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Chair

The Honourable Mark Eyking

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● (0950)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Thank you, technicians, for getting us going. Good show.

Welcome, witnesses, media, guests. I first want to commend the three parties for working together to pull this special meeting together on such short notice. Today our meeting is about the tariffs on steel and aluminum, and the repercussions for maybe both countries, and for workers and companies that deal with them.

We have two quick motions that we have to deal with right off the bat. In order to pull this meeting off, we have to go to the treasury to look for some money. Can somebody pass this budget for bringing witnesses here to this meeting? It's because this is outside of normal meetings.

● (1010)

Mr. Dean Allison (Niagara West, CPC): I so move.

(Motion agreed to)

The Chair: We also have another motion here.

Ms. Ramsey, do you want to deal with it so we can get that done?

Ms. Tracey Ramsey (Essex, NDP): Because this meeting came together so quickly and we weren't able to have as many folks here as wanted to appear in Ottawa, I'm asking that we allow for briefs to be submitted to the committee by July 31 from anyone who feels they're going to be impacted, and then we will report these findings back to the House in a report.

The Chair: Very good. We've done this before. It would be nice to have a limit on how big the brief could be. Remember we did this with the TPP?

Ms. Tracey Ramsey: It could be five pages.

The Chair: We'll add that "five pages" to it, and we want it by the end of July.

(Motion agreed to)

The Chair: Now we can get right into the meeting. At this morning's meeting we will have three sessions, with five witnesses in the first round, and then four and four. Of course, we're going to get all of the witnesses in to speak for their five minutes. How much time the MPs have for dialogue will vary, but we're going to try to have as much dialogue as we can. It's very important that witnesses keep their remarks as short as they can, to under five minutes, and then we can have that dialogue.

Without further ado, I think we'll jump right into it. We have with us Sean Donnelly.

Sean, you're first up if you can. You are from ArcelorMittal Dofasco. Go ahead, sir.

Mr. Sean Donnelly (President and Chief Executive Officer, ArcelorMittal Dofasco): I'm the president and CEO of ArcelorMittal Dofasco in Hamilton, Ontario, with 5,000 employees.

First of all, thank you for the opportunity to provide the views of ArcelorMittal's Canadian operations, not just Hamilton, on the impact of tariffs on Canadian businesses, corporations, and workers. I'll tell you a little bit about ArcelorMittal in Canada broadly.

ArcelorMittal is Canada's largest steel manufacturer, shipping more than six million metric tons of steel annually and directly employing more than 8,000 people in seven business units in 15 different facilities throughout Ontario, Quebec, and Nunavut. ArcelorMittal Dofasco in Hamilton, of which I'm president and CEO, is Canada's largest flat rolled producer, shipping more than four million metric tons each year to customers in Canada, the U.S., and Mexico from our Hamilton, Ontario, facilities. ArcelorMittal Long Products, based in Montreal, is Canada's largest long products producer, shipping more than 1.8 million metric tons to all three NAFTA countries each year.

ArcelorMittal Tubular Products based in Woodstock, Ontario, ships more than 120,000 metric tons to those same countries as well. Collectively ArcelorMittal Dofasco, our long products, and tubular products ship nearly 30% of their total production to the U.S., to customers in the automotive, construction, general manufacturing, energy, and consumer packaging sectors. That's more than 1.7 million metric tons of steel. ArcelorMittal also has significant affiliated steel operations throughout the U.S. and Mexico, and these facilities ship to Canada as well.

I'll tell you a little bit out the steel industry. It's an extremely capital-intensive industry. Between 2016 and 2018 ArcelorMittal's Canadian steel operations will have spent approximately $1.7 billion Canadian on strategic capital and maintenance to sustain our businesses. Our current and planned strategic capital projects are at risk given this current trade environment. That's more than $750 million Canadian in investments for projects that are currently planned to be completed in the 2020-2021 time frame.

In order to continue with our investments, our shareholders require us to demonstrate adequate returns, and obviously this is difficult given the competing jurisdictions we're dealing with in the U.S. Our investment returns are influenced by two major business risk factors in the current climate. One is obviously the U.S. section 232 and our retaliatory tariffs, and the goal must be to permanently eliminate the tariffs between the two countries.

Second is low-priced offshore imports. We must be able to operate in an undistorted market-based competitive environment. Canada's response to past and future threats from unfairly traded and diverted offshore imports is critical.

I'll tell you a little bit more about section 232. As we all know, on June 1 the U.S. imposed these punitive tariffs on imports of certain steel and aluminum products from Canada at rates of 25% and 10%, respectively. The Canadian government has proposed retaliatory tariffs on steel and aluminum and other products beginning July 1.

The goal of the Government of Canada in its retaliation process must be reciprocal and proportionate. It also must encourage key industry stakeholders in Canada and the U.S. to increase pressure on the U.S. administration to permanently eliminate the section 232 duties. How can we do this? We recommend the Canadian government implement the 25% duties on steel products listed in table 1 on July 1, with exclusions before or after on a strictly limited and verifiable basis. Initial omissions should be considered only in verifiable instances where either no Canadian production exists or where there is a narrow requirement for cross-border inter-company transfers of steel product to support Canadian operations. After the tariffs are in effect, exclusion should be contemplated only through a prescribed exclusion process and only where an included product cannot be reasonably sourced either domestically or from an alternative international jurisdiction. Any such process must be conducted transparently and in full consultation with Canadian steel producers and users, very similar to the process in the U.S. currently.

This approach supports a path forward for the permanent elimination of the duties while, one, mitigating the competitive disadvantage to Canadian steel producers resulting from the U.S. imposition of 25% duties on Canadian steel; two, providing opportunities for substitution of U.S. steel product with Canadian steel product; three, ensuring that Canadian steel prices are not artificially suppressed due to the tariffs against Canada—even with Canadian retaliatory duties, Canadian steel prices will still be below U.S. steel market prices, benefiting consumers—four, resulting in U. S. steel companies paying duties on their Canadian shipments; and, five, in response to the tariffs, steel manufacturing customers on both sides of the border continuing to lobby the U.S. government for either complete elimination of the section 232 duties, or for reciprocal elimination of duties, for example, in the automotive sector.

Currently the U.S. 25% duty on Canadian steel shipments is being shared by Canadian steel producers and their U.S. customers depending on commercial terms and circumstances. The Canadian 25% duty versus the U.S. would create a similar commercial dynamic with the U.S. steel industry and its Canadian customers sharing those costs. The policy alignment on duties may assist in getting back to the negotiating table to conclude a strong, fair, and effective NAFTA agreement.

Without the strict Canadian application of 25% duties, we suggest there will be further weakening of Canadian leverage and prolonging of the U.S. 25% duties.

With regard to offshore imports, we've seen an increase in low-priced offshore imports into Canada diverted from the U.S. since it imposed the dumping trade actions in 2015 and 2016. We reacted with a recently filed dumping Canadian trace on cold rolled steel against China, South Korea, and Vietnam, and we're looking at filing at other targeted dumping actions. However, the U.S. section 232 duties against the entire world on all steel products pose a significant risk for increased low-priced offshore steel being diverted into Canada from all countries and in all products.

We're already seeing evidence of this in the market as Canada is currently the most open steel market in the world. Without government action via safeguards, we expect these imports to continue to disrupt the market negatively. I think we've seen the EU announce their safeguards, which will be effective in the next few weeks. We applaud the government for implementing the trade remedy modernization legal and regulatory changes, increasing the funding for CBSA, resourcing the alignment of our marketing regime with that of the U.S., and looking into the safeguard mechanism. This unprecedented time requires unprecedented measures, and the government must now begin the implementation of steel safeguards to mitigate Canadian steel trade risk. The combined financial impact to the Canadian steel operations of the U. S. section 232 duties and low-priced offshore import penetration is in the millions—many millions—of dollars. Left unmitigated for a prolonged period of time, this combined impact could result in reduced production, potential shutdown of operating lines impacting over 1,000 direct jobs and over 4,000 indirect jobs in Ontario and Quebec with significant implications for the ROI on current projects and impairment of future facilities investments. Prior to the imposition of section 232 and the offshore import penetration, ArcelorMittal Dofasco was one of the most financially successful operations in North America. That is no longer the case.

In conclusion, it is key for the government to, first, implement strong retaliatory measures against the U.S. not because we favour tariffs but as a path forward towards reciprocal elimination of such duties and free market access to the U.S. and Canada. Second, it must implement global steel safeguard actions to enable a competitive and undistorted Canadian steel market.

Thank you for your time and consideration. I'm available for questions now or after, Mark.

The Chair: Thank you, Mr. Donnelly.

We're going to Mr. Volpe from the Automotive Parts Manufacturers' Association.

Go ahead, sir.

Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association): Thank you.

I'll give you just a quick piece about the APMA. We represent over 230 companies, 95% of independent parts production in Canada, 96,000 employees in Canada, 42,500 in the U.S., and 43,800 in Mexico. We're here to talk about the section 232 duties on steel and aluminum, but I'm going to put them together with the threat to the automotive and the automotive parts sectors.

The threat is based on the powers conferred by the Trade Expansion Act of 1962 through which Congress granted to the President the power to impose tariffs for national security reasons. The definitions are wide. I think it's important to remember that the power is repealable by Congress. Whether this Congress has the gumption to do so or not is a different matter altogether. Their implementation and usage are challengeable in international trade court, and certainly by commercial entities in U.S. district court, where we can seek injunctive relief. Many of us are considering that option if it comes to that.

Steel and aluminum are critical ingredients in the most valuable mechanical structural parts of a car. Stainless steel and other specialty steels used in automotive tooling are not available in Canada in the required quantities. That said, steel buys for volume Canadian parts are directed by OEMs, and Canadian-parts-production-directed buys essentially use Canadian steel and American steel. We are not a threat from a practical point of view to the American steel industry and steel interests.

Unconventional negotiating tactics are the main issue. I know that's stating the obvious, but this U.S. administration is conflating section 232 with NAFTA, and it doesn't appear to have any bias to U.S. automakers or U.S. parts suppliers. They're actually antithetical to the Detroit three. They're antithetical to the major American parts manufacturers. They are speaking directly to what they think is the automotive worker past, present, or future. Their doctrine appears to be disruption while they're stalling competition to the benefit of their current investment prospects. I was supposed to meet Larry Kudlow at the White House two weeks ago and then he had a heart attack the day before, so I met his staff. His staff said to me that we'll get through this, but it's all related. They don't hide the fact that they're conflating it; they tell that you to your face. Now, of course our response has to be Canadian-centric, but I think we can't be naive enough to think that they're going to put it on to paths because we say they should.

Canadian trade expansion continues, and, in our opinion, sometimes with no regard for details, thereby hurting the auto industry at a time when we're under the gun in NAFTA. Cars and parts are big and they don't travel cheaply. What works in PowerPoints and in talking points fails in life. We're having discussions now about a hurry-up offence for ratifying TPP and are having other discussions where the currency that the trade department is using is content levels in automotive. Those are the same content levels that the Americans are asking us to raise and on which they are pounding us with section 232. The section 232 tariff, a 25% tariff on cars and parts, would cause what we like to call a “carmageddon”. The industry operates on single-digit margins and it would grind to an immediate halt with a 25% increase in price. A $32,000 car—that's an average price here—would immediately be unsaleable at around $40,000.

The first customer is not the U.S. customer, not the final customer; it's the dealer, and dealers are not going to take delivery of inventory that is going to put them underwater. If dealers don't take delivery in the U.S. of cars made in Canada by U.S. automakers, those U.S. automakers are going to stall production. There's only a finite number of cars they can put on the front lot. When they do that, they're going to stop buying from Canadian auto parts suppliers, and Canadian auto parts suppliers are going to stop buying resins and stainless steel from American sources. There will be an immediate grinding to a halt, and an immediate impact on the market cap of public companies, and giant operational hits on private companies.

The economic stability of Ontario is at risk, but equally of Michigan, Ohio, Indiana, Pennsylvania, Kentucky, Alabama, and New York. That action by itself would send those regions into recession immediately.

The Chair: Sir, would you mind just wrapping up if you can?

Mr. Flavio Volpe: I'm wrapping up right now. There's a lot of debate, and certainly a lot of debate within the auto parts constituency, on how to respond to the section 232 tariffs on steel and aluminium. While we have submitted applications for exemptions based on very strict protocols like the ones that Sean talked about, where availability isn't there, I think we need to be firm and resolute in our response on steel and aluminum. Otherwise we're going to get punched right in the nose on auto parts and cars.

The Chair: Thank you, Mr. Volpe.

The worst thing about being a chair is having to cut people off, especially when they're on a roll. I'll just remind the MPs and witnesses that when the red light goes on, you're on your last half-minute, so if you could just get your thoughts together, that would be good.

We're going to move right over to the Canadian Automobile Dealers Association.

Mr. White you have the floor.

Mr. John White (President and Chief Executive Officer, Canadian Automobile Dealers Association): Thank you very much.

Good morning, ladies and gentlemen. Thank you very much for inviting us today. I'm very pleased to be here on behalf of the men and women who work in your local new franchise car and truck dealerships. The Canadian Automobile Dealers Association represents more than 3,200 dealers. We employ over 150,000 Canadians, and our members last year sold over $115 billion in goods.

In our opinion, there is no greater threat to the health of the Canadian economy than the looming trade uncertainty between Canada and the United States, and more specifically a 25% automotive tariff as threatened by the U.S. President. Let me say this plainly: steel tariffs and retaliation measures while significant and negative for the retail automotive market are minimal compared to the tsunami-like economic downturn that will occur should we be subjected to a 25% tariff, or even lose NAFTA.

During the 2008-2009 global financial crisis, the Canadian automobile market decreased to a level of 1.4 million cars. In comparison, last year the market represented two million cars. Now, in our view the effects of 2008-2009 economic situation would pale in comparison to what our members and the Canadian economy would face if we ended up with a 25% tariff on our cars as a result of retaliation. Given the threat, the TD bank issued a special economic report last week—and I'm sure you've seen it—on the auto tariffs scenario. In summary, $74 billion in exports stands to be impacted. They're estimating the job losses to be about 160,000 net positions. For our dealers, we estimate that could be 25,000 to 30,000 people, and of course there could be negative impacts on the Canadian dollar.

One of the things we're doing is working closely with our American counterparts at the National Automobile Dealers Association to highlight the downside of such punitive trade measures in the U.S. and to save us all from what we consider to be a destructive path. NADA is currently meeting with U.S. lawmakers, together with manufacturer and supplier representatives, to deliver a pro-consumer trade message to the U.S. administration. We need the press to get back to the bargaining table and secure a NAFTA agreement and avoid, at almost any cost, a trade war on automotive with the U.S. to save both sides of the border from a destructive path on this behalf.

I would like to hand over, if I might, Mr. Chairman, to one of our members, Bob Verwey from Owasco in Whitby, if I'm not out of order.

The Chair: No problem at all. Go ahead. It's great to see another Dutchman here today.

Welcome aboard and you have the floor.

Mr. Bob Verwey (Sheriff and President, Owasco Inc.): *Dank je wel*. I'm very honoured to speak with you today. I'm a little nervous. I'm the little tall guy here. As a Canadian though, I want to say thank you to all of you for being here and helping us out through this situation.

Owasco is a family-owned business. We have three automotive dealerships, a collision centre, our RV dealership, and an RV rental business, which combined employ 220 people. I am the past president of the Trillium Automobile Dealers Association, and we're also actively involved with the CADA and the Recreational Vehicle Dealers Association in its Ontario chapter.

