell them ourselves. They are their cheeses we create for them to go with their wine. So we do have a relationship with a winery.

**Hon. Ron Cannan:** That's fantastic, and Mission Hill just bought CedarCreek last Friday—

**Ms. Debra Amrein-Boyes:** That's great.

**Hon. Ron Cannan:** —so you may have another opportunity, another potential customer.

I was looking at your web page. It is really exciting to see the farm gate sales and to see how you are trying to produce that agri-tourism perspective, which I know is a strong philosophy of Premier Clark. Our communities across the province are looking at trying to encourage local.

What other initiatives, from a federal perspective, do you think we can take to help small farming communities such as yours to go to the next level? You're at the level where you are family-operated, but then as with any small business, like a grocery store, you have to decide how many more staff you want to add and take that next jump. Do you need training? Do you need resources? What are some of the aspects of infrastructure the government could help with to help your business grow?

**Ms. Debra Amrein-Boyes:** I think anyone who's had any association with farming or agriculture knows how much work goes into it, so maybe it could be something in the labour initiative for programs to hire student labour in the summer. I created in-house an internship program to teach people to make cheese. It's a three-month internship program. We pay. They get paid minimum wage to learn to make cheese, because I don't believe in just using slave labour. That came from in-house. We did that. At the end of the three months, interns should be able to create their own cheese and hopefully then go out and increase the footprint of artisan cheese-making in Canada.

So there would be that—something to support labour—and as well maybe some support on the technical side would be good. Also, if there could be an easing of the ability to ship across the country, through agreements in certain sectors, so we could cross borders without a lot of red tape, that would be good.

**Hon. Ron Cannan:** We talked a little bit about interprovincial trade barriers earlier.

**Ms. Debra Amrein-Boyes:** Yes.

**Hon. Ron Cannan:** Thank you very much. I appreciate your fire-in-the-belly entrepreneurial spirit. That's great.

Mr. Freybe, I'm third generation. My father worked at the Gainers meat-packing plant for 45 years. I've seen a lot of the processing in the food industry, and I appreciate your family's contribution to the industry and specifically to innovation. I notice that you're the first North American company to declare its products gluten- and lactose-free.

Do you have a research and development department that looked at what the niches were in the marketplace and then developed that?

•(1615)

**Mr. Sven Freybe:** Actually, what's great about that is that we stumbled on the fact that our products are both gluten- and lactose-free because consumers came to us and told us that ours was the only product their children could eat. We figured out what lactose intolerance and celiac disease were and so forth. The reality was that the product we were making was essentially clean because we were trying to make it the best product it could be, and that pushed us in that direction. We didn't strategically set out to be gluten-free, but because we had a mandate about the quality of our product, we didn't try to cut corners, which in our industry is generally where lactose and gluten are utilized. We do have a large innovation department that is always tweaking new recipes.

**Hon. Ron Cannan:** Fantastic. All the best to you in the future.

Thank you.

**The Chair:** Thank you very much, and thank you for your compelling testimony in answering the questions. You're an inspiration to all Canadians for what you do. Keep it up.

With that, we will suspend as we set up the next panel.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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•(1625)

**The Chair:** If our witnesses are ready and our committee members are ready, we'll start a little early and finish a little early, if that's okay.

We have our last panellists of the day. From the British Columbia Dairy Association, we have Stan Van Keulen.

Thank you for being here as a board member.

From LifeSciences of British Columbia, we have Paul Drohan and Gordon McCauley.

Thank you very much for being here.

We will start with you, Mr. Van Keulen. The floor is yours.

**Mr. Stan Van Keulen (Board Member, British Columbia Dairy Association):** Thank you.

It's been an interesting day here. I've been listening to a lot of the witnesses and presentations. I thought it was very intriguing.

Just to let you know who I am, I am a milk producer here, from the Fraser Valley. I've been involved in dairy politics or dairy industry leadership for probably the last 30 years. Most of my colleagues would probably be in this room right now and supporting me, but they're at a Dairy Farmers of Canada convention. We have a lobby date tomorrow, when we go out and see all the MPs. Since there are so many MPs here, the A-team was left behind—

**Voices:** Oh, oh!

**Mr. Stan Van Keulen:** —and I'm here doing it. The other reason is that I hate cold. As you get older, you find that cold weather plays havoc with you.

I'm here to speak on behalf of our industry, so I just want to give you a bit of a perspective on what the dairy industry means in British Columbia. You've heard about Debra with her artisan business, but the mainstream industry, just in gross receipts to the primary producers, is an industry of about \$560 million to \$570 million in British Columbia. From there, obviously, it gets multiplied. One of the biggest factors about a primary producer, especially a local producer, is that he spends here, locally, every cent he makes and more.

In this province, I represent close to 502 producers—it changes daily—and about 353 of those producers are in the Lower Mainland. Like I said, I've been involved in this business for probably 30 years on the politics side and as a producer all my life.

I'm one of the fifth-largest producers in British Columbia. Just on our farm—if you want to google it, it's Donia Farms Limited—we have three boys at home who are all college grads. They all want to stay at home and farm. My father started the operation, we've taken it to another level, and I'm pretty sure they're going to take it to another level too. The future is bright if we can keep our industry intact.

On that note, I'll go forward with the presentation. I want to thank you for allowing me to speak here on the implementation of CETA.

This agreement with the EU is going to give additional tariff-free access of close to 16,000 tonnes of high-quality cheeses and another 1,700 tonnes of so-called industrial cheese. When combined with the access the EU enjoys now, there will be nearly 32,000 tonnes of European cheese coming into Canada every year. That is a doubling of the current EU access into the Canadian cheese market. It is vitally important for the Canadian government to understand that the European dairy industry is government-subsidized by close to 40%.

While sitting here today, I've heard some of the comments about supply management. Supply management doesn't cost the Canadian government any money. We get our prices from the marketplace. We do not receive any direct cash benefit from the government. I think that is a key point.

