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Mr. Randy Hoback

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● (1530)

[*English*]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good afternoon, everybody. Pursuant to the order of reference of Wednesday, October 1, 2014, we are examining Bill C-41, an act to implement the free trade agreement between Canada and the Republic of Korea.

We have two witnesses in the first hour and we have two witnesses in the second hour. In the first hour it will be a video conference. We have Mr. Stanford, an economist with Unifor. Then we have Mr. John Masswohl, director of government and international relations of the Canadian Cattlemen's Association, who is joining us by teleconference.

Colleagues, when you are addressing Mr. Masswohl in your questions, you'll have to say his name if your question is going to him. Because he is teleconferenced, he is not seeing your body language or your activity, so I'll just remind you if you have a question for him to refer to him.

That being said, we will proceed with Mr. Stanford for 10 minutes.

Mr. Jim Stanford (Economist, Unifor): Thank you very much, Mr. Chair, for the invitation to meet with all of you today.

I am, as you said, the economist for Unifor, which is Canada's largest trade union in the private sector of Canada's economy. We represent 305,000 members working in at least 20 different definable sectors of the economy, many of which will be affected—some negatively, some positively—by this agreement you're considering.

Indeed, I was a little amused to read the title of your study today, “Positive Effects for Canada of the Canada-Korea Free Trade Agreement”. Usually in economics we do a methodology called “cost-benefit analysis” to inform important decisions. The title of your study implies that we're doing something different called “benefit-benefit analysis”. I will consider some of the benefits of the agreement, but I will also consider some of the costs to Canada. I hope that in doing so I am still in order for your hearings.

I must also apologize. I received this invitation to appear only yesterday. I do have some speaking notes, but in the coming days I'll formalize those notes and have them translated and submitted to your committee.

I've also asked the clerk to enter into the record, if he's able to today, two more formal documents. One is an important study of the likely impacts of trade liberalization with Korea on a number of different sectors of Canada's economy, published by one of our predecessor unions, the Canadian Auto Workers. The second is a shorter briefing document, a briefing kit, with some more up-to-date information on Canada-Korea trade patterns and the likely impacts of the free trade agreement.

I'm concerned about the agreement. I believe it will lock Canada into a bilateral trade relationship that is very unbalanced in both quantitative and qualitative terms. In quantitative terms, we import more than two dollars in merchandise from Korea for every dollar that we sell back. As a result, we have a large and chronic trade deficit with Korea, which reached almost $4 billion last year.

Trade is good. As an economist I'm a big booster of trade if it adds to the net demand for Canadian-made products and hence for the Canadians who make them, but our bilateral imbalance with Korea has done the opposite. It is a significant component of our larger overall trade and balance of payments deficits, which have undermined our macroeconomic and employment performance in recent years. We estimate that the current bilateral deficit with Korea corresponds to the loss of over 10,000 Canadian jobs across a wide range of sectors.

But in addition to the quantitative imbalance, I'm even more concerned with a structural or qualitative mismatch between our exports and our imports. Canada primarily exports unprocessed or barely processed resource-based materials that constitute the large bulk of our exports to Korea. In return, we primarily import sophisticated technology-intensive and value-added products, and that is a losing combination for any country concerned about its long-run development prospects.

For example, Canada's top four exports to Korea in 2013 were, in order: coal, copper, aluminum, and wood pulp. Canada's four top imports from Korea were automobiles, electronic circuits, auto parts, and smart phones. I recognize the importance of resource industries to our prosperity, but in the long run we need to be doing much more to add value to our resources, and not just digging them out, sending them to someone else, and buying back the stuff they make out of our resources.

Moreover, in understanding the implications of a free trade agreement, we have to understand the structural asymmetry in our existing starting point. Canada's exports of resources to Korea will not be significantly impacted by a free trade agreement because they are not at present in the resource sector subject to high tariffs or other trade restrictions. Korea needs those resources and doesn't have them, and it doesn't make sense to be protecting them somehow, or stopping their import. On the other hand, our imports of value-added products do have significant tariffs attached to them, and eliminating them will lead to a significant increase in our imports from Korea.

Making things worse, our resource exports to Korea are relatively non-labour intensive, whereas our imports are more labour intensive. It's a no-brainer that a free trade agreement with liberalization on both sides will stimulate the quantity of imports from Korea much more than our exports to Korea. Then, even more, the number of jobs associated with those imports will be lost out of proportion to new jobs created in relatively non-labour intensive export sectors.

More deeply, a trade agreement like this clearly reinforces Canada's status as a supplier of raw materials and an importer of value-added goods. Like other free trade agreements that we have signed in the past, this one will make matters worse by reinforcing our specialization in resource exports, undermining the domestic market position of value-added industries through cheaper flows of imports and, perhaps most importantly, limiting the policy levers that are available to government to try to promote more diversification.

● (1535)

We will talk a bit about the auto industry. Nearly three-quarters of our bilateral deficit with Korea is due to automotive trade. It is the single most important component of our bilateral trade with Korea. We trade, if you like, in autos a lot, but it's a one-way street. We exported $15 million worth of automotive products to Korea last year and imported almost $3 billion back. For every $1 we sell in Korea in automotive, we import $182 from them, so it really is a one-way street, and clearly it's going to stay that way after a free trade agreement.

In fact, the situation with Korea has gotten much worse over the last 15 years even though Korea—this is important—has reduced its tariff on automotive imports during that period. Our automotive exports to Korea were never large to begin with, but they have fallen by 82% since 1999. Our imports, on the other hand, are up 450% in the same time, and that change is not driven by tariff issues. That's driven by a structural imbalance in the nature of the trade, differences in the two automotive markets and, importantly, a very successful effort by Korea to mobilize a whole slate of policy levers to promote exports in key value-added industries while clearly limiting imports.

The automotive provisions of this agreement—bilateral tariff elimination, acceptance of market access, and national treatment—will lock in the existing imbalance. They'll have no measurable impact on our automotive exports to Korea, and they will make our imports from Korea incrementally larger.

We can verify this by reviewing the situation of the United States and the European Union, both of which have recently signed free trade agreements with Korea, the U.S. in 2012, and the EU in 2011. America's merchandise trade deficit with Korea has actually widened dramatically since the FTA to $23 billion last year from $14.7 billion in 2011. In the auto sector there's been a small uptick in U.S. auto exports to Korea, but those exports remain small. America's imports of automotive products from Korea grew 22 times faster than new U. S. auto sales to Korea did, so the trade imbalance has gotten much worse.

The EU imbalance has gotten worse as well. The number of vehicles imported into Europe has grown by three times as much as the number of new vehicles exported by Europe, again reflecting the structurally closed nature of Korea's market.

Remember, the American and European situations were preferable to ours. Europe has a whole slate of domestically based automakers like Mercedes and BMW that sell high-value products with strong brand names into Korea. Canada has no such feature. In the U.S. case, there were very aggressive measures to try to tackle the imbalance in the auto sector, including a unique snap-back provision. Those provisions are not in existence. Our agreement is clearly inferior to the American one, so the net impacts are going to be worse.

I stress that while I've emphasized the auto sector, the auto sector is not the only sector that will be harmed by this agreement. Other sectors will be affected by the same problem of an initial large imbalance, a structural asymmetry of our bilateral relationship, and technological and competitive weakness among Canadian value-added exporters instead pushing us to reinforce our specialization and resources.

Our analysis, which I mentioned at the beginning, looked at 20 non-agricultural sectors at the two-digit level, including food processing. Fifteen of those sectors will lose employment and output under a free trade agreement with Korea. Four of them will gain new opportunities, and one has no change.

Auto is not the hardest hit sector in our analysis. Computers and electronics is, followed by machinery, then followed by the auto sector. All of those high-value sectors will clearly lose more sales from this agreement than they will gain. Total job losses could total 30,000 across the 20 sectors that we looked at, so it's wrong to assume that this is just a problem of the auto industry. If anything, the sectors that could win under the agreement are more the exception than the rule.

I acknowledge that some sectors will win, including the export of meat and meat products. Every free trade agreement has winners and losers. The task for policy-makers is to make sure the net impact is going to be positive, and I cannot foresee—perhaps we can talk about this more in the questions—any scenario in which the increase in meat through pork and beef exports to Korea offsets anything but a tiny fraction of the growth in the bilateral trade deficit, which is clearly going to occur under this deal.

Finally, the agreement also includes several of the very negative structural features of the NAFTA-style free trade agreements that have nothing to do with trade. In fact, in some ways they restrict trade. These are features like the deregulatory bias of services trade, intellectual property measures, and limits on government procurement. In fact, I don't know if this is known widely, but the Korea FTA would cut by more than half the size of the threshold under which federal contracts for goods and services have to be offered to the competing country. That's a significant change.

Then finally, it does lock in an investor-state dispute settlement mechanism that is being challenged internationally. I find it incredible that the Europeans are very worried about that provision, yet here in Canada, even progressives would sign an agreement that has more of this investor-state dispute settlement kangaroo court system that's been so controversial.

I look forward to your questions. Thank you again for the opportunity to join you today.

● (1540)

The Chair: Thank you, Mr. Stanford.

Colleagues, I'll just say first of all, Mr. Stanford, that I think you'd be pleased to see that the title actually has changed. Since the bill has now come from the House, the title reflects accordingly. Also, the analyst has both of your copies, but unfortunately they're only in English, so I cannot distribute them. The analyst does have them.