My family and I have put everything on the line in investing over $30 million in two new facilities. The first store is the expansion of our business, which is the building of a new $15-million 41,000-square foot Audi store. Today our builders told me, “You're lucky to build this building now with steel purchases before the tariffs.” Prices of steel have been fluctuating by 20%, which has placed a hold on a lot of projects. We can't even price out the new jobs.

The second is the recent purchase of a 41-acre property in Clarington, where we're expanding our RV business through another $15-million investment in a brand new store. We're hoping to employ an additional 50 people. Our future expansion plans include four new businesses on this site, which we now have to place on hold due to the price increase and the economic instability caused by these tariffs.

Years ago many trailers and motor homes were manufactured in Canada, but today over 95% of the production is in the U.S.A. Although they might be assembled in U.S.A., about half of the aluminum and steel of these RVs is imported from Canada. Given the uncertainty, some motor home manufacturers have already implemented a 10% increase in pricing due to the tariffs, and we've been warned that there are more to come. This will be disastrous not only to our business but to the industry at large.

This will have a national impact. More than two million, or about 15%, of Canadian households own RVs. They should buy more though. In 2017 the RV industry supported 66,000 jobs with $6.1 billion in total spending and $3.4 billion in sales and servicing of RVs. These tariffs will also have broader implications for service industries such as our tourist industry. For example, our motor home rental department provides summer employment for an additional 10 college or university students. Our rental fleet is over 90 pieces, with combined bookings of 5,000 nights and travel of one million kilometres each season. Most of these people—65% of our renters—are from out of the country. You can imagine the tourist dollars that are produced. Due to the tariffs, we'll have significant increases in the pricing of our units, which will decrease our competitiveness on the world tourism stage. People will go elsewhere; they won't come to Canada.

As business people, we take calculated risks. Doing that drives our country. If we have a downturn in the economy due to these tariffs, not only will it put the viability of our business in jeopardy but we will also have no pensions. There will be terrible impacts on our current and potential future employment as well. I look out my window and see the steelworkers, the carpenters, and the plumbers all busy on our new Audi expansion today. These tariffs will create a ripple effect reducing the work for all of these trades. Our salespeople will sell less. People will travel less. Our service departments will suffer. Unlike the temporary shutdown when the Leafs were in the playoffs and for one night our showrooms went quiet, these tariffs will create a long-term downturn. For the livelihood of my personal family and my professional family, my co-workers, we need to make this right.

The Chair: Thank you, sir.

Now we're going to move over to the United Steelworkers. We have with us Ms. Gingrich and Mr. Neumann.

You folks have the floor.

Mr. Ken Neumann (National Director for Canada, National Office, United Steelworkers): Thank you very much for the opportunity to speak today.

In Canada, United Steelworkers represents 225,000 active members. We are the primary union of the steel and aluminum sectors, representing tens of thousands of members in those sectors across the country.

As an international union representing workers in both Canada and the United States for the past 76 years, the Steelworkers strongly oppose the May 31 presidential proclamation on the extended section 232 tariffs of 25% on steel and 10% on aluminum. Our international executive board condemns this decision, noting the absurdity of labelling Canada as a security threat.

Canada and the U.S. must work jointly to remedy the real problem of steel and aluminum dumping, for which Canada is not to blame. Canada must provide immediate worker and industry support for those who are going to be affected. This government must also strengthen Canada's ability to remedy predatory and unfair trade practices, as well as use domestic policy measures to ensure the long-term health of the Canadian steel and aluminum industries.

The Canadian steel and aluminum industries ship about $16 billion in products to the United States every year. That represents 90% of all steel exports. Our exports to the U.S. account for over two-thirds of the aluminum industry's total revenue. At least 22,000 people in Canada are directly employed in the steel industry, with another 100,000 indirectly employed. The aluminum industry employs 15,300 workers directly, and a further 41,000 indirectly.

It has been estimated that 45% of the steel industry will face immediate and direct impact. Steel is typically ordered on a six-week cycle, so we will likely see the impact of the tariffs very soon. We are very concerned that the Canadian industry has already been harmed by the one-month delay in the imposition of the tariffs by the Canadian government. We also note that the tariffs will deeply impact certain communities that are particularly dependent on steel and aluminum, such as Hamilton, Ontario, or Alma, Quebec. The United Steelworkers believe that these tariffs will hurt not only Canadian workers but also American workers.

Our union demands swift and thorough response to mitigate the impact on these sectors.

First, we support the countermeasures announced by the federal government and believe that they must be comprehensive and immediate. Exemptions should not be granted. This is particularly important to protect products that are made in Canada and to bolster the domestic market. Any revenue emanating from the counter-tariffs must go to the industry most affected by the section 232 tariffs.

Beyond the initial countermeasures, the government must introduce comprehensive supports for the steel and aluminum industries similar to the worker supports for the softwood lumber industry, as well as those recently introduced by the Quebec government in support of its aluminum industries. Measures must mitigate job losses as much as possible, including immediate support to industries in the form of loans, loan guarantees, or expanded domestic market opportunities. We also advocate for worker supports through EI and ESDC.

Canada must address the crux of the problem affecting North American steel and aluminum workers—cheap imports of products with distorted prices from countries that are engaging in illegal and predatory trade practices. For example, bad international actors, such as China, prop up their steel industry, overproducing products that glut the international market. This is compounded by the cheap labour and poor environmental regulations that, along with currency manipulation, artificially lower the price of steel.

We support recent measures to prevent offshore diversion from tariffs previously imposed on other countries, along with measures aimed at transshipment and trade circumvention. The trade union movement should be given the right to initiate trade complaints. We also appreciate that the government has increased the budget of the Canada Border Services Agency to identify and stop steel from glutting the Canadian market, but more must be done.

The imposition of these tariffs will lead to a surge in diverted products to our shores. In order to protect our domestic market, the government must launch WTO-compliant safeguard actions to protect especially vulnerable domestic products.

Finally, Canada must use domestic policy measures to react to price distortions that will result from poor labour, human rights, and environmental practices, including but not limited to countervailing duties.

Thank you for the opportunity. I look forward to any questions you may have.

● (1015)

The Chair: Thank you, sir.

Now we're going to open up the floor to dialogue with MPs. We have enough time for one round.

We're going to start, right off the bat, with the Conservatives for five minutes.

I understand that you're splitting your time, Mr. Allison and Mr. Carrie. Go ahead. You folks have the floor.

Mr. Dean Allison: I'm not sure you can split five minutes, but we'll do the best we can with that.

Six days ago Wilbur Ross told the Senate finance committee why all countries, including Canada, were included in section 232, and Mr. Neumann, you just alluded to that.

He went on to say:

> The only way we're going to solve the global steel overproduction and overcapacity is by getting all the other countries to play ball with us....
>
> And while they're complaining bitterly about the tariffs, the fact is they're starting to take the kind of action, which—if they had taken [it] sooner—would have prevented this crisis.

Given these statements and the committee's report on Chinese overcapacity and subsidies for steel, do you believe that the government took too long? Do you believe Mr. Ross when he says that if we had taken action sooner, we wouldn't be in this problem today?

Mr. Ken Neumann: We've been preaching for a long time in regard to dumping by various countries, and not just China. Our union has been very proactive. We have the right, in the United States, to file complaints as the trade union representing the workers and the communities. We don't have that access here. We just got some recent access.

To me, this is not something new. China didn't just expand its production to over a billion tonnes. This has been going on for some time. People have not looked at it. Now, because of the seriousness of the issue here, because Canada is now under the gun and we're now going to be attacked with 25% and 10%, everybody is raising that profile. But we've been concerned about dumping for some time.

We are currently dealing with it. We've had pipe come to Saskatchewan from another country, right past one of our facilities. In the meantime, that pipe is being produced in Saskatchewan, homegrown or homemade, whatever you want to call it.

I agree that this is a global situation where countries have to come together and deal with the cheaters, but don't blame Canada. Canada is not the cheater. You can't have a better neighbour than Canada, if you look at the decades of history, be it with the auto history or the steel industry.

You're right. We have to have laws that are going to protect the interests of our workers and our communities and the industries we represent. A lot needs to be done, but you're right that there needs to be some jointness to it. The fact is that we've been preaching about dumping for quite some time.

Mr. Dean Allison: Okay.

Do you agree with Mr. Ross that if we had acted sooner, possibly we wouldn't be in this tariff situation that we are in today, whether it's with China or whoever?

Mr. Ken Neumann: Yes, I agree. We've been working at this, as I said a moment ago, for many, many years. This is not something new to us. Our union has done close to 100 trade cases in the United States and we've only lost six. This is on tire, rubber, glass, you name it—the whole gamut.

Fortunately in Canada we're moving towards that and we want to make sure that we have the ability to protect our members and the communities they work in.

● (1020)

Mr. Dean Allison: Thank you, sir.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much.

That was what was disturbing last week, because I think Mr. Ross made it very clear that the target isn't Canada and that they don't see us as the security problem. However, they've been trying to get the world to work together to address the greater problem, which is the illegal Chinese dumping. Even the threat of these things is starting to affect people on the ground.

I want to pose my question to Mr. Verwey, because I appreciate your being the “little tall guy” and representing a business on the ground. You're the guy who takes the risks. The awareness, for me, is that this can go very bad very quickly—the uncertainty, the trickle-down effects. I wonder if you could comment on what effects you're seeing already. You mentioned some of them in your opening. What do you think the government should do now?

With the auto tariffs, as my colleague said, Mr. Ross stated that if we had done something earlier...and I know Minister Freeland was here last week and said she was actually in the meeting between Mr. Trump and Mr. Trudeau a year ago in Italy where this was brought up, but it's taken a whole year before they addressed it. If they're threatening auto tariffs now, can we wait a year before we take some action?

Mr. Bob Verwey: I don't know your business as well as I know mine. All I know is that the reason I am in business is the during the recession in 1992 I bought a business for $3 and we grew our business to where it is today. We made it through 2008. That was a tough time but we made it through.

Again, I emphasize that the amount of money we put on the line, at my age, was ludicrous to do, but we did it again. If we have a big downturn, I'm in trouble. That's all there is to it. My house, my family, everything is on the line, so it creates an effect. Not only that, but I'm responsible for 220 lives. That's 220 families with children and parents. The decisions I make reflect them. I have to be responsible for those decisions, and you have to be responsible for your decisions, for me.

One thing for sure is that I believe Trump is a bear and we shouldn't be poking him too much. The bear will start roaring. When the bear roars, he roars. We know how he roars.

How you operate in your business.... I know in my case if we are not getting somewhere, sometimes we need to change the people at the table, but I don't know. All I'm doing is asking you to please step quietly. I have 220 people who rely on us to make the right decisions. I can't afford to lay them off. They bought houses and cars and boats and RVs, hopefully. They're relying on us, and we rely on you, so—

The Chair: Thank you, sir.

We're going to move over to the Liberals. We have a guest at our table, Mr. Drouin from Glengarry—Prescott—Russell.

Who's on first for the Liberals?

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): I'll go first, Mr. Chair.

I want to thank everyone for being here.

Mr. Neumann, I'd like to ask you a few questions. I do have an important facility, Ivaca Rolling Mills, in my riding, which has a lot of your members. Obviously this has been a great concern to them, and I've been working on this issue for the past six months with them since the threat came, since the report came out.

You've mentioned worker support. First, I'd like to understand your opinion. Ivaca Rolling Mills is an American company. What do you think about an American company posing a potential security threat to Americans? What do you think about that?

Mr. Ken Neumann: I think it's ridiculous. We've been on record for some time that that is the most ludicrous thing we have heard. Canada is not the threat. For decades that's been proven. Ivaca is an American company. In Canada there is no such thing as a Canadian steel industry. All the steel producers today are foreign-owned. We build relationships with them, with ArcelorMittal or whatever the case may be. Canada clearly is not the threat. That's been proven time and time again. On the section 232 investigations, a lot of the high-ranking U.S. officials, including Wilbur Ross, who was mentioned here a moment ago, basically said that Canada is not a threat.

Mr. Francis Drouin: In your opening remarks you mentioned that tariffs must go toward where section 232 will hit them most. I'm wondering if you're working with your members and if your members are working with management of various steel facilities on how to identify that. I know some of them are pivoting to fulfill what is potentially a new market since June 1. How would you recommend the government analyze where section 232 will have the most impact when we know that some of the companies are pivoting to fulfill a new market?

● (1025)

Mr. Ken Neumann: First of all, our view is—and I think our membership are truly on the same page as we are, as, I'm sure, a lot of the employers are too—that the tariffs should have been imposed at midnight on the same day the U.S. imposed tariffs. There is no secret about that. We've always been very firm.

Our employers are working with our employees. They're very concerned at what's coming down the pike because this is kind of untested water. The fact is they are very much concerned, and, as I said, we have not seen the results recently of immediate impacts and whether there are going to be layoffs. Companies order their steel on a six-week cycle, so we could probably see relatively soon whether that is taking place, but, trust me, our membership and the companies are very much concerned about what is transpiring. They are very much concerned with what's happening south of the border.

Mr. Francis Drouin: You mentioned worker support, but I didn't hear you go into some other details. I'd like to understand what type of worker support you'd like to see—

Mr. Ken Neumann: The federal government made the announcement. We also represent the softwood lumber industry and the workers across the country, so it's the same kind of devastation for a lot of these communities that have been affected. In many cases there have been loan guarantees to the employers. There may be some exemptions under employment insurance, such that they will make some modifications. There may be some retraining. There are a variety of those things to make sure that those workers will have an opportunity to sustain their families. It's about making some changes that are going to benefit them. Because of this unfair action by the government, we want to make sure that our communities and the employers in those areas are looked after, and if there is some way we can expand the domestic market, which there is always room to look at, that would be another area we would encourage the government to go toward.

Unfortunately, in Canada we still build bridges, which are infrastructure, and bridge steel comes from foreign countries. It has been a heartache for me for a long time that we sit by despite having the opportunity to use Canadian products, the steel produced here, to create the jobs that are needed in the communities. We have the ability to produce it, no different from anybody else in the world.

Mr. Francis Drouin: Thank you, Mr. Neumann.

Mr. White, you mentioned that you're collaborating with some of your U.S. counterparts on the other side of the border. Have you gotten some feedback? Do you feel they are being heard down south by some of the decision-makers there?

Mr. John White: Yes, I do feel they're being heard. The National Automobile Dealers Association is a very prominent organization. They've gone at this not only together, but also with the manufacturers, with the parts industry, and with other associations across the country. Of course, they're being careful in their approach. My understanding is that there are ongoing meetings. From our perspective, we are working to ensure that we are aligned in our strategy and in our position on this.

At the end of the day, yes, I do believe they're being heard.

The Chair: Thank you.

Your time is up. We'll to move to the NDP.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey: Thank you so much, everyone, for being here today. You've brought us certainly a dire message.

As a 19-year auto worker from southwestern Ontario who was laid off during the 2008-09 period, I feel it very keenly. I think about all of the folks who are working across all of the sectors you represent and the real fear they feel about their jobs today and what we're facing. I think that worker income and support is critical, and at this point, no one knows what the government's plan is for workers.

Mr. Neumann, has the government reached out to you, and what conversations have there been about how to support workers who've been impacted over these last 20 days?

Mr. Ken Neumann: No, there's been no reach out to us. We've submitted letters to the Prime Minister, Minister Freeland, and I believe also Minister Morneau in regard to our concerns. First of all, there are numerous other elements in regard to the transshipment. In that same letter, we also addressed the fact that we're very much concerned about making sure that where people will be affected, they have those supports. We've not had any dialogue at this point.

● (1030)

Ms. Tracey Ramsey: Well, that's shocking and I think deeply concerning, because it's been 20 days since these tariffs were implemented and we're five days away from the retaliatory ones coming into place. I can read back some of the things we heard today: “carmageddon” coming; “tsunami-like economic downturn”; 20,000 to 30,000 people losing their jobs. This is a very pivotal moment for the government to step up and stand behind working people, so I'm disturbed to hear that this conversation hasn't happened.