I'm going to jump around a little bit here, because for some of the things that were prepared for me, I'm a little bit uncomfortable saying them here.

From a broader perspective, CETA will push the total tonnage of cheese imported to Canada to more than 38,000 tonnes and increase the import market share from 5% to 9%. The significance is even greater when we consider that there is the potential to fill an additional 15% to 30% of the fine cheese market. This would mean

that the EU would have the majority share of the premium market, with exclusive access to about 60% of the total fine cheese market in Canada.

● (1630)

Once CETA is implemented, the new access will be equivalent to 2.2% of Canada's milk production, a \$150 million loss in farm income each year, 4% of the Canadian cheese market, and at least \$300 million worth of cheese annually. It will reduce our milk production. It will cost Canadian dairy farmers, cheese-makers, industries supplying dairy farmers, and processors millions of dollars in lost revenue as a result of this foreign access to our market and projected market growth of our industry that has developed through farmer investments.

One of the key things I want to expand on here is that there is a check-off for advertising to enhance the growth of our industry in the supply management system we have. It may be through advertisements, incentives for new innovative products, lower prices, or a whole range of products to develop the market.

When this agreement with free and unfettered access—I shouldn't say free and unfettered access—but if they are within their quota, they don't pay any of that particular cost. The market we are creating, that we have established through the check-offs, through the advertising programs, through enhancements, through all these things I've talked about, these things they don't have to....

The beef industry in this country has won a check-off now for any importation that comes in. They will pay into the advertising program. I would think that this agreement as it sits right now... these people are taking a market that we've established. There's only 1% growth in our industry right now on an annual basis.

The implementation of CETA matters to us. If I read the agreement and what was told to me earlier through my colleagues, the program was to be implemented over a seven-year period. We would appreciate it if you would implement this agreement over a 10-year period. We understand it's going to happen, but at the same time we recognize that to minimize the impact, 10 years is something we should be looking at.

The other thing is that the supply management system we work under is faced with a tremendous amount of criticism. It was blamed for the lack of trade by a number of other industries sometimes. I want to give a little bit of a stat. It's a government stat, and it's put out by the Canadian Dairy Information Centre. It's the balance of trade. When we talk about trade, we talk about an economic developer. We want to create jobs. We want to have that spin of our dollars going back and forth. But under the supply management system we have today, we are in a trade deficit. As of 2012, the imports were \$677 million; the exports were \$439 million. Since 2003 and every year, there has been a trade deficit. Trade is a matter of balance. There are winners and there are losers between sectors. I understand that. But in the dairy sector, we've been in a trade balance for the last 10 years. It's your own stat that is telling us this.

In order for supply management to work correctly, we have to have predictability of imports. When this is taking place....I brought a glass of milk. I probably won't drink it because it has been sitting there and getting warm. I only like cold milk.

• (1635)

But you just see milk here. With today's processes, that milk is fractionated when it comes into the milk-processing plant. It is broken down into a number of components. Some of those components—and that's why the imports are coming in—will be broken into whey protein, casein, and a whole range of things.

The cheese that you have today is first broken down into fractionated products and then added back in. The dilemma we have is that our trade rules or barriers or those tariff lines have never captured that new technology of breaking down the milk products. So we have a whole range of countries right now that look at our captured market, that look at our supply-managed markets, look at the prices that we have here, and they say, "We want in, and this is how we're going to come in."

Sorry, shall I slow it down?

**The Chair:** Your time is exhausted. I'll let you do a closing statement, if you want.

**Mr. Stan Van Keulen:** The closing statement is that I do appreciate the fact that we're here. But I think, as I pointed out earlier, that we'd like to have a 10-year program.

I'll answer any questions on supply management or anything during the question period. Thanks for the opportunity.

**The Chair:** Very good. Thank you for your presentation.

I will now move to Mr. McCauley. The floor is yours.

**Mr. Gordon McCauley (Chair, Board of Directors, Life-Sciences British Columbia):** Thanks very much. Thank you for the opportunity to share our views with the committee.

Welcome to sunny Vancouver. I want you to know you're breaking one of the rules: when you come to Vancouver on a day like today, you're not supposed to be in a room like this—

**Voices:** Hear, hear!

**Mr. Gordon McCauley:** —but *bienvenue* nonetheless.

My name's Gordon McCauley. I am the chair of LifeSciences BC. I've been an investor in this space for about 15 years. Over that period of time I've been directly involved in raising and deploying about \$200 million of capital from major investors in Canada, the United States, and Europe. In addition, I've served as president and CEO of a company that took a promising compound that showed potential in animals, and over the course of almost eight years, \$100 million, and 10 human clinical studies, all but one of which was effective, it ultimately failed.

I share all that with you simply to say that I've enjoyed some success in this industry, but I've also experienced some defeats as well. I understand the risks and the opportunities pretty well.

In addition to my commitment to LifeSciences BC, I serve on the board of a couple of other biotechnology companies: The Centre for Drug Research and Development, a national centre of excellence at UBC; BIOTEC Canada, our national organization; and until recently, I was the only Canadian on the board of the Biotechnology Industry Organization, in Washington, D.C.

I'm joined here by my colleague Paul Drohan, the president and CEO of LifeSciences BC. Paul joined us last year after a lengthy and successful career with Genzyme, and now its parent company, Sanofi. Paul was the senior executive responsible for their business in Canada, the United Kingdom, Ireland, Australia, and South Africa. He has a uniquely global perspective from the driver's seat of one of the original biotechnology companies.

We share all of this background simply to demonstrate that the two of us have fairly broad global backgrounds in this industry, including research, clinical trials, regulatory filings and approvals, in multiple jurisdictions. We join you today on behalf of roughly 200 members of LifeSciences BC, from the biotech, pharmaceutical, medical device, and electronic health care sectors in this province. Our members—companies, research institutes, and academia—contribute over \$1 billion of GDP and are responsible for something like 17,000 jobs in this province.