We'll go to our next witness, Mr. Masswohl from the Canadian Cattlemen's Association.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): Thank you, Mr. Chairman. Again, it is always an honour to appear before the committee.

I also want to take the opportunity to congratulate you, Mr. Chairman, on your election. We know things are in good hands with someone who understands as well as you do the connection between access to global markets and what it means to farmers and for farm gate prices.

On today's topic, the Canada-Korea free trade agreement, we believe it will be extremely beneficial for Canadian beef cattle producers. The Canadian Cattlemen's Association urges that it be implemented as quickly as possible. Indeed, we need it to come into force no later than January 1, 2015. Earlier than that would be even better.

Currently, Canadian beef, both fresh and frozen, pays a 40% tariff when imported into Korea. That's compared to U.S. beef, which currently pays a 32% tariff. Every year on January 1, the Korean tariff for U.S. beef drops another fifteenth of 40%. That's 2.7% per year. Without the Canada-Korea free trade agreement, the tariff disadvantage for Canadian beef will increase from an 8% differential to 10.7%.

Under the terms of the Canada-Korea free trade agreement, Korea will eliminate the 40% tariff on Canadian fresh and frozen beef in 15 equal annual steps, so that's at the same pace that Korea is eliminating the tariff on U.S. beef. But what we don't know yet is when the Canadian Parliament and the Korean legislature will complete their work to bring the Canada-Korea free trade agreement into force and get the phase-out started.

The agreement itself provides that the annual tariff cut for Canadian beef will occur on the anniversary of the agreement coming into force, so if the agreement comes into force on January 1, we're going to maintain that constant tariff differential of 8% with the U.S. until we eventually catch up and we both get to zero duties going into Korea.

If the parliamentary ratification process drags on and we miss that January 1 date—so let's imagine that maybe it becomes a March 1 implementation—it means that every year through the phase-out period we're going to have a wider tariff differential of 10.7% for the first couple of months of the year. On the other hand, if the House and the Senate work quickly and bring the agreement into force, let's say on December 1, then we'd have a smaller differential of 5.4% every year, just in the month of December.

What the text of the agreement says about coming into force is that the agreement will come into force 30 days after both countries have completed their domestic legislative processes. That means we need royal assent in Canada no later than the end of November. No pressure, we're just looking for some kind of record to be set to get this thing done and implemented expeditiously.

In addition to the beef muscle cuts—we think of the steaks, roasts, and those sorts of things—the Korean market is also important for the organ meats, known as offals. The current Korean tariff for beef offals is 18%. For Canada, that's going to be eliminated in 11 equal annual steps. On the offals, I'd note that the phase-out is faster than the U.S. is getting. Not only will we catch up to the U.S., but we'll actually have a few years' tariff advantage over the U.S. on the offals.

I'm going to wrap up, but before I conclude, I have a few statistics on our beef trade with Korea. In 2002 we exported nearly $50 million worth of beef to Korea. Unfortunately, from May 2003 until February 2012, Canadian beef was prohibited in Korea, so we didn't ship anything. For those 10 months of 2012 after we regained access, we exported 2,247 tonnes of beef, for $10 million, and that was with the 2.7% tariff differential that year, when the U.S. free trade agreement came into effect on March 15, 2012. For 2013, that tariff differential grew to 5.4% and our exports dropped to 1,166 tonnes, for $7.8 million. This year—as I said before, the tariff differential is 8%—from January through July we've exported only 807 tonnes, for $7 million.

What you can see over that time period is that the dollars per kilo of what we are continuing to export has been rising. We were at $4.47 per kilo in 2012. We're at $8.70 per kilo this year. That's partly because there is a global reduction in beef supply and prices are generally rising anyway for beef, but it's also because, with that growing tariff disadvantage, we're not competitive at the low end of the market such as frozen beef and bones, which are a good, important part of what we used to ship to Korea. We have maintained meaningful shipments at the high end.

● (1545)

Our assessment is that by keeping the tariff differential constant at 8% through the transition period, we are going to be able to maintain meaningful trade with Korea. Once that tariff is eliminated, we would expect to be back in the annual $50-million range and probably beyond that.

Thank you, Mr. Chairman. I would be pleased to respond to questions.

The Chair: Thank you. Mr. Masswohl. I appreciate your frank and speedy presentation.

We'll start off with our questions. Mr. Davies with the New Democratic Party, you have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman, and thank you to both witnesses for being with us.

Mr. Stanford, you raised the issue, as have others, about the increased trade deficit in the auto sector in the U.S. as a result of the KORUS deal signed in 2012. I put that concern to Ian Burney who negotiated this agreement on behalf of Canada, when he testified on Tuesday this week. He responded that the trade deficit was wholly unrelated to KORUS because U.S. auto tariffs have not actually implemented any reductions yet. The passenger car tariff doesn't actually come down until 2016 and the light truck tariff doesn't begin to fall until seven years after the implementation of KORUS. So, there's been no change in the U.S. tariffs as a result of KORUS yet. I think there has been a reduction on the Korean side.

He also pointed out that the U.S. economy has been in recovery for the past few years, whereas Korea has been suffering a bit of an economic cold over the past two years. In other words, Mr. Burney argued that growing U.S. consumer demand and slowing Korean consumer demand could also be a factor responsible for the fact that American consumers may be purchasing more vehicles, whereas Korean consumers are not. What would you make of that argument?

Mr. Jim Stanford: I don't accept that America's economy has been stronger in the years since the global financial crisis than Korea's. In fact, Korea along with Germany is one of the countries that have recovered their employment ratio relative to population, their GDP, and certainly their exports, so I don't think a differential macroeconomic phenomenon explains the widening difference. If the trade deficit has gotten that much worse in automotive products despite the fact that U.S. tariffs haven't even started to decline yet and the Korean tariffs have indeed started to decline, that's part of the small uptick in U.S. exports to Korea in the auto sector. That suggests to me that it's going to get even worse once the U.S. tariffs do start to come down.

Trade economists have recognized for years that you can't estimate the effects of a free trade agreement solely by running an elasticity against a proportionate tariff reduction. There is a structural change or a gravity effect of a free trade agreement that causes the expansion of trade flows above and beyond what you would normally expect just from the relative reduction in prices from tariff elimination. I don't find Mr. Burney's argument at all to ease my concern. In fact, if anything, I would be more concerned in light of those facts.

● (1550)

Mr. Don Davies: Mr. Burney also told this committee that according to their figures nearly 50% of Korean brands that are sold in Canada already enter Canada tariff-free under NAFTA through U. S. plants. We also know that a new Kia plant is scheduled to open in Mexico in the next two years with a yearly production of over 300,000 vehicles.

Given the tariff-free access of Korean product under NAFTA already, do you believe that, in the absence of a trade agreement with Korea, the 6.1% current tariff on Korean-built cars in Canada would have any real effect on keeping Korean product out of Canada?

Mr. Jim Stanford: Well, it certainly doesn't keep Korean product out of Canada. We import around 100,000 vehicles from Korea. All of my numbers about the imbalance with Korea are not about Korean-branded vehicles. They are about Korean-made vehicles. Yes, there are Korean-branded vehicles made within North America that come into Canada tariff-free. One of the structural imbalances between us and Korea is that the Korean firms have no FDI presence here in Canada at all. They have located in Mexico or the deep south of the United States. It actually makes things worse that they're coming in both from Korea and from other regions of NAFTA. There's no intention on the part of Korean automakers to put any direct investment or direct production into Canada at all and, most disappointingly, there's no effort by Canadian trade negotiators to do so.

In some of our earlier submissions to the federal government regarding the Korean negotiations, we suggested that they deal with the Koreans and make their tariff-free access to Canada's market contingent on Hyundai and Kia getting at least some kind of footprint in place to proportionately reflect their share of the Canadian market. They have a 12% market share now, but of course that was not taken up by our negotiators. Just keeping the 6.1% tariff alone is not a solution to the problem. The problem we have today has arisen in the wake of that tariff. We need, I think, a deeper effort to develop export-oriented capacity in high-value industries, including auto but not just limited to auto. We need the ability to bargain with countries like Korea and say, "Look, this cannot be a one-way street. In strategic industries like auto, like telecommunications equipment, like computers and circuits, we have to have reciprocity. We will not satisfy ourselves with shipping you resources that you transform into very expensive products that you sell back to us."

That would be the ultimate solution. But eliminating the 6.1% tariff isn't going to make things better. It's going to make them incrementally worse, locking in the current imbalance.

Mr. Don Davies: Again, focusing just on auto, Mr. Burney, and, I think, others agree that nearly 90% of Canadian-made vehicles are made for export. Mr. Burney also noted that imported auto sales in Korea have been growing at about 30% annually over the past four years. Now, clearly exports are a critical part of the sustainability of the Canadian auto sector, as is taking advantage of opportunities for growing in overseas markets.

Mr. Stanford, what policies do you think are needed from the federal government to promote the growth of North American car brands in foreign markets?