Another thing that I believe Canada has not moved quickly on is the prevention of dumping in transshipment. We did a study early on at the trade committee here on this issue. We put some recommendations forward to the government. The government came forward with some things that they would do, but we still haven't seen them implemented on the ground. We're deeply concerned about the impact that's being layered on top of all of these uncertain tariffs and everything else that's coming from the U. S.

To Mr. Donnelly and Mr. Volpe, what can Canada do immediately?

Mr. Volpe, you mentioned a couple of things potentially getting into domestic courts.

What can Canada do immediately to protect the industry?

Mr. Sean Donnelly: Thank you, Tracey, for your comments.

I can think immediately, as both Ken and I mentioned earlier, about safeguards. We have to protect Canada from diversion of offshore imports from everywhere else. We're an open market right now—open season—and it only takes a boat or two of steel from these other countries, unfairly dumped into Canada, to distort our markets. We're already seeing market distortions between Canada and the U.S. This will drive a further wedge and impugn us and hurt us even greater than right now.

Mr. Flavio Volpe: It's important to split domestic policy and foreign policy on this. I think the government is doing fine on foreign policy. We have to stop pretending that we're dealing with a rational counterparty. These people are caging children at the border, so discussions on auto tariffs are kind of weird.

From a domestic point of view, though, I think the government needs to plan for the fact that an irrational actor will likely move to impose these tariffs, and it should start to schedule how long it would take to have a successful fight, in either the U.S. district court or international trade court, and start to work backwards from what impact it will have on the industry. Certainly, from an operational point of view, you really have a very short period of time before everything grinds to a halt. Then you have to start picking your spots. The government needs to think about whether it will be in the business of supporting American companies that are making cars and parts and materials in Canada against an action by an American government. Those companies employ Canadians, tens of thousands of them.

It's a big mess that it would be best to avoid if we closed a NAFTA deal. I think foreign and domestic policy converge on “Can we get back to the NAFTA table?” Certainly on automotive, the Canadian industry, or at least the part that I represent, has expressed the view that there are acceptable terms on the table. Let's do what we can and get to it.

Ms. Tracey Ramsey: You've both mentioned the cycle that it takes, that really we're in this bubble where no one has experience with what's coming towards us. What are you doing individually to prepare for this, and how can the government support you, both with respect to your businesses and the workers?

The Chair: Short answers would be good.

Mr. Flavio Volpe: Let me say something really quickly.

The members I represent are commercial interests. Commercial interests that get hurt by improper use of statutory vehicles have access to a U.S. district court to go in and get an injunction. The government's pursuit of the same objectives at the WTO provides a really good cover for us.

Let's not be shy about the fact that—and I know the minister is currently saying it—these are illegal actions, an illegal use of section 232. We're looking forward to the government's supporting the independent businesses that show up in court. Whether that means being part of the action or not, taking a stand to say, “We're with you as part of a team Canada approach”, would be appreciated.

The Chair: Thank you. That wraps up the time.

We're going to the member for Sault Ste. Marie.

Mr. Sheehan, welcome. You have the floor.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much. It's an honour to be invited here to participate in this very special, important meeting today.

I'm from Sault Ste. Marie. We have two major steel players there, which many people are familiar with, Algoma Steel and Tenaris Algoma Tubes, which has operations in the Soo and Calgary.

We're in a unique situation with about 60% of the exports from Algoma Steel going to the United States. I want to thank people like Randy, Tracey, and some other folks. We travelled together down to Washington on two separate occasions to tell the story, which the media dubbed the “charm offensive”, over the last 10 months.

Algoma is a perfect example of the integration of NAFTA and how it works so well. Steel is made by steelworkers in the Soo, but it's made with coal from coal miners, as well as iron from iron miners, from four states. It's put into the transportation network. It travels across the bridge, comes through the ports. It's made into steel, and then it goes back into the supply chain into auto, into manufacturing, into defence.

One question I want to ask Ken and Sean is how these kinds of tariffs are going to negatively affect the United States and the workers there. In *The Washington Post* today they talk about the first layoffs in the United States related to steel tariffs. A nail company down in the States just lost 60 employees. They're set to close probably in a few months.

I would like to hear some comments on the negative effects these tariffs are going to have on the Americans.

● (1035)

Mr. Sean Donnelly: Thanks, Terry.

First of all, we don't support tariffs. We want these things eliminated outright on both sides. That said, they're in existence, so as we said earlier, we need to retaliate proportionately. Where steel can't be made in Canada, we need to inflict pain, unfortunately, on U. S. consumers of steel so they create the impetus in the States to reverse these decisions. Until you see that, they don't give a heck about us. They don't care about us. They don't care about our profitability.

I sit with CEOs of the U.S. steel mills at the American Iron and Steel Institute, and they're laughing. They're laughing. They're making all kinds of money. They don't care about Canada. They don't care about their steel shipments into Canada. Therefore, we need to inflict pain on U.S. steel consumers, unfortunately. That's where the pain has to be felt. The insurrection has to happen in the U.S., not in Canada.

Mr. Terry Sheehan: Thank you.

Ken.

Mr. Ken Neumann: As I said earlier, for a lot of the companies that we deal with, there's no such thing as “Canadian”. They operate on both sides of the border, so there's no doubt there's going to be an effect.

If you look at the auto industry, there are some parts that may be made here. They don't have the facilities in the United States, so that's going to have an effect on the auto industry. If you look at the integration and the $1 billion in trade crossing the border every day, there's no doubt that the American workers are going to be affected.

I heard the comment earlier, “Don't poke the bear.” Well, I'll tell you that if you don't poke the bear, he's going to eat your lunch. That's exactly what's coming down the pike. The fact of the matter is that on the tariffs, you have to be tough on this. We're a sovereign nation. We're proud of the work that we do. We're proud of the employers we have. We're proud of the communities, be it the Soo— there's a long-standing history there. The fact is, don't punish your best neighbour. That's just not the situation. Come to the table with respect and dignity. That's how it works. We deal with a lot of the people at this table and around here. When it gets to collective bargaining, you don't become a bully. The fact is, this is about fairness and justice for the country. There's a long-standing history.

You're right. On both sides of the border, working people are going to get hurt, and in many cases the consumer is going to pay a much larger price.

Mr. Terry Sheehan: We've been talking about what Wilbur Ross has said. He has said a lot of things that I disagree with. Canada has one of the strongest trade systems in place right now. We have well over 70 measures in place against steel dumping. In 2015, just a few months after we were elected, the steel industry, the unions, were in my office saying that there had been virtually no protection against dumped steel and that we needed changes. After a few months we put in place, in the first budget, measures that created a longer term in which these tariffs applied. We went and consulted and we heard. In 2016 we put in “particular market situation”, anti-circumventing, scope-ruling, and union participation. Then when the Prime Minister visited the Soo and many other places and talked with the United Steelworkers, the steel producer Algoma, the mayor, and all the stakeholders, he enacted more money for more guards with the CBSA and put in a lot more money and a whole bunch of other things.

My question is quite clear: without those in place, is there a steel and an aluminum industry under the current situation?

The Chair: Is it all right if Mr. Verwey jumps in?

Mr. Bob Verwey: I just want to make one comment.

I'm on the floor. I'm in the war zone. With regard to the statement that the consumer will pay the price, I'm saying they won't pay the price. The retail will stop. That's what I want to say: the retail will stop. I've been there before. It happened in our tourist business. It happened in our car business. It happened in our trailer business. When we had the decrease in our dollar, we had a 25% increase in our payments and, boom, our business stopped. That's what happened. The consumer will not pay the price. We'll lose money and the federal government will lose money. I write my tax dollars to you this month, and it's a lot of money that goes to the government, so you'll lose money too. The ripple effect is huge. That's all I want to say.

● (1040)

The Chair: Thank you.

Mr. Sheehan, your time is up.

Mr. Terry Sheehan: I'll save my question for the next round.

The Chair: That ends our first round.

I'm sorry for the late start, but we got through it and the witnesses all got their submissions done.

Thank you, folks, for coming.

This is huge, not only for your lives but for all the people you represent.

Thank you for coming.

Our committee is going to take your submissions very seriously.

We'll going to suspend for five minutes and then we'll get right to the next crew of witnesses.

● (1040)

(Pause)

● (1045)

The Chair: Welcome back, everybody. We're into our second round on this very important topic. This is a special meeting that all parties pulled together in order to hear about the impacts of the tariffs that are being imposed by both countries, and the repercussions for the workers, manufacturers, and consumers.

Welcome, witnesses. We're very appreciative that you agreed to come before us. If it's your first time in front of our committee, try to keep your presentation to five minutes or less. After four and a half minutes, I'll hit the red light, and you'll know that you're coming to the end of your time and you can wrap up. We'll do the same for the MPs when their time is up.

Without further ado, we'll start off with the Canadian Labour Congress. We have with us Ms. Norgang and Mr. Rousseau.

Welcome, folks. You have the floor.

● (1050)

[*Translation*]

Mr. Larry Rousseau (Executive Vice-President, Canadian Labour Congress): Thank you, Mr. Chair.

I also would like to thank the members of the committee for having invited us to address them this morning.

On behalf of the 3 million members of the Canadian Labour Congress, I want to thank the committee for the opportunity to present our views on the impact of tariffs on Canadian businesses, workers and communities.

[*English*]

The CLC brings together Canada's national and international unions, along with the provincial and territorial federations of labour, and over 100 labour councils. Employees represented by affiliated unions of the CLC work in virtually all sectors of the Canadian economy and all occupations and in all regions of the country.

Canada's unions support the Canadian government's action to date against the unjustified and unwarranted American tariffs on steel and aluminum. Trump's aggressive trade provocations against Canada are a totally unjustified and unwarranted sanction against a fair trading ally. Canada's unions have asked the federal government to put together a rapid response working group with industry and worker representatives to develop a package to support workers, businesses, and communities.

The work of the rapid response working group would complement that of the federal steel and aluminum trade-monitoring committees, as well as any provincial responses.

As part of this joint work, we recommend that a comprehensive jobs impact assessment be completed to inform the ongoing development and deployment of industry and workplace assistance measures. We see three critical areas in which government action will be necessary.

First is the fact that Canadian producers will have temporarily lost U.S.-based customers. We encourage the federal government to explore a wide range of possible industry supports, such as loan guarantees for small and medium-size businesses to help them weather the storm and policy measures that prioritize the use of Canadian-made steel and aluminum for energy projects within Canada. This would enable the government to meet its stated aim of developing Canada's energy resources in an environmentally responsible way.

Second, Canadian producers and manufacturers will now be competing with the excess supply of steel and aluminum diverted from the U.S. market. Elements of a package to address this could include action by the Canadian International Trade Tribunal and Canada Border Services Agency to address any trade diversion caused by U.S. measures, as well as additional resources devoted to border agents and inspections to ensure that the Canadian market isn't flooded with dumped products. We welcome the government's recent introduction of regulatory changes related to anti-circumvention investigations, scope proceedings, and price distortions, as well as recently announced funding for the new officers. We look forward to working with the government on the implementation of these changes.

Finally, the steel sector supports 22,000 direct jobs across Canada. The aluminum sector supports nearly 10,000 direct jobs, mainly in British Columbia and Quebec, with supply chains in related industries affecting more than 100,000 additional workers, as you heard earlier. Worker support packages should keep in mind that the impact extends beyond directly employed workers to workers in related industries and in small communities. We recommend building on the package developed for the softwood lumber industry, as my colleague said earlier; working with the provinces to provide additional investments for training supports to allow affected workers to upskill, with income supports; extending the EI duration for workers in affected regions; and extending EI work-sharing and adjustment programs that help to minimize job losses when there is a temporary slowdown in business activity so that employers may continue to operate.

Finally, we appreciate the committee taking the time to hear our views on this important issue. We look forward to working with the federal government to ensure that we can mitigate job losses and community hardship in the face of this serious economic threat.

Merci.

The Chair: Thank you, sir.

We'll move to Mr. Galimberti, the president of the Canadian Steel Producers Association.

Welcome, sir. You have the floor.

Mr. Joseph Galimberti (President, Canadian Steel Producers Association): Good morning and thank you to the honourable members of the committee for the opportunity to present as this committee undertakes its study on the impacts of the Government of Canada's countermeasure actions against the United States in response to tariffs on Canadian steel and aluminum products.

This is, I believe, my fourth time in front of this committee this year, so thank you very much for your attention to this matter. If I understand parliamentary procedure correctly, I think I get my next visit for free, so I'm looking forward to that.

Some hon. members: Oh, oh!

● (1055)

The Chair: You can stay around for free pizza later.

Mr. Joseph Galimberti: The CSPA is, of course, the national voice of Canada's $15 billion primary steel production industry. As I mentioned previously, direct employment from steel is approximately 23,000 Canadians supporting another 100,000 indirect jobs.

On June 1, 2018, the United States imposed punitive tariffs on the imports of certain steel and aluminum products from Canada, at rates of 25% and 10% respectively. These are unilateral and illegal trade actions by the United States, which pose an unacceptable and immediate threat to investment and employment in Canadian steel manufacturing. Our member companies strongly support the Government of Canada's announced intention to impose tariffs on imports of steel, aluminum, and other products from the United States, representing the total value of 2017 Canadian exports affected by the U.S. measures. We believe this to be an appropriate and proportional response to the U.S. administration's actions, and an essential step in supporting Canadian steel companies and their workers.

In that regard, it is the consensus position of the Canadian Steel Producers Association that items included in table 1, published in the notice of intent, should be subject to tariffs at the rate of 25% when those tariffs take effect. Only in verifiable instances, either where no Canadian production exists or where there is a narrow requirement for the cross-border transfer of a specialized product within the same steel-producing company to support Canadian operations, should initial omissions to that list be considered. Once it is implemented, if it is determined through a prescribed exclusion process that a given product cannot be reasonably sourced either domestically or from alternative international jurisdictions, only then should relief for exemptions from the applied tariffs be contemplated. Any such process should be conducted transparently and in full consultation with Canadian Steel Producers.

I would note that the U.S. process for gaining an exclusion from the section 232 tariffs is rigorously public by its nature and predicated on the provision of a full, factual description of the specified product, its properties, and the quantities in question, and also allows for any company or individual in the United States to file objections to the exclusionary request within 30 days of those being posted on the federal registrar's website. They are quite ambitiously public about the process.

Canada's steel producers have no interest in seeing valid exemption requests denied and do not want important economic activities disrupted, but where Canadian steel products are subject to tariffs entering the United States, equivalent tariffs should be imposed on U.S. steel products entering Canada. To take any lesser action would both undermine the notion of a truly reciprocal response and fail to meet the Government of Canada's commitment of full support for steel and aluminum workers.

We understand that the unfortunate reality of tariffs implies a potential cost escalation and/or the adjustment of established supply chains for steel consumers. We have worked and will continue to work tirelessly to demonstrate to the U.S. administration the need for a full exclusion for Canada from the section 232 tariffs in order to maintain mutually beneficial trade between our two countries and to preserve critical integrated supply chains. We would encourage implicated steel consumers with Canadian operations to undertake similar advocacy efforts in the United States, furthering the notion of our combined benefit from free and open trade in North America.

Through a true Team Canada approach, we should hope not only to convince the United States to exempt Canada from tariffs on steel and aluminum but also to discourage the U.S. from moving forward with section 232 tariffs on the imports of autos and automotive parts from Canada. The CSPA also believes that steel producers from the United States who have championed actions against Canada in the context of section 232 tariffs should not be allowed to gain any advantage associated with exemptions from Canada's responsive actions. Clearly, a group of foreign companies that have consistently chosen to work against Canada's interests should not be granted exemptions of any kind from responsive measures.