Our members are globally competitive because they have to be. They operate in a fiercely global industry. The research in our public institutions here is equally globally competitive and recognized around the world as among the leaders in many fields, including HIV/AIDS, prostate, heart and lung, neurosciences, and cancer. Every day, in every corner of the world, someone lives longer, sees better, survives heart surgery, breathes more easily, among so many other things, directly as a result of the work of these researchers and these companies. The promise of the work being done today is of equal measure to the successes of the past. We have every reason to anticipate many, many more groundbreaking developments.

Before diving into CETA specifically, we would like to give you a sense of some of the unique features of our industry. Others have no doubt already told you about the \$1 billion and 10 years it takes to typically get a new medication approved. These factors are certainly critical to any understanding of the challenges faced by our members, but we'd like to emphasize something else: this industry is highly, highly mobile. At the end of the day, our companies have only two assets that really matter: the people who come up with novel products and guide them through a difficult, lengthy, and expensive process to prove that they work; and the intellectual property that protects them against these ideas and this work from being stolen or copied by others.

I don't need to tell you that people and IP can be anywhere. Indeed, they will actively seek out the best environment from the options around the world. Of course, capital is the fuel that drives this business. Clearly, the only thing more mobile than people and intellectual property is capital.

Given all that context, I hope you'll appreciate why LifeSciences BC is so supportive of CETA. It is a groundbreaking agreement that is very important to the global competitiveness of our sector.

There are two points that we would like to emphasize, subjects we know you've dealt with in the past, patent term restoration and the right of appeal.

● (1640)

Hopefully I'm not boring you by covering them again. No doubt, others have covered these subjects as well.

Implementing patent term restoration in CETA so that companies can recover up to two years of the lost time on a patent as the result of lengthening the regulatory process is crucial. As you know, Canada is the only G-7 nation that does not provide any form of patent term restoration. In the U.S. and EU, patent term restoration is five and ten years respectively. Implementing a two-year system will not equal what we're competing with around the world, but it is definitely a step in the right direction. Our companies need a level playing field, or as close to level as possible, to compete around the world, and patent term restoration will help.

The second issue important for B.C.'s LifeSciences community is the right of appeal. This issue is really one of fairness. As you know, the companies that patent innovative products are not allowed to appeal court decisions when a patent is ruled invalid. An appeal process is currently available to challengers, but not to the company that created the patent. Clearly, candidly, the status quo is absurd and can be a bit of a joke in other jurisdictions. Any competitor, in any arena, wants to know that basic fairness is inherent in the system. The right of appeal process in CETA will provide essential fairness and balance in our legal system. Without question, there is much to be understood about the specific mechanisms of right of appeal and we encourage you to closely examine those mechanisms when they're available but also to implement right of appeal.

Before we conclude, let us cover two other quick comments. First, regulatory cooperation in biotechnology is absolutely welcome. The EU is significantly faster at reviewing and approving products without any trade-off in safety or cost. These timelines should be the

standard and if we can't match them, perhaps we should think about EU approvals as a mechanism of approving Canadian products.

Along the same lines, the EU has had an orphan drug policy for almost 15 years and the U.S. for 30 years. The data are quite clear. There is no rational debate to suggest that a similar orphan drug policy in Canada would be anything but a win for patients, a win for drug developers, and a win for our health care system.

Second, temporary entry is an important component. If you ask any biotech CEO—probably anywhere in the world, but certainly in B.C. and Canada—what their biggest challenge is after money, the answer is attracting talent. The temporary provisions of CETA will facilitate the movement of talented individuals. We would suggest that beyond the inter-company transfers and professionals, life science researchers should be included. Ours is an ecosystem that requires ideas, innovation, money, but most of all, talented people.

While we look forward to the full details of CETA on behalf of the members of LifeSciences British Columbia, we endorse this agreement. We represent the best and the brightest innovators in the world, developing new products and services for the health care sector, products that are and will be sold in B.C. and Canada and exported around the world. CETA is an important element of keeping Canada and our companies competitive.

Thank you very much.

● (1645)

**The Chair:** Thank you very much.

With that, we'll move to question and answer.

Mr. Davies, the floor is yours.

**Mr. Don Davies:** Thank you, Mr. Van Keulen and Mr. McCauley, for being with us today.

Mr. McCauley, I know that Canada's patent linkage system is quite complicated. In CETA, there is a commitment by the Canadian government, as it changes our patent system, to also look at ending the process of dual litigation. I'm sure you're familiar with what that is, but of course, as part of giving additional rights to patent holders, like the right of appeal in the patent term restoration.... Presently, right now, a patent term holder can take a generic to the Federal Court, lose, and then initiate litigation in the superior courts of the province under patent legislation. That's what we understand—there's going to be a negotiation to end that.

Are you in favour of the ending of the dual litigation problem to bring more certainty to the industry?

**Mr. Gordon McCauley:** I'll let my colleague, Paul Drohan, also respond to this.

I think the important thing is fairness in the process and I think having some level playing field and balance is critical. Until you see the real specifics of how that breaks down, it's really hard to give you a direct answer. I think...absolutely in favour of a competitive process that's level and balanced.

Paul, if you want to add to that....

**Mr. Paul Drohan (President and Chief Executive Officer, LifeSciences British Columbia):** I think duplicity...removing the immense burden that's on the federal courts is a good thing. The proof in the pudding is always in the eating, and it will be how that appeal process works. The first few times through it as a precedent will determine whether or not other companies want to go that route, or whether they're going to go to federal courts and bypass the appeal process in totality.

**Mr. Don Davies:** You talked about jobs, some 17,000 people employed in the industry. I congratulate you on that and thank you for those jobs. I imagine they're quite high-quality jobs. The government has been relying on a 2008 study that preceded CETA and that claimed CETA might create as many as 80,000 jobs in Canada.

If CETA were implemented, how many extra jobs would be created in British Columbia in your sector as a result?