Mr. Jim Stanford: I think that's an excellent question, Mr. Davies, and I actually I think that's what we should be devoting our attention to. Through our union and through multi-stakeholder bodies like the Canadian Automotive Partnership Council, we have been considering what types of pragmatic measures would be required to facilitate more offshore exports by Canadian-based producers. We export 90% of our output, but almost all of that goes to the United States. Our offshore export capacity other than for a couple of niche vehicles is almost non-existent, and anyone who's taken grade 8 math can tell you that if you start with a very small number and grow at 30%, you still have a very small number. The fact that Korean auto imports have been growing by 30% a year is quite misleading. It is still one of the most closed automotive markets in the world, and the total market share of imports is in the single digits whereas Canada's market imports over 90% of our sales. It takes pragmatic measures like partnering with the companies to design and develop vehicles that are aimed at international markets. Most of our vehicles are actually designed and oriented around the tastes of North American consumers. So, there's very limited demand offshore for those products. Developing an export-oriented infrastructure would make it more feasible to get up to scale on volumes of vehicles going offshore. In fact, negotiating with or pushing the automakers present in Canada to make exported vehicles part of the package when they're coming to government with requests for investment subsidies and other measures like that, even subsidies around some of the refinements and modifications that have to be made to vehicles—

● (1555)

The Chair: Thank you, Mr. Stanford. I'm sorry, but you've gone way past the seven minutes.

Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you very much, Mr. Chair.

Thank you to both witnesses. We appreciate you appearing, particularly on relatively short notice. Certainly we tabled the agreement in June, but we appreciate your quick response to appear before the committee.

Mr. Stanford, this is kind of my “Jim Stanford day”. I woke up to you on CBC Radio for Toronto this morning. I listen to it from my apartment here so I can keep up on events there. It was interesting, because the subject was the 1,000 new jobs in Oakville since much of the new Ford Edge product, as you know, is up for export, including under export provisions granted in CETA. You were quite positive, obviously, about those 1,000 new jobs for your union members this morning, but this afternoon you seem a little less positive on trade. Could you explain the difference?

Mr. Jim Stanford: I think the difference, sir, lies in the difference between being positive on trade and being positive on free trade agreements. I said in my testimony, as an economist I'm a strong supporter of trade when it adds to the net demand for Canadian-made products and the Canadians who build those products.

In Ford's case, they have taken a vehicle, and it's one of the exceptions to the rule, the Ford Edge, and they have designed it in a way, marketed it in a way, and invested in a distribution system and a transportation system to get those vehicles to other markets. They don't sell it in any significant quantity in Europe yet, but they do sell it in Latin America, Asia, and some other markets. That is a very positive thing. We need more of that. I was just answering Mr. Davies' question with some of the pragmatic ways we could support more offshore exports, none of which have to do with signing a free trade agreement and then just hoping for the best.

Tariff reduction alone is not driving any change in the structural imbalance in our automotive relationships with Korea, Japan, and Europe. With every one of those jurisdictions, our auto trade is a one-way street flowing in. I am positive about trade, I do think that stimulating more offshore exports is an important priority for a national auto policy. I think we will need some hands-on, more directive measures to make that happen, rather than just eliminating tariffs on both sides and hoping for the best.

Mr. Erin O'Toole: Let's pick up on the Ford example, and the Edge in particular.

Certainly, as you know, in the last few years through the automotive innovation fund, and other means, our government has tried to support efficiency and innovation in the auto industry. But specifically to Oakville and Ford, because we're all excited about those 1,000 new jobs, where is the decision made on what vehicle rolls off the plant line in Oakville? Is that made by Ford Canada, or is that made by its parent?

Mr. Jim Stanford: It's certainly made by the parent. One of the trends that we've seen in global automakers is it's even made on a global basis by the global automaker. They are trying to consolidate their output in facilities around the world into a smaller number of what are called global vehicle platforms. That allows them to develop a sort of common underbody and common engineering framework for vehicles, and then the body and so-called top half are added to the design and produced in different plants around the world.

Even the CEO of Ford Canada would have virtually no influence on a decision like that. It's made by the global planners. They look at what is going to maximize their profits in terms of minimizing production costs, minimizing transportation costs, and minimizing risks to exchange rates and other factors, but taking into account the policy constraints that push their decisions.

Part of our view would be, again, that we need a more active policy framework instead of just liberalizing and hoping that unconstrained business decisions will keep this industry here. We need to get in, roll up our sleeves, and sort of bargain with the automakers using whatever carrots and sticks we can bring to the table.

● (1600)

Mr. Erin O'Toole: I appreciate that. You've laid the framework, it is a global production phenomenon. I represent, proudly, an area that has many auto workers from GM Oshawa. I know it would be the same in Windsor. In Oshawa we're quite worried about a vehicle being selected for 2016 and beyond for Oshawa, but these decisions are made by the parent company in Detroit.

My question to you is, as legislators in Canada, how could we possibly, in light of the U.S. having free trade with Korea, allow our three plants in Ontario to have less market access than the American plants of the Big Three at a time when these decisions about global production are being made?

Mr. Jim Stanford: Sir, in all honesty, the fact that American plants have tariff-free access to a tiny market on the other side of the Pacific Ocean is going to have no bearing whatsoever on their decisions about what vehicles to put where. Even with the free trade agreement, as I said, the exports of American-made vehicles to Korea are going to remain insignificant; the sort of scale that you could meet with a few hours of production from any assembly plant.

In cases where you had a more meaningful opportunity to develop an offshore export flow, then I accept that it could play a role in influencing a business case. The more places you can sell the product, the better. That does all depend on the corporate decision about what vehicles they're going to aim for which markets, and it also depends on the policy framework. If we had a more active policy framework that compelled or pushed automakers to have an export plan as part of their package, especially where we have carrots or sticks to influence their decisions, then I'm all in favour of boosting offshore exports wherever we possibly can. I'm just very skeptical that just signing a free trade agreement in and of itself will improve that at all.

Mr. Erin O'Toole: Is it fair to say, though, that now when GM Oshawa is compared to a GM plant in Michigan, market access is at least at parity into South Korea, so that for decisions made around the global selection, it's parity. We're not putting our plants at a disadvantage even if it's just one market, but a market in a growing part of the world in Asia.

Mr. Jim Stanford: You're talking about a handful of vehicles. It can't possibly.... When you make a decision about allocating a new model somewhere, you're looking at maximizing a production run over the expected five- or six-year life of that vehicle, and you're talking about production of half a million units. The fact that you might pay the 8% tariff—

The Chair: We're going to stop you there, sir. I'm sorry. We're past the seven minutes.

We'll move on to Mr. Pacetti for five minutes.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Mr. Masswohl, I have a quick question. For the beef industry, on the fact that we're behind by 8% compared to our American competitors, is it not too late to get into the market? You're starting, but with the Americans starting with an 8% advantage, by the time you catch up, it will take years. You said it yourself. What's the plan to catch up to that?

Mr. John Masswohl: I think our fear is that if we lose any more time, then we're done in that market. If we drop to a 10.7% differential, it's going to be very difficult to maintain any shipments. With an 8%, we can hang on to some really meaningful access. We're still doing in the neighbourhood of $7 billion or $8 billion per year. Like I said, we're moving up the value chain. It's more the higher-value products that we have going.

I think what we also have noticed, since it was announced that the negotiations were concluded and there started to be some expectation in the Korean marketplace by the importers that we will have this free trade agreement, is that it has created some confidence that at least the differential won't get any larger. We've managed to keep those customers, and that's why we're saying that if it stays constant, we'll be good.

I think the other thing to keep in mind is that Australia has also reached an agreement with Korea. Australia is the largest beef supplier into the Korean marketplace, even larger than the Americans are. If Australia were to go ahead also, then we would—

● (1605)

Mr. Massimo Pacetti: But their agreement is not effective yet.

Mr. John Masswohl: Yes. We'd really be in trouble.

Mr. Massimo Pacetti: Have you lost any market share to Australia in South Korea?

Mr. John Masswohl: What we've lost is at the low end. We've lost a lot of the frozen product. Bone-in products have been very important in the Korean marketplace.

Mr. Massimo Pacetti: My time is limited, but if I understand you correctly, the base where you are now is at about $7 million and the highest is at $50 million?

Mr. John Masswohl: Yes. We figure we can get beyond the $50 million. Previously, $50 million was our best year, in 2002.

Mr. Massimo Pacetti: Thank you.

Mr. Stanford, perhaps you corrected yourself, or maybe I misunderstood you during your presentation, but you were saying that even with the tariffs going down on the South Korean vehicles coming into Canada, they won't be able to sell more vehicles. Correct me if I'm wrong.

Here's what my question would have been. Doesn't the Canadian consumer benefit from that? There will be a reduction of costs to the Canadian consumer because the price will come down.

Mr. Jim Stanford: On the first part of your question, I think I said that even with the Korean tariff being eliminated to zero from 8%, we do not expect any significant increase in Canadian vehicle exports to Korea, because there's no market base, there's no distribution system, there's no consumer taste for the vehicles we make, and there remains a range of structural and non-tariff barriers that we expect to limit the exports. When we eliminate our tariff, the 6.1%, which would be eliminated over three years under this deal, we will see not a dramatic but an incremental increase in an already large trade flow coming in.

Now, your question on whether can consumers benefit—

Mr. Massimo Pacetti: Where will they take away the competition? Would it not be in other low-cost imports?

Mr. Jim Stanford: First of all, Korean vehicles are not what I would call "low-cost imports". I don't know if you've been to a Hyundai or even a Kia dealership lately, but they have gone upscale in a big way. They are competing directly with many of the mid-sized sedans and compact utility vehicles that we specialize in here in Canada. Not all of their new sales would replace a Canadian-made product—

Mr. Massimo Pacetti: I have only half a minute left and I want to ask you whether there would be any reversing of this agreement after a couple of years. Could we say, "Well, it didn't work"? Do you see anything in this agreement whereby we could just call it off and say, "You know what, thanks, but no thanks"?

