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Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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● (1100)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning.

Welcome back to all MPs after a week in your ridings. Today we're going to continue on with our study on the impact of tariffs on Canadians and Canadian companies. This is probably our third or fourth meeting. This afternoon we're also going to have a meeting with the Minister of Finance. That will be right after votes at four o'clock.

Without further ado we have witnesses with us. We have two by video conference.

Good morning, gentlemen.

We usually start off with video. We hear them first in case we have difficulties. You are two different companies, right? You have five minutes each.

We'll start off with Mr. Thibeault. The floor is yours.

[*Translation*]

Mr. Evans Thibeault (Vice-President and Assistant General Manager, Groupe LAR Inc.): Good morning.

Our thanks to the committee for giving us the opportunity to express our views on these issues, which are crucial for our company.

Since 1942, the Groupe LAR has specialized in the design, manufacture and installation of very large-scale welded fabrications. Our main clients are in the hydroelectric, aluminum and mining sectors. The Groupe LAR serves all Canadian provinces and occasionally does work abroad. We have three plants in Quebec and one in British Columbia. Our head office, where more than 250 people are employed, is located in Métabetchouan, in Saguenay—Lac Saint-Jean, Quebec. We buy most of our steel in Canada and that steel is the raw material in the manufacture of our products. The steel is normally bought in the form of plate.

The price of steel has held between $0.40 and $0.60 per pound for a long time, both in Canada and abroad. Now, the price in Canada is over $1, whereas it is about $0.60-$0.70 on the world market. The Canadian market is therefore out of balance with the world market.

After the American president's announcement of a 25% surtax on Canadian steel, American clients began to buy as much Canadian steel as possible before the surtax came into effect. At the same time, Canadian steel suppliers rushed to increase the price of their steel, and, because of the rare circumstances caused by the massive purchases by American clients and various other reasons, the price now hovers around $1.

As of now, it is very difficult to obtain steel from Canadian suppliers because their stocks are low and because of the per-pound price which is now moving past $1. In addition, for the majority of our clients, clauses adjusting the price of steel are not allowed.

Groupe LAR needs steel in order to fulfill our contracts, but there are insufficient stocks in Canada. In our recent tendering process, all Canadian steel mills, except one, replied that they had run out of inventory and they did not even bid. The only one to do so asked for a price above $1, with delivery in at least seven months, where normally it's a few weeks.

The financial risks for companies in the industrial sector will increase greatly if the price of steel becomes more volatile. Financial products to cover this kind of risk—options and futures contracts—are underdeveloped in this sector. The market does not willingly accept price adjustment clauses. Both could become major concerns in the future.

If the price of Canadian steel remains out of line and if our government imposes tariffs in order to protect it, Canadian manufacturers will have to pay so much that it will be very difficult for them to remain competitive globally, wherever the steel comes from. It is important to keep in mind that large companies do business with the lowest bidder, whether from China, America, Canada or anywhere else. So some Canadian suppliers could end up considering moving their production to other countries in order to remain competitive.

All this raises two questions. First, will finished steel products coming into Canada from our foreign competitors also be taxed to take into account the new tariffs that protect the price of Canadian steel?

Second, will refund programs be flexible enough to allow Canadian suppliers to remain competitive on the world market?

In summary, we believe that imposing tariffs on imports would be appropriate if the price of Canadian steel were competitive, but that is not the case. As Canadian suppliers, we are harmed by the situation and forced to pay too much for our raw material, which means that we can no longer be competitive.

I am now ready to answer your questions.

● (1105)

[*English*]

The Chair: *Merci*, Monsieur Thibeault.

I have just one question before we move on. How many employees do you have at Groupe LAR?

[*Translation*]

Mr. Evans Thibeault: There are 250 employees.

[*English*]

The Chair: Thank you.

We'll move over to Constructions Proco Inc.

Mr. Toupin, you have the floor.

[*Translation*]

Mr. Jean-Denis Toupin (Executive Director, Constructions Proco Inc.): Good morning.

The Groupe Proco is a general and specialist contractor with a head office located in Saint-Nazaire, in Saguenay—Lac Saint-Jean, Quebec. In total, the Groupe Proco has 325 employees on different construction sites in Quebec.

Our main raw material is steel. Each year, we buy around $20 million worth of steel from the United States, from Canada and from Europe. Our sales come to $85 million. We have two main operations. The first is a construction company that installs metal structures. The second is a manufacturing company that mostly manufactures steel structures, bridge structures, welded products and industrial structures.

The customs tariffs imposed in recent months first had a direct consequence on the price of our raw material, especially for projects requiring the rapid supply of plates that are relatively thick and long. Historically, these plates come from the United States, where they are available with a short delivery time. In recent months, the price of that raw material went from $0.60 per pound to $1 per pound in August 2018. This is an increase over and above the 25% in surtaxes, because it results from a combination of factors, including a decrease in the stock of raw material caused by the uncertainties of a trade war. In Quebec, the steel market has reacted to this new reality, and the price of steel coming from Europe is now similar to the price of American steel. Shaped steel structures have gone from about $0.50 per pound to $0.65 per pound.

We are also seeing direct impacts on the profitability of our contracts. We complete between 80 and 100 contracts per year, almost all of them requiring steel. We signed contracts last April, May and June on the basis of the price of steel at the time. The steel for those contracts arrived in Canada after July 1, and we had to absorb the increased costs of this raw material, without being able to recover them from our customers. This meant significant and direct financial losses for our company in the order of several hundred thousand dollars. Of course, we explored the possibility of being compensated through a surtax refund request but, at first sight, it seems difficult to do so because the increase in the price of steel is not solely due to the tariffs. In addition, Canadian distributors are hesitant to provide us with the exact amount they paid in surtaxes because, in so doing, they would reveal their cost price and their profit margins.

There have also been implications on large development projects in Canada. We regularly assist a number of major project developers to determine the construction budgets for their future projects. I am thinking of mining projects like Mason Graphite, Arianne Phosphate, Rio Tinto Alcan, Métaux BlackRock and Nemaska Lithium, and of the Réseau express métropolitain (REM) project. All those projects have a major use of steel in common. The budgets that we have developed with those clients and submitted in recent years are now all underestimated. As you know, those budgets are used by the developers to establish the feasibility of their projects and to secure the financing they require. We are very much afraid that the cost increases in the supply of steel to Quebec and Canada will harm the implementation of projects like these that create jobs and wealth.

I must also mention the major adverse effects on the competitiveness of Canadian manufacturers. The world price of steel, in Asia, India and Europe, seems to be hovering around $0.60 per pound instead of $1. There is therefore a strong possibility, more likely a certainty, that the steel components in future major construction projects in Canada will be manufactured abroad, given the cheaper supply. The increased cost of steel in Canada will force developers of major projects to go to foreign suppliers despite the significant capacity of Canadian manufacturers. We are already hearing some developers raise this possibility. Given this possible threat, and if the situation surrounding the price of steel does not change, we will have no other choice but to consider moving our production to a location where steel is more easily available.

Thank you very much.

● (1110)

The Chair: Thank you very much.

[*English*]

We'll now move over to the Canadian Association of Moldmakers.

Welcome, gentlemen. It's not your first time to our committee. Thanks for taking the time to come and visit us again.

You have the floor for five minutes.

Mr. Michael Bilton (Co-Chairman, Canadian Association of Moldmakers): Thank you very much. I'm glad to be here.

Good morning and thank you again. My name is Mike Bilton. I'm the co-chairman of the Canadian Association of Moldmakers.

CAMM, as we call it, represents a member base that carries one of the most in-demand skilled trades to the success and prosperity of our valued automotive sector and manufacturing. We support, facilitate business opportunities, educate and foster over 215 tier two level tool and mould shops in Canada, including 13,000 plus proud and highly skilled tradespersons across Ontario, Quebec and all of Canada.

Today, we are here to discuss the ongoing implications of steel and aluminum tariffs. My chairman, Jonathon, is here to speak more specifically about the direct cost implications to his business, like others, including operating and carrying costs for the tier two level.

In support, I am here, however, to discuss the other side of it, which is about how his overall cost models affect my business at the tier one level. As large parts suppliers, tier one companies are typically the customers of nearly all tier two companies, as tier three are to tier two, in the same fashion.

Of course, at the top of the chain, the actual OEMs are my customer, the auto manufacturer. It's no secret that today's OEMs' direct supply basis is constantly being challenged, with mandatory cost reduction strategies, to remain competitive in various product segments and components. Setting aside a new realm of root material tariffs, these challenges are real, as is the struggle.

Clearly, steel and aluminum are the main materials in the construction of the vehicles of today and tomorrow. That's obvious. Separate from that though, I'd like to bring light to the enormity of tooling and equipment needed to create these components and a vast array of others that all come together to create our masterpiece.

The manufacturing costs of these tooling and equipment assemblies, cells, and line side post-operative systems will often represent north of 60% of a program's budget, with very little wiggle room to eliminate waste and streamline our path to profitability, however small those margins tend to be. This is our reality.

The global movement into Industry 4.0 and now, into 5.0, which is the next generation of manufacturing as we know it, is changing at a breakneck pace. More specifically, the need for tier one manufacturing plants to morph and retool into this next-generation facility relies profoundly on implementing automated work stations to create parts and widgets. It's the out-of-control rising costs of these automated tools and equipment that I'm referring to.

The main ingredients in this tooling and equipment are indeed—you guessed it—steel and aluminum. Without a modern type of automation and shifting conventional manufacturing property and equity to this new style, there will be bad news for folks like me in tier one. Bad news means rapidly rising cost structures and falling behind in market competitiveness.