• (1650)

**Mr. Gordon McCauley:** There are probably two ways to answer that question. The first is that when people look to make an investment they look at all of the key economic drivers. One of the critical economic drivers that we are not competitive in today is IP, as we discussed. So absolutely, it is critical that be addressed.

**Mr. Don Davies:** I'm just looking for a number.

**Mr. Gordon McCauley:** I don't have a number to give you, but I can tell you something more important, which is that if you ask the question the other way around, ask the members of BIOTEC Canada nationally what proportion of them are looking at going elsewhere, what you hear is that one in five are looking at going elsewhere, because economic issues are challenging domestically.

I think you have to look at that question both ways.

**Mr. Don Davies:** So it's too early to tell, I would say.

Would it be fair to say that you need more details on CETA before you can make that kind of analysis?

**Mr. Gordon McCauley:** I think it's fair to say that more detail would clearly come up with a defensible number.

**Mr. Don Davies:** Mr. Van Keulen, I'm going to turn to you.

It's known that the European Union heavily subsidizes its agricultural sector, including dairy. Is that a concern to the dairy farmers in British Columbia?

**Mr. Stan Van Keulen:** Of course, yes.

We share the market nationally with all our other counterparts, and if they have unfettered access or increased access into this country, they're competing against us unfairly.

**Mr. Don Davies:** You've described that CETA would allow an additional 18,500 tonnes of tariff-free cheese to come into the Canadian market. That's taken us from about 4% over quota to 8%.

I understand that one of the three pillars of supply management is import controls. Do you view the alteration of the 4% to 8% to be a violation of that pillar?

**Mr. Stan Van Keulen:** No, it's going to be, hopefully, a predictable import control. To say it's a violation of import control.... The violation is all these other holes that we have of all these other products that are coming in. CETA does provide us with a predictable amount of product coming into this country on the cheese alone. The point of my presentation was to say that we are in a negative balance in trade already because of a whole other range of products coming into this country that are not within the tariff rate quotas that CETA is providing.

I want to say that I'm not against trade, our farmers are not against trade. I just want to point out that we don't want to be the sacrificial lamb to enhance another industry. We are giving a tremendous amount of our industry to trade already. I just wanted to demonstrate that.

**Mr. Don Davies:** This committee is going to be studying the TPP tomorrow. I've heard Mr. Yves Leduc testify at committee in Ottawa. One of the concerns that was raised was with TPP—as we'll study tomorrow—involving countries like Australia, New Zealand, and the United States, which have targeted Canada's supply management system for years, is that the additional 4% to 8% in CETA might be just getting the foot in the door and prying it open.

Is there any concern that future trade deals may make further incursions into the cheese and dairy industries in Canada?

**Mr. Stan Van Keulen:** Of course. We are very much aware of that. The point of this presentation is to make sure that this trade committee and the government know that if they're going to do the TPP....

I'm here tomorrow to speak on it too.

**Mr. Don Davies:** Okay, we'll ask that important question.

I should have mentioned Wally Smith as well, from British Columbia. Wally is a great representative of the dairy industry across the country.

How much time do I have, Mr. Chairman?

**The Chair:** There's time for one more quick question, if you want.

**Mr. Don Davies:** Do you have an estimate on the number of jobs that the dairy industry has here in British Columbia, Mr. Van Keulen, and what effect CETA may have on that job count?

**Mr. Stan Van Keulen:** I think the number was 36,000 direct and indirect jobs that are created from the industry. Any type of erosion of our market, whether it be through TRQs or whether it be through things sneaking under those TRQs, is going to have an effect on jobs.

The way our industry is going right now, we're probably stagnated. Business that is stagnant is going to try to find other efficiencies, so whether it is job loss or consolidation, there might be less. Consolidation is probably what's going to take place.

•(1655)

**The Chair:** Thank you very much.

Mr. Hiebert.

**Mr. Russ Hiebert:** Thank you to all of you for being with us this afternoon.

Mr. Van Keulen, you ran out of time at the end of your testimony when you were talking about the milk product fractionation that occurs in new technology. Would you like a few minutes to elaborate on what you wanted to say?

**Mr. Stan Van Keulen:** Yes. The legislation that protects us... There are three pillars of supply management, and one of them is import controls. We have legislation that establishes what those products are that we have controls over. What the industry has been capable of doing in the last five or six years, and the last three of four years especially, is they've been able to fractionate the products down and then reconstitute them back into products. Those fractionated products were left behind in the last WTO agreement and were left behind in a lot of the agreements that are taking place. That's where the problem arises. There are no tariff lines on that.

We have supply management that is a bucket right now with a few holes in it. Consumption or sales are keeping up with those particular holes of leakages of whatever we're losing in the market. That's the dilemma we have right now. That's why we need government support if we're going to keep supply management intact the way that it's working. We need the government's support. There are people who are trying to circumvent the rules. There are very creative individuals who will try to bring in blends, milk powder that has a tariff on it, but they'll put rock salt in it or something like that and then filter out the rock salt later, or they'll throw something else in there. That's what those creative people were doing years ago. There are other creative things happening. Now with the new fractionated products, it's hard.

**Mr. Russ Hiebert:** You highlighted the fact that European farms are subsidized to the degree of 40%. I'm wondering if you could elaborate on how that compares to the amount of support that Canadian farmers receive from all levels of government.

**Mr. Stan Van Keulen:** There's no direct cash benefit from the Canadian government. There are direct payments in the European markets to producers. Because of the supply management system, we do not have any subsidies in that regard, cash benefits.

**Mr. Russ Hiebert:** If we were to take an unbiased clinical comparison between farms in both regions, would there be a way of determining what kind of support, direct or indirect, through taxation or other policies, each farm would be receiving? Is there a comparison that has been made or that could be made?

**Mr. Stan Van Keulen:** I don't think so, not that I'm aware of. Maybe there are smarter people out there who can, but I can't.