Mr. Jim Stanford: There's no snap-back provision focused in auto as there was in the U.S. deal, but this treaty, like most, can obviously be cancelled if either side gives notice—I think it's six months' notice in this case—to cancel the treaty. But given the history of free trade agreements, that's very unlikely to happen.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti. You're right on time.

We'll go to Mr. Cannan for seven minutes.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you very much, and thanks to our witnesses again for being here. This is a very important and, as we know, historic trade agreement for our cattle industry. We had good representation on the trip to Korea. I'm very excited.

I just wanted to clarify something, John. You mentioned that if we don't get this agreement ratified by the end of the year, reinforcing that time is of the essence.... What does that 2.7% work out to approximately in dollar value for your industry?

Mr. John Masswohl: If we're talking, say, about $10 million worth of trade, it's 2.7% of that. By my math, that's $270,000, which goes directly into the Korean government as tax revenue. But I think in reality what ends up happening if the differential gets too large is that Korean importers would prefer to get a better deal by buying that beef from American suppliers. The reality is it's not just the amount of duties that we have to pay that we lose, it's the amount of business that we end up losing, and the customers we end up losing.

We think, as I said, that at that 8% we can hang on to the customers we have and perhaps even start to grow that back.

● (1610)

Hon. Ron Cannan: Thanks for the clarification.

Mr. Stanford, I always enjoy listening to your presentation. I don't always agree on the perspectives, but I appreciate your thoughtfulness.

I'd like to pick up on a comment by my colleague, Mr. O'Toole. He was talking about the auto sector. When the question was asked to Mr. Burney on Tuesday at our meeting, he talked about the impact on the auto industry. He said every credible study that has been done on the subject has concluded that the impact that the Canada-Korea free trade agreement will have on auto jobs and production in Canada would be negligible at 0.2% of domestic production. That 0.2% figure was from a report by University of Toronto professor Dr. Van Biesebroeck, with which I'm sure you're familiar.

I've been on the trade committee for eight and a half years. David Emerson, who was the trade minister when I started, conducted some other studies. More than 90% of vehicles produced in Canada last year were exported, and half the Korean cars that come into Canada are brought in duty-free from the U.S. As Mr. O'Toole alluded to, a thousand more workers from Ford in Oakville will make those vehicles for export. Could you clarify again why you are against supporting Canadian workers who are obviously clearly yearning to compete and win in the global marketplace when it's a level playing field?

Mr. Jim Stanford: Well, I would like Canadian workers to have the chance to compete and win in a global market on a level playing field, but a free trade agreement that eliminates tariffs, provides national treatment and guaranteed market access, locks in an enormous, unbalanced situation, allows countries with very successful state-led development strategies—like Korea, Japan, and China—to continue to use those levers to stimulate their exports while limiting imports, and then ties the hands of our own government from doing similar things, is not remotely a level playing field. The term "level playing field" cannot be used in the description of Canada-Korea bilateral trade.

I'm very much in favour of giving Canadian workers, Canadian auto workers and workers in any other industry.... This is not just auto: most manufacturing sectors will experience a net decline in their sales because of this. I'm very much in favour of giving all of them a chance to sell their products to a global market in the same way that we accept high-value products from Europe, Japan, Korea, and elsewhere.

As for the scale that we're talking about, it was interesting to hear Mr. Masswohl talk about the decline in beef sales to Korea and his hopes for increases, his hope that in a good situation we'll get it back to the $50 million or more that we were exporting there in 2002. We have to consider the scale of that benefit, recognizing that it's very important to those beef farmers, but even if we get back to the $50 million, the increase in beef sales under this agreement would offset barely 1% of our existing trade deficit with Korea, and that trade deficit will certainly get wider if this free trade agreement goes ahead.

With all due respect to those sectors that do see opportunity here, I understand that, and I understand the hopes of the members, workers, and small-business people in those sectors. As a country, we have to balance the overall view of where the major impacts, both negative and positive, are going to be.

Hon. Ron Cannan: Okay, fair enough.

You work closely with Unifor, the Canadian Auto Workers association, and the workers across Canada, the unionized, so you talk about free and fair trade and the positive impacts of trade. What trade agreement have you, or Unifor, or the auto workers supported?

Mr. Jim Stanford: We were a great supporter of the Canada-U.S. Auto Pact, which in many respects, I would say, was the most successful trade agreement that Canada was a part of. This was an agreement that used both carrots and sticks and provided tariff-free access to the Canadian market to a range of vehicle manufacturers and parts makers, but on the condition that they maintain some kind of proportional production presence here.

It is this Auto Pact that explains why Canada has an auto industry, and at one time a very disproportionate auto industry. In the late nineties, we were one of the most successful auto-producing jurisdictions in the world despite our northern location and our small size. That all had to do with active policy. It was a fair agreement. The trade was balanced, it went both ways, and both countries had a shot at the decent jobs that are in the industry.

A free trade agreement on the NAFTA model starts to take it in a different direction. Then it's dog eat dog and every country for themselves, and there's no guarantee at all that we will be left with anything like a proportionate presence in strategic industries like auto.

● (1615)

Hon. Ron Cannan: I have one last quick question.

I'm all for value added and additional jobs in Canada. We're the second-largest land base in the world and very diverse. We're blessed with natural resources, so we do export a lot of natural resources. One of the concerns I hear from companies across Canada and from witnesses who have come to the committee is that one of the challenges we have when we're trying to have value added is the high labour cost in Canada. Could you comment on that?

The Chair: We'll need a quick answer on this.

Hon. Ron Cannan: It's keeping us from being competitive globally.

Mr. Jim Stanford: It made us look expensive. Now it's coming back down and we're looking better and better all the time.

The Chair: Thank you, Mr. Stanford.

We'll go next to my colleague Mr. Davies for five minutes.

Mr. Don Davies: Thanks.

Mr. Stanford, as you testified, and as we know, Unifor has significant union membership in a variety of private sector industries, such as seafood processing, pulp and paper, wood products, and aerospace. Those sectors have testified before this committee in the past, and they're uniformly optimistic that this trade deal will increase their competitiveness in the Korean market and make up the ground lost since KORUS and the EU-Korea deals were implemented.

Jim Quick from the aerospace association said that Canadian aerospace exports to Korea had dropped 80% after the EU and U.S. deals were implemented, because of the tariff reductions. Also, aircraft demand in Asia is slated to require 12,000 aircraft totalling $1.9 trillion over the next 20 years, which excites companies like Bombardier.

Does Unifor see any job gains in other sectors that you represent as a result of this deal, such as aerospace, for instance?

Mr. Jim Stanford: As I mentioned, we conducted a study that looked at 20 different non-agricultural sectors at the two-digit level, including food processing, so there is some agricultural content in that. We simulated what would happen as a result of tariff liberalization or elimination on both sides given the imbalanced starting point between the two countries and the likely elasticities of demand in response to that.

We identified 15 sectors that would lose jobs and output as a result of the net impacts of the deal, and as I mentioned computers and electronics was the hardest hit. We identified four that would win. Those included mining other than oil and gas, food manufacturing, wood products, and paper manufacturing. You have identified some of those sectors in which we do have Unifor members working, and I acknowledged that at the beginning of my testimony.

In terms of aerospace, I am skeptical that there will be a significant benefit to Canadian aerospace from the Canada-Korea trade agreement. Aerospace is another one of those crown jewel industries, if you like, with strategic spillover effects in terms of innovation, supply chain stimulus, and so on. Korea has been very active at using levers of state policy, including public capital through state development banks, export promotion strategies, and tight links between suppliers' skills development and original equipment manufacturers to nurture a home-based aerospace sector just as we have been in Canada. That explains exactly why we are a successful aerospace producer.

We're seeing the challenge from other countries as well, such as China and Russia, which are dealing with Bombardier but are demanding domestic content as a condition of their access to those markets. I would also suggest that just because a lineup of business representatives come before you to say that something is going to be beneficial does not guarantee that it will be beneficial for the Canadian economy as opposed to for individual business or for the business community in general. The business community, of course —

Mr. Don Davies: Fair enough. I want to stop you, because I have very limited time.

I'd like to ask two quick questions if I can. First of all—and I'd like a quick answer to this—Mr. Stanford, you said that North American vehicles are not piercing the South Korean market, but you've also said North American products are designed for North American tastes. I'm unclear if the reason we're not selling vehicles into Korea is that we are not making any products that the Korean consumer wants or if it's because we are actually making products that they want and really trying to sell them there and we're just not able to.

It sounds as though it's the former and not the latter.

Mr. Jim Stanford: There is a bit of a "chicken and egg" thing. In order to develop a significant export network, you have to invest heavily in marketing and distribution and infrastructure, and it's hard to do that if you have no confidence that you're going to be selling anything.

Korea is one place where the vehicles they drive are actually very similar to the vehicles we drive. They're mid-sized sedans and compact utility vehicles. I don't think it's that our products are fundamentally wrong. I think it is widely recognized in the industry that the Korean strategy of state-led development and non-tariff protection have been very important in explaining why that market remains uniquely closed by international standards.

● (1620)

Mr. Don Davies: This is my last question, and I want to give you a chance to answer this. In 2013 over $17 billion in auto investments were made globally by the private sector. Canada failed to attract a single nickel of that money. In your view, what policies are needed to attract auto investment in Canada? I know you have identified one already, which is to link tariff reduction with investment in Canada. Are there any other policies that you would suggest the federal government should adopt in this regard?