This is not to mention the burden placed on the automaker, when even their own parts suppliers are forced to close doors, which is happening, because they cannot remain profitable enough to supply. Rising operating costs are always the culprit, especially in a business that barely survives on single-digit margins.

From my perspective at the tier one level, contract pricing from our automation supplier companies is up 10% to 15% and in some cases, where steel and aluminum material content is much higher, I'm seeing increases of 25% to 35%. This is not only for automation suppliers but also for mould suppliers under our umbrella at CAMM, who are exactly the suppliers that CAMM's membership consists of. This is unacceptable.

I cannot sustain a competitive business model for my OEM customers with these increased costs in my own supply base, for which most costs are forcefully absorbed by me or the automaker. Already, direct results to a tier one supplier are elevated annual mandatory givebacks.

Trade incentive and duty relief programs and the rules by which they are to abide are unclear and not easy to follow. The administration and receipt of relief funds can take up to four to six months. These regulatory challenges are part and parcel of a continued struggle, by-products of which continue to fight to remain competitive, with a cash flow burden that forces already single-digit margins to be very stressed. Factoring unavoidable tariff costs into our pricing models to our customers upstream is even more of a challenge if we are to be considered a supplier of choice.

Our manufacturing sector is also now at the mercy of reduced government funding initiatives, such as SR and ED. As we know, reinvestment of R and D funds back into a business to allow it to partner with tier ones and automakers on advanced technologies is one of the most advanced qualities in a company to be selected as a supplier of choice by an automaker. I can assure you that it matters greatly in the eyes of the top of the automotive food chain. North American, Japanese, Chinese and Korean automakers are all alike. This is a common denominator that we're seeing.

At this time, with a broad stroke, I'd like to echo the volumes of facts and figures, points of concern, quantifiable data submissions, resources and study findings that have been passed along from our Canadian business owners and stakeholders who, without doubt, have already felt the heavy burden of the imposition of recent steel and aluminum tariffs. This is felt not only by an enormous automotive and manufacturing base but also by aviation, aerospace, military and marine industries, or pretty much every industry that requires us to rely upon a common foundation of tooling equipment materials of aluminum and steel, currently and in the future, to create product.

● (1115)

In closing, in consideration of South Korea's successful negotiation of steel and aluminum tariff removal with the U.S. in March 2018, the Canadian Association of Moldmakers poses this question to the federal government: What are you doing to negotiate a similar outcome to ensure the prosperity of our Canadian businesses?

Thank you.

The Chair: Thank you, sir.

We're now going to open up a dialogue with the MPs, and we're going to start off with the Conservatives.

Mr. Allison, you have the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you, once again, to our witnesses for being here today. It's great to see you guys again. I know Jonathon and I had a chance to spend some time in Windsor this summer.

I guess the question I have—and I've heard this from all the witnesses this morning—is about how difficult it is to access any kind of duty relief or duty deferral, whatever you want to call it.

I need to understand. When we talked in the summer, the point was, “Listen. Two to three months is all we can handle—four months maximum—if this doesn't get solved.” In other words, if we don't get a deal, which would include the removal of tariffs on steel and aluminum, it's a four- to six-month-...if we qualify. How on earth are we going to survive?

We're now into month four. I would just like your thoughts. I think we're at a critical point. You guys were stressed when I talked to you in the summertime when we hadn't had this for two or three months.

Talk to us about how long we can sustain this. I'm hearing people say that they're going to move plants to the States if they can. I realize that a guy who has 20 employees can't, but somebody who has 50 million and above maybe can. Where are your actual people in your organizations?

If they're a supplier, that stuff can be done in the States, and that may be a possibility because they're trying to keep their supply chain intact as cheaply as possible for these OEMs, etc.

Mr. Jonathon Azzopardi (Chairman, Canadian Association of Moldmakers): First, we would like to applaud the federal government on a good negotiation of the USMCA. That is good. There are provisions in there that will guarantee some growth and some prosperity in Canada, although we have to go on record as saying that without the removal of steel and aluminum tariffs, the agreement really isn't worth anything to us until it goes into place.

That being said, we are feeling the full brunt of the burden of the steel and aluminum tariffs, and the BDC and the EDC agreements that you have in place are really not working. They will not have the positive impact that you're looking for because they don't make financial or business sense.

We feel that taking funding from BDC is nothing more than financing the federal government. What we feel is that there's still a cost there. There is no guarantee of the removal of the tariffs. Therefore, we can't factor them out of our costs, so we're going to continue to leave them in. If those costs are left in, the equation will continue to make Canadian suppliers uncompetitive. In a very competitive market already, we will have no choice but to find and seek out other competitive measures, and right now, we're not finding those in Canada.

It will be a short time before Canadian suppliers will start to look for alternatives, and we already are. Giving us the opportunity to take loans is not a good business model, short term or long term, and we don't need it. If we want to take loans, we'll go get loans from our own banks. We don't need the government's support to support you.

Mr. Dean Allison: I guess my question is this: What does not being able to deal with steel and aluminum tariffs in this country do to manufacturing, all things being equal?

Mr. Jonathon Azzopardi: Well, right now, specific to our industry, we've been monitoring aluminum and steel pricing for the last two years. In two years, it's already gone up 50%. With the impending possibility of tariffs, we saw a 25% increase between January and July, making the total increase 75%.

What does that mean to an SME? In our industry alone, we average about a 10% profit margin. This is approximately 6% to 12% against the bottom line. That alone will basically negate and make us very vulnerable by eliminating the entire profit margin for our industry. That will be disastrous, and we can't have that happening, so we're looking for alternatives. These are alternatives in a very desperate time, so we're looking for alternatives quickly. Right now that means finding alternatives overseas. It means that we have to possibly relocate if these cannot be removed.

Mr. Dean Allison: Did any of your members, or your company specifically, receive any kind of duty relief, duty drawback that you're aware of?

Mr. Jonathon Azzopardi: It's quite the opposite. What we're seeing right now is that SMEs are finding that the duty relief is such a burden and an administrative nightmare that they're abandoning the opportunity, and right now, they just don't have any other alternatives.

● (1120)

Mr. Dean Allison: Once again, as I heard from owners, they are working from 8 o'clock in the morning until about 8 o'clock at night trying to drive their businesses. Then they're spending the rest of the evening trying to figure out how to get some kind of relief, which they're not actually able to get—and which, by the way, may actually show up in four to six months when they're already out of business. Therein lies the challenge.

I know I have a short period of time, Mr. Chair.

The Chair: Your time is pretty well up.

Mr. Dean Allison: Come on, I have 30 seconds, and I apologize to my colleagues from Quebec, because I also wanted to talk about that. Is that similar?

I heard someone mention of trying to source products from other countries. Is it possible that you guys may have to relocate?

I apologize. I know there's a short period of time here.

The Chair: Give a quick answer, please.

[*Translation*]

Mr. Jean-Denis Toupin: We can either relocate the plants or get supplies of steel processed in the United States and work with European or Asian manufacturers to import processed steel to Canada.

[*English*]

The Chair: Thank you.

We will go over to the Liberals now.

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Thank you to the presenters.

My first question is for Groupe LAR. You said you have 250 employees. How many of them are in British Columbia?

[*Translation*]

Mr. Evans Thibeault: At the moment, in our plant in British Columbia. we have 25 to 30 employees working on a major hydroelectric project called Site C. We are at the beginning of the process. The number of employees will certainly increase significantly in the next months, hence the importance of a supply of steel in order to fulfill contracts whose prices were fixed in advance. The challenge with supply is significant too.

[*English*]

Mr. Sukh Dhaliwal: Thank you.

My next question is for Proco. You said that you import steel, that you use Canadian, European and U.S. steel. Can you give me a breakdown of what percentage of the steel you use is Canadian, European and American?

[*Translation*]

Mr. Jean-Denis Toupin: That depends on the type of contract. It is quite easy to find shapes and plates in Canada, but, with bridge construction projects, the plates are longer, thicker and bigger all round. They are not available in Canada. Almost all the steel we buy to build bridges, mainly in Quebec, comes from the United States because of the delivery time and the dimensions of the plates. About 50% of our purchases comes from the United States and the rest comes from Canada or Europe. Steel used for bridges comes mostly from the United States.

[*English*]

Mr. Sukh Dhaliwal: You said you were thinking you would be forced to move somewhere, but on the other hand you are saying that the price across the globe has gone up whether or not it's in any other country, so how would you be able to compete when the steel price is going to keep on going up irrespective of what the tariffs are here?

[*Translation*]

Mr. Jean-Denis Toupin: I do not agree that the price of steel is going up everywhere. What I said is it that the Canadian steel market is affected by the increase in price of steel from the United States. The Europeans who export to Canada have taken advantage of that increase to put up the price of their steel coming into Canada. The price on the European market, before it is imported to Canada, is about $0.60 per pound, which, in my opinion, is the world market price. Once it gets to Canada, steel costs between $0.90 and $1 per pound.

[*English*]

Mr. Sukh Dhaliwal: You also mentioned that the federal government programs in place to help manufacturers are difficult to access. What can be improved so you can easily access those programs to be competitive?

● (1125)

[*Translation*]

Mr. Jean-Denis Toupin: The program is actually for Europe. The program reimburses the surtaxes, mainly for steel imported from the United States that is then re-exported to the United States.