**Mr. Russ Hiebert:** You talked about the potential losses to the industry. With the expansion to this market, 100 million new consumers, is there any hope or prospect of exporting more product into the European Union and seeing this as an opportunity as opposed to a threat?

**Mr. Stan Van Keulen:** There was a question that was alluded to earlier here that we had a panel ruling against us because supply

management is considered a subsidy when it comes to the pricing mechanisms. I did talk to one of my colleagues earlier about there being no reciprocal right now because of supply management. CETA says that we have unfettered access into the EU on dairy products and cheese. The reality is that's true if we get rid of supply management. My understanding is what has been told to me right now. I hope it's not true because then it's an opportunity. Clearly it's an opportunity. That's if it's not true.

**Mr. Russ Hiebert:** Thank you.

Mr. McCauley and Mr. Drohan, you talked about an orphan drug policy and attracting talent. On the orphan drug policy I didn't fully capture what you were trying to articulate. You're saying something should be adopted, a new orphan drug policy should be adopted. Could you briefly elaborate on that?

•(1700)

**Mr. Gordon McCauley:** Sure. The idea of creating patent and tax-based incentives for developers to go after orphan drugs, so the niche indication, has been a dramatic success from every perspective in the EU and the U.S. The U.S. originated it in 1983. In the EU I think it was in 2000 they implemented it.

What it does is provide an incentive for developers to go after very niche markets. It has proven to be an area where developers can actively prove out the effectiveness of a drug. It's critical for those patients, obviously, because you find yourself suffering from a particular orphan disease and there's nothing out there and there's no economic incentive, candidly, for a large drug developer because they tend to have bigger fish to fry. They go after larger markets than —

**Mr. Russ Hiebert:** And right now there's no incentive within the Canadian regime?

**Mr. Gordon McCauley:** None. In fact, for the company that I referenced, the final clinical trial we ran was actually going after an orphan indication. Had we been successful it's a product that wouldn't have been launched in Canada because it doesn't make economic sense.

**Mr. Russ Hiebert:** Right. To the Canadian market, but there would be a worldwide market and when you combine the beneficiaries would there be a large enough pool of people who would need the drug to make it worthwhile?

**Mr. Gordon McCauley:** If you were to develop that drug in Canada and go for approval in the EU and the U.S. exclusively, you'd almost certainly see the company leave the country, almost certainly. It wouldn't make any economic sense whatsoever to have the company here.

**Mr. Russ Hiebert:** You also highlighted attracting talent and the temporary access, but then you suggested that it didn't go far enough. Could you elaborate on what more needs to be done to permit visa-free access?

**The Chair:** Please give a very quick answer in the time we've got.

**Mr. Paul Drohan:** What we're asking for is about how when we looked through CETA we didn't have clear guidance that research scientists were going to be covered under a temporary entry into the country. If that is indeed the case, fantastic. If it's not the case, we're asking to make sure that as we implement CETA this is one aspect of CETA that is covered off.

**The Chair:** Thank you very much.

Mr. Pacetti.

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

Thank you to the witnesses for coming today.

My first question is to you, Mr. Van Keulen. I'm not sure if I understood. The Canada-European Union comprehensive economic and trade agreement, will it or will it not help your industry innovate?

Did you say it will or will not? I'm not sure what I understood. Did you say that at all?

**Mr. Stan Van Keulen:** No, I didn't say that.

**Mr. Massimo Pacetti:** Okay. I wasn't sure in what fashion you would be able to innovate. You're stuck in a sector where you're just selling milk in your province. How far can you go with your product?

**Mr. Stan Van Keulen:** All across the country. There are some export opportunities in certain areas, but not a lot. Under the trade agreements that we have there are some quotas that we can fill abroad.

**Mr. Massimo Pacetti:** Where would those possibilities be?

**Mr. Stan Van Keulen:** The U.S., and I think Europe. In England we have a cheese quota, a cheddar cheese quota, of a certain amount.

**Mr. Massimo Pacetti:** With free trade would you be able to go to Europe? Would you be able to increase your capacity?

**Mr. Stan Van Keulen:** My understanding is that under this agreement right now the dilemma we have is on the pricing mechanism we use in Canada, which they consider a subsidy. The WTO ruled a couple of years ago on that.

**Mr. Massimo Pacetti:** But that wouldn't make you competitive?

**Mr. Stan Van Keulen:** We would not be competitive.

**Mr. Massimo Pacetti:** Then you also mentioned something about predictability, that the industry wants predictability.

**Mr. Stan Van Keulen:** In order for supply management to work you need three pillars. One is you have to have import controls. You have to control production and you have to have the ability to set price locally to your producers.

When we have unpredictable access into the country, whether that be cross-border shopping or whether that be importation of fractionated milk products or any sort of products that don't fall within the tariff lines, it becomes very unpredictable for us.

**Mr. Massimo Pacetti:** So would something like fractionated milk actually cause a problem in your industry? Would that be material to your sales volume?

**Mr. Stan Van Keulen:** Yes, it's substantial.

**Mr. Massimo Pacetti:** Cross-border shopping as well?

**Mr. Stan Van Keulen:** Cross-border shopping just in British Columbia on whole milk took 7% of our market in the last five years.

• (1705)

**Mr. Massimo Pacetti:** Seven percent.

**Mr. Stan Van Keulen:** Seven percent, and I don't know what that would equate to in dollars, but I would think that would probably be in the neighbourhood of \$20 million to \$30 million.

**Mr. Massimo Pacetti:** Thank you.

Mr. McCauley, a quick question. You stated that your members may go elsewhere if there is.... I think you were referring to the patent restoration aspect or the right of appeal. How would that solve anything if they went elsewhere? If your company is based here, and your members are based here, where would they go?

**Mr. Gordon McCauley:** The U.S. or the EU. I can give you all sorts of examples. Vancouver companies that have invested in it ended up in Boston.