The Chair: You have about 10 seconds.

Mr. Jim Stanford: First of all it's totally wrong that we didn't attract a single nickel. It's been tough sledding to get more investment commitments in Canada, but we have won some important ones. The good news from Ford Oakville is one of them.

In terms of what is required we developed in 2012—

Mr. Don Davies: I mean in 2013.

Mr. Jim Stanford: No, we had investments in 2013 as well.

The Chair: I'm going to have to cut you off there. Sorry, Mr. Stanford.

I have to go to Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Mr. Masswohl, I have some questions for you. As you know, I am from Alberta where many of your members are from and where we produce what we think is the finest beef in the world, Alberta beef. I want to ask you some questions about the potential benefits for your producers.

I want to start by just backing up to the very heart of the matter. Obviously you are here representing your members, and obviously that means they must be supportive of the agreement, because that is certainly the message you are bringing to us today. Can you tell us if that is a pretty widely held or nearly unanimous view? I suspect it probably is, but I just want to verify that with you. Amongst your membership, is it quite widely supported or unanimously supported? Is there some conflict over whether or not this is a good agreement for Canada?

Mr. John Masswohl: Yes, I would say there's very strong support for it. Cattle producers know that we derive the most value for our cattle when the companies that turn those cattle into meat and products are able to market each of those pieces of the animal to the country, the buyer, that's willing to pay the most for it. Sometimes that market is in Korea. I'll give you an example. Some of the products that have been very important in the Korean market have been leg bones. They use them as soup bones. We don't get a whole lot of value for those here in North America, but if you can get two or three times the value per pound in the Korean market, that's very important. In Korean barbecue they use a lot of cattle stomachs. That's not something Canadians eat a lot of, so we get many multiples of the value by being able to export products like that.

Mr. Blake Richards: Great, thank you.

That was actually one of the questions I had for you, because I was somewhat aware that was the case. We had heard Mr. Stanford talk earlier about consumer taste in terms of vehicles. It occurred to me that there is an opportunity for your producers to utilize more of the beef and more of your products that perhaps there is no market for here in North America. That's certainly something that we recognize is important, and I know that you do as well.

Have you done any analysis or has your organization done any, or are you aware of any analysis, that would give us some sense as to this agreement and what you think the potential economic benefits are for your members, for your industry, five to ten years into the future? How much extra income could we expect to see Canadian beef producers realize when this agreement's fully implemented?

Mr. John Masswohl: You know what? We look at the future and we know that right now cattle prices are extremely high. We've certainly had a lot of bad years and we think it's our turn to be making some money. What that says to the average cattle producers is that if they're getting a high return, they want to start to produce more. We fully believe that over the next few years, cattle production in Canada is going to be in the expansion phase. Unless we have commensurate expansion of markets, additional demand for our products in places to send that additional beef that we're going to be producing, we'll go down the cycle and cattle prices will turn down again.

We see this Korea free trade agreement in the context of the overall Canadian global economic strategy, global commerce strategy, which is getting the CETA implemented with Europe. We also have some other smaller agreements around the world. We know the TPP's being negotiated. We see huge potential in China in the future. We look at all these markets and the types of products that they take. We know that we're going to do very well on what we call the middle meats—that's basically your rib-eyes, your loins—in Europe. But every time you produce an animal and you get 100 kilos of the high-end steaks, you also get the organ meats, you get the bones for those other things. So, even though the Korean market may be $50 million, and I know that's not a lot to the auto sector, it's a lot to us. It's really important in adding that value to each animal to farmers.

● (1625)

Mr. Blake Richards: Is our system set up to be able to immediately take advantage of this? You were talking about cuts of beef that are not currently being used in our market here. Are we set up to be able to immediately take some benefit from this in that regard, being able to utilize more of each animal?

Mr. John Masswohl: Well for Korea we are, definitely. In Europe, we have some technical work to do in terms of equivalency of our meat inspection standards. It brings us into some other issues. In Alberta there are challenges having enough labour, so we need a good labour strategy. A lot of the packing plants in Alberta are short hundreds of positions. There are hundreds of jobs, union jobs, that are just not able to be staffed in those rural areas.

The Chair: Step in there.

Mr. John Masswohl: When those jobs are not available, it's the value-added product that suffers.

The Chair: Thank you, Mr. Masswohl.

Thank you, Mr. Stanford, for taking the time out of your day to appear in front of us.

Colleagues, I'm going to suspend for five minutes, just as we take our witnesses and bring our new witnesses forward. Not even five minutes, three minutes if you could, and then we'll be back at it again here.

● (1625)

(Pause)

● (1630)

The Chair: We'll get started here again, folks.

We have two more witnesses in front of us. We have Jean-Guy Vincent, with the Canadian Pork Council, along with Martin Rice. We also have the Association of Seafood Producers on video conference. Mr. Derek Butler is the executive director. All three of you, thank you very much for appearing here today on such short notice. Each group has ten minutes.

I'll start off with the Canadian Pork Council.

You have ten minutes.

Mr. Jean-Guy Vincent (Chair, Canadian Pork Council): Thank you. I will talk in French.

[*Translation*]

Mr. Chair, I want to begin by congratulating you on being elected to preside over this committee.

My name is Jean-Guy Vincent. I am a hog producer from Sainte-Séraphine, Quebec, and Chair of the Canadian Pork Council's Board of Directors. I am joined by Martin Rice, the Canadian Pork Council's Executive Director.

We prepared for this meeting at the last minute, and I apologize for that. We have no French version of this presentation. I have the English text, and I will have to translate into French as I go.

I want to thank the members of the committee for the opportunity to discuss Bill C-41, An Act to implement the Free Trade Agreement between Canada and the Republic of Korea. We hope the House of Commons will pass this bill.

The Canadian Pork Council serves as the national voice for hog producers in Canada. We are a federation of nine provincial pork industry associations, and our purpose is to play a leadership role in achieving and maintaining a dynamic and prosperous Canadian pork sector.

We are pleased that this free trade agreement is nearing the end of its long journey and is close to implementation. We are confident that Canada obtained the best available result for our sector, equivalent to those the United States and the European Union obtained in their free trade negotiations with South Korea.

These negotiations began in 2004, and we recognize that there have been problems in the negotiations with South Korea. We were somewhat disappointed when negotiations appeared to stall in 2007, but we see that the discussions between Canada and Korea, conducted under difficult conditions, have finally had a successful outcome for our sector.

● (1635)

[*English*]

Mr. Martin Rice (Executive Director, Canadian Pork Council): Thank you. I'll cover the next little section here.

Our worries over the lack of a free trade agreement with Korea became very acute in 2011 when virtually all of our competitors in that market started benefiting from their own countries' FTAs with South Korea. In the food business, a business of very small margins of profit, when facing tariffs of well over 20%, Canadian exporters have quickly found themselves unable to compete in that market as others acquire huge tariff advantages as has happened with the United States, the European Union, and Chile. Under their agreements for frozen pork, after the three years in which they have had tariff cuts, they now have a 15% tariff advantage on frozen pork, which is much greater than the typical profit margin on that cut of meat.

To illustrate the impact of Canada not having a free trade agreement with South Korea while its main competitors do, our exports to the end of August of this year are down by over 17% compared with those of last year while total Korean pork imports during the first eight months of this year show 13% growth. Our sales to a growing and affluent market, South Korea, are actually declining.

I would like to refer you to charts that were distributed to you showing Canadian pork and pork product exports to South Korea in 2011 and in 2013. The size of the circles on each page represents the relative magnitude of exports. I would make just two points based on these charts. Just in those two years from 2011 to 2013, we saw our exports decline by two-thirds, or $157 million. Secondly, I'd point out that there are circles right across the country. We have pork exports from every region of Canada going to South Korea.

We are a sector that relies on exports. In fact more than two-thirds of the hogs produced in Canada are exported either as live hogs or as pork products. Exports help the Canadian hog and pork industry to grow. Furthermore, the robust global demand for Canadian pork has resulted in increased value and volumes going to a broader base of customer countries. This has increased the market leverage and opportunities of the Canadian pork industry and has provided the opportunity to generate added value to the whole carcass.

However, we also need this trade agreement to re-establish conditions of competitive access to one of the world's most important pork import markets. Not long ago, Canada was South Korea's most important pork supplier. The gradual loss of this market in recent years has seriously affected Canadian pork exporters' ability to achieve the best returns available for the range of products derived from our pigs. This cannot easily, if at all, be made up from other markets.

In addition, world meat markets are subject to huge swings from one year to the next in conditions of competition and access. I would ask you to just look at this other chart that we distributed, which in addition to showing how steep the decline in our exports to South Korea has been illustrates the sharp year-to-year changes that occur in major markets like Russia and China and even the United States. A highly export-dependent industry like Canada's pork sector requires the best access to as many important international markets as possible; thus, the critical need for the rapid implementation of this agreement.

Market access will not fall into our laps. In addition to Canada passing this agreement with South Korea as soon as possible, we would need to work with Korea to ensure they quickly obtain the authority to implement the deal.

With the confidence being provided by speedy implementation of the agreement, the Canadian pork export community can work to fully restore our business relationships with the Korean meat industry. On this point, we would like to acknowledge the ongoing Canadian government efforts to promote Canadian agriculture in Korea. It was the pleasure of Jean-Guy, our chair, to have participated in one of those missions about a year ago, which was led by Agriculture and Agri-Food Minister Ritz.