It is also possible to reimburse the surtax on steel imported from the United States that is processed and used in Canada. Distributors of Canadian steel who supply us with steel are reluctant to tell us the value of the surtax that they have paid, so that we can claim it back from the government, because, by giving us the exact value of the surtax, they are also telling us their purchase price and therefore their profit margin. They give us a lot of information and we have difficulty determining exactly the amount of the surtax in the overall increase in the price of steel. Because of that, it is hard for us to claim it back.

[*English*]

The Chair: Thank you.

Thank you, Mr. Dhaliwal.

We're going to move over to the NDP now.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): Thank you.

First of all, I'd like to say hello to Mr. Toupin. My colleague Karine Trudel, the MP for Jonquière, could not be here at the committee today. I know you're located in her riding. She wanted me to pass along her greetings today. She's in the House of Commons.

I want to focus on CAMM. They're here from Windsor–Essex. They were here in the spring talking about the potential impact of this, and throughout the summer we've seen and felt it in our region, very deeply. Within 30 kilometres of Windsor–Essex, there are 250 mould, tool and die makers. This is a huge employment base in our area, which has survived the most difficult time in the recession and has diversified in a way that has created jobs, only to find those jobs under threat once again. Four or five of the largest mould makers in North America are in our region. I think we heard from Mr. Bilton that we're talking about 13,000 jobs in our region alone, in this sector alone, that are impacted.

I want to talk about the action that's needed, the meaningful action that is needed. I think we heard quite clearly from Mr. Azzopardi what's not working. We had a town hall in the middle of the summer, with 300 people who came at a moment's notice to talk about the impact on their businesses.

Mr. Azzopardi, could you update us on where they're at now and what you think needs to be done to support the sector?

Mr. Jonathon Azzopardi: Thank you, Ms. Ramsey. Thank you for all the support you bring us. We really appreciate it. We've had a lot of support over the summer. I'm trying to figure out how to work through this.

What we've seen, and where we feel the government can do better, is in its support of SIF, the strategic innovation fund. It is specifically targeted to steel and aluminum producers, and it is falling short. We believe that it's focused on the wrong area. Right now it's focused on steel and aluminum producers. The unfortunate thing is that what we've seen with steel and aluminum producers is that there's no appetite for expanding supply and demand.

Since World War II, we have been monitoring steel, and steel has now become commoditized, while the industry has over the years seen a lot of consolidation. With supply and demand, to be kept in check, will not see any new foundries being put online. This funding, right now, we believe, is not having the impact they would like to see, and it should be broadened and opened up more to the tier one and tier two steel and aluminum foundries.

We believe that if you are going to enter into an agreement with the U.S. and Mexico, your job is not done until you can answer the following questions.

What is the government's plan to protect its borders against the countries that want to import into Canada to get access to the U.S. and Mexico? What are you going to do to protect our borders against low-cost countries that want to take advantage of Canadian companies, countries that want nothing more than to gain access and not employ Canadians? How does the Canadian government plan to protect us against steel fabrication from low-cost countries that use government subsidies fuelled by low-cost labour to gain a foothold or a controlling interest in Canada? What is the long-term strategy for manufacturing in Canada to export to the USMCA partners and other countries when we continue to reduce government funding for SMEs and virtually eliminate SMEs from SIF by moving the threshold from $2 million to $10 million minimum for projects? You're basically telegraphing to us that you do not want SMEs in Canada, because we can't even reach that minimum threshold. Why are you reducing our access to the SR and ED program by eliminating capital expenditure and continuing to reduce the minimum number for proxy? Why are you removing GOA funding from our two largest trading partners, Mexico and the U.S.?

Why are you creating an uncompetitive tax environment for Canadian companies against other global jurisdictions? Our combined tax rate of above 26.5% is a higher personal tax rate than that of the other partners we're trying to compete with, and now you're eliminating income splitting. The accelerated depreciation program for equipment purchases is being reduced to below the rate our largest trading partner has to pay, while you are supporting programs that make us less competitive, like cap and trade and carbon tax, which the global jurisdictions we're trying to compete with do not have to consider—this when Canada is a net consumer, not a net producer, of carbon gases.

We feel that, in a lot of cases, the federal government is not using its time wisely and is putting in strategies that do not add value and that aren't supporting the largest GDP contributor and employer in Canada.

● (1130)

The Chair: Thank you, sir.

That pretty well wraps up the time. We are going to go to the Liberal Party.

Welcome, Mr. Hébert. You're a member from Lac-Saint-Jean. You have the floor for five minutes.

[*Translation*]

Mr. Richard Hébert (Lac-Saint-Jean, Lib.): Thank you, Mr. Chair.

I am delighted to see my friends from the Lac-Saint-Jean region. I certainly would not have missed this opportunity to meet you and talk with you. Thank you again for appearing before this committee.

As we know, as of June 1, 2018, there has been an exemption from this unfair and unjustified surtax imposed by the United States and their unpredictable president.

Mr. Thibeault and Mr. Toupin, I am going to try to make my questions as short as I can, in order to give you more time to answer them.

The Government of Canada is taking in about $2.5 billion per year from the surtaxes. In your opinion, how should we use that money to help the industry, particularly in the Lac-Saint-Jean region?

Mr. Evans Thibeault: As I mentioned at the outset, our company buys steel mostly in Canada. We process the product and we resell it in Canada. As Mr. Toupin mentioned a little earlier, we buy in Canada and the distributors are now charging us $1 per pound. That price includes taxes and surtaxes, so it is very difficult for us to recover them, given that we do not have access to that information.

On the other hand, when we bid on contracts where we are in competition with foreign competitors, they base themselves on the world price for steel, which is not $1 per pound at all. It is somewhere between $0.60 and $0.70 per pound at most. So it is very difficult for us to remain competitive in a situation like that.

To help us, the tax refund program would have to be more flexible or we have to be exempt from those taxes. If we process steel in Canada for resale in the country, we automatically lose our competitive edge. So the help has to be by making it easier to recover the taxes, given that the distributors from whom we buy steel do not give us that information.

Mr. Jean-Denis Toupin: I would like to add that the Europeans have taken advantage of the cost increase in the United States to increase their own rates. For example, we could obtain supplies by paying $1 per pound in the United States and $0.95 in Europe. However, that cost increase is not a surtax on steel in Europe; it is just that the Europeans have adjusted to the laws of the market. The surtax has had an impact on the cost of supply, but the effect is not just direct. It is also indirect.

Mr. Richard Hébert: You and I have talked about this on several occasions. You said that you would probably have better solutions to propose, given that you are on the front line. You said earlier that it seemed difficult to access the program, which stands at about $2 billion.

What are the problems you have to face, either with Export Development Canada, EDC, or with the Business Development Bank of Canada, BDC?

I have done some checking and it would seem that BDC has not been asked for a great deal of support. Could you give us some more details about that, Mr. Toupin?

Mr. Jean-Denis Toupin: In connection with the program, we have read that reimbursement is possible if the steel is not available in Canada. Whether the steel is bought in Europe or the United States does not matter, because it can be available in Canada, but not in the quantities or sizes we need or when we need it. For example, if we have to build a bridge in 14 weeks and we are told in Canada that the steel will be delivered seven months later, we cannot get our supply in Canada. Canadian producers will tell us that the steel is available, which disqualifies us, but actually, it will not be available when we need it.

● (1135)

Mr. Richard Hébert: Great.

Do I have any time left, Mr. Chair?

[*English*]

The Chair: You have one minute.

[*Translation*]

Mr. Richard Hébert: I like hearing the solutions you propose because you are on the front line. The problem affects Canada as a whole.

As a final comment, can you tell me how you see the coming months? Could the situation cause problems in your own companies? We are talking about almost 600 jobs in the Lac-Saint-Jean region, which is huge. How can we help you in the short term?

Mr. Jean-Denis Toupin: What would help us is if government assistance were not limited to the reimbursement of surtax, but rather was more of an adjustment to the cost on the world steel market and the cost of sourcing from Canada. In the meantime, we are more concerned that major projects using steel will be delayed or cancelled because of the higher costs.

Mr. Evans Thibeault: I would add that the anti-dumping taxes or the taxes in place help to maintain high steel prices in Canada. This is not helping to adjust the world steel price. It will keep creating a distortion or imbalance between the price of Canadian steel and the world price of steel. Once again, it is very difficult for Canadian companies to remain competitive.

Your decisions must not contribute to maintaining an unbalanced price. The fact that the price of steel in Canada is $1 per pound is not problematic; what’s problematic is that the price on the world market is much lower. If the world price were also $1, there would be no distortion. Right now, there is a big discrepancy and we are experiencing it on the ground. Competition will be much fiercer for future contracts, and good contracts in Canada will be awarded to companies outside Canada because of that.

Mr. Richard Hébert: Thank you. Your comments are very helpful to the committee.

[*English*]

The Chair: Mr. Hébert, thank you. You're way over time and that ends the first round. We might have to shorten a bit with Mr. Sheehan. He's up next.

Go ahead, sir.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): How much time do I have?

The Chair: You have four and a half minutes.

Mr. Terry Sheehan: Okay.

Thank you very much for your presentation. It's very helpful for us as we undertake this study and make recommendations to the government on how to deal with the situation.

I have to ask this first question, because I want it to be on record. President Trump has placed tariffs on Canada and the rest of the world—it's a world tariff—using 232, which is a little-used mechanism in American politics, which suggests that Canada is a national security threat to the United States.

So for the record, I would like to ask all of our presenters whether they feel that any of their products or situations are a national security threat to the United States of America?

Mr. Michael Bilton: No, it's quite the opposite, actually.