**Mr. Massimo Pacetti:** But would they go to Boston because of the patent restoration right of appeal, the legal system, or would they go because the market is there?

**Mr. Gordon McCauley:** There's an environment of things that would attract you one way or the other, and there's certainly no question that we have a lot of the components here that attract people. We have extraordinary research, great institutions, all of those elements, but you have to look at the whole equation, and intellectual property is among the most critical assets that any biotech company has.

**Mr. Massimo Pacetti:** I agree, and so what would prevent, once the Canada-Europe agreement is signed, your base companies from just moving to Europe because the market is bigger?

**Mr. Gordon McCauley:** There are all sorts of reasons why they would want to stay here. All I'm saying is, you need to make the environment at least competitive with the global competitors we have if you want those companies to stay here.

**Mr. Massimo Pacetti:** Okay, I do, so would that entail agreements, partnerships, investment? What is needed to ensure that the companies will stay here, because you mentioned that the markets are much bigger in the EU or in the United States?

**Mr. Gordon McCauley:** It is absolutely the case that the markets are larger. That doesn't necessarily mean that you want to develop the product in that market. I think what you want to do is create an environment that will attract people to invest here and to keep companies here.

**Mr. Massimo Pacetti:** That's fine.

**Mr. Gordon McCauley:** That's about making sure that the economic value drivers are here, and IP is one of those.

**The Chair:** Thank you.

Go ahead.

**Mr. Paul Drohan:** There is an interesting report done by PwC for BIOTECANADA, and it looked at the membership, and as Gord mentioned, almost 20% would move. The reason why they would move would be the capital. I think if you have that IP protection, the capital would flow here, so that would be one piece. Government incentives are another significant part of why they go and, again, employment and building clusters.

The big thing about building a knowledge-based economy and a knowledge-based cluster is, if you're like companies that Gord described earlier where you've tried something and it hasn't worked out, a cluster allows you to go somewhere else and try that again. I think what we're really trying to say is that it's not just one, it's multi-factorial, but if you're allowed to have the IP protection draw investment here, we'll have more opportunities for more talented individuals who, when they go through the entrepreneurial phase and succeed, it's fantastic. If they go through the entrepreneurial phase and it's a failure, they have somewhere else to go, and that's the cluster that we're trying to achieve.

**Mr. Massimo Pacetti:** Mr. Chair, could we get a copy of that report?

**The Chair:** If you can provide it, that would be great.

**Mr. Paul Drohan:** Sure.

**The Chair:** Thank you.

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

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

Actually, I think I'm going to continue on in that vein of questions.

Without this deal, how many jobs would be at stake? If we didn't have a deal and we didn't have the proper patent protections in place, what do you see in the future for the biotech sector in Canada?

**Mr. Gordon McCauley:** Again, I don't want to paint it as doom and gloom, because it is a strong community based on strong research and strong entrepreneurs, but I think the number that Paul just reiterated is quite striking, that 20% of the companies think about relocating, given some of the economic environmental issues, and this is clearly one of them.

**Mr. Randy Hoback:** So we would see a brain drain out of Canada then with regard to the biotech sector, because that's a huge number of people. Not only that, if you take those types of players out of the market and universities and everything else, that would have an impact also, would it not?

**Mr. Gordon McCauley:** It's a big risk.

**Mr. Randy Hoback:** What do we have to do in Canada to make sure it becomes the place to be of the biotech sector? How do we make this the place to look at? If you look at this deal for example, CETA is unique. It gives us market access to the U.S. and Europe and with TPP coming down the road hopefully, we'll see unfettered access into the Asian market. To me that's a great place to locate, but what other things do we think we need to do to make Canada the place to locate?

• (1710)

**Mr. Gordon McCauley:** How much time do we have this afternoon?

**Mr. Randy Hoback:** I've got seven minutes. I've got a couple of questions for Stan too.

**The Chair:** You've got five and a half minutes.

**Mr. Gordon McCauley:** I'll just say two things and then ask Paul to comment.

It is critical that we are consistently looking at the sort of economic drivers like the ones that are included in CETA. Not to go too far off topic, but some of the elements of the Jenkins report—for example, looking at focusing our economic incentives toward real commercially based research and development—are very encouraging. There are a lot of things to do, but there's no question that we have a strong industry that's based on strong initially publicly supported research, and this is the commercial output of that. We need to continue to strengthen the industry.

**Mr. Paul Drohan:** I'll touch on a few things. One is something like looking at commercialization, I think that was the right way to go, \$100 million; show me you're going to commercialize in three years and we'll invest. That was a great program, and we'll see how that plays out.

The other thing is that we need to get rid of some redundancies. There is redundancy in the system if you look at the regulatory front. We need to speed up regulatory approval so that's clarified—

**Mr. Randy Hoback:** Again that's something we're doing through CETA.

**Mr. Paul Drohan:** I think there's an opportunity for us to go through the regulatory collaboration for biotech and address that issue through that. If you look at the timelines, we're almost a year slower than the FDA, and I think the number is around 267 days slower than the EU in approving products. So that's step one.

**Mr. Randy Hoback:** You're going to have to speed up. We've only got five more minutes, and I have a few more questions for Stan.

**Mr. Paul Drohan:** And then the other piece is redundancy in price regulations. We have both the common and the provincial drug review, so we need to try to streamline that as well. Those would be two important issues to increase the sector.

**Mr. Randy Hoback:** Okay.

Mr. Van Keulen, it was great to listen to your presentation today. I'm curious, how many cows are culled in the dairy sector every year? You must have an idea.

**Mr. Stan Van Keulen:** Thirty per cent are culled every year.

**Mr. Randy Hoback:** And that goes into the beef sector, correct?

**Mr. Stan Van Keulen:** Correct.

**Mr. Randy Hoback:** So it'll have market access now into Europe. It would be unique because it's all hormone-free, is that correct?