Jean-Guy.

● (1640)

Mr. Jean-Guy Vincent: Our industry has faced serious challenges in terms of our ability to compete in the world market in the recent past, including a strong Canadian dollar, historically high grain prices, and a world economic slowdown. However, we have managed to come through all of that with a smaller but highly competitive hog sector, and we must not lose sight of the Canadian hog industry's long-term interest. The world economy will continue to evolve, and we cannot afford to overlook or suspend any efforts that can improve our market access.

I would like to add that the industry has turned a corner over the past 12 months due to the lower feed costs and an increased hog price due to a virus affecting production in the U.S. principally. These two conditions have allowed producers to establish a margin and stabilized the producers and the production base in our industry.

We appreciate the government's determination to follow through and complete the deal with Korea. The deal is good for the hog sector and it is in the best interests for Canada and Korea to sign.

Pork is a key component of the Canadian agrifood sector and provincial economies. Canada's pork industry is made up of 7,300 hog farms with cash receipts of $4 billion. Hog producers account for 8% of the total farm cash receipts and are the fifth largest source of farm income in Canada.

The Chair: I will have to get you to wrap up.

Mr. Jean-Guy Vincent: Okay.

The economic development associated with hog production and exporting pork contributes $9 billion to the Canadian economy. Canada is a globally competitive and successful producer and exporter of pork and high-quality pork products.

I thank you for the time you have allowed us.

The Chair: Thank you very much.

Mr. Butler, I will turn the floor over to you.

Mr. Derek Butler (Executive Director, Association of Seafood Producers): Thank you, Mr. Chair.

Thank you and good afternoon. Let me begin by thanking the committee for this very kind invitation to appear and provide testimony related to the Canada-South Korea free trade agreement.

As you all know, seafood is a trading business and it's only appropriate that my two committee appearances to date before Parliament have been before this committee, the trade committee, the first time for the comprehensive economic trade agreement with Europe, and now for the deal between Canada and South Korea.

Since the first explorers ventured to our shores and in the mid-1500s cod provided 60% of all fish consumed in Europe, we have been a trading business. Some have said we were the stock market, indeed, of Europe, and still today, over 80% of our production is exported. I'm amused by those who think that we can find more markets at home to help alleviate the challenges in either international markets or currency volatility. Even if every Newfoundlander and Labradorian doubled their seafood consumption, it would still only represent a fraction—I think 2% or less—of everything we produce and sell.

I'd encourage them to do that, as I would committee members and all Canadians, for their health, but the volumes we sell mean we require access to international markets. It has ever been and ever will be thus.

On behalf of the Association of Seafood Producers, the trade association representing by value and volume the majority of seafood production in Newfoundland and Labrador, between 20% and 25% of all Canadian production, out of proportion to our population, I'm pleased to say we support this agreement.

South Korea is a growing and dynamic economy. The country is in fact a case study for economic development, having grown to be the world's 15th largest economy and the fourth largest in Asia. It's a region of increasing interest to Newfoundland and Labrador seafood producers.

This agreement is another good-news story for the industry. One of the major challenges and impediments to market penetration abroad for Canadian seafood exports has been high tariff walls. Our competitors in South Korea—the United States and the European Union—have typically enjoyed an advantageous position in comparison to us, as my colleagues have just outlined vis-à-vis pork.

This new trade deal and the deal announced with Europe represent new opportunities for my industry, game changers, really. Europe and Asia both have some of the highest seafood consumption rates in the world. These are the very two market regions that we need access to, that we need to grow in. The South Korean market at this stage, I should note, is not a large one for us, but it is a growing one. It has great potential for us. Newfoundland and Labrador seafood exports to South Korea in the period from 2010 to 2012 were around $12 million, the most recent figures available. But with tariffs that went as high as 47% now all going to zero throughout the implementation of the deal, those figures can grow.

It's not even a matter of how big the market is but how big it can be that's important, what might be the potential in a new dispensation. To that we can add that very small movements in trade into the South Korean market, in this case, can have larger impacts on our product going into other markets. Even if our exports never increase in great volume, small changes can have impacts on pricing in returns in other markets to our benefit.

I'd also be remiss if I didn't remind those who oppose free trade and call for fair trade about what free trade really is. I think free trade is fair trade. Tariffs are used to either tax an import product unfairly, as has been the case for us, or to protect local industry behind tariff walls that we can't get over. We said that for years with the prejudicial tariffs we faced in the cold-water shrimp industry in all of Atlantic Canada, shrimp entering the EU supported by interests in Europe that sought to keep our product uncompetitive through very high tariffs. Consumers and local industry in those countries suffer from those tariffs as we do in the inverse. Consumers end up spending more than they have to and local industry never learns to adapt, never learns to grow, never learns to compete. As a trading industry, as an export industry, we support free trade, and we laud this initiative and we laud similar ones.

● (1645)

In closing, let me say this, as I said when I appeared before the committee in late October of 2011. “I'd be remiss in my duties if I didn't take this opportunity to say that the Canadian seafood industry...[is] premised on a broken and failing model. There are constraints on strong resource management because of the socio-economic pressures brought to bear. There's a heavy reliance on EI”—without which the industry would not survive—“and this model cannot attract the capital required to modernize our fleets“ or the plants or to catch the product in the best seasons of the year.

With increasing labour challenges, we must also now modernize our plants. We need the capital, and a model with capital incentives to do that, and we're not there. I'm confident that a better industry model could contribute more to GDP and could make us a larger contributor to Canada's wealth through more valuable exports, through better incomes for harvesters and for plants, and through more stability and less chaos.

We can and should reduce tariffs and we can and should build new markets, but we should also fix things at home. If not, we'll be asking the last fish to pay the next bill. We've been there before.

We must answer a key question in facing this challenge, as somebody said recently. What business are we in, narrowly defined: fishing or seafood? Our competitors, as I saw last week on a trip to Iceland, are answering that question with emphasis on the latter: the seafood business, with access to the whole value chain.

I thank you for your time. I'm available for any questions you might have. If I can't provide specific answers, I'll certainly undertake to get them for you.

Thank you.

The Chair: Thank you to you, Mr. Butler, and a special thank you. I understand that you agreed to provide this information as of 9 o'clock last night. You did a very good job of putting it all together on such short notice.

We'll go to my first colleague here, Mr. Morin.

You'll have seven minutes.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Good afternoon, Mr. Vincent.

I am very proud of our Quebec producers. I'm sure they are among the most dynamic in the country.

I live in a rural region, and I have noticed a decrease in the adverse environmental effects of hog production. Significant investments have led to great improvement. Our sense of smell is still somewhat affected when we drive on the highway, but much improvement has been achieved. The product has been adapted to demanding markets, and quality has increased considerably.

I am wondering what the shot-term benefits of signing the agreement will be, aside from helping you recoup some of the losses you suffered when your competitors signed agreements directly with Korea.

● (1650)

Mr. Jean-Guy Vincent: Thank you for the compliments. I served as president of the Fédération des producteurs de porcs du Québec—Quebec's federation of hog producers—for five years, so I am happy to accept the compliment.

I want to say a word on producers from other Canadian provinces. If you have read *La Terre de chez nous* lately, you know that we held a meeting with U.S. and Mexican producers. All producers, regardless of where they live, are in the same position. We all want to improve our products and meet our fellow citizens' demands. Thank you very much for your compliments, as they are always nice to hear.

Regarding free trade agreements for our sector, it should be understood that we export 70% of our production. There is political instability around the world, and currencies are fluctuating. As a result, having access to markets gives us openness and stability

A new generation is prepared to take over in our industry. As you mentioned, succession in the pork industry has experienced some difficulties in the past. We want the political spectrum to continue to ensure the future of this sector and of our producers.

Mr. Marc-André Morin: Unfortunately, I don't have much time.

We support the agreement because we know how important it is for your members. Do you think it is realistic to assume you will be able to easily regain your share of the market, in the very short term, as soon as the agreement has been ratified?

Companies involved in supply chains have signed agreements with U.S. or Australian companies. Realistically, what proportion of the market do you think you will be able to regain the day after the agreement has been ratified by the two countries?

Mr. Jean-Guy Vincent: I want to thank the political parties that are working together to ensure the progress of Canadian agriculture. Aside from political parties, the political spectrum plays a part, as I mentioned. We thank you for this support, and we also thank the government, which led those negotiations.

We would very much like to see immediate results in the wake of such an agreement. We just lost the Russian market. As I said in the beginning, the Korean market was important. We will regain the market share we had before the agreement was signed, but it will take some time for us to regain it fully.

● (1655)

[*English*]

The Chair: A minute and a half.

[*Translation*]

Mr. Marc-André Morin: Would you need assistance or any resources to restore the trade relationship you had with your clients?

Mr. Jean-Guy Vincent: Regardless of the farming sector they operate in, farmers are always vulnerable. No matter where they are in terms of time, governments have to recognize that reality and establish programs. As you said, programs are needed to help people in case of difficulty.

This is a multi-billion dollar economic sector. We appreciate the support political parties have given to the agricultural sector, especially the pork industry.

Mr. Marc-André Morin: I don't want to be mean, but it would have been nice if the government had seen this coming and helped you absorb the blow or, at the very least, warned you about it.

I know some farmers, and I know this is very difficult for them.

[*English*]

The Chair: A quick answer please.