[*Translation*]

Mr. Evans Thibeault: No. The products we manufacture are not a security issue, far from it. They are designed to help people. We are not a threat to the Americans or anyone else in any way.

[*English*]

Mr. Terry Sheehan: Thank you for that, just for the record. I'm from Sault Ste. Marie. I'm right on the border with the United States, and we have large steel producers but we have a number of SMEs there as well that are servicing the steel industry, including some that do not source the steel from Algoma or Tenaris. SIS is one of them. They had contacted me about the situation they had, and I was able to walk them through the process.

Have you been able to talk with any of your MPs to go through the process?

One of the reasons I wanted to bring this up is that my background is in business and economic development, so I have a little bit of an understanding, but I think we also need to engage the local economic development corporations, the regional economic development agencies, and help some of these SMEs walk through this stuff. The remittance orders are retroactive back to July 1, so there is still opportunity for those people who have not yet applied for relief. It's still there, and I think it's absolutely critical that we—all levels of government and the private and public sectors—get working together and take advantage of some of these supports that are out there.

My question is to the association first. Have you worked with any of your MPs on this?

● (1140)

Mr. Jonathon Azzopardi: We've actually been very fortunate. Our MPs have been very supportive.

Mr. Terry Sheehan: Excellent.

Mr. Jonathon Azzopardi: We were able to identify the issue early enough to allow us to engage with our local government and our MPs in Ottawa to come up with a solution. The problem is that the model is flawed. The model of offering loans to subsidize the government is not a business model that will have any positive effect, unless there's a guarantee. This is the truth. Unless there's a guarantee, manufacturers will not factor that price into discounting their costs. Without a guarantee, we will have to factor it in because our contracts are not for today. Our contracts are for long-term agreements, sometimes for a year, and sometimes for five years. Without the certainty that those will be removed, we cannot take the risk because steel is such a heavy factor in our manufacturing. In some cases, it's over 70%.

If you took 70% of your cost, and you started to add a 25% tariff, you could not survive that if that went beyond and you didn't get the money from the government. The model is flawed. It won't work.

Mr. Terry Sheehan: That's one tool, but more specifically—and I appreciate that and I understand what you're saying. With the remission orders, in certain circumstances you can apply to the government to get back some of that tariff, that 25% that you have spent, to make it whole.... Have many of your members applied for that?

Mr. Jonathon Azzopardi: We have one member who has been successful, but when I say “successful”, he actually hasn't received the money back yet. He's only been told that it's going to go through. So again, it's not a guarantee, and without that, we're talking about people who are trying to factor the cost into their models, and it's fractional.

I'll give you an example. He has submitted a brief to this group. At one point $3 million per month was what he was being hit with. He's receiving a fraction of that back, and he's waiting on the rest and being told that it's four to five months away. It's a never-ending date. He cannot factor that in. It's not enough.

I think people are forgetting that we're in a very competitive industry, an industry where 25% against our largest, most valuable commodity is not something that we can survive. We don't need loans. We can go get loans on our own, and that's what we see the government trying to push us to.

Mr. Terry Sheehan: So you would see more of a grant system in place that—

Mr. Jonathon Azzopardi: I believe there is only one alternative, and that is to successfully negotiate the agreement and get the steel and aluminum tariffs removed as soon as possible.

Mr. Terry Sheehan: I agree 100%.

The Chair: We'll have to end on that note.

We're going to move over to the Conservatives.

Mr. Hoback, you have the floor.

Mr. Randy Hoback (Prince Albert, CPC): Do you want to go first, Colin?

The Chair: Or whoever wants to can.

Mr. Randy Hoback: Sure.

Gentlemen, thank you for being here. It's interesting to listen to. I think a lot of people in the general population are thinking that now that we've signed the USMCA deal, all our problems have disappeared; everything's good; everyone's happy and we dodged that bullet. Let's pat the Liberals on the back for doing such a great job.

In reality, what's changed? In your position, what's changed?

Mr. Michael Bilton: Well, nothing. We're talking about a business that we create. The material content of our product is 50%, 60% or sometimes 70% steel. We might as well be stamping car frames. The members of the Canadian Association of Mold-makers are the people who create the plastic injection moulds themselves. We're talking about upwards of 60,000- to 70,000-pound blocks of steel. Some are as big as a car. You can imagine two halves of a mould moving up and down. That's an awful lot of weight, an awful lot of steel and an awful lot of 25% addition to a cost that.... I'm Jonathon's customer at the tier one level, and my customer is Honda of North America. They're making sure that I'm watching my pennies to make sure that this guy is watching his pennies, and I already know that he's factoring in 25% on top of his cost, and now it's on my shoulders as a tier one supplier to the automaker. I have to bury that money somewhere.

Mr. Randy Hoback: In your scenario—and we've heard this from our friends from Quebec here—there are very active U.S. economic development officers in Tennessee, Kentucky and places like those proceeding to attract businesses like yours down there. What kinds of incentives are they offering you today to actually say, “Why are you staying in Canada? You have nothing there.” Give us an example.

Mr. Jonathon Azzopardi: Actually, we won't give you specific examples, but I will tell you that we have been approached by the United States with greater frequency now than ever. What they're offering is 10 years. They're funding our capital expenditures. They're funding our bricks and mortar. They're giving us 10 years to repay that loan. This is something that we haven't seen in Canada for a long time. With the added cost, it's starting to become a good opportunity for us. Right now, until you get the agreement in place, you've basically taken all of our capital expenditures and given us three options. Whereas before Canada was the place where I was going to land, today we have to think very hard about whether we're going to land in one of three places: Canada, the United States or Mexico.

● (1145)

Mr. Randy Hoback: In Quebec you mentioned the same scenario, in which you're actually looking at alternatives to Canada because you just can't do business here. You can't afford to produce here. What's happening in your area? What are you hearing?

[*Translation*]

Mr. Jean-Denis Toupin: In Quebec, customers have adapted and are temporarily willing to pay more for steel for future projects. We bid on projects and set prices, and customers agree to pay more.

My concern is about the major mining projects that require $1-billion investments, which will now cost $1.2 billion or $1.3 billion given the increase in the price of steel. Those projects could become unprofitable, disappear or be awarded to foreign companies.

Mr. Evans Thibeault: In our case, things are a little different. The fact that the price of steel is much higher here affects us directly. Some of our customers only invite Canadian manufacturers to bid, and that's fine because the price of Canadian steel is the same for everyone and the bids will be equivalent. However, it is important not to assume that most companies only invite Canadian manufacturers to bid; that's not true. They are now inviting bids from manufacturers around the world, particularly from the United States and China. In our area, large aluminum smelters have awarded major contracts to China rather than Quebec. In our region, we have seen convoys of trucks transporting all the finished products from the ports.

For us, it is almost impossible to compete now with such a significant imbalance in the price of steel looming ahead. We foresee that the future will be very challenging.

[*English*]

Mr. Randy Hoback: I'll pass the time to Colin.

The Chair: You have only 20 seconds.

Mr. Colin Carrie (Oshawa, CPC): I'll talk to our friends on video conference.

If I read you correctly, you were saying you're now operating a business where your profit—

The Chair: Mr. Carrie, I'm going to have to cut you off, but there's one more slot. It might help you get your head together a little better, because this is putting you under the gun. Mr. Hoback got you jammed there, but that's fine. We'll give you time in a minute.

We're going to go to the Liberals now.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

Thank you, gentlemen, for all of your testimony today.

I have only a couple of minutes, so I'm going to jump right to your recommendations about the strategic innovation fund. How do you see it being open to tier one and tier two?

Mr. Jonathon Azzopardi: First, the example of having recently increased it to $10 million was a huge hit to the SMEs. What we have found is that if you're going to approach an SME and make them achieve a threshold of $10 million for an investment, you're basically telling them we might as well put it abroad. The value is too high. Also, the focus needs to be opened up. Right now it's very focused on aluminum and steel producers. It's almost eliminating the manufacturers, the tier ones and tier twos. It needs to be opened up to aluminum and steel manufacturers and fabricators. Those two things right there would help, from what we see in southwestern Ontario, about 1,400 companies.

Basically, with those two changes, you eliminated 1,400 companies from being able to access SIF, just in southwestern Ontario.

Ms. Karen Ludwig: What should the threshold be?

Mr. Jonathon Azzopardi: I'd say about $2 million. The original $2 million saw some very good success and some great programs so that steel and aluminum manufacturers were able to take care of our members.

Ms. Karen Ludwig: Thank you.

I have another question for you.

You mentioned delivery times. When you're bidding on a project and you're making a commitment, you're hedging on pretty much a secure price, and the delivery times could be not seven weeks but seven months, based on the current circumstances. How do you see that risk being mitigated?

Mr. Michael Bilton: I could tell you what the risk is. The risk travels all the way from the north to the south as far as vehicle production is concerned. I'm talking specifically about automotive right now. Automotive production relies heavily on gauging the supplier's ability to manage their subsection, and one of the largest things is obviously the root material to be able to create the parts and widgets that I need to supply on my line side to then ship to the automaker. A block of steel coming in any later than seven to eight weeks can be detrimental. The potential risk is that I will now be late in creating a plastic injection mould to create parts for a Honda Civic. I won't be able to put parts on that car, and it will be parked in a parking lot. I've seen charges come in from the OEM at $10,000 a day.

● (1150)

Ms. Karen Ludwig: So there's a penalty cost.

Mr. Michael Bilton: Well, it's a penalty cost based on your inability to supply parts to the OEM.