The Canadian steel industry finds itself today at a significant competitive disadvantage in the United States because of these tariffs. Being artificially excluded from by far our largest export market while at the same time working with the government on appropriate measures, like a safeguard action to contend with a potential flood of global steel displaced from the U.S., will necessitate an increased focus on the domestic market to ensure we can keep selling our products and employing Canadians. Exemptions or exclusions from table 1 imply not just continued access for American producers but unfair and damaging access for American producers sheltered from competition in their home market by the section 232 tariffs.

● (1100)

The Chair: Excuse me, sir. Can you wrap up?

Mr. Joseph Galimberti: Yes. I need two seconds.

This is unacceptable. Canada's steel producers already feel the impacts of these unacceptable U.S. tariffs imposed under the absurd pretext of national security; we recognize that our customers do as well. We are willing to work co-operatively to ensure that sufficient steel supply is available in Canada to support vital industrial building and manufacturing applications. Where reasonable alternative means of supply cannot be found domestically or from non-U.S. jurisdictions, we are, of course, prepared to collaborate with the implicated steel consumers and the government to determine if an exemption is appropriate. We cannot, however, support exemptions from the Government of Canada's countermeasures list where comparable product is made or is otherwise reasonably available in Canada.

Thank you again for your time. I'm happy to answer any questions.

The Chair: Thank you, sir.

We're going to move over to Mr. Winkler.

He is president and chief executive officer of Evraz North America.

Go ahead, sir. You have the floor.

Mr. Conrad Winkler (President and Chief Executive Officer, North America, Evraz): Good morning, honourable members of the committee.

Thank you for the opportunity to speak today regarding the Canadian steel industry in relation to the section 232 tariff.

Evraz is North America's leading producer of large-diameter line pipe, employing over 2,100 people in Saskatchewan and Alberta. We recently completed a $270-million investment in Regina on leading-edge steel-making and pipeline technology for quality and safety. We're in the midst of a $30-million investment to produce high-strength casing and tubing in Red Deer. We also employ over 1,500 people in the United States and are the largest producer of rail steel in North America as well as the only producer of plate in western North America.

We are extremely integrated between the United States and Canada, sending rail steel from Colorado to CN and CP, sending steel from the U.S. for pipe production in Canada, and, most significantly, producing pipeline pipes in Canada for Canadian and U.S. operators. In fact, we also send some plate from Portland up to Camrose, which subsequently goes into U.S. and Canadian pipelines.

The U.S. measures have a tremendous and immediate impact on us and our U.S. customers. Our large-diameter pipe business is very project-oriented. Section 232 tariffs could delay U.S. projects and cost U.S. construction and energy jobs. For our own operations, they have caused a reluctance to ship large volumes of pipe destined for pipeline projects across the border due to the tariffs and the delays in posting product exclusions. This, in turn, is causing us to have working capital issues, disrupted operations, surplus pipe, and delayed realization of revenues.

We will keep impressing upon U.S. legislators and the administration how important Canadian steel is to the U.S. economy. Perhaps more importantly, our ties between Canada and the U.S. are deep, with many of us having fought side by side against oppression and for freedom throughout the world. We ask the government to continue its strong advocacy for Canadian steel while also working towards an agreement on a modernized NAFTA.

Over the last 18 months the government has been supportive in fighting for steel. As a result of the section 232 measures, we are working closely with the government in an expedient manner but we will need continued close collaboration and effort to defend our workers to get through this in the short term and again in the long term.

In addition to taking steps to ensure free and fair access to the U.S. market, the government should consider taking significant measures to ensure a viable domestic market for steel. Energy tubular imports as a result of diversion of pipe otherwise bound for the U.S. surged 70% in 2017 and have increased an additional 18% in 2018 with no increase in drilling activity. At the same time raw material costs in Canada have been significantly driven up by increased activity of U. S. steelmakers. That is not the case for our overseas competitors. This triple impact of massive increases in diverted energy tubulars, higher raw material prices, and the effective closing of the U.S. market will have a significant impact on our Canadian operations.

As the Minister of Finance has stated, a study of global safeguards is under way. We know adopting such measures is very serious but we are in a serious situation with the domestic market deluged with low-priced imports and significant barriers to the U.S. market. Strong action is necessary.

Finally, trade measures by the U.S. underscore the importance of the energy market here in Canada through pipeline construction that grows oil and gas exploration and production jobs, well-paid permanent middle-class jobs. Building LNG export facilities is vital for Canada's energy economy. We are ready to build those pipelines and pipes from recycled steel with the lowest carbon footprint in the world for Canada, in Canada.

I am confident that we can continue to grow well-paid middle-class skilled jobs if the U.S. and Canada can return to stable integrated steel trade. We can and will invest significantly in Canada and the United States.

I look forward to answering any questions you may have.

Thank you.

● (1105)

The Chair: Thank you, Mr. Winkler.

We are going to go to Mr. Young, senior commercial sales and marketing manager for Janco Steel Ltd.

Welcome, sir. You have the floor.

Mr. Stephen Young (Senior Commercial Sales and Marketing Manager, Janco Steel Ltd.): I'd like to thank Dean Allison for the invitation and the standing committee for providing me with the opportunity to speak to you today on behalf of Janco Steel. I will comment on the recently implemented American steel tariffs and their impact on our company and the Canadian steel industry as a whole. We are also proposing a viable solution and plan to compensate companies like Janco Steel who are adversely affected by these tariffs.

Janco is a steel service centre located right in Canada's steel town —Hamilton, Ontario. We supply carbon flat-rolled steel to a wide variety of customers and industries that buy that steel from Canadian steel mills. It is a 30-year-old family business that today provides employment to over 180 people.

Our business has grown over the years to this number of 180 employees, with significant sales and development in the United States. Tonnes sold in the U.S. have increased 270% since 2014 and now represent 30% of Janco Steel's business. Needless to say, the tariffs have created very difficult issues for our company.

Significant negotiations and discussions have had to take place to determine how the additional tariff cost will be paid on existing orders. Some customers have acquiesced to paying some of the tariff, while others have refused to pay anything at all. Some have cancelled their orders with us. In some cases, Janco is paying the full costs of the tariff to maintain the customer relationships that have taken us years to develop. We have also been forced to cancel some of our orders and hold off placing new orders with our Canadian steel mills.

The fact remains that if our U.S. customers had bought their material from an American supplier, they would not be affected. This plays right into President Trump's agenda and is directly threatening the business of Janco Steel and the health of the Canadian steel industry.

In the longer term, we are very concerned about our U.S. business landscape. Most U.S. customers are currently unwilling to place orders or to engage in any long-term business commitments due to the tariff. Every day we are finding that we are no longer competitive compared to American steel service centres. Our American customers are now sourcing new supply from their local market to secure greater cost certainty. The longer Janco remains uncompetitive in the U.S., the more permanent the damage will be to our business. We need an immediate plan for how we will remain competitive. Without assistance from our government, this critical U.S. business will be lost.

An immediate solution would be to get the NAFTA deal done. We understand that everyone is working hard at this and that a successful deal would allow us to go back to business as usual. But here is our problem.

We have seen our business in the U.S. decline by 60% in the month of June compared to April and May of this year. This decline in sales will become permanent unless we get help. As a direct result, we have frozen all hiring, including suspending our initiative to hire numerous summer students. In the worst case, we will have to consider layoffs for the first time in our company's history.

Another significant problem is our cash flow. We have to pay our customs broker within five to six business days so it can remit payment to the U.S. government in eight days. We've already incurred in excess of $330,000 in tariff payments in the first 18 days of June. Given that customers do not pay their invoices for 50 to 60 days, we will have to pay an estimated $670,000 to $800,000 to the U.S. government before any receivables are even collected by our company. This is very difficult to manage, but here is a plan.

Al Schutten, the owner and president of Janco Steel, proposes that the Canadian government implement the following as a possible short-term solution. Canada is placing a tariff on U.S. steel imports starting on July 1. The funds collected should immediately be made available to companies like Janco Steel that are shipping steel into the U.S. and are being charged the illegal U.S. steel tariffs. These Canadians companies should then be entitled to a payment equalling 50% of the tariff payments they have been required to make to the U.S. government.

This would go a long way to allowing Janco and other steel companies to remain competitive, maintain their existing U.S. business and employment levels, and minimize the long-term loss of our U.S. business. It would also help to alleviate, to a degree, the cash flow issues that we face.

We are aware of the good work that the Honourable Chrystia Freeland and others have done so far in challenging the illegal section 232 tariffs, and we expect success from the case they initiated with the WTO. We are also asking that when the U.S. is forced to repay the tariff funds it has collected, these funds be used to make Canadian steel companies financially whole for their verified tariff payments. The money would also be shared with any U.S. customers who have helped by taking some of the tariff payment burden.

The success of Janco Steel's business model is predicated upon having an open trade border with the United States. If these tariffs remain in effect for much longer, our current business model will simply not work. Without some assistance from our government, we will be forced to make some very difficult decisions—decisions that we had not even thought of or entertained a month ago.

● (1110)

Thank you again for this opportunity to speak. Thank you to the government officials who are working hard for a solution.

The Chair: Thank you, Mr. Young.

Before I get into dialogue with the MPs, what community is your business in?

Mr. Stephen Young: It's in Hamilton, Ontario.

The Chair: You're right in Hamilton.

Mr. Stephen Young: Yes, it is in the Stoney Creek part of Hamilton.

The Chair: Most of the families are from right around the Hamilton area.

Mr. Stephen Young: Yes. Our footprint is interesting, because we are strictly in Hamilton, and then we go further afoot and afield to the United States with no divisions in the U.S. at all. Our total growth model is to have North America be available to us.

The Chair: Thank you, sir.

We're going to have dialogue with the MPs now. Looking at the time, we have time for probably six slots. We will start with the Conservatives.

Mr. Allison, you have the floor.

Mr. Dean Allison: Once again thanks to the witnesses for being here.

I feel that this is a surreal time. We're all calmly sitting around the table, but the reality is we're in a very major crisis. It's kind of like the frog in the pot. If he jumps into hot boiling water he's going to jump right out, but I feel like we're boiling to death here and that there are going to be some very serious consequences in the next two to three weeks, or the next month.

Mr. Young, one of the reasons I invited you and all of the witnesses here is to talk about that. I don't know if people really understand or appreciate—this is for all of you guys, but I'll direct this to you, Mr. Young—how difficult it is to acquire new customers. The reality is you spend years, and if you're going to change customers, there are supply chain issues. There are a whole bunch of things you need to consider, because your customers expect quality. It's not just leaving the U.S. supplier and going to a Canadian one. There are a whole bunch of things that need to be factored in.

You did talk about it briefly, but perhaps you could talk more about how complicated it is with uncertainty, not knowing what the plan is, not knowing how long you're going to have to subsidize the tariffs. How on earth can you actually function and make plans for the future when everything is so unsettling?

Mr. Stephen Young: Absolutely. I'll try to do that in two stages.

The one point is asking about how long it takes to get U.S. customers. We have had a tremendous partnership with Dofasco, all three of our steel mills, but ArcelorMittal Dofasco has been a large part of our growth. As Sean mentioned, it is affecting our community. I'm one of his customers who is dealing with that. Since 2014 we have really grown to that number—as I said, it's 270% growth—and it only takes a couple of times when you are offside in a competitive nature or when you're quoting a job that you will start to lose your footprint in an area.

We are large suppliers to the RV industry. We heard someone speak about that today. That is a very thin-margin business. We have a great footprint there. We have invested in Janco Steel. We have put in four lasers in the last two and a half years. We have started doing a parts business. That is going to be lost because they will go elsewhere very quickly.

The uncertainty you speak about, Dean, is that if we knew the rules and if we knew the rules were going to last for the next year, we could maybe make a good business decision, but right now the last thing we want to do is lay off people. We went through the financial crisis of 2008-09 and we did not lay off any workers. We actually expanded in 2010. Our biggest growth has been from 2010 to now. It is tens of millions of dollars that we have invested back capitally into our company, and we don't know the rules any more.

I can tell you that when I say we will have to have a decision about laying people off, it is real. That is not just saying something to make a big statement. We're going to have to do that. We do not want to do that.

Mr. Dean Allison: You're already talking about not bringing in people. If nothing changes, in other words, if there are no supports announced, nothing happens other than the fact that it gets kicked down the road, when do you start laying off people?

Mr. Stephen Young: Those discussions are happening every day. Al Schutten and I sit and look at each other and wonder. We try to look at things that are possible and probable when we're trying to work out risk in business. We don't really have an idea of what is probable any more, but what is possible is actually quite frightening.

I don't know the actual answer regarding how long does it go. We have not done anything yet because that is the last decision we ever want to make, but when we ask the government for help, that actually is a plan. There is going to be money coming in from the tariffs. Tariffs are put in place to help industries that are dealing with either unfair trade or disadvantages, and we need some help. If we got that help, we could at least skate a little bit. We would be just breaking even. We don't have large margins in our business, probably 10% to 12% usually. You can see we're not asking for a handout; we are saying, "Keep us in the game."

To your earlier point of how quickly we can lose customers, it is already happening. I have tremendous support from people in the U. S. who are now saying, "We'll catch up with you in a few months maybe and we'll talk again, but for now, we have to cover ourselves." It's very frightening.

● (1115)

Mr. Dean Allison: How much of your business is U.S.-related at this point?

Mr. Stephen Young: At least 30% right now.

Mr. Dean Allison: That's 30%?

And that's down by 60%?

Mr. Stephen Young: It's already 60% down in the month of June, month over month, from April and May.

Mr. Dean Allison: And you don't see that getting any better as we [*Inaudible*].

Mr. Stephen Young: It's going to get worse.

Mr. Dean Allison: Okay.

Thank you.

The Chair: Thank you, Mr. Allison. Perfect timing.

We're going to move to the Liberals now.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you, Mr. Chair.

I want to welcome all of you, and I thank for being here with us today.

I have a question for you, Mr. Rousseau.

You said that tariffs on steel and aluminum could directly affect supply chains, and workers.

As you know, I come from Quebec. In Alma, there are several aluminum plants. In my riding, North of Montreal, the Raufoss company processes aluminum, which is exported not only to the United States, but also to other countries.

You spoke of temporary measures we should put in place in case of layoffs. I'd like you to tell me more about that. You said we would need to help workers acquire other skills. How could we improve the situation? I am thinking of the workers at Raufoss, in Boisbriand. That enterprise just invested and doubled its aluminum rim production capacity.

Mr. Larry Rousseau: In our brief, we ask that in such circumstances, workers be taken into account. We are hearing talk about layoffs. Sales may decline and the economy may slow down, but workers may have to deal with the worst consequences.

We already proposed models. First we have to support working men and women. If we give the companies the subsidies they request, it is to ensure their financial viability and to keep people in their jobs. The situation could change and we have to maintain production capacity and the ability to sell and export our products.

If the situation gets worse over time, we will absolutely need to have plans and strategies in place to know what to do with the workers. That is precisely why we are asking you to create a working group to study different scenarios.

The situation in Alma may be different from the situation in British Columbia because the industry is different. This working group will have to be able to present recommendations fairly quickly, which a trade-monitoring committee will not be able to do. The working group will have to understand the needs of unions, of businesses and of government.

Ms. Linda Lapointe: Earlier, you said that we would have to work with the provinces, as is done in the case of softwood lumber. Could you tell us more about this?