[*Translation*]

Mr. Marc-André Morin: Their profit margins are virtually non-existent.

[*English*]

The Chair: Thank you.

We'll move on to Mr. Richards, for seven minutes.

Mr. Blake Richards: Thank you very much.

To begin with, I'll direct my questions to the Canadian Pork Council, partly because that is my background. I would ask whichever of you feels it is appropriate to answer.

I spent the first 20 years of my life on a hog farm. For many of those years, I worked on the hog farm before and after school. How many hours I worked before and after school depended on whether or not we had a hired man. Sometimes it would be long hours, so I appreciate the work you do.

I have seen the handouts you provided. I looked at the chart, and between 2011 and 2013, there was about a two-thirds drop in the value of your exports to South Korea. That is something I think any member of this committee would be concerned about, and we want to do everything we can to try and see that turn around, obviously.

I know you talked about this in your opening presentation, but it wasn't clear to me. Would you say this drop is directly attributable to some of our competitors having that preferential access, and would that be wholly or partially responsible for this two-thirds drop?

Mr. Jean-Guy Vincent: We need to recognize that when Korea chose to negotiate first with the United States and the EU, that had an impact for us in Canada. I will ask Martin to give the statistics about the impact in Canada.

Mr. Martin Rice: 2011 was an exceptional year for total exports due to a foot-and-mouth disease outbreak in South Korea in late 2010. We certainly wouldn't attribute the entire decline to that, but this year, for example, where our exports are down almost 20% and Korean imports are up 13% to 15%, I think the only thing that would explain that would be the absence of a free trade agreement for Canada, and its competitors having free trade agreements.

Mr. Blake Richards: I took from your remarks that you're obviously supportive of the agreement and you want to see it implemented as quickly as possible. I assume that would be probably the prevailing view of the vast majority of your members.

Mr. Martin Rice: And the meat processors, very much, and the exporters, and the entire industry.

Mr. Blake Richards: Obviously we can get some sense as to what you're hoping to get from the agreement in terms of economic benefits. Can you give us a sense as to what exactly you expect five or ten years into the agreement in terms of economic benefit for your members? How much extra income would we expect to see them realize through this agreement five or ten years down the road?

● (1700)

Mr. Martin Rice: We look to some work that our U.S. counterparts have done on the importance to them of their free trade agreement with South Korea. They have measured it at $10 a hog. We've always found that to be quite staggering. But even if it's half of that, which I think is quite likely, If you've got 25 million hogs being produced in Canada for processing you're talking about $125 million a year. We have a price that is established very much by the U.S. market. If our processors and exporters cannot get the same value for the carcass due to the loss in Korea of certain cuts that really have few other markets, that's a loss we can't make up other than by accepting a lower price for our hogs. That's what we would have to do.

Mr. Blake Richards: I think you've just answered the next question I had. I think you were in the room for the previous panel. Mr. Masswohl from the Cattlemen's Association was talking about those cuts, offals and other things, that there's no market for here in North America. Certainly a place like Korea is an example of a market for some of what would otherwise be waste product. I think I just heard you say that's certainly the case in pork as well; you have cuts that you're able to get better value for because you're going to use more of the hog. Is that in fact true?

Mr. Martin Rice: That is true. In fact, a big export is bones for Korean soup, and other parts of their foods market.

We also have probably the best market in the world for the bellies. That's what we take our side bacon from. Korea uses bellies and that is its most valuable cut. If you lose that market then you're losing what is the best market for that cut in the world.

Mr. Blake Richards: Would you see this agreement then as opening up further opportunities for you in the Asian markets, and what kinds of benefits do you think you'll see from that? There are obviously other markets for some of those lesser used cuts and bones and things like that. Also I would assume that if you can get access to other Asian markets this is kind of a starting point to that. You would see future economic benefits in some of those other markets as well. Would you see that as having huge potential for your producers?

Mr. Jean-Guy Vincent: Yes. It's an opportunity that a free trade agreement opens the door in markets and here. The new negotiation between Canada and Japan is moving forward. We hope that Canada will conclude a new free trade agreement with Japan.

The Chair: Thirty seconds.

Mr. Blake Richards: I'll just really quickly ask Mr. Butler about the benefits that you think you would see for your industry five or ten years out. What kinds of economic benefits, what kind of extra income do you think this would provide for some of your members as we go forward?

Mr. Derek Butler: We haven't done the math on the actual benefits. I do know on the about $12 million that we now export, the tariffs are quite high, so there would be that advantage. It depends on how you negotiate that with your buyers, where the benefit comes from the tariff reduction in the value chain. Do you get to pocket all of that or do you pass it on to the consumer? The way tariffs work in the marketplace is up for grabs, I guess, in the negotiations on particular sales.

The opportunity I see in particular is to—

The Chair: I'm going to have to stop you there, Mr. Butler. I'm sorry. We are past the time allocation for that member, so hopefully you'll get a chance to complete your question later.

We'll go on to Mr. Pacetti.

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

[*Translation*]

I want to thank the witnesses for joining us today.

Mr. Vincent, if you happen to lose your job, you could always have a career in interpreting. Well done! Sometimes, our interpreters don't have the required information, and they still manage to do their job. I congratulate them on that.

My question is more about percentages than tariffs in the pork sector. By how much will tariffs decrease, percentage-wise, over the next few years? Canada is already lagging behind the United States in this area. If the agreement comes into effect on November 1 or December 1, we heard that there would be a discrepancy of 8% in the beef industry. What would that discrepancy be percentage-wise in the pork sector?

● (1705)

Mr. Jean-Guy Vincent: I will let Mr. Rice answer this question, which concerns statistics.

[*English*]

Mr. Martin Rice: On frozen pork we are at a 15% disadvantage now to the Americans and Europeans, because they have had three of the five equal cuts in the tariff. As of January 1, if we can have our agreement in place, we can at least lock in to that 15%—

Mr. Massimo Pacetti: Sorry, but my time is limited. How will you make up for that 15%?

Mr. Martin Rice: We'd make it up by no longer shipping many of the products for which we used to be close competitors with the U.S. So, we've kind of given up on selling bellies and things like that. We're still selling some of these offcuts, like bones and so on, but the 15% disadvantage has really knocked us out. And then it would be 25% if we were not able to get this deal.

Mr. Massimo Pacetti: Great. Thanks.

Mr. Butler, in your situation you're not being affected by the Americans because the Americans are not competitors with your product. Is that correct?

Mr. Derek Butler: They can be competitors for some species, in particular with jordani shrimp from the west coast, but I'm not sure if they sell in South Korea.

Mr. Massimo Pacetti: So, for you it's going into a new market. Just because we sign a free trade agreement doesn't mean that all of a sudden you're going to have all kinds of new sales. What is your strategy? What investment do you anticipate to make this free trade agreement work?

Mr. Derek Butler: I had a similar question on the Canada-European trade deal when that was launched. We leave to the individual members the strategies, in terms of accessing individual markets, so I wouldn't have an answer for that particular question.

Mr. Massimo Pacetti: You're speaking on behalf of your members and saying it's beneficial, so how is it going to be beneficial if they are going to have to invest money and they don't have the money available? As I said, it just doesn't happen overnight that you benefit from these types of agreements.

Mr. Derek Butler: No, you're right. It never happens overnight, and we would never say it would happen overnight. As we said, with the Canada-European trade deal, there are no magic bullets.

On the $12 million of sales we have, obviously there will be benefit from the tariff reductions. Then there's an opportunity to say to the customers we now have, “Here is a suite of products we have available to you. The tariffs are now being eliminated. What would you like to buy?”

Mr. Massimo Pacetti: How about if they say, “Thanks, but we have enough product. We're just going to reduce our prices, and that's it.”

Mr. Derek Butler: Any customer could say that at any point, but obviously we're in a better situation if the tariff walls come down. We're more competitive in negotiations to sell more product. I think that is incontrovertible.

Mr. Massimo Pacetti: Who is your competition right now, in getting your product into South Korea? Do you know which market it is?

Mr. Derek Butler: In snow crab there's some competition from Japan, some from Russia, some from Norway now, and some from the Alaskan snow crab fishery, of course. For shrimp, it would be Greenland, Iceland, some from Norway, and for the jordani it would be the Oregon fishery.

Mr. Massimo Pacetti: Australia wouldn't pose a—

Mr. Derek Butler: Just to finish the other thought, those would be the main competitors for the two main species we have.

Mr. Massimo Pacetti: Okay.

Mr. Derek Butler: I'm not as familiar with the lobster industry, but I know Australia would be a strong competitor for lobster in Asia.

Mr. Massimo Pacetti: So you would also want to have this agreement ratified sooner rather than later, so that we're ahead of Australia.

Mr. Derek Butler: Yes.

Mr. Massimo Pacetti: Have you lost any market share to the Europeans because the Europeans have a free trade agreement?

Mr. Derek Butler: Are you talking about European product going into the South Korean markets specifically?

Mr. Massimo Pacetti: Yes.

Mr. Derek Butler: No. That's a good question. Because our numbers are so low at present, I suspect we have not, but I could look at that for you and see.

Mr. Massimo Pacetti: Okay, so you didn't see a change in your numbers and sales to South Korea?

Mr. Derek Butler: We didn't, because there's such a small market share right now, unlike the pork industry, which had a large share of the market sales, particularly on the bellies. We don't have that. We only sell $12 million worth.