Ms. Karen Ludwig: Okay.

I still have time, right?

The Chair: You have lots of time, yes—a couple of minutes.

Ms. Karen Ludwig: Okay, great.

Did you reach out to the finance department for help? We certainly have experts here in the room we could direct you to directly after this meeting.

Mr. Jonathon Azzopardi: Do you mean CRA or ISED?

Ms. Karen Ludwig: I mean any part of Finance.

Mr. Jonathon Azzopardi: We have spoken to ISED. We had a meeting with Minister Bains, and we had a discussion about the threshold for SIF. They said they would get back to us with some type of program or response. We haven't received anything yet. In terms of the CRA, that's an ongoing discussion all the time. SR and ED, if we are given the opportunity, will have lots of engagement, and that's part of the problem.

Ms. Karen Ludwig: Thank you.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): I'm going to split my time with you, just so I can squeeze a question in.

I appreciate everyone being here.

I think everyone's in agreement that the best thing would be for these tariffs to be negotiated away. I don't think you'll find any argument around this table or from any of the stakeholders on that. Hopefully we'll get there sooner rather than later. In the interim, I think we need to have a program that is designed to do what it's intended to do. We've heard some feedback today that there are some improvements that should be considered.

What would be the ideal program? I know, Jonathon, you said that ideally we'd negotiate the tariffs away. Short of that, or until that time, what would an ideal support relief program look like?

Mr. Jonathon Azzopardi: We believe an alternative way for the government to engage is directly with the associations. If you engage with the associations, you can get direct access, at least in our case, to about 216 mould makers—about a third of steel fabrication employment—by dealing with us directly. And then go after certain specific materials to find out whether or not they can be produced in Canada.

What you don't know, which has been going on since January, is that we have had a flood of U.S. metal come into Canada. That metal is being consumed right now to subsidize the Canadian markets. We are very close to having that U.S. metal go away and be consumed. Once that is gone, there will be very few options. We've talked about how long it takes for steel to come over. We're using European sources, and it takes four to six weeks for us to get it in. And it's at a cost, which they know.

Canada is incapable of producing certain metals. Those metals are the ones we need to attack immediately. If you think the situation is bad now, it is going to get far worse once all that metal is gone.

Mr. Michael Bilton: To add to Jonathon's comment, sir, I'd like to point out—and again, it's automotive-specific—as a tier one supplier and down the supply chain to tier two, we're also governed and mandated by the OEM to use a certain type of steel from a certain type of supplier, which doesn't help things. I just wanted to make that comment.

Mr. Kyle Peterson: I know. Your choices are limited.

Mr. Michael Bilton: The choices in some cases are non-negotiable.

The Chair: We'll go back over to the Conservatives now.

Mr. Carrie, you've have the floor.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I want to direct my questions to Mr. Thibeault and Mr. Toupin. It seems that it's the smaller guys who are really hurting now and who are going to continue to hurt over the next few months if things don't get resolved. I think everybody was surprised that when the government signed this new agreement, these tariffs were still in existence. I think, in earlier testimony, people were telling us to either get a new deal or get the tariffs off. To have an agreement that still has the tariffs is surprising but also disturbing.

I just want to go back to your earlier comments. I believe you mentioned to me that the tariffs are basically eating up all your profits. Are you guys actually now profitless? Are you not making any money at all? You're nodding, so it's pretty much that situation.

My worry is how long you can continue to be in business at this stage. Over the summer I met with small businesses, and they were telling me then that they were right at the precipice of making these decisions, the same decisions that you are facing. They may be relocating. How much longer do you think smaller companies such as yours can hang on if we don't get this resolved? I know it's a tough question.

[*Translation*]

Mr. Jean-Denis Toupin: We are very dependent on major projects. If, despite the increase in construction costs, we decide to carry out the major projects under way, such as the REM in Montreal, the Gordie Howe Bridge in Ontario and mining projects, we can work on them and the client will absorb the costs associated with the rate increase. However, if those projects are slowed by the increase, we will find ourselves in a market with many manufacturers competing for fewer projects, which will quickly result in significant financial problems for us.

● (1155)

Mr. Evans Thibeault: In our case, it depends on the contract period. Our contracts often extend over a period of a few months up to three or four years. The ones that run until 2021 and 2022 will allow us to stay in the market a little longer.

However, it will be very difficult for us to get all the new contracts we need to continue. Those contracts will have to be tendered on a low profitability basis, but despite that, bids from foreign manufacturers will be at lower prices than ours.

We are in the same situation as Mr. Bilton described earlier. Given that 70% of our contracts are for steel-based projects and that the price of steel is 30% or 40% higher than that of our foreign competitors, it will be almost impossible for us to obtain future contracts. We will very quickly reach the end of the tunnel when our existing contracts are complete.

[*English*]

Mr. Colin Carrie: I appreciate your comments very much, because I think we really have to be cognizant that this is an urgent issue that we have to find an immediate solution to. We've heard from your colleagues that what's on the table right now from the government is a model that's flawed. It's not working. I'm worried that we're going to be seeing Canadian jobs just being shifted across the border. My colleague Mr. Hoback asked a question earlier. Are you aware of companies around you that have been approached by Americans to relocate to the United States, and what do you see that they're offering down there?

First of all, I want to say, I really appreciate your patriotism, working through this and keeping those jobs in Canada, but when it gets to a point where you're not making any profit in this country because of everything that's piling on right now.... What kinds of things are you hearing that they're offering to relocate to the U.S.?

[*Translation*]

Do you have any examples?

Mr. Jean-Denis Toupin: In our field, competing companies are already established in the United States. They have already publicly stated that having a foothold on each side of the border provides them with significant benefits, as it allows them to make deals and avoid those tariffs.

There are some quite blatant examples, including that of Mr. Dutil from the Canam Group. He actually commented on this matter. He said that he had 18 plants, some in the United States and some in Canada, and, as a result, he is able to juggle and avoid the tariff issues.

Mr. Evans Thibeault: That's right.

We have four plants in Canada. We must not forget that we are captive in a way, we are subject to the political risks and tax laws specific to Canada. As soon as a company has a foothold in the United States or elsewhere, it diversifies the political and tax risks. When the United States relaxed tax measures for SMEs, there was an advantage for companies to consider having a foothold there. The same applies to political risks.

Being captive of only one country increases the risks. Diversifying them in other countries makes room for flexibility to ship products to the United States or to another country, such as Brazil. It is easier to manage the risks, but the risks are there.

As you said earlier, we are first and foremost patriots. We come from a region. We want to create jobs in our regions. That is the mission we have set for ourselves. As soon as things become unmanageable from a tax or political standpoint, of course we will have to explore other options.

● (1200)

[*English*]

The Chair: Thank you.

We're way over time, but it was good commentary.

We're going to wrap this up with Ms. Ramsey for three minutes.

Go ahead.

Ms. Tracey Ramsey: I think we've heard really clearly at this committee that we're in an emergency situation that requires action in a non-partisan way. The program and the things that have been rolled out are not working on the ground. They are not helping small and medium-sized enterprises, and they're not protecting Canadian jobs. We're in a position where, if we don't act urgently and quickly, the devastation is going to be widespread, certainly in my riding of Essex, in Windsor, and also in Quebec and other regions of our country. I think the entire viability of our manufacturing sector is under threat with these tariffs. We can't pat ourselves on the back about what we've achieved with the U.S. when we are still under this dire threat.

I thank you for raising the issue of a long-term manufacturing and auto strategy. We desperately need this in our country. We can't control what's happening south of the border, but we can control what's happening in our own country, and it's time we take ownership of that and go to all of you to create the solutions.

In the summer the NDP called for a national tariff task force, not to be partisan, but to say this is an emergency situation that requires all of our attention in a way that is different from what we're doing, because what we're doing isn't working.

Last, I would like to ask you about the impact on jobs. We've talked a lot about your businesses but, obviously, there are people who work in all of your shops.

Can you mould makers speak to the impact on jobs in our region and what you've seen over this difficult period of instability?

Mr. Michael Bilton: Again, to be automotive-specific, we have an FCA plant in Windsor. If anything were to ever happen to that plant.... We've done the numbers on it, and every one part that gets shipped into that building is touched by four or five people in our region locally, within a 50-kilometre stretch. That means that there are 20,000 to 25,000 potential losses because of that. That's the number that's been floating around our region. Our economic development office has taken that data in and distributed it. I wanted to make that comment to make sure that everyone understands that there's an awful lot at risk here. We've got a lot of hard-working, proud folks in our region, and we want to do what's best for everyone.

I'll end it there.

The Chair: Be quick with your answers, because we're almost wrapped up here.

Mr. Jonathon Azzopardi: Quickly, what I believe you're not seeing that is transpiring right now is that you're going to have great Canadian manufacturers in companies that are going to go on sale. There will be great merchandise that will be sold out to foreign investment. We are questioning right now whether that foreign investment will have good intentions to continue to employ Canadians or transplant that technology and import their steel and their products into Canada, land it in our region, and then export it to the United States and Mexico.

This is a very real possibility. We've been monitoring it for some time. We believe right now that in low-cost countries similar to China, there's approximately $37 billion worth of investment that's waiting to find a home. It could find its way into Canada, which could be a good thing, but it could also be a bad thing. If they start to take those jobs and start to move them overseas, then this becomes nothing more than a landing zone.

The Chair: Thank you, gentlemen, for coming and doing a presentation. These are very challenging times for your companies and your employees.

We're going to suspend for only five minutes now. We have another group of witnesses coming in. Thank you.