Mr. Larry Rousseau: If the steel and aluminum industries decide to try other production avenues, there will have to be programs to enable them to train their workers. The fact that we work in a given sector does not mean that we cannot, together with the industry, determine whether workers can acquire new skills and perhaps even retrain.

I would, however, say that that is not what we should do in the short term. In the short term, we have to see to it that workers have access to employment insurance benefits. If people have to be laid off, we have to ensure that they have access to existing programs such as employment insurance.

● (1120)

Ms. Linda Lapointe: Thank you, that is interesting.

Mr. Galimberti, you spoke a lot about the steel that is produced for the auto sector. Other witnesses spoke of other things. Mr. Winkler spoke about the pipeline. What percentage of the steel produced in Canada is used by the automobile industry?

[*English*]

Mr. Joseph Galimberti: Just to use a generalized round number, normally domestic steel consumption in Canada is about one-third for automotive, one-third for infrastructure, and one-third for energy, meaning oil field use. That would be a good guidepost. In automotive it is probably slightly over one-third.

[*Translation*]

Ms. Linda Lapointe: Thank you.

I think my speaking time is up, Mr. Chair.

[*English*]

The Chair: Yes, that's it.

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Chair: We're good to go and will move over to the NDP.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey: Thank you, all, for being here on such short notice. I think we're in dangerous waters and at a critical point, and it does require some urgent action.

I thank you not only for coming here on short notice today, but also for bringing concrete proposals of things that we can do in this unprecedented time we find ourselves in.

The first one I want to comment on, Mr. Rousseau, is the rapid response working group. I think it is critical to do a jobs impact assessment on who will be impacted on the ground. That is also very critical to communities that depend on these jobs.

Have you been able to secure a commitment from the government, or potentially a meeting, to discuss this rapid response working group and its potential going forward?

Mr. Larry Rousseau: We are certainly making the recommendation and having talks, but I can't say this has been committed to at this time. But certainly we are going to work very strongly and make it very clear that we need this kind of a working group that can be more nimble and make recommendations and come up with some solutions as this very dynamic situation evolves.

We can have decisions coming out of Washington from one day to the next that throw another monkey wrench into this or does something else, so we're going to have to have something that can be very reactive, as well as proactive, in a very short period of time.

Ms. Tracey Ramsey: I agree.

We haven't really talked a lot about the table 2 tariffs that we're looking at. There are folks who couldn't make it here today—the recreational boaters, the furniture companies, a lot of very large sectors in our economy—who are concerned about the implications of this table 2, so I hope we will be adding that to our study and having briefs from them.

My next question is really for Mr. Galimberti, Mr. Winkler, and Mr. Young. It's about the product exclusions that are being granted to products that are unavailable domestically in the U.S. We saw the U. S. extend these to some of the other countries, but not to Canada.

I'm wondering what actions, if any, our government could take to increase the likelihood of the U.S. Secretary of Commerce granting requests to exclude certain U.S. companies' imports of Canadian steel and aluminum from the U.S. tariffs, and the work that you've potentially done around that.

Mr. Joseph Galimberti: This is something that Secretary Ross raised in the Senate hearing last week. We have welcomed things like steps to strengthen trade remedy modernization, and we welcome the additional resourcing at CBSA, and the changes to the stencilling regime. I think the Government of Canada continues to look at things like government-initiated safeguard action.

We certainly see significant diversion of steel to Canada as a result of section 232. I think it's in Canada's interests, as good domestic policy, to protect steelworkers and steel manufacturers to make sure that this activity continues. But I also think that will encourage the United States to.... Looking at exemptions is one thing. I think ultimately we want to live in a world where there are no tariffs between the two countries—

Ms. Tracey Ramsey: Very much so....

● (1125)

Mr. Joseph Galimberti: —and I think that is another concrete step that we can take, and that is justifiable as good domestic policy as well.

Mr. Conrad Winkler: What I would say is that we're really actively working on this exclusion process, and so we have submitted hundreds. Our customers in the United States, of course, have been really terrific to work with on that process. Both our customers and the legislators in our districts in Portland and our state of Colorado have really worked very closely with us to approach Secretary Ross, as well as many others in the U.S. government, on the exclusion process and the exclusions themselves.

In addition I would say that within the Canadian government it's been all hands on deck in terms of the exclusion process, but also in approaching Secretary Ross. That also includes folks like Premier Moe, who has been very active and went down to D.C. on behalf of those who have been impacted by section 232. I know that he spent time with Secretary Ross' team, as well as with many others in D.C., to push for some specific proposals not only around exclusion processes around our particular products, but also more generally for exempting Canada from section 232.

Ms. Tracey Ramsey: [*Inaudible—Editor*]

The Chair: There's only eight seconds left, so we're not going to be able to squeeze that in.

We'll move over to the Liberals with Mr. Sheehan.

You have the floor.

Mr. Terry Sheehan: Thank you very much for the excellent testimony. There certainly are some very important ideas that you brought forward for us, such as the idea of a rapid response working group by the Canadian Labour Congress. I used to work for the Ministry of Training, Colleges and Universities in Ontario, and there was a very similar model, which can be very successful. Thank you for that and also for your support for the various modernizing trade measures that we put in place in 2016, 2017, and again this year. It was rhetorical when I said that if we did not have those in place, we probably wouldn't have a steel and aluminum industry here. I do agree that more can be done. We should never rest on our laurels. We should always be nimble and continue to look at various supports.

One of the things that I talked about was our trip to Washington and various states to talk to different people. It was very effective because we're now seeing a lot of those Congress people and senators approaching the administration and saying that what it's doing is wrong. The reason I bring this up is that last week the chamber of commerce—and I must add that the local chambers of commerce in the Soo, Hamilton, and Windsor, have been very proactive in supporting this.... It made me very proud to see that we have labour, the chambers, the steel industry, the mayors, and the community standing strong in the Soo and across this nation.

One of the suggestions brought forward by Warren Beatty and all the presidents of the chambers of commerce across Ontario is that we go down to, and redouble our efforts, in the United States. They're saying that they also need to engage their American counterparts.

Do you feel that is a good suggestion by the chambers across this great nation?

Mr. Joseph Galimberti: I think any advocacy that can be done in the United States to continue advancing the principle of open and mutually beneficial trade between Canada and the United States is time well spent. I think there are a lot of good points there.

I'd also say, and this speaks a little bit more to the tariffs, that I do know that this committee was in Washington recently and met with the AISI and heard unequivocally from its leadership that they were not willing to talk about us as an industry to get an exemption for Canada. I think we have to be resolute in taking action like tariffs and not allowing for exemptions, or sort of a Swiss cheese enforcement system, otherwise those efforts that we expend in having chambers of commerce go down to talk about fair trade will ultimately be undermined by domestic forces in the U.S. who believe they can act against Canada with relative impunity. I think what we're doing with the tariffs is critically important to also supporting those efforts by the chambers of commerce.

Mr. Terry Sheehan: I agree with that.

It's Perrin Beatty. I correct myself. I've met him a few times.

Voices: Oh, oh!

● (1130)

Mr. Dean Allison: Warren's his brother.

Mr. Terry Sheehan: Does anybody else wish to comment that we need to redouble our effort, especially as they're talking in this letter about the tariffs on steel and aluminum? They're also talking about the tariffs on the solar panels produced here in Canada, including in the Soo, and the fact that the auto sector is being talked about as next. Really, in the summer we should be spending our time down there with unions, business, chambers, and the steel industry. That's one of the things I think we really need to focus on, as well as taking up your excellent ideas as we prepare for July 1, which is coming up.

Conrad.

Mr. Conrad Winkler: I really agree with your comments on redoubling those efforts.

If you think about section 232 in the United States, of course the world is impacted in various ways. If you think about how people feel in the United States, I really think there is a general feeling that Canada is not the right target. I think the more that people have that awareness and the more time legislators and others spend in D.C. and with the administration reminding them how really different Canada is, the closeness of the relationship is so unique that the time is really well-spent. We definitely encourage it and are thankful for all the efforts people have put in so far.

Mr. Terry Sheehan: I agree with that comment.

Every time I wake up in the morning in the Soo and open my window, I see the United States. It's undefended, it's a friendly border, and they don't get it.

Conrad, since you are in the business, how important is the TMX project in light of the tariffs we're facing right now?

The Chair: Mr. Sheehan, you're getting into uncharted water there, and I'll have to cut you off.

We're going to move over to the member of Parliament for Ottawa—Vanier.

Welcome to our committee, Madam Fortier. You have the floor.

[*Translation*]

Mrs. Mona Fortier (Ottawa—Vanier, Lib.): Thank you, Mr. Chair.

Thank you very much for being here today.

I understand the complexity of the situation. As an alternate member of the committee, I see that we really have to focus on finding solutions. You suggested several possibilities. I believe I understood that the decisions we make have consequences on the Canadian economy as a whole, and not just on one sector. There will be a ripple effect all over the country.

What I am trying to understand—and you gave some examples—are the measures we must examine and put in place in order to protect businesses and workers. That is really where the government has to concentrate its efforts, in both the short and long term.

Mr. Winkler, you made some very generous comments, and you mentioned that we need significant measures. In your opinion, which measures should the government prioritize, together with the provinces, the territories, and all partners concerned?

[*English*]

Mr. Conrad Winkler: Yes. From a prioritization standpoint, I think the safeguards are the one really critically important area from our perspective, and obviously a really high priority, of course. The highest priority would be to get on the other side of this issue altogether. For us that is probably the number one priority, and, of course, it's already fully going on. The retaliatory tariffs are also probably a close second. Then of course, what everyone else has talked about as well are some options for some kind of support within current frameworks for the industries that are most impacted, like us, especially in the short term, but then also looking at the longer term.

[*Translation*]

Mrs. Mona Fortier: Mr. Young, on the same issue, you proposed a very clear solution, which was that the funds collected from the Canadian tariffs be made available to companies here in order to support them.

Are there any other measures you would like to propose today?

[*English*]

Mr. Stephen Young: I don't think we've really lived in this long enough to think more about how there can be solutions. What's really important is to get something on the record today and to have people come together and just talk about something like what we've proposed. By no means hear us say that we think we have this figured out, but understand that you are hearing from a company that's in the ground, that is going to have to deal with your constituents, who are going to have to find other work—and that is not a threat.

I don't know where else this can go. I know that when we hear from people from Evraz and from ArcelorMittal, this is not saying that money be given to Janco Steel. This is to say, let's share this money with our entire industry, with verified tariff payments. We are not asking for handouts. We are asking to keep us in the game until, maybe, cooler heads prevail. This will actually then push back a little at the bully that Mr. Trump has been to this industry and to our country to a degree.

I've heard “Team Canada” a few times today, and it's been, actually, really wonderful to hear. Let's keep our industry in the game, find some ways to figure out how to do that with money, and let's have verified payments. Let's do that as a team and find a way to stay until something else happens.

I do trust that NAFTA will be negotiated. I don't think there's anyone at the table who doesn't think something—maybe not three—is going to happen with the NAFTA deal, but when is that? Until then, absolutely irreparable damage will be done, not just to our company but to the entire industry.

● (1135)

Mrs. Mona Fortier: How much time do I have?

The Chair: You have about a half-minute or so.

[*Translation*]

Mrs. Mona Fortier: Mr. Rousseau, I would like to give you the opportunity to answer that question from the workers' point of view.

Mr. Larry Rousseau: Of course.

In addition to the measures that must be put in place to ensure the viability of the industry and enterprises, there must also be specific measures for workers. I am thinking of employment insurance, specifically.

At this time there are work-sharing agreements in place, for maximum periods of 38 weeks. We would like that to be extended to 76 weeks, for instance. That would give people more time. Eligibility for employment insurance could also be extended by 20 weeks. You could also introduce measures to support worker mobility. When workers have to move to find jobs elsewhere, they need help. There could be allowances to help them move. We could also prioritize skills development for workers.

So, those measures could be put in place.

[*English*]

There is a great expression that we've had for years and years about Dofasco: “Our product is steel. Our strength is people.” When we talk about that, let's make sure we don't weaken the strength of the industry by one iota. That's where we're coming from.

The Chair: Thank you, Mr. Rousseau.

We have time for one more MP, and Mr. Hoback, you have the slot. Go ahead, sir.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, witnesses, for being here this morning.

As we have been listening to witnesses from this and the last round, some things have been very clear. We must move forward on NAFTA or some sort of deal with the U.S. That needs to be done. We need to figure out a way in the meantime to deal with two situations: the situation you have, Mr. Winkler, in which you have customers to whom you have already committed at a certain price and now you're going across the border with a 25% tariff. How do you deal with that? How do you negotiate that? That's not small dollars; that's big dollars in your case.

Mr. Young, you have the same scenario but you're also telling us you're losing customers.

Mr. Stephen Young: Absolutely.

Mr. Randy Hoback: You're going to lose customers, absolutely, and when you lose customers, that means you lay people off. When you lay people off, then you're ordering less steel, which means our steel companies are going to feel that impact too. So you start to see the domino effect of the layoffs moving through.

One of the things I find frustrating is that the issues we're facing here, with China dumping steel, have been here for a while, and the U.S. asked us to help them. We could have said, “You're right, Mr. Ross; we need to deal with this”, and we probably wouldn't be here today. We'd be like Australia, exempted without a quota, if we had done that, but we haven't, so this is the scenario we're in today.

I look at it in a couple of ways. From a consumer point of view, we can say that if we bring in a counter-tariff, my manufacturers on the Prairies, Bourgault and companies like that, will start paying a lot more for their steel. Their customers are farmers. We were at a farm product show last week and they were saying things like, “I think I'm going to keep my drill.” Already it's having impacts. The domino effect is already starting to happen. Where does that come back to? It's into the steel sector here in Canada.

How do you deal with that? How do you move forward? There has to be a way to still make the U.S. respect us and still say there is going to be an impact from their decision to put a tariff on without having this whole pile of domino effects. The Canadian Labour Congress talked about employees and all that. All that would be great if the cupboards weren't bare, but we have a government that has spent crazily for the last two years and now we have to find revenues in order to do those types of things, so where does that revenue come from?

I like your idea about the countervails. If we're going to do that 25% on some $16 billion, there might be $2 billion, $3 billion, or $4 billion coming into the coffers. It shouldn't go to general revenue; it should come back to the people who are impacted the most.

Mr. Young, I'm just kind of curious. If this were to go on for six or eight months—we have mid-terms in play right now—what would your business look like in November or December?

● (1140)

Mr. Stephen Young: It will be a much different picture, and, as I've said, we will have to make some difficult employment decisions.

Something that is also really important to note is that if it is just a matter of pushing it out a little bit and then we find out that we have to make some worker decisions and lay off some people, we may not get that skilled labour back. They will go somewhere else for a job. We've actually painstakingly cross-trained our 180 employees so that when we are slower in certain areas, they can work somewhere else. It has actually been a real blessing to a lot of families, I can tell you, during downtimes. That is what's happened in our company, and we never have somebody who is just an aspect of our company who gets laid off. That does not happen at Janco. That is probably the model that many Canadian companies use—cross-training. Let's make sure we are doing that.

Mr. Randy Hoback: I agree with you.

Mr. Winkler, you probably have the same scenario in Regina. When you're not working on one certain type of pipe, you might be working on another type of pipe, so how do you see this impacting your industry? Let's say this goes on until November or December. How will it affect your future orders? How will it impact them? You have a very unique product. It's not something that somebody can gear up and do tomorrow in the U.S., so what do you see happening?

Mr. Conrad Winkler: Let me also repeat about our workforce and the cross-training and the tremendous skills they bring forward in the making of all of these products. Pipe really is an engineered product, and the skills that go into it are tremendous. In places like Red Deer we make these premium connections, as well as some very premium and interesting products that take tremendous skills throughout.