Mr. Massimo Pacetti: Okay, great. Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Pacetti. We'll now go to Mr. Payne and Mr. Cannan.

We'll go to Mr. Payne first.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair, and thank you to the witnesses for coming. It's very interesting. Of course, I was looking at the charts, as was my colleague, Mr. Richards. It's quite intriguing to see the drop in exports.

I know Mr. Pacetti was asking about the tariffs. How long will it take for you to catch up to the U.S., or will you ever catch up in terms of reduction in tariffs?

Mr. Martin Rice: If we can get this in place for January 1, we would be disadvantaged by 15%, and we would stay there for two more years. Then we would see that eliminated over the next three years. Our disadvantage would go from 15%, then to 10%, then to 5%, and then to zero after five years.

● (1710)

Mr. LaVar Payne: Will we actually be at zero tariff in five years then?

Mr. Martin Rice: Yes.

Mr. LaVar Payne: That's obviously an important aspect.

Mr. Martin Rice: It is for our major export of frozen pork. For the fresh, chilled pork, it's over a longer period. I think it may be 10 years. That market has been found to be quite a bit easier to deal with, but it's a much smaller market.

Mr. LaVar Payne: You talked about the bellies being the big money-maker. How does that fit into this whole tariff reduction, and will you be able to get back into that market in South Korea?

Mr. Martin Rice: That is where we are at a severe disadvantage right now, with that 10% or 15% tariff differential. With each 5% gain back, we would become much more competitive, and certainly be able to compete with the rest of them on equal footing after five years.

Mr. LaVar Payne: That's an important aspect to know.

Mr. Butler, you also talked about the high tariffs. Do you have any suggested numbers for tariff reductions that would help your seafood industry, and over what period of time?

Mr. Derek Butler: That's an excellent question, but unfortunately I don't. This has been such a small market. As I said earlier, it's about $12 million, so it's very small.

What's important here is the opportunity to grow that market share, and then the impacts you can have in other markets by diverting very small volumes, in effect shoring some markets on very small volumes.

If you look at snow crab, we sell 30% to Japan roughly speaking and 70% to the U.S. Imagine if a very small volume went to South Korea and what that might do in those other markets to produce more market returns. That's what South Korea represents mostly.

Mr. LaVar Payne: Thank you.

Hon. Ron Cannan: Thank you to our witnesses. It's good to have you back again, Mr. Butler, and our friends from the pork industry. It's always good to “put pork on your fork”, as they say.

I grew up in Edmonton. My father spent 45 years at the Gainers meat-packing plant, so I've seen many processed meats. It's very important not only for the Prairies but also across Canada.

As for the trade agreement, I had the pleasure to be with the Prime Minister, Minister Fast, and Minister Moore, and others who were in Seoul, Korea at the time. There were representatives from the seafood industry from British Columbia, and right across the country to our friends in the Maritimes.

Mr. Butler, maybe you could share the impact. We've been able to compete in lobster even with the tariffs. What will it mean by lifting the tariffs and the potential increase for the seafood industry in the Maritimes?

Mr. Derek Butler: The impact is huge. The seafood industry is one of the largest private sector employers in Atlantic Canada, particularly in Newfoundland and Labrador, mostly in rural communities.

When you go into a marketplace—and we're not unlike the pork industry in that sense, as the margins are very thin—and have a product you want to sell and someone says that the tariff on that, the extra tax that you're going to pay, is 10%, 15%, 20%, up to 47%, you're basically taken out of the game in terms of your volumes. That's been our challenge in South Korea.

As your colleague asked earlier, do we have the particular numbers on the species lines? I don't, but clearly we are prejudiced by high tariffs in a very discerning marketplace where there is a large, growing number of consumers, middle-class consumers, who can afford seafood and have high consumption rates.

I think the opportunities are great. If we double it even to $24 million, or we can triple it or quadruple it to $100 million, then we're talking big numbers. That's 10% of what we sell.

Hon. Ron Cannan: Mr. Rice, in your opening comments you alluded to the fact that in the two years since the KORUS agreement with the U.S., your industry has lost $157 million.

Mr. Martin Rice: That's right.

Hon. Ron Cannan: How long do you think it will take you to regain that? Do you think you'll regain it, plus some?

Mr. Martin Rice: That $150 million is somewhat larger than you would typically see, just because of that disease situation Korea had two years before that. However, we are not seeing all of these very well-developed business relationships totally disappear; we are not starting out from square one as we get back on our feet.

I think if we can recover $20 million or $25 million a year in sales, such that we're back to a quarter of a billion dollars after the agreement is fully implemented, I would see it growing from there on.

Hon. Ron Cannan: You mentioned that you're going to work with South Korea to get this agreement ratified through their legislation. Are some of your contacts from the industry working with the government officials right now? When President Park was recently here, I know that the concern obviously was the disarray for the last several months after the horrific accident they had in the waters there. Have you seen some calming of the seas in foreseeing some support coming from the legislators and your contacts in South Korea?

● (1715)

Mr. Martin Rice: We don't have contacts directly ourselves with legislators, other than the few who have come to Canada in the recent couple of years, but there are well-developed relationships with the Korean industry. I think we'll be reaching out to the Korean suppliers and to the Korean meat industry, I guess, where we could be of any help to them getting the agreement through.

We're not expecting it to be as contentious, though, as some of our other trade agreements have been, because it's not really a case of a new agreement that's going to displace domestic production and so on. It's more a matter of them having equal terms for all of their major suppliers.

Hon. Ron Cannan: Coming from British Columbia, I have just one last question for Mr. Butler. What will be the impact for the British Columbia seafood industry?

Mr. Derek Butler: I'm not sure, to be clear. Christina Burridge, who you know well, I suspect, would be the best person to ask about the B.C. industry.

Hon. Ron Cannan: Thank you.

The Chair: Thank you, Mr. Cannan.

We'll go to Ms. Liu, please.

[*Translation*]

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

I want to thank the witnesses for participating in today's meeting.

[*English*]

Mr. Rice, I think you made us all hungry when you talked about Korean barbecue, so thank you for that.

[*Translation*]

My question is for Mr. Vincent.

I will briefly talk about the complex non-tariff barrier system and the fairly high safety standards imposed by Japan, another country you mentioned. Other witnesses who appeared before the committee talked to us about the problems this could cause for Canadian industries.

Unfortunately, we recently saw that food inspection services have undergone cuts.

Do you think this could affect your industry, and the consumption of pork in South Korea and its exportation to that country?

Mr. Jean-Guy Vincent: I think Canada is recognized for the high quality of its products. Compared with many other countries, our regulations are probably among the most stringent, if not the most stringent. This imposes certain constraints, of course, but it also forces us to be competitive. In some respects, our production costs may be higher, but on the other hand, providing a high-quality and recognized product gives us access to those markets.

Japan had the most stringent rules in terms of quality. However, that may have helped us become more competitive.

Ms. Laurin Liu: I totally agree with you. You have a very good reputation, and the quality of your products is excellent. I can attest to the fact that the Quebec industry has a very good reputation. However, my comment was more about the budget the government has set aside for food inspection services. Even though our producers are doing an excellent job, I am afraid the situation may affect consumer confidence in our products.

[*English*]

I have a question for Mr. Butler. I know that the Fish, Food & Allied Workers union and the UFCW have members in some of the companies that your organization represents, including Beothic Fish Processors in Valleyfield, which is not far from my riding; in New Brunswick; and Ocean Choice on Prince Edward Island. Do you have any statistics on the rate of unionization among the employees in the industry that you represent?

Mr. Derek Butler: I don't represent the harvesting side of the business in the inshore. That's represented, as you said, by the FFAW and Unifor. The harvesting unionization rate is 100% by legislation, Joey Smallwood's last piece of legislation passed in 1971 or 1972. By law, all harvesters are bound to be members of the FFAW by the union.

In the plants, no, I don't have any numbers in particular around plants. I suspect the unionization rate is 50% or maybe a little less than that, but I don't know, to be honest. It might be surprisingly less or surprisingly more. I'm not sure.

We have a collective bargaining model, and I'm responsible for the price negotiations on raw material and not for the union negotiations in the plants for plant worker payrolls, etc. That's handled by the individual plants.

● (1720)

Ms. Laurin Liu: Would it be fair to say, however, that a greater access to the South Korean market would create more jobs, and therefore, more unionized jobs as well? I know that you don't have any specific numbers on that, but would it be fair to assume that would be the result?

Mr. Derek Butler: I wouldn't assume it, because the net basket of fish to sell is based on quotas. We have about $1 billion of fish to sell, so the amount of fish is the same. The processing won't change unless the market requires a different form of processing. The assumption might not hold. It might be less. It might be more. I think the value would increase. That's clear.

Ms. Laurin Liu: What other support would you expect from the federal government in order to expand your market access to South Korea? Besides lower tariffs, would you be looking for support, for example, from trade offices, trade commissioners, etc.?

The Chair: You're going to have to answer that quickly, though. You have about 10 seconds.

Mr. Derek Butler: Yes, we get support from trade commissioners, from the seafood shows we attend worldwide as well. They are invaluable support.

Ms. Laurin Liu: Thanks.

The Chair: I'd like to thank the witnesses again for, on short notice, being here today to appear in front of this committee.

Colleagues, I'm going to suspend for a few moments and then come back in camera to give you an update on how we're making out with the witnesses and our meetings for next week. I will suspend the meeting at this point in time, and we'll come back in a few moments in camera.

[*Proceedings continue in camera*]