●

(Pause)

●

● (1210)

The Chair: We're going to start the second round of our meeting.

As everyone knows, I think, we are doing our study on the impacts of the tariffs on Canadians and companies.

Welcome, folks, to our committee.

If anybody is here for the first time, we try to keep it under five minutes so we can have lots of dialogue with MPs.

Without further ado, we're going to go with ASW Steel and Mr. Clutterbuck.

Go ahead, sir. You have the floor.

Mr. Tim Clutterbuck (President, ASW Steel Inc.): Mr. Chairman, members of the committee, thank you for the invitation to testify before you today.

ASW Steel Inc. is a specialty steel manufacturer located in Welland, Ontario. We are a wholly owned subsidiary of U.S.-based Union Electric Steel, a division of the publicly traded Ampco-Pittsburgh Corporation.

ASW provides 125 full-time, high-quality jobs in the Niagara Region, where manufacturing jobs are scarce and unemployment rates are the third-highest in the country, running 25% above both the national and provincial averages. These good jobs and the commerce they deliver bring fourfold downstream economic benefits to Canadians.

ASW is the only stainless steel-producing melt shop in Canada and one of only three such shops supplying stainless steel ingots throughout North America.

Commencing operations in 2012 on the site of the former Atlas Specialty Steels, ASW produces specialty steel primary products for forge shops and rolling mills. Of note, ASW will supply the stainless steel required for the production of nuclear end fittings on the Bruce Power nuclear refurbishment project. Also, we have partnered to run prototypes for the production of corrosion-resistant stainless rebar for use in bridge construction throughout Canada. Prior to ASW, these products had all been imported from abroad.

Since inception, ASW has experienced exceptional growth, reaching annual sales of $100 million in less than five years. Unfortunately, the bulk of that growth has come through the U.S. market.

With that as a backdrop, it would be an understatement to say that the imposition of 25% tariffs on Canadian steel under section 232 of the Trade Expansion Act is having a significant and adverse impact on ASW's business. Our U.S. customers cannot afford to pay outlandish tariffs on steel that was priced fairly to begin with, and margins are too thin for us to absorb such sums. Consequently, orders have been cancelled and inquiries have slowed.

While ASW has been proactive in finding new Canadian opportunities, customer approval processes take time to mature. Countermeasures are a welcome buffer. However, duty relief and drawback programs have provided temporary relief for steel users while adding little near-term benefit for ASW. The remission process is complex, and as capable government staff work hard to satisfy the conflicting needs of steel producers and users alike, supply chains are disrupted and our businesses are suffering. The steel boom being boasted south of the border is not evident at home.

In this difficult period of adjustment, we seek access to appropriate government support to prevent layoffs and other long-term consequences. While a speedy resolution to the trade impasse is the ideal solution, at this point in time our only recourse is to redirect all attention into the Canadian and international markets. To do that, we need time and our government's help.

Specifically, ASW recommends the following measures to help mitigate losses, encourage domestic consumption, and offer the time needed to adapt.

First, provide direction to all government procurement agencies to source only Canadian melted steel.

Second, provide "buy Canadian" incentives for steel melted in Canada.

Third, redistribute tariff funds to injured companies in the form of settlements for losses brought on by this illegal trade action.

Finally, provide grants to allow small and medium enterprises to adjust their product offering to satisfy Canadian needs not currently supported with domestic production.

On the last point, ASW has looked into the government's strategic innovation fund, but we fail to meet the thresholds prescribed in the program. We are preparing applications anyway and are hoping to erase these barriers to participation.

We're encouraged by the USMCA agreement. However, we fear that the U.S. trade representative favours quotas in lieu of removing tariffs. Restrictive quotas will limit growth and inhibit investment in Canadian companies. It is our opinion that any North American company prepared to invest in facilities on this continent should be rewarded with unfettered access to all of its markets. ASW strongly suggests that the government work diligently to secure a complete exclusion from the 232 actions for North American-owned entities. This must be a priority.

To conclude, Mr. Chairman, we thank the government for acting swiftly on the U.S. tariffs on steel, and we applaud the implementation of retaliatory tariffs and safeguards preventing an influx of redirected foreign steel. These have been critical and effective actions in the short term.

In the long run, however, the U.S. remains an important export market for Canadian steel producers. As tariffs continue into 2019, we will find ourselves in increasing difficulty. ASW has had the support of patient owners, but that patience is not without limits. The potential for Canada to lose a business like ASW, the only one of its kind, is real. With its 125 jobs and fourfold downstream benefits, such an eventuality would be a serious blow to an already beleaguered Niagara Region.

● (1215)

Thank you very much for your time. I would be pleased to take any questions you may have.

The Chair: Thank you, sir.

You mentioned you had 125 employees.

Mr. Tim Clutterbuck: Yes.

The Chair: Where's your operation?

Mr. Tim Clutterbuck: It's in Welland, Ontario.

The Chair: Thank you.

We're going to move over to Boart Longyear. We have two witnesses with us, Mr. Closner and Mr. Humphrey.

You have the floor. Go ahead.

Mr. Robert Closner (Vice-President and General Counsel, Boart Longyear): I'm going to begin and just give you a brief overview of what we do, and then I'll ask Mr. Humphrey, who's our global director of sourcing, to talk more specifically about the financial impacts to our plants.

Mr. Eric Humphrey (Director, Global Sourcing, Boart Longyear): We will be speaking to a handout that you have in front of you.

Mr. Robert Closner: Boart Longyear has been around since the late 1800s. It's one of the world's leading providers of drilling services, drilling equipment and performance tooling to the mining and drilling companies.

Currently, the company is a subsidiary of an Australian parent company, but we're actually in the process of trying to re-domicile the company to Canada. The global drilling services division operates in 30 countries across the globe with a diverse mining customer base that includes copper, gold, nickel, zinc and other metals and minerals. We also sell our products to 100 countries across the globe. There are six manufacturing plants in our company, two of which are located in Canada. One of them is in Mississauga, and the other one is in North Bay. These two plants are key to our global supply force.

Boart Longyear has had a strong presence in Canada, in particular on the manufacturing side, and we've been manufacturing under these plants since the 1950s.

In Canada, we operate in seven locations, with approximately 1,000 employees across the country. This includes operations from the east to west coast: Calgary; Haileybury and a number of other locations throughout Ontario, including Sturgeon Falls and Sudbury; and Val-d'Or. Two plants are of key importance to us, given that the plant in North Bay manufactures 90% of our global supply for coring rods that are sold throughout the world. Our plant in Mississauga is the sole source for the long hole production rods that are manufactured in that facility.

We have about 71 employees in the Mississauga plant, which also includes some corporate office space. We have everything from engineering to legal finance and IT in that plant. We currently have only 46 employees dedicated to the manufacturing, given that the impact of the tariffs has reduced demand for our product. As noted on the slide, the 2018 projected use of steel is 2.8 thousand tons, whereas the capacity is 10 thousand. We are at one-third of what our total possible production is out of that plant.

Prior to the tariffs being put in place, we sourced the material for the Mississauga plant from suppliers that had distribution points in the United States. We used to receive daily truck deliveries that were just in time from these locations, which allowed us to keep low levels of inventory and reduce our cost base. Because of the tariffs, we've had to modify our flow of materials, and we are now getting these directly from Europe. They are coming directly by sea and land transportation to our plant in Mississauga. This, however, has created the need to have significant, additional inventory on hand at our Mississauga location at a significant cost, which impacts the cost of our product.

● (1220)

Mr. Eric Humphrey: North Bay is the plant that is most greatly impacted, both by the U.S. steel tariffs that have driven the market prices in North America, as well as by the Canadian import tariff on steel from the U.S. In this plant, we manufacture 90% of the coring rod that we produce globally. Thirty per cent of the product stays and is consumed within Canada, and 70% is exported globally from Canada.

We have about 172 employees at our North Bay facility. It's a diverse workforce that includes functions of human resources, engineering, sales, finance, and manufacturing. We also have a centre for product repairs and service. In this plant, we operate multiple shifts, on eight-hour and 10-hour schedules, and our workers there are members of the International Association of Machinists and Aerospace Workers. The average time of service is 12 years.

The steel that we consume and purchase in this plant has a country of origin in the U.S. I'll explain our supply chain in a little bit. Talking about our projected—

The Chair: Excuse me, but your time is getting up there, so you'll have to tighten up a bit.

Mr. Eric Humphrey: All right. I'm going to consolidate, then.

The steel we purchase comes from the United States. It's in a hot roll form. It is then transformed by our steel tube suppliers. We have one supplier that does this in the United States, and one supplier that does this in Canada. Both of them source the material in the U.S., because they're able to hold tolerances specific to our products that are not normal in the industry. They run specific batches for us and transform.

We've worked with the tube suppliers developing product for over 12 years. Again, that is not globally common. It's very specific to our products and process. We then import the material into Canada. It's subject to the higher cost of raw materials in the U.S. and Canada that we are seeing, because of the U.S. tariffs and the duty we pay to Canada.

So far this year, we've paid $800,000 in duties to Canada for the importation of these products. We have submitted duty drawback claims for this, and those are in process now. It's a large impact to our business. Annualized at a normal production rate, this would have a $12 million-per-year impact on us in duties.

We've seen our demand for products go down since July of this year, caused by both the raw material cost increases for the materials we buy in the U.S. and the increase in costs we have based on the tariffs we have to pass to our customers. As a result, we started three-shift production this year, which was an increase of one shift from last year. We started with the view that in 2018 we would have a 20% increase in sales volume. Once we saw these tariffs, we reduced our outlook to a one-shift production level, with potentially many weeks of idling our manufacturing plant.