Of course, for us, the impact is very serious. We have a variety of different businesses. Some are focused really on the casing and tubing, which, almost entirely, we sell into the Canadian market, but right now we face this massive diversion issue, which leaves us with a much weaker order book than we typically have at this time. At the same time, right now there are a lot of pipelines being built in the Permian Basin. That's just in North America. Projects move around depending on where most of it's happening, but, of course, we also have some Canadian pipeline opportunities as well.

Mr. Randy Hoback: Is there anything we can do as a government to make you more competitive, to help absorb some of that 25%? You're probably going to see a drop in the dollar. You're probably going to see some negotiations on your margins with respect to sales. Are there other things we could be doing that would make life easier and actually make you more competitive, not only in U.S. with the 25% tariff but actually globally?

The Chair: Mr. Hoback, your time is up.

I'll allow a very short answer, Mr. Winkler. Then we'll wrap it up.

Mr. Conrad Winkler: There is a set of programs in place to help with some of the investment in technologies. We do hope to take advantage of some of those, because they are really critical for our overall competitiveness. Those will be very important to us, for sure.

The Chair: Thank you, sir.

That wraps up our second round.

Witnesses, thank you very much for coming this morning. You represent a lot of people—your businesses, the people you represent, the workers. This is a very serious situation. I appreciate your coming and giving details.

Thank you very much.

● (1140)

(Pause)

● (1155)

The Chair: Welcome, everybody, to our third round on a very busy morning, a very important morning, for our committee. I commend our witnesses for coming here for this special meeting, and also MPs for pulling this meeting together. It's a very important time for our workers, consumers, and manufacturers on both sides of the border.

In our final group, first, we have Mr. Dias through video conference.

Can you hear us okay, sir?

Mr. Jerry Dias (President, Unifor): I can hear you just fine. Thank you.

The Chair: Excellent.

We also have witnesses from Forge, from Canadian Manufacturers & Exporters, and from ADF Group Inc.

Everybody's on deck? If anybody's in front of a committee for the first time, we try to keep the briefings to five minutes or less so that we have lots of time for dialogue with MPs.

Without further ado, we'll go right to you, Mr. Dias. I'd like to thank you for the hard work you're doing on both sides of the border and for working with the Canada team to try to get 'er done.

Go ahead, sir. You have the floor.

Mr. Jerry Dias: Thank you very much. It's an honour to work with Steve and Chrystia as we're trying to fix NAFTA.

My name is Jerry Dias and I am the national president of Unifor, Canada's largest union in the private sector. With me is Angelo DiCaro, the acting director of our research department and our lead policy analyst on international trade.

On behalf of Unifor, I want to thank the chair, vice-chairs, and members of this committee for the invitation to speak and for accommodating our participation through video conference. I have five minutes, so let me get right at it.

U.S. trade attacks on Canada are a clear and present threat to our national economy. A trade war with the United States is not looming. It's here already. Last month I was in Moncton, New Brunswick. I was giving a speech to our members, including those who work in softwood lumber and in groundwood paper mills. I arrived to the news that the Trump administration had triggered national security tariffs on steel and aluminum, and that Canada was in the crosshairs. I explained in my speech how the $16 billion worth of tariffs equates to about 40,000 direct metalworking jobs in Canada, not including the spinoffs. Those include thousands of Unifor members in aluminum and steel facilities across Canada and in Quebec.

I said at the time that it was time to stand up, to fight back, that Canada couldn't get pushed around anymore. But as I was making my case, I realized I was speaking to workers already in the grips of this struggle. I am glad that strong economic conditions have helped our softwood producers stay afloat despite U.S. tariffs. The problem is that there is no end in sight to this dispute.

It's different for our newsprint industry, which is facing a much more challenging economic outlook. These producers are facing export duties in excess of 30% in some cases. We are monitoring closely situations at mills in Corner Brook, Trois-Rivières, Port Alberni, Powell River, and Crofton. These mills are on the brink and job loss appears imminent, yet there has been no enhanced federal support package provided to them, unlike for softwood.

It was shortly after I returned from Moncton that I learned about Trump initiating a national security investigation into the import of cars and parts. Our auto industry directly employs 120,000 people in Canada. About 95% of what we export goes straight to the United States. Two-thirds of all imports of autos come from the U.S. as well. Our supply chains are tightly connected. Suffice it to say any major tariffs on cars and parts won't be good for anyone.

How Canada responds to these trade threats is of critical importance. No one wants to see this trade war escalate further, but the U.S. has left us with no choice but to strike back. Unifor supports the proposed countermeasures as laid out by the federal government. The problem is that slapping tariffs on U.S. goods by itself will not keep our factories running or our workers employed. Now is the time for government to step in, to help our key industries weather this storm. That means moving quickly to develop and execute a mitigation strategy, not unlike what was delivered for the softwood lumber industry. The Government of Quebec has already offered up $100 million to bolster the steel and aluminum sector. We have to take this opportunity to reinvest in our workplaces and social infrastructure so a move could actually help our trade diversification efforts.

We have to keep skilled workers on the job and avoid permanent layoffs. We have to do that through enhanced work sharing and other measures. Funding social programs like pharmacare would give our economy a progressive competitive edge. Financial supports, including loan guarantees, can help facilities stay afloat as well as modernize production processes. These should be explored.

By getting creative we could actually backstop these new investments with revenues generated through the proposed counter-tariffs, a figure we have pegged at nearly $2 billion. These are just some ideas. We look forward to hearing more.

Let's not sit and wait. Canada will not be a casualty in this ridiculous trade war. We won't let that happen.

Thank you very much. We certainly are looking forward to your questions.

While I'm at it, great work, Tracey, on the trade file. Thank you.

● (1200)

The Chair: Good stuff, Mr. Dias. Thank you.

Ms. Tracey Ramsey: Thanks, Jerry.

The Chair: We have all good members on this committee. Even the ones who are visiting are doing a really good job.

[*Translation*]

Ms. Linda Lapointe: Thank you, Mr. Chair.

[*English*]

The Chair: We're going to move over to the ADF Group, with Mr. Paschini, general manager.

Go ahead, sir, you have the floor.

Mr. James Paschini (General Manager, Production, ADF Group Inc.): Thank you.

Hello, ladies and gentlemen. I would like to thank you for the invitation to participate in this committee.

ADF Group was founded by my grandfather, back in 1956, as a blacksmith's shop. Today ADF is a key player in the manufacturing of structural steel components in Canada and the U.S. The company operates a state-of-the-art facility located in Terrebonne, Quebec, with more than 500 employees. We also operate a facility in Great Falls, Montana, which was built from the ground up in 2013. Today there are nearly 200 people at this facility.

Many major landscape projects across North America bear ADF's signature, such as towers one and four at the World Trade Center in New York. We have done over a dozen high-rises in New York alone. More recently we participated in the construction of the new Champlain Bridge in Montreal, and are currently working on major airport projects at LaGuardia Airport, New York, and Salt Lake City airport. As you can see from the list of projects, the core of ADF's revenues comes from the United States—approximately 80%. Needless to say these past months have been challenging for our Terrebonne-based plant. These last few weeks have just shaken up all of the American market, mainly because of the new imposed tariffs and all the uncertainties surrounding them.

The first time we heard of the tariffs was in March, when the first tweet went out from President Trump announcing the U.S. government's intention to impose 25% on steel and 10% on aluminum. At that time ADF was running the final leg of negotiations for three major U.S. contracts, for an estimated total worth several hundred million dollars. These projects would have required creating almost 100 new direct jobs in our Terrebonne facility. In the days following the announcement we lost all three of those contracts, one of which suddenly became a Buy American Act project. We quickly understood that American clients were now afraid to commit to Canadian companies.

In response to this major turn of events we needed to act quickly to adjust for our future, so between the months of March and May we set a plan in motion, including closing our Florida sales office and relocating staff personnel, adjusting our staff numbers downward, and letting go of 75 people across the entire group, 50 of whom were from our Terrebonne facility. More recently we were approved to implement a work-sharing program, with the Canadian government, for more than 160 of ADF's workers to be able to save their jobs. Their hours are currently reduced to fewer than 20 hours per workweek.

Before this trade policy officially came into force we landed two new contracts in the U.S., one of which was a major building on the east coast and called for over 14,000 tonnes of steel. In this particular case most of the steel has been purchased from steel mills in Germany, Great Britain, and smaller portions from the U.S. If the Canadian duties are implemented as a response to the new U.S. trade policy, ADF Group will have an estimated setback of at least $500,000 U.S. on the raw steel alone. Steel mills in the U.S. have hiked up their prices more than 25% since March 2018, and this new imposition from our Canadian government could be very detrimental to companies such as ADF.

Currently the majority of ADF's steel suppliers are U.S. mills. Unfortunately, Canadian mills cannot keep the pace to suffice to the demand in structural steel, oftentimes not having the specific H-beam profiles needed in most of our major projects. Needless to say, if Canadian mills were able to provide us with the right type of product and in the appropriate quantities needed, we would source all of our steel requirements from within.

In closing, I'd like to thank you all once again for taking the time to better understand the current reality of a structural steel fabricator. We hope for the best in the upcoming negotiations. These are critical times for Canada and all our trade allies. I hope to have shed a bit of light on the current situation. It will be my pleasure to answer any questions afterwards. Thank you.

● (1205)

The Chair: Thank you, sir, for coming. I was previously a business owner. To change channels that quick, it's hard to do, for your employees and for you. We appreciate your coming here.

We're going to move over now to Mr. Wilson from the Canadian Manufacturers & Exporters. Go ahead, sir. You have the floor.

Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters): Thank you.

Good morning, Mr. Chair and honourable members.

Thank you for inviting me to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to talk about U.S. tariffs on Canadian steel and aluminum.

I want to thank all members of the committee for organizing and hosting these critical sessions under challenging times. Manufacturing is the largest business sector in the country, directly accounting for 11% of GDP, 67% of exports, and 1.7 million employees in high-wage and high-skilled jobs in nearly every community across the country.

Through NAFTA our industry has spent the last quarter-century building a common North American market. Manufacturing is deeply integrated across the continent and relies on complex supply chains that span Canada, the United States, and Mexico. Disruptions of any of these three countries risk upsetting the balance of the North American manufacturing ecosystem, so I will be blunt: we are very, very worried today. The current tariffs on steel and aluminum, the proposed future tariffs on auto, and the spectre of a global trade war represent serious threats to Canadian manufacturing and to the entire Canadian economy. CME has decided to respond to the situation, as we always have, by engaging constructively with government, providing practical solutions, and relaying directly to you the thoughts of manufacturers from across the country.

We support the government's retaliatory tariffs. They are a just response to the frankly absurd and insulting premise with which the U.S. administration levied steel and aluminum tariffs on Canada. I would say that manufacturers support the counter-tariffs too and they understand the political necessity to so do. However, they are also very concerned that Canadian counter-tariffs will have a major impact on their business especially if the tariff fight is prolonged or intensified. Pain will be felt—of that we have no doubt—so the question becomes how we alleviate that pain.

This is what I would like to talk to you about today.

CME responded to the government's consultation on June 15 after canvassing its members for over two weeks. We had a very strong response rate, which indicates to us that the level of concerns is very strong and very high. We'd like to provide the committee with our five key recommendations that came out of that exercise.

First, we should focus again on NAFTA renegotiation and on concluding the deal. It is of paramount importance that the government redouble its efforts on NAFTA and try to conclude a deal as soon as possible. NAFTA instability is a true threat to manufacturing and to the entire Canadian economy while the tariff fights are a distraction and are designed to make us take our eye off the ball. The government is right to say that tariffs and NAFTA negotiations are two separate issues, because they are, but the reality is that the U.S. administration clearly doesn't care and is using it to turn up the heat on Canada and NAFTA via tariffs. The government should not fall into this trap and get bogged down in tariff fights. Concluding NAFTA as soon as possible should be our focus.

I would also like to add that CME's original submission to the NAFTA negotiations detailed principles that we still believe NAFTA negotiators should follow to ensure support for an integrated manufacturing sector. These include, first, to do no harm to the economy and integrated manufacturing; second, to modernize the deal to strengthen manufacturing and to make it more competitive globally; third, to expand the deal and to cover excluded areas; and, fourth, to co-operate with the United States and Mexico on our trade with third countries.

The second area we offer to Canadian negotiators is to exclude manufacturing imports and retaliatory tariffs. The current proposed retaliatory list includes a range of manufacturing inputs that are not readily available from Canadian sources. Therefore, application of the tariffs would do double injury to Canadian manufacturers through the cost of the U.S. tariffs on inputs as well as the Canadian-levied counter-tariffs. Therefore, government retaliatory measures need to exclude, to the greatest extent possible, manufacturing inputs to avoid disastrous repercussions to the industry and minimize disruptions to manufacturers' integrated supply chains.

Number three was to introduce safeguards to protect the domestic market against third-country dumping. The U.S. tariffs not only pose a significant economic threat to Canadian steel and aluminum producers, and to manufacturers more generally, but could also distort global trade flows of these primary products. Because of Canada's proximity to the U.S. and given the size of our domestic market, steel originally intended for the U.S. may be diverted into Canada and dumped by exporters. To protect against this, the Canadian government should immediately implement existing safeguard protections to ensure that Canada does not become a dumping ground for steel and aluminum from other countries.

Number four is to develop an emergency relief fund for distressed industries. The federal government should make available immediately financial compensation packages for Canadian businesses negatively impacted by tariffs. This could include direct financial support, holidays from payroll and other taxes, and support for employee training. These funds should be structured in a manner that is trade-compliant to ensure that Canadian products continue to be exported to world markets.

● (1210)

Number five is to reinvest tariff revenue into investment support programs more generally. If the trade dispute with the U.S. continues for any length of time, businesses will continue to avoid investing in Canada, as they have been. Canada should consider leveraging the tariffs collected to support business investment. This could be through direct investment supports that could be matched with private sector money—to de-risk technology adoption, for example—or it could be done through the tax code to spur such investments as updating Canada's accelerated cost of capital allowance rules to match the recent U.S. changes, or, more generally, lowering corporate tax rates.

In summary, we must re-engage in NAFTA negotiations to secure a deal as soon as possible. An imperfect NAFTA is far superior to no NAFTA and a trade war with our most important customer. If retaliation is pursued, Canada must target tariffs carefully and limit economic impact on the integrated economy. Further, we believe safeguards are necessary to limit steel and aluminum dumping in the Canadian market. Finally, we believe the government must act to support potentially distressed companies and establish broader and more substantial supports to spur investment and competitiveness in uncertain times.

We hope our comments will provide helpful guidance to the government while you make your final determinations on possible retaliation. While we understand the political need to retaliate, we believe it must be done with the utmost caution to not inflict additional harm in Canada on its most important trade-exposed sector—manufacturing.

Thank you. I look forward to the discussion.

The Chair: Thank you, Mr. Wilson. You always step up to the plate and come forward whenever we're doing a study. Thank you for coming and representing your manufacturers and exporters.

We'll now go to Mr. Dimitrieff from Patriot Forge Company.

You're the president.

Mr. Robert Dimitrieff (President, Patriot Forge Co.): I am.

The Chair: You're the right guy. Thank you for making the time available to be with us today.

Go ahead. You have the floor.

Mr. Robert Dimitrieff: Mr. Chair, members of the committee, clerk, fellow witnesses, thank you for the opportunity to appear today and to contribute to the committee's work on this important issue. My name is Robert Dimitrieff, and I am the president of Patriot Forge, the largest open die steel-forging producer in Canada. We are a Canadian success story, starting from simple roots and now employing over 250 Canadians in our facilities in Brantford and Paris, Ontario.