**Mr. Stan Van Keulen:** Do you want me to answer that?

**Mr. Randy Hoback:** To the best of your ability.

But that is a unique opportunity that you didn't have before. And I know one thing that we—

**Mr. Stan Van Keulen:** Most of our cull cows go down into the United States right now from British Columbia, and the ones locally all go into hamburger. Thank you, McDonald's, you guys are doing a good job.

**Mr. Randy Hoback:** That's been the historical trade pattern, going north to south now. The country of origin labelling creates all sorts of other interesting things, which we won't touch on here because we'll talk about CETA, but I just look at that.

And then I also look at...you said you had a couple of sons coming back into the sector. I'm curious, you said there are about 502 producers doing about \$570 million approximately, give or take. How many producers did you have 10 years ago?

**Mr. Stan Van Keulen:** Probably about 700 or 800.

**Mr. Randy Hoback:** So you've got consolidation within the sector.

**Mr. Stan Van Keulen:** Yes. Well no, I should maybe correct that.

In our industry, the consolidation is about 2.5% to 3% per year. It's the same as the United States without supply management.

**Mr. Randy Hoback:** Okay. So we're probably seeing consolidation in the grain sector too.

Profitability isn't the factor in whether we keep the number of farmers on the farm. A variety of economic things happen in that decision and a lot of personal things can go into that decision too. I'm excited that your sons want to come back, that's a good sign. We're seeing that in the grain sector too. I'm curious, they must be excited about having unfettered access into Europe. As they look at their dairy herd, they're saying they could add another 30 cows or 60 cows—I'm not sure of the size of your herd—and they don't have to buy quota because now they can ship into Europe. Isn't that a positive thing for you to be looking at?

**Mr. Stan Van Keulen:** If that is the truth.

**Mr. Randy Hoback:** It's exciting isn't it?

**Mr. Stan Van Keulen:** It's exciting if that is correct. I'm not sure if it is. Because my understanding is that it is not. We do not have unfettered access, and I hope—

**Mr. Randy Hoback:** We had the European commissioner in front of us just this last week. And that's the selling point she made. Yes, you give up 16,000 tonnes of cheese, which is less than the consumption growth we have in the cheese market in Canada by the way. So it's giving up an opportunity, you're not giving up actual quota or anything else, but you're also getting unfettered access into Europe.

So I'm looking at that and saying it's great, this is a win-win in so many ways. And yes, there is some give-and-take for the first five years, but the reality is the growth in Canadian consumption in that fine cheese market is growing at such a pace that you're going to be supplying even more and having to have more quota available to take care of the market increases that are coming forward. Is that not fair to say?

• (1715)

**Mr. Stan Van Keulen:** No, it's not fair to say.

**Mr. Randy Hoback:** Really?

**Mr. Stan Van Keulen:** It's not fair to say that at all.

**Mr. Randy Hoback:** Okay.

Does anybody else have anything on that question—or am I pretty well done there, Mr. Chair?

**The Chair:** You have 20 seconds, but you don't have to use them.

**Mr. Randy Hoback:** I'll pass them on.

**The Chair:** Very good.

Madam Crowder.

**Ms. Jean Crowder:** I'll use those 20 seconds.

I want to talk to you, Mr. Van Keulen, about the unfettered access. I believe this paper was produced by the dairy farmers, but they did the analysis on the WTO panel and stated:

The WTO panel determined that milk sold by farmers and destined to the export market at prices below the domestic market price constitute an export subsidy. The conclusion in this paper was in fact that Canadian dairy farmers would not be able to take advantage of this so-called unfettered access.

Is that your interpretation of this as well?

**Mr. Stan Van Keulen:** Yes. In terms of the ruling, to my understanding of the way it is, if we sell anything into the European market or into any market—we'll talk about the TPP tomorrow—and it is below our domestic price, what we sell retail here, it is considered a subsidy.

That's the problem we have. If we wish to capture that European market and we go in there for less than what we sell retail or wholesale here, it is determined to be a subsidy by the Europeans. That's the problem. You have unfettered access if you lower your domestic price to the European price.

**Ms. Jean Crowder:** In fact this analysis says that we currently have access for aged cheddar cheese into Europe, but we “do not fill that TRQ”. So it's difficult to see how this so-called unfettered access will be unfettered access.

You mentioned supply management a couple of times. We heard from a couple of different witnesses today that they see supply management as being a barrier to unfettered access. Can you comment on that?

**Mr. Stan Van Keulen:** I could.

**Ms. Jean Crowder:** Do you want to comment on that?

**Voices:** Oh, oh!

**Ms. Jean Crowder:** If you don't, that's fine.

**Mr. Stan Van Keulen:** No, it's just a matter of how much time we have.

**Ms. Jean Crowder:** I'm on the shorter round here. I get only five minutes—plus 20 seconds.

**Mr. Stan Van Keulen:** Okay.

It's not a barrier, it's a scapegoat. We keep hearing that from the high-tech industry, or the beef industry, that it's....

You know, people want access to our market because it is a captured market. They don't have to compete against anybody else in the world to come into our market. They just compete against us Canadians. Anybody who comes in and has access into our market.... So everybody wants in. I think the worst thing that can happen to anybody, to the Americans or the Europeans, is that they destroy supply management, because then the golden goose is gone for them.

**Ms. Jean Crowder:** I know that's a topic for a much larger conversation, but I thought it was important to have your perspective given the number of times we heard about supply management from people who weren't necessarily farmers.

I want to touch on the geographical indications. Canada, as was pointed out earlier, didn't ask for any GI protectors, but conceded 179 to the EU in this agreement in principle. It says here that while Canada has retained the right for existing producers to continue to produce certain cheeses, such as feta and Parmesan, the Canadian cheese sector cannot export these products into the EU.

Can you comment on that issue around geographical indications?