It's very significant to us. The panel that spoke before talked about the flow of material coming from the U.S. and the stockpile of raw material. We are also burning through that level of material, and as we begin next year, we are unclear on the impact of tariffs, and our customers' ability to accept these cost pressures.

We've reviewed the most recent provisional safeguard measures, which will be in effect on October 25. We reviewed the materials that were identified in this process, and it appears that 94% of the tariffed material coming into Canada would be removed or we could possibly avoid the tariff. A remaining 6% of items that are currently under tariff were not listed on that safeguard measure attachment. The remaining impact to us would be about $720,000 a year. It still has some impact on us.

The most important point to leave you with is that our competitors, who also produce similar product in the world market, don't manufacture in Canada. They manufacture on other continents, and they purchase raw materials from other continents, either Europe, Asia or Latin America. When they do that, they're purchasing raw materials at a lower cost than the North American level, and they are also not subject to tariffs when they import those products into Canada or when they sell globally, where we also compete.

We are at a competitive disadvantage. We're trying to understand how long these tariff impacts will last, and we're making our decisions on where we invest, and where we recapitalize our business. Thank you.

● (1225)

The Chair: Thank you.

We are going to move over to Welded Tube of Canada.

Mr. Young, you have the floor.

Mr. John Young (Executive Vice-President and Chief Operating Officer, Welded Tube of Canada Corp.): Thank you, Mr. Chair.

Welded Tube is composed of two divisions—an energy division, which is OCTG, or oil country tubular goods; and industrial products for the mechanical product and also structural hulls, which is HSS. Our customer base is typically 50% Canadian and 50% U.S.A. At times, the U.S.A. market goes as high as 70%.

Given that our production facilities are located predominantly in Ontario, with one mill just over the border in Lackawanna, New York, the majority of our steel supply traditionally has been sourced by Canadian steelmakers in Ontario. Welded Tube also buys product from U.S. steel mills in Ohio and Michigan. Once the tariffs were imposed between the two countries, we rerouted all Canadian-destined products to be fully processed and produced in Canada to avoid all such tariffs.

With regard to the energy tubulars section of the plant, basically, prior to June 1, 2018, the date the U.S. tariffs went into effect, Welded Tube's entire energy tubulars production was manufactured at our casing mill in Lackawanna, New York, utilizing Canadian-produced steel from both Stelco and ArcelorMittal Dofasco. This facility produced what we call “unfinished green tube”, which was then routed to our Welland facilities and Port Colborne facilities in Ontario for further processing into the finished goods product prior to going to our customers, who reside in both Canada and the U.S.A.

Our customer base is basically looking to continue to produce in Lackawanna, but the cost of the tariff affected our costs and resulted in a loss of U.S. market share. Approximately 25% of the U.S. market share was lost to us when the tariffs were imposed.

When the U.S. tariffs were imposed on Canadian steel entering the U.S., we immediately had to reduce our Lackawanna facility from 75% to 50% capacity utilization, and 22 employees were laid off. The plant went down for four weeks between July and August. Our Welland facility basically went from 100% capacity utilization to 75%, and 45 employees were laid off, which represented 19% of the hourly workforce. In addition, we had to take out another one week of production for the same reasons.

To date, Welded Tube is having to absorb the tariffs as a cost to our U.S. business, destroying our margins and presenting a situation that is not sustainable to our U.S. market and customers. The continued existence of tariffs is eroding our customers' confidence in Welded Tube. Put simply, the longer-term viability of our business in OCTG, which is energy, is not possible in an environment of tariffs between Canada and the U.S.A.

Working with the CBSA, we have explored the feasibility of getting approval for duty relief and duty drawback. We received approval for duty relief on August 16. We are in the process of getting approval for duty drawback to cover the period before the duty relief of July 1 to August 16, when we received duty relief. The conundrum is that we are paying the Canadian government duty on Canadian steel processed by Canadian steelworkers. From July 1 to August 16, for the 1.5 months, we paid over $4 million to the Canadian government. Hopefully, we will be able to recover most of that when we receive duty drawback approvals.

In terms of the industrial side of our division, basically the market is unbelievably strong in 2018. It's at the strongest level it's been at in over 14 years. Despite that, we basically have lost 25% of our business to the shares...during this high rise in the market. The demand for U.S. tubular products is very strong. Typically, our mix between U.S. and Canada is fifty-fifty. Much of what we manufacture in the U.S. can be sourced within the U.S.A. Consequently, our shipments to the U.S.A. after June 1 are 38% lower than before June 1. Many of our commercial relationships are being strained, at best. Despite the strong market, since the U.S. tariffs on Canadian steel imposed on June 1, we have seen a 38% reduction.

In terms of the cost impact on the various tariffs to date, there have been millions of dollars in additional costs due solely to tariffs, with a 38% loss of the U.S. industrial tube business since the tariffs were imposed despite a strong demand in the market. There has been a 25% reduction of our U.S. customer base on the energy tubulars side for the same reasons. The tariffs have strained relationships with our U.S. customers that have lingering effects on long-term business. A lot of our business in the U.S. is on program work, for six months to a year on top of it, so when you lose it, you lose it.

In terms of section 232 and NAFTA, now USMCA, as you are aware, steel tariffs were not part of the USMCA. As a result, they are now being addressed by both the Canadian and U.S. governments. The hope is that the tariffs will be removed and will be replaced by some sort of quota system yet to be determined. We believe the removal of the tariffs on the part of the U.S. should be immediate as they pertain to Canada. Given that Canadian steel exports have never posed a threat to national security, the integrated nature of the U.S. and Canadian markets clearly warrants a return to the free cross-border trade of steel, pipe, and tube.

● (1230)

In the event that the U.S. government is unwilling to return to free trade of pipe and tube, we reluctantly support a fair quota system. Our recommendations are as follows: First, we respectfully request that constituents such as Welded Tube be invited to the table to discuss such a quota system before it's implemented.

Second, we would like to see separate quotas for the pipe and tube sectors, broken down into four subset groups: OCTG, line pipe, structural and, of course, mechanical.

The quota level for each subset should be set based on a tonnage that each producing company—not brokers or service centres—generates over a set period of time. In our particular case, we propose that it would be the first five months of 2018, before the tariffs, and that's been annualized. Setting quotas such as those for South Korea—based on the last three-year average—would not represent fairness to us. Our industry—the oil and gas market—crashed in 2015 and 2016 and as a result a number of companies were severely affected. Going back to a three-year average would not be feasible for us.

Only as an alternative to the previous recommendation would we recommend using 2017's shipments, based on what I just said about 2015 and 2016.

In the event that the quotas are imposed, we recommend that they not be hard quotas. Exceedances should be permitted, which in turn would attract a modest tariff.

Finally, we believe the Canadian government must retaliate in kind against any quotas that the U.S. invokes. Respectfully, Canadian pipe and tube producers need to be consulted prior to the Canadian government taking a stand.

Thank you, Mr. Chair.

The Chair: Thank you, gentlemen.

We're quite a bit over time here on presentations, but I think the information you are giving us is very important.

We have time for one round, and I'm going to ask members to take just four minutes. Get your questions in quickly so we can have good dialogue. You have four minutes each, and we are going to start with the Conservatives.

Mr. Carrie, you have four minutes.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I will do one quick question, and then my colleague will do a question.

Have you calculated how much your cost of doing business has increased since the tariffs have been set? Anybody may answer.

Mr. John Young: If I translate that to profit—using that language—we've been inundated. If you look at our profitability, or basically what we get, it's been eroded for a number of reasons.

Number one is that transportation costs in Canada and the U.S.A. have gone up significantly, for both rail and truck. Steel prices in the U.S. went up extremely fast and high when the tariffs were imposed. Then, of course, you have the tariffs themselves. Virtually, if you look at a four-prong approach, we're left with only a very small part of what we used to have in terms of profitability.

Mr. Colin Carrie: Go ahead, Randy.

Mr. Randy Hoback: This is starting to look like the softwood lumber situation where this could go on and on and on. What does your business look like a year from now if nothing changes?

Mr. John Young: It's going to be very poor. Fortunately, in the first five months before the tariffs were invoked, this was actually a very good year for our company. As soon as the tariffs went in, basically we saw a 25% and 38% reduction. Our profitability has been impacted since the tariffs have gone in.

Mr. Eric Humphrey: Compared to our competitors, our product is a premium product. We try to differentiate ourselves based on the technology and the capability of our products. But the level of raw material increases and tariff impacts that we've tried to pass on to our customers has not been accepted. We've seen our sales drop by 50% since tariffs were imposed. That's not sustainable for us in the long term.

● (1235)

Mr. Randy Hoback: You'll just adjust production to get around that?

Mr. Eric Humphrey: We've already adjusted production. We went from three shifts to two shifts, and we're moving down to one shift and scheduling idle weeks.

Mr. Robert Closner: Sir, I would just mention that we don't have other locations that manufacture these same products, so we don't have a choice to move this elsewhere to deal with the impact of the tariffs.

Mr. Tim Clutterbuck: In 2017, ASW sold 90% of its products into the United States, so our cost has gone up 25%. Since the tariffs came into play—actually in January of this year—we saw some activity and we were concerned, so we started to move towards a product line that we could sell in Canada, which helped mitigate some of this problem. The reality is that come June 1, our business dropped by two-thirds, on that day. Anything we shipped into the United States we've attempted to get the customer to pay for. In some cases they had to pay and suffer the same pains that our colleagues here are suffering. The reality is that it's not sustainable. A year from now this situation will be such that the American investment company we're dealing with will probably not be that interested in the business.