I'd like to start by emphasizing that these tariffs will have a very significant negative impact on our company. If we are unable to secure relief from the Government of Canada, our business will be forced to close within a few months of July 1. We simply will not be able to afford to continue operating.

Since 1976 we have specialized in producing high-grade specialty steel and metal alloy components that are sold on the global market. We are an essential supplier for power generation, oil and gas, nuclear power, infrastructure, aerospace, and in particular military. Since my father founded our company 40 years ago, we have experienced continued growth. The business has expanded rapidly, even with the downturn in oil and gas. To meet this growing demand, in 2015 we invested $65 million in our Brantford facility, $10 million of which was structured as a loan under the FedDev Ontario economic development program. We were very grateful for the federal government's support and for its recognition of Patriot Forge as both an innovative, market-leading manufacturer and an important economic engine for southwestern Ontario.

Sadly, today we are facing the most serious threats to our business operations from both sides of the Canadian border. Unfortunately for Patriot Forge, the U.S. tariffs on imported steel products are already making it difficult for our operations to continue. We currently ship 90% of our products to the United States. This includes contracts for specialized parts that are sold to the U.S. military through the Canadian Commercial Corporation. In the next two weeks, we expect to ship over $1 million worth of product to the United States that will be subject to a 25% tariff. Since the U.S. tariffs have come into effect, we have been paying the difference for our U.S. customers to avoid losing them to our American competition. Obviously, this is not a sustainable solution. Some U.S. customers are already beginning to question whether they should be sourcing from the United States instead.

In Canada the proposed retaliation to the U.S. steel and aluminum tariffs will only add increased stress on Patriot Forge's operations and financial exposure. Due to the high grade of manufacturing standards expected by our customers, the quality steel alloy required for our production must be sourced from specialty steelmakers in the United States. At the moment, there is only one Canadian specialty steel producer, and it does not have the production capacity and technical capability required to meet our demands. We are therefore forced to source our raw material from the United States. A Canadian tariff of 25% on raw steel and metal alloy imported from the U.S. will make Patriot simply unable to compete with our U.S. competitors.

To give you a sense of the financial impact, our latest forecast, which we did this past week, expects that without tariff relief from the Canadian government, our company will have an average tariff expense of $682,000 Canadian per month starting July 1, specifically on imported raw materials from the U.S. to Canada. We cannot afford these costs. They will have a disastrous impact on our financial situation and on our viability as a company and a local employer.

In the face of these serious obstacles, we are looking at every option to reduce expenses and reposition our products for export to other markets beyond the United States. However, this will take time. We can change our tack, but not without difficulty and not without the Canadian government's help. We are asking Finance Canada for tariff relief so that the immediate threat to our business is removed and we can try to shift our business to manage the new trading reality. With a July 1 implementation date, we cannot manage without some government assistance to mitigate the serious impact of the Canadian countermeasures.

I cannot emphasize this enough. Without relief from the Canadian countermeasures, we will not be able to adapt our operation and we will be put out of business. Right now 250 Canadians work at Patriot Forge in Ontario. None of us want to be the first economic casualties of a trade war.

I thank you for this opportunity and respectfully call upon members of this committee, as well as all members of the federal government, to please help us find a solution to the serious problem we find ourselves in.

Thank you, Mr. Chair. I'd be pleased to take your questions now.

● (1215)

The Chair: Thank you for being here, sir, and also for being here on behalf of your 250 employees and their families. This committee's well aware of the spinoff that has on the local economy, so thank you again.

We'll go right to dialogue with MPs. We'll start with the Conservatives.

Mr. Allison, you have the floor.

Mr. Dean Allison: Thank you.

Thank you very much to our witnesses, and thank you, Mr. Dimitrieff.

We talked about having this meeting last week, and within a day, we had over 60 companies reach out to our office saying they'd like to appear.

To say that we're not in a crisis situation would be the greatest understatement of the year. We just had two very specific examples from companies here today. I have a list here. Franke Kindred is a manufacturer that is worried about more expensive stainless steel that is not available in Canada—and, to your point, Mr. Dimitrieff, that will threaten the jobs of 100 Canadians in Midland who work there. There are manufacturers such as Red Deer Iron Works, which employs 225 Canadians to make custom products for the oil industry; Walters Group, in Hamilton, whose structural steel products can be found in the West Block of Parliament; IMT Defence, operating in Ingersoll and Port Colborne; and Ram Industries, and the list goes on and on. These are just a few examples.

The challenge, as you mentioned, Mr. Dimitrieff, is that the specialty steel you need being tariffed on the way in is going to cause irreparable damage. Talk to us about the thought process of trying to find new customers and new markets and how really, four weeks, three weeks, or two weeks is not enough time to transition and how the lead time in your industry to locate and have customers takes years. Once those customers are gone, you're never getting them back, because they're going to find another place. Talk to us about that challenge.

● (1220)

Mr. Robert Dimitrieff: The nature of our industry is that we serve sectors such as power generation, nuclear power, aerospace or defence, and other places that have critical applications where parts have to be particularly robust. Part of what's required is 100% traceability and a lot of detail about the supply chain. Steelmakers are vetted by OEMs. They are vetted by industry standards. You get a contract and you get approval to produce under what often is referred to as a first-article process. To change and redo a first-article process or to go through the process of demonstrating that your manufacturing supply chain is robust, from steelmaker right to finished product going to the OEM, requires that the OEM agree that you want to go through it and that testing, verification, and auditing of the entire supply chain is done.

While in theory it is possible to find alternative sources in Europe or in Asia, aggressively it can be done in 12 months, maybe. That requires that the American customers also agree to the alternative sources that are not the American steelmaker.

Mr. Dean Allison: Mr. Paschini, Mr. Dimitrieff has already said he'll be out of business July 1 or shortly thereafter if something is not done. You've experienced layoffs before. What happens to your company without anything changing, with the uncertainty and no tariff reduction? What happens to you guys over the next four, six, or 12 months?

Mr. James Paschini: The bank account keeps going down, and we're going to have to lay off more people. We never want to go there, but our main market is the American market. If the Canadian market had more work for us, then surely we'd work here a lot more. With the American market being so aggressive currently, and adding 25% on the raw steel, which is almost 50% of the value of our contract, it will just kill us, definitely.

The Chair: You have one more minute.

Mr. Colin Carrie: Looking at the big picture, we're dealing with these tariffs right now, but what is the point of view of the Americans on this? I don't know if you saw it, but when Secretary Ross was in front of their committee, he was very clear that the target wasn't Canada. The security threat was not Canada, but they were using these tariffs as a tool against China. I know we have to deal with this immediate issue.

Ross described the tariffs as a tool to persuade allies to reduce the amount of Chinese steel that passes through and is diverted. He said that some partners, including Canada and the EU, have already taken positive steps in that effort. In other words, we've started to mark our steel, which I guess is what the Americans wanted us to do. He said, “The only way we're going to solve global steel overproduction and overcapacity is by getting all the other countries to play ball with us..... while they're complaining bitterly about the tariffs, the fact is they're starting to take the kind of action, which—if they had taken [it] sooner—would have prevented this crisis.” That's what I found very disturbing. We had Minister Freeland here last week, and she said they had had conversations and were made aware of this last year.

I was wondering, Mr. Dimitrieff, could you—

The Chair: Sorry, Mr. Carrie, that is going to have to be a comment. There might be room for you guys to get a question in, so just finish your comment because your time is up.

Mr. Colin Carrie: I was just going to ask this: do you feel that the big picture of the illegal dumping of steel into the North American markets has been brought up? Would you support a coordinated international effort to decrease this?

Canadians expect our automobiles, our aerospace industry, to use quality steel and aluminum and the diversion from China means we don't get steel and aluminum that is of the same quality. Would you support that type of action moving forward?

The Chair: I'm sorry, but I have to do a little intervention here. It's a really good question, but he has no time. He will have the floor later on, and you can take that question up the next time around.

Mr. Colin Carrie: Okay.

The Chair: We're going to move over to the Liberals.

Madam Lapointe.

[*Translation*]

Ms. Linda Lapointe: Thank you very much, Mr. Chair.

I thank the witnesses for being here today, and also those who are with us via video conference.

Welcome.

Mr. Paschini, you have the advantage or the privilege of being located on both sides of the border, in Montana and Terrebonne. Some of the people from my riding work in Terrebonne.

You referred to 500 employees. Since you are on both sides of the border, what is your strategy to retain as much business as possible? You said that 80% of your production goes to the United States.

● (1225)

Mr. James Paschini: We try to limit steel purchases in the United States as much as possible. We know that some fairly high tariffs will apply to steel imported into the U.S. So we are trying to purchase steel outside of the United States, or in Canada, if possible.

As for the business we do in the United States, it's more or less the status quo. We are on an equal footing with American steel sector enterprises. American enterprises buy American steel, as do we, and they produce like other enterprises. So we have a slight advantage in that way, but this is a big disadvantage for our Terrebonne plant. The more American projects we have, the more difficult it will be to remain competitive over time.

Ms. Linda Lapointe: If I understand correctly, in order to mitigate the effects of this, some of the jobs you cannot keep in Terrebonne may be moved to Montana or elsewhere.

Mr. James Paschini: It's easier to move management jobs than assembler or welder jobs. It's impossible to move those employees, because they really work in the factory. The Terrebonne plant is at a disadvantage with regard to the Montana plant, because transportation is far too expensive to simply move production and manufacturing operations from Montana to Montreal. So there are very few alternatives.

Ms. Linda Lapointe: We spoke earlier with Canadian Labour Congress representatives, and we'll be hearing from Unifor representatives a bit later.

People who work in the steel sector are highly skilled and we mustn't lose those workers. What measures would you like to see put in place in order to be able to retain these people in your sector?

Mr. James Paschini: A gentleman whose name escapes me spoke about this earlier. We have used the federal government's Work Sharing program. Our application was accepted and we have benefited from this for about a month.

Given the current circumstances, there is no doubt that a 26-week period is very short. We absolutely need to find ways of extending that period. Given everything that is going on, we can't predict how things will go in the future. It's reassuring for our employees and all of our personnel to know that that program might be extended.

Mr. Young referred to a kind of sharing of tariffs. I think that is an excellent idea. It would not meet 100% of the needs, but it could certainly help us.

Ms. Linda Lapointe: With regard to production at your Terrebonne plant, you said that reinvesting the tariffs could help you keep your contracts.

Mr. James Paschini: That is correct.

Ms. Linda Lapointe: Thank you.

I would now like to speak to the Unifor representatives.

Good afternoon.

Mr. Dias, the Canadian Labour Congress representatives told us about a mitigation strategy designed to try to keep workers in the sector. For your part, what would you suggest?

[*English*]

Mr. Jerry Dias: There is no question that we need it. We need to make sure that we find a mechanism for the jobs that we currently have within the key industries to stay. For example, we'll take a look at the auto industry. We're going to have to make some different decisions because the overwhelming majority of the steel that goes into Canadian assembled vehicles comes from the United States. As a mechanism to ensure that steelworkers here in Canada stay employed, we're going to have to make sure there is a shift in where the steel is going to go. Frankly, it should be shipped to the Canadian assembly plants from Canadian steel operations.

Number two, we need to buy ourselves some time. On the discussion about 26 weeks of work sharing, obviously we're going to have to find a mechanism to expand that. So, first, we are going to have to put together some monetary programs to shore up the companies that are facing the immediate crisis, but second, we need to put a mechanism in place that keeps workers employed until we get through this difficult period.

I don't mean to belabour this, but I don't believe anything's going to happen until after the mid-term elections in the United States. The unfortunate reality, whether it's about NAFTA or the tariffs, is that this is all about politics; it's not about economics, in the eyes of Trump, but of course, the economic hardship is significant. In my opinion, at a minimum from here until November, we need to make sure that everybody's shored up, and then we'll see what happens after the mid-terms.

● (1230)

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Chair: Thank you, Madam Lapointe and Mr. Dias.

We're going to the NDP.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey: Thank you all for being here today. It's a sobering conversation we've been having this morning, but the consistent message today has been that we know that the U.S. doesn't care about implementing these tariffs. It's become crystal clear that we can't predict what Trump is going to do. I'm extremely worried about what he'll retaliate with after the July 1 date, particularly given what you're saying will immediately happen to some of your businesses, to the folks who are here today.

We need to move now to protect jobs. I don't think I'm the only one sitting in this room with a pit in my stomach right now that's telling me we have to do something immediately. Quebec came out with a package of $100 million for workers. We've yet to see anything come out from the federal government. I don't know what it's waiting for. We need something immediately to offset all of the things you've brought forward.

I know that Unifor represents 8,000 people in aluminum and steel. For the auto sector more broadly the numbers that came out last week were that we would lose one in five jobs if these auto tariffs come on. That would devastate us beyond anything we've ever seen in southwestern Ontario and in a lot of portions of the country. I want to ask Unifor specifically about some proposals for how we can allocate the tariffs we're going to be receiving.

Do you have an idea of how we should use that money to provide those supports for workers?

Mr. Angelo DiCaro (Acting Director, Research Department, Unifor): As we said in the opening remarks, when you look at the proposed countermeasures that have been laid out by the government.... Leading up to this consultation, we did some quick costing of those. We're looking at nearly $2 billion that would be generated through that piece, so there's a lot of money to work with.

One success story we've seen, in a way, is the quick movement on the softwood lumber action plan, which was in large measure a mitigation plan. The difference with that plan is that this was money that didn't come from a new revenue stream.

We have some new opportunities here to think about how we would approach this. In the case of the impacts—and our figures are showing that in excess of 40,000 direct jobs will be touched by these tariffs by the U.S.—the magnitude is going to be much larger than what we've seen so far. We're talking about enhanced work sharing and other employment insurance top-up measures. They're all contemplated in the softwood lumber package, but I think these are things that we should consider here. The big-ticket item, which Quebec was very quick to move on, is the idea of trying to keep these facilities operating. That's where there is money to be used for reinvestment, which is good. There's money that can be put through loan guarantees, which is also a good measure.

In addition to that, as we mentioned in the opening remarks, is thinking about other competitive advantages we can look at through broader social programs. If you ask any manufacturer, our health care system is a huge benefit and a cost saver when we're talking about cross-border trade. Now's the time to be making more movement toward a new pharmacare program, something that would also keep skilled people in Canada but also alleviate some of those extra cost burdens. Those are just a few ideas we've been thinking about, and that $2 billion could come in handy, and could be put to good use.

Ms. Tracey Ramsey: A point of frustration for me has been the fact that we've sat around for a year now waiting for this section 232 decision without a plan in place. We now have auto tariffs looming, with potentially no plan in place, and we haven't even been able to fully address at this committee the implication of that on our communities and on workers. How is Unifor preparing for these potential auto tariffs to help those it represents on the ground?

Mr. Jerry Dias: First of all, it would be devastating to the entire industry.

There's not an assembly plant in Canada that will survive a 25% tariff, because almost everything we build goes to the United States. There's no way we can say that the effect will be marginal, because just the opposite will be true.

The question becomes what do we do. We have to retaliate. I realize that's a focus of some concern amongst some of those on this panel. Ultimately, I take a look at what the United States is doing. When they first imposed tariffs on softwood lumber we didn't do anything, and now they're having a devastating impact. When they slapped tariffs on paper we didn't do anything. When they came after our aerospace sector—which surprisingly and fortunately got settled in U.S. courts—we didn't retaliate. Now it's steel, now it's aluminum, now it's cars, and now it's auto parts. Doing nothing didn't change Trump's course of events. As a matter of fact, the less we did in the beginning, the more it has left us vulnerable to more tariffs.