**Mr. Stan Van Keulen:** I'm not an expert on it, but I do understand it a little bit. I think you've touched on the fact that we can't ship into the Parmesan region of wherever that is, and we can't ship into feta, wherever that is. It's just that those are geographical indications of the product, and—

**Ms. Jean Crowder:** But we didn't ask for any protectors. My colleague talked about Oka cheese, for example.

**Mr. Stan Van Keulen:** I guess we could ask for Canadian cheddar. I don't know if that's significant in the eyes of the Europeans or Americans.

**Ms. Jean Crowder:** Mr. Chair, do I have more time?

**The Chair:** You have 40 seconds.

**Ms. Jean Crowder:** Just very briefly, Mr. McCauley, did your organization do any analysis on the cost implications to provincial governments if this patent protection were extended?

• (1720)

**Mr. Gordon McCauley:** We didn't do any specific analysis, but I would acknowledge a couple of things.

First of all, nothing in CETA impacts on a government's capacity to manage prices. Secondly, the most compelling argument to me is that if greater intellectual property protection equalled higher prices, then prices would be higher in the EU, and they're not.

**Ms. Jean Crowder:** Thank you.

And thank you, Mr. Chair.

**The Chair:** Mr. Holder, the floor is yours. You're the final questioner of the day and you have a full five minutes if you want to use it.

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

I'd like to thank our guests today, especially Mr. Van Keulen. He's actually the trooper of the day, because you actually hung in from this morning. You need to get a life. Just imagine spending the whole day with us and we're going to have you back tomorrow.

**Mr. Stan Van Keulen:** Yes, and all day too....

**Mr. Ed Holder:** I look forward to that opportunity.

And I would like to thank all of our guests for being here today.

Mr. Van Keulen, since you seem like a lot of fun, I'm going to stay with you on a couple of things if I can. You know up to this point, up to the point of CETA, that Canada has negotiated many trade agreements. You'd know... I'm going to list several of them—of course, the United States in the NAFTA, including the United States and Mexico; free trade agreements with Peru, Chile, Costa Rica, Panama, Colombia, Israel, even Jordan; four countries in Europe, the EFTA group, which is Norway, Iceland, Liechtenstein, and Switzerland; and there may be several others.

My question for you, though, is how do you feel the federal government has done in protecting supply management for your industry up to this point?

**Mr. Stan Van Keulen:** I'm going to say you actually did not a bad job, considering.... And I know the people on the other side here might disagree with that.... I've got to compliment the government on this "pizza kit" issue that we've had, where people were trying to circumvent the border again, and it was your government, or my government, or whoever....

**Mr. Ed Holder:** All of our government.... Up here we all—

**Mr. Stan Van Keulen:** All of our government in this room brought that to fruition. We've had Liberal governments, we've had Conservative governments. We have not had an NDP government—

**Some hon. members:** Oh, Oh!

**The Chair:** Order, because now we're deteriorating....

**Mr. Stan Van Keulen:** The reality is, I have to compliment the government that is existing today...that they did move in on the "pizza kits".

I want to say one thing here and we're going to have some fun here because I have to get a jab in too. It is remarkable that we've been lobbying for almost a year and a half, we've eroded a bunch of our markets, and it took no more than a week and a half and an order in council to have it done. So I've got to compliment the government, but it took a while, that's all.

**Mr. Ed Holder:** Well, my Cape Breton mother used to say the best time to plant a tree was 20 years ago, but the next best time is today.

But didn't we do that also with milk protein concentrates? Wasn't that a fairly positive thing as well?

**Mr. Stan Van Keulen:** Yes, you did that with milk protein concentrates. There are a number of loopholes more that we have to work with the government on, if we're going to continue on. You did do that and there are some whey protein concentrates now. And there are other products that are trying to come into this market too that we have to work on.

**Mr. Ed Holder:** That kind of brings us back to CETA. There's this Spanish company that's going to be opening up in my city of London, Ontario, the 10th largest city in Canada. What's interesting about this company called Natra is that it's actually a Spanish company that is going to be making chocolate.... The good news about that company from Europe is that when they need to make chocolate they need...?

• (1725)

**Mr. Stan Van Keulen:** Milk.

**Mr. Ed Holder:** Milk. So that's going to significantly impact our industry. And of course southwestern Ontario—of which I am a resident I'm proud to say—is according to one of our colleagues, Gary Schellenberger, the heart of dairy production in Canada, with no disrespect to British Columbia, ever.

When I look at the opportunities that can happen as a result of this example of this company coming into my city of London that will support the industry, I think that's a very positive thing. Here's what I find interesting. We've moved up the cheese limit from 48%. Mr. Hoback was quite correct.

The EU ambassador—we were all present at that meeting this past week in Ottawa, our nation's capital—made a great point of saying that cheese producers in Canada have unfettered access to the whole of the EU market, so please take that back to your colleagues because one of the things I heard you talk about was the concern about the imbalance of imports versus exports. So I thought, well, whose fault is that? I don't know, fault might be the wrong word, but it occurs to me that if you have some opportunity to have unfettered access, and the most they get is an additional 4%....

And again, from a southwestern Ontario perspective I'll share this with you. The cheese producers in that area—and dare I say if Mr. Morin, who is part of our committee, were here he would tell you that the artisan cheese-makers in Quebec, at least the ones he's spoken to me of, are very confident.

My quick question then is this—and I apologize for the diatribe—would the unfettered access to the cheese markets in all of Europe help that balance of trade that you were concerned about?

**The Chair:** A very quick answer—

**Mr. Stan Van Keulen:** I would say so if it were unfettered access where we could sell at a profit, yes. The key word is “profit”.

**Mr. Ed Holder:** I agree.

**Mr. Stan Van Keulen:** Anybody can do business by giving things away.

**Mr. Ed Holder:** That would be bad.

**Mr. Stan Van Keulen:** That's not the way to do business.

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

Thank you to our guests.

**The Chair:** Thank you very much. That concludes our day of testimony on CETA.

I do want to mention that we have a reception in about a half hour. Everyone here is welcome to come.

With that, I want to thank our witnesses and our committee.

We will adjourn.

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