Now we're in a situation where we have to fight. There is just no other way. We can't sit back and say, “Let them keep slapping us with tariffs.” As ridiculous as it sounds because it is ridiculous, we're going to have to be as punitive as the United States is.

What can I say to our members who are going to be negatively impacted? We are going to have to make sure that the federal government puts into place significant programs today to ensure that we not only survive the short term but also the long term. We can't have the death of our number one industry in Canada. It's an $80 billion a year industry. If you take a look at the direct and indirect jobs, you're looking at about half a million jobs there alone.

● (1235)

The Chair: Thank you, Mr. Dias.

We're going to go to the Liberals.

Mr. Drouin, you have the floor.

[*Translation*]

Mr. Francis Drouin: Thank you very much, Mr. Chair.

I want to thank the witnesses for being here this afternoon.

Mr. Paschini, you said that you have to import most of the metal construction parts, and then re-export them. I imagine that Terrebonne serves markets in eastern North America. Have you spoken to the businesses in the U.S. that provide these products to you? Have you told them that what is happening is bad news for everyone, on both sides of the border?

This does have an impact here, and the fact that you have to turn to the Canadian market to meet the demand will eventually have an impact on American workers, after July 1.

Mr. James Paschini: Are you talking about the Great Falls plant, or the one in Terrebonne, or about the employers?

Mr. Francis Drouin: Earlier, you said that you import the majority of your supplies from the United States, because Canadian mills cannot keep pace with the demand. If the duties are implemented, there will be repercussions on all of your imports from July 1. You said yourself that you would check to see if the Canadian market could meet the demand. Did you discuss this with the American subcontractors you do business with, and explain the consequences of what is going on?

Mr. James Paschini: We have indeed discussed this with some of our clients, and some employers, and they are really reluctant to commit to a Canadian company. They have no interest in doing so. They don't want to commit because they don't know what the future holds, anymore than we do.

Basically, everyone is wondering who will wind up holding the hot potato. Who will pay the 25%, will it be the client, or us? Who will pay it?

Clients will prefer to do business with an American company that will do the work for less. They aren't going to rack their brains about it. Of course, we have expertise, knowledge and good will, but in the end, American clients, especially these days, make their decisions based on price. It's that simple. They calculate how much their building is going to cost them and ensure that the person who builds it is qualified. That's all. We are caught in the crossfire.

Mr. Francis Drouin: Thank you very much, Mr. Paschini.

[*English*]

Mr. Wilson, you've highlighted a few recommendations for this committee to look at.

Obviously, for point number one on the NAFTA renegotiation, are you getting a signal that we're not at the table?

Mr. Mathew Wilson: Generally, the talks have stalled by the sounds of it, and that's a huge problem.

I see that Jerry is nodding.

This is bottom line. This goes away if NAFTA is done. They've made that very clear in the U.S. I know that in Canada we keep saying they're not tied. They're tied in the eyes of the U.S., and that's all that matters. We need to figure out the path forward, whatever that path is, because the consequences for the economy are too great.

Where are they right now? I don't really know exactly where they are but they certainly have been delayed from where we had hoped they would be by now; that's for sure. That's not pointing the finger at Canadian negotiators. That's just the reality of the situation.

Mr. Francis Drouin: No, I think the message has been clear. We're at the table. It just a matter of it taking two to dance, right?

Mr. Mathew Wilson: Three.

Mr. Francis Drouin: Three, yes.

On point number four, the emergency direct financial funds, is there a dollar amount attached to that?

Mr. Mathew Wilson: No. We've seen, as was mentioned, $100 million from the Quebec government, which was just for steel and aluminum. I don't know what the dollar amount would actually be. It would be very large though, if you look Canada-wide and at the direct impacts that are going to come out of this. It's great to say we'll support companies and their employees through work sharing and stuff like that. I'm more worried that the companies won't be there in a couple of months and there will be no employees to support through work sharing.

There could be some significant short-term pain. The issue is the ripple effect. Let's just take an auto parts supplier, for example. If an auto parts supplier is running on 5% margins, and all of a sudden their parts coming back in are 10% more expensive, they're now in the hole 5% on everything they're making in Canada. How long will they be able to operate? How much money do they have in the bank to be able to withstand that?

Then one of the ripple effects is that if one auto parts supplier goes down, what about the next one down the line? There is always a next one, so I'd be looking really closely at the tier two and tier three suppliers, the smaller parts suppliers in the industry and what their health status is like. The larger ones tend to have a bit more flexibility in pricing and have a bit more weight to push back to their customers on, but the smaller guys don't have that flexibility and will be trying to absorb it, and frankly won't be able to absorb it for very long.

Then we don't have to worry about work sharing and the rest of it because they just won't be in business to even worry about. That's the part I would look at immediately, and that pain will start happening over the summer.

● (1240)

The Chair: Thank you, sir. That wraps up your time, and that wraps up the first round.

Looking at the clock, we have time for two more slots. The Liberals will have the first one.

Go ahead, Mr. Sheehan.

Mr. Terry Sheehan: Thank you for the presentation and some excellent ideas.

One of the things you mentioned, Mathew, is that manufacturing accounts for about 11% of GDP. It is estimated that Algoma steel, which is a manufacturer in Sault Ste. Marie, contributes 40% of the local GDP. That's just them. That doesn't even include Tenaris, so we have significance. In Sault Ste. Marie, it's extremely significant, as in some other aluminum and steel towns where there is a smaller community. If someone loses their job, they can't drive 20 minutes to get another manufacturing job, so it's critical that we have the right supports in place while these unacceptable tariffs are happening.

I do agree with your comments that the best solution is a NAFTA deal, but in the meantime we have heard some really good ideas about supporting workers through work share. One of the things we can do is work sharing and rapid response, as we've heard mentioned by some other people. Others have suggested that the government could play a role in investing and modernizing our manufacturing facilities through the SIF program that was in the budget in 2018. We haven't really heard about that.

Do you think it's a good idea and that companies should also take a look at the 50¢ funding and supports to invest in manufacturing?

Mr. Mathew Wilson: Here's the problem. We supported SIF. We worked really closely with Minister Bains and his office. It's a great program, except it takes forever to get money out of it.

When you're talking about short-term emergency situations like we are in today, we need immediate relief, not something that might happen in 18 months or two years, and I use the word “might”. Since that program was announced, we have heard of very many successful companies that have gone through it. It takes them a year and a half or so, but we've also heard of companies that have gone through the year and a half and were then denied at the end of that year and a half. It's not going to work.

That's why we like things that are right in the tax measures. Don't make them granting programs where companies have to apply for certain things. Make it more outcome-based: if you invest, you get *x*. Clean, simple, small companies, large companies, everyone can apply for that just through the tax code. It is way easier, and it is not some bureaucrat who doesn't understand the industry or the pain they're going through who's making the ultimate decision, which tends to be what happens under a lot of these programs.

Again, those programs are great but not for this type of situation .

Mr. Terry Sheehan: Your recommendation is to expedite the SIF program, if you will, for steel and aluminum companies.

Mr. Mathew Wilson: Correct. That's why something like an ACCA change, which is already on the books, would help a lot. That directly gives cash back to companies that are investing today, which puts cash in their pockets, something that all parties have supported in the past and something that's already on the books and that the U. S. has done.

Mr. Terry Sheehan: Robert, did you want to comment?

Mr. Robert Dimitrieff: Yes.

Definitely, I would agree that investment in technology and things can be done to make our industries and players in them more competitive with American operators. At Patriot we're doing those on our own. We haven't applied for funding through that program yet, although we're aware of it and have considered it for potentially down the road.

So it's definitely a good idea, but the point is that this is a critical and imminent threat to us. I'm not even asking for assistance right now in the form of additional funds. What I'm looking for is that you don't tariff me with no notice. Four weeks' notice is practically no notice. The problem I have is that I won't make it to the point where those investments will help me, because now I have this unnatural barrier that has been raised by the federal government's actions and that has not allowed me to make the necessary changes, because in my industry it takes so long for changes to happen.

That's a fundamental thing. It's an immediate problem. What's going to happen on July 1 is an immediate problem. I suppose it could change between now and Sunday, but I'm going on the assumption that what was announced is what is going to happen. I was told through the media that the Minister of Foreign Affairs says that Canadians like to “hope for the best and prepare for the worst”. Well, I'm telling you, I am preparing for the worst, and it is bad. It is not a good thing. I need help—now.

● (1245)

Mr. Terry Sheehan: So you supported the consultation period, and your position is that their tariffs should not apply to you.

Mr. Robert Dimitrieff: Well, my—

Mr. Terry Sheehan: I have a question about your situation, though. I'm just trying to think about this. I got from your testimony that you import steel. Then you make a product. Then you export it. Is America one of your markets? Would you be tariffed—

Mr. Robert Dimitrieff: Ninety per cent of my product ships to the United States.

Mr. Terry Sheehan: So you'd be tariffed again? Is it a double whammy?

Mr. Robert Dimitrieff: It depends on the product, but many of them are.

Mr. Terry Sheehan: So it's a double tariff for you.

Mr. Robert Dimitrieff: Yes. In the context of power generation, with gas or steam turbine and generator components, three major OEMs in the world make those things. For strategic decisions I fly to Japan or Germany to get the orders, but I ship my product to Georgia or to North Carolina. I'll be paying tariffs on that product when it ships. I'm selling to the world, but I ship to the United States and I'm getting tariffed on it. That is what's happening.

The Chair: Thank you, sir.

Mr. Terry Sheehan: Can I ask Jerry a question?

The Chair: Your time is up and we have to move on. We have time for only one slot, and the Conservatives have it.

I'll go right to Mr. Carrie, because he was almost finished but had a question.

Go ahead, sir. You have the floor. You were going to split the time with Mr. Hoback.

Mr. Colin Carrie: Yes. I'll try to be really quick.

I'm really listening to Mr. Dimitrieff, and we've listened to other witnesses today about these tariffs. Counter-tariffs will be very harmful for some people. I understand the importance of retaliation, but I want to bring up the point that maybe there's another thing we should be looking at.

If we get into the Americans' viewpoint, which I'm trying to understand, their issue seems to be the dumping of Chinese steel long term. We found out last week, when Minister Freeland was here, that they knew about this tariff action last year. They had a meeting at the highest levels in Italy with the Prime Minister and Mr. Trump. So they were aware of it. There was nothing in the budget. There didn't seem to be a plan. I was kind of criticized because I was asking the minister about what the plan was for auto; we can't just sit on our butts here, we have to get moving.

Mr. Dimitrieff, with Mr. Ross saying that if they took this action sooner it would have prevented the crisis, do you maybe think there's another thing we should be doing right now? Should we maybe be looking at, with the Americans...? Apparently, they're looking for global partners to make this tariff action work. Should we open up that page again and say, “Look, maybe if we work with you on this action in the big picture, all these issues we're dealing with right now will go away, or it will help us move closer to a NAFTA solution”?

You seem to be in the gravest situation of any of the witnesses we've had here.

Mr. Robert Dimitrieff: I don't want to pretend I know everything about the larger context of what's going on, but certainly it would seem to me that if Canada and the United States had close, if not mirroring, regulations on how things coming into North America would be tariffed or impacted, it should be easy to get some agreement to have a shared market internally.

I don't know to what degree that is a simple thing to do, or to what degree it is a complicated thing to do. I won't try to pretend that I have any insight into that. But it seems—

Mr. Colin Carrie: It seems that what they wanted was a stamp with country of origin, to make sure that it was Canadian steel and aluminum, and we are doing that, but as I said, it took a year.

Mr. Robert Dimitrieff: I don't know. I'm not aware of those details.

Mr. Colin Carrie: All right.

Go ahead, Randy.

Mr. Randy Hoback: I think I'm going to go to you, Mr. Wilson.

We've talked lots about competitiveness in the past. We have a 25% tariff on steel and 10% on aluminum.

Can we make up some of this 25% by being more competitive? Can we in government do things to actually make you more competitive? Just look at it and say, “Okay, let's not put the tariff on; let's just become more competitive and absorb it somehow on the margins or through our ability to produce something cheaper and better.” Is that an option? Is that something we should also look at?

● (1250)

Mr. Mathew Wilson: Yes. I think it is critical that we look at that.

The problem that we're in right now is the short-term nature of the actions. Between now and Monday, I don't think there's enough time for the government to act to make us more competitive. This is not a new issue, though. This is something going back to the last government. We spent a lot of time talking about this. This goes back, five, six, or seven years that we've talked about these issues. Frankly, we're just not as competitive as we need to be in Canada from an investment-attraction perspective, and that impacts long-term competitive of companies. It's not a short-term issue. It's all long term. It's tax rates, investment support, and a wide range of things. Again, those are mid- to long-term issues, not issues for Monday.

Mr. Randy Hoback: I get only five minutes, unfortunately.

The Chair: It's more like two minutes now.

Mr. Randy Hoback: You came back to NAFTA and the importance of getting this done.

I think everybody we've heard from today, whether they are for the tariffs or not for the tariffs, wants to get this done.

Would you agree that we need to simplify our process, actually look at NAFTA, go back to the basics, and do a basic trade deal?

Mr. Mathew Wilson: I would say that our number one recommendation to the government on the tariff retaliation was to focus on NAFTA. That to us is the number one priority. With applying tariffs, we understand the need to retaliate, but we need to fix the base problem, which is NAFTA in the first place. We think it should include things like working co-operatively with the U.S. and Mexico on dumping of products into the North American market. We think that's part of the package, which we recommended a year ago. I don't know how much discussion there was taking place but we think there's a path forward on NAFTA; that should be priority number one. Yes, we need to retaliate because of short-term priorities, but there are ways to get around some of the short-term pain, and we believe in that as well. We need to try to hammer out a NAFTA deal in the very short term. Hopefully, it won't be October or November, as was suggested earlier, but maybe something as soon as September.

Mr. Randy Hoback: Yes, and we have to throw in Mexican elections.

Have you considered the risks involved with those, in this whole negotiation of NAFTA, with those happening on July 1, and what the outcome could look like? That's a risk we haven't even looked at.

Mr. Mathew Wilson: We've certainly looked at it. What we've been told is that the new government is ready to negotiate, whoever that new government is. Negotiations will resume shortly after July 1 because of their willingness. Maybe the negotiations won't be as hostile as we originally thought they might be, which is positive.

Mr. Randy Hoback: One thing I think this committee has done very well is to educate members of the House, the Senate, and governors. What we sensed when we were down there the last time was that they don't have the ability to take that education or that knowledge and convince the President, the White House, what should be done.

Do you have any advice on how to do that? That is up to the PMO and the Prime Minister. What would you advise the PMO and the Prime Minister right now as far as his relationship with Trump goes?

The Chair: A short answer would be good.

Mr. Randy Hoback: Keep in mind that a year ago he hated the leader from North Korea, and two weeks ago he was hugging him.

The Chair: A quick answer would be good.

Mr. Mathew Wilson: I don't know if there is a quick answer to that.

I'd say just don't forget that they are our number one customer and they're our number one client. We need to work with the U.S. regardless of the political realities of any situation.

The Chair: Thank you, Mr. Hoback and Mr. Wilson.

That wraps up this segment.

We're a little over time, but we did well catching up thanks to the MPs and the witnesses of course.

Thank you to the technical staff for getting us back on track.

This meeting was held on very short notice, and I appreciate the witnesses changing their schedules to come here quickly.

Many of you are in business and represent a lot of employees. We heard perspectives not only from your office but also from the people who work on the floor and from consumers. It was a very productive meeting.

There were a lot of witnesses who couldn't attend, and we are going to be getting their submissions. I encourage MPs to reach out to any stakeholders out there to get their submissions in by the end of July. We'll continue with this study and we'll go forward.

Take care, folks. The meeting is adjourned.