Mr. Randy Hoback: Thank you.

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

Welcome, Mr. Badawey, the member from Niagara Centre. Go ahead, sir. You have four minutes.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chairman. I appreciate the attendance of the witnesses today.

I have a quick question for Mr. Clutterbuck with respect to where you've been—Atlas Steel was once a prominent plant in Welland, employing a lot of people, hundreds of people if not thousands—and how you then evolved into ASW.

The second point is about recognizing the stresses now being placed on the employees of the area, some being former Atlas workers, and what position they're finding themselves in now. Of course, moving forward, what is your strategy?

Third, you mentioned this earlier, but could you delve a bit deeper into the regional economic conditions? Niagara has taken a hit quite dramatically throughout the last decade. How are you trying to, for lack of a better word, make a return to a better economic environment throughout the region?

Finally, how is ASW somewhat of an anomaly when it comes to the overall steel and aluminum sector?

Mr. Tim Clutterbuck: I will try to remember all that. Thank you for the questions.

To start, my history with the company—the business, the facility we're at right now—dates back to 1980. I started there as a graduate, and it was a company that employed 1,600 people at the time. It was making steel products for the whole world. As a matter of fact, it made products for Boart Longyear. It was an important part of our product mix.

The evolution of the business was to foreign ownership, and eventually in 2003, under the ownership of a Canadian company, Slater Steel, it went out of business. I left in 2000 when Slater acquired the business. In 2010 I returned to a business that had basically only a melt facility. Those 1,600 people had dwindled to 700 by the time it was shuttered in 2003. When I returned, it was under private equity interest in an effort to restart this business. There were 33 employees and their sole purpose was to maintain some skill set to possibly, some day, restart this business and to keep it from blowing up in the meantime. Old steel mills don't settle well.

In the course of 2010 through 2012, we proved that it was viable and capable of restarting. In 2012, in the first quarter, we hired 70 people to come back and actually operate the facility. We grew from zero dollars in sales and zero tonnes and no market share to $100 million in 2017. In the course of it, it was on the backs of people. There weren't a bunch of manuals out there for us to figure out how to make this stuff work again. We had to get back into stainless steel, pouring ingots, making the caster work that had been totally dismantled. It was the people of Welland and the employees' entrepreneurial spirit, as much as anything, that made it successful. Their skills we underestimated. Some of these people hadn't finished high school, but they could write a thesis on melting stainless steel.

The reality is that people are everything to this business. They're the ones being hurt most by these actions. It's unfortunate. As a matter of fact, this week we're down. We had run fairly steady from 2014 through 2018 Q1. In the second quarter and the latter part of Q1, we basically went down to part-time. Last week we worked three days. This week we're down totally. We've been down a week each of the last three months. It if were not for a project for Bruce Power, we likely would have been on even shorter time.

It's been a challenge. As we look to that situation, we say, “People are suffering. What are we going to do?” We've taken a very proactive approach to finding Canadian solutions. We've talked to everybody, I think, who will listen to me here in Ottawa as well as in Toronto—the ministries of transportation and the like. We're looking for alternatives to try to make a better business, and make a business in Canada.

What I see is—and it will be good for everybody, I suppose, if the tariffs go away.... I say “I suppose” because what replaces the tariffs could be quotas. What concerns me about quotas is that for businesses like ours, which have grown from nothing to something, tariffs are done over years of history. Their history is not a relevant representation of our supply into the United States, so therefore tariffs will be limiting to our growth. If they limit the growth of new companies, who's going to invest in Canada? I struggle with the concept of who will invest in Canada. I think we're hearing the same thing from our colleagues on the panel today. Who is going to invest in this country if we have trouble getting materials back and forth across the border?

I suggested to you in the notes that I provided electronically that if there's a way we can settle this so that all of North America can continue to have investment in all the countries—Canada, Mexico, and the United States.... If you're an entity—and all three of these gentlemen represent entities that are North American—why can't we trade fairly? There's nothing unfair about the prices I provide in the United States.

In the last 12 months, I've been the vice-president of operations for five facilities in the United States while being the president of ASW Steel. During the course of that, our competitor in the United States—Union Electric Steel in Pittsburgh, Pennsylvania—has been offering us steel at exactly the same price I'm providing it for down there. There's nothing dumped about Canadian steel. There are lots of things dumped about imported steel from around the world. The safeguard measures are very appropriate, I think. However, they do not positively impact ASW at all. The reason is that there are seven product codes. We don't fit into those seven product codes. There are some people who will benefit, but you know, we've seen, again, very mature businesses, very mature supply chains. These safeguard measures are based on quotas, above which there are tariffs.

● (1240)

Those quotas have been established with years of supply and very mature supply chains, which means that they are going to have very high thresholds, and the period was taken right up until September of 2018. Unfortunately, that means that the strongest period in the steel cycle over the last seven years will be two-thirds of the period studied for the quotas set under the safeguard measures.

All of that together suggests to me that we still have a little bit of a challenge for people to do business. I don't see the price of steel in Canada rising as greatly as perhaps some say it might. I don't believe that the Canadian steel market will greatly benefit from a number of things, but I do have great comfort that the government is listening, and every time I have come here and I have talked to ISED about how they are dealing with these tariffs, quotas and remission orders, they have been very receptive to protecting Canadian companies, so I'm happy with that.

The Chair: You are way over time but, Mr. Clutterbuck, your comments are very important, and I think we had to listen to them.

We'll go to the NDP, Ms. Ramsay, for four minutes.

Ms. Tracey Ramsey: I appreciate your comments, Mr. Clutterbuck. In my life before being an MP, I worked in a steel and aluminum foundry, so I know how well-skilled those workers are.

You have given us a lot to think about today. I think at the core of it are the jobs that you're working hard to protect. I've heard you, Mr. Young, and I think it's really important that we care about the impact on both sides of the border, because we know how highly integrated this sector is. The thought that there is no impact on the U.S. is false, and we know that, so it's good to hear the perspective that Americans are losing jobs too because of the imposition of these tariffs.

With the situation we currently find ourselves in, many of you have talked about employees and the situations you've had to use, basically having down weeks and reducing employees. I want to ask you specifically about the programs that are being offered by ESDC, whether you have accessed those at all, and what those look like to you as employers.

Mr. Eric Humphrey: For Boart Longyear, we understand that the benefit is for employees who are displaced, so it's not a benefit that flows through our company. It's a service provided to those employees once they are displaced. That's how we understand it, and if we let people go, we communicate that to them.

● (1245)

Ms. Tracey Ramsey: So during those down weeks, there is no support given to them other than receiving EI?

Mr. Eric Humphrey: We absorb that cost.

Ms. Tracey Ramsey: Okay.

Does anyone else want to comment on ESDC?

Mr. Tim Clutterbuck: Before the down weeks for us, we give notice that allows them to apply for EI. Unfortunately, most of these people make too much money to have a real benefit from the program. At the end, it will be clawed back.

Ms. Tracey Ramsey: The other thing we know is that, unfortunately, the tariffs that are being collected are being kept with all of our general revenues. They are not being kept in a separate pool of money.

Early in October we had a report that $11,000 is all that has been paid out to businesses to support them on the ground right now. We heard from several of you that you are in process of applying for these funds and, potentially, that you will receive them.

What we're trying to understand, too, is how that is working on the ground, if you can describe that process to us, how long it's taking and where you are at in those processes. Ultimately, what is the impact of that uncertainty regarding whether or not you will be approved?

Mr. Robert Closner: I can talk to the impact. The mining industry is coming out of one of the longest downturns we've had in a while. Boart Longyear, in particular, has had some financial difficulties as a result of this downturn. Every dollar that we have to spend elsewhere is a dollar that we can't reinvest in our business to help make our business healthier, so this is having a dramatic impact on us. We saw that the market was starting to improve at the start of the year. It was looking as though we were finally starting to make our way back, but as soon as those tariffs hit, we were right back to where we were in 2016 numbers, which was not a very good year for us. It has had a dramatic impact on our business as a whole.

Ms. Tracey Ramsey: Do you want to comment?

Mr. John Young: Well, we are working basically with a three-stage process. Number one is the duty relief. That was first, to stop paying duty to the Canadian government. Number two is then get the money back from the Canadian government. The U.S. government money is gone. We're not getting that back; we know that.

In terms of the programs, I've heard the $11,000 as well. It's mostly for what I understand is to be training, which really doesn't provide us any value at all.

Ms. Tracey Ramsey: Are you in the middle of that process now of applying for the duty drawback or applying for the relief? What does that look like? How much time is it from the time you file to someone coming to you along that path? That's what we're trying to determine, the effectiveness of those programs.

The Chair: Could we have short answers, please?

Ms. Tracey Ramsey: Oh, sorry.

Mr. John Young: The short answer is the duty-relief portion. It was imposed July 1 by the Canadian government. By August 16 we got approval, and we started immediately. Then as soon as we got duty relief, we went and started the process of doing duty drawback, and we're submitting our first submission to the CBSA this week.

Mr. Eric Humphrey: We submitted our first duty drawback in the middle of August for imports from the month of July and the beginning of August. We have not received any payment yet.

The Chair: There are a couple of minutes left for Mr. Fonseca.

Mr. Badawey used a lot of time, but he had a good question, and there were good answers. So you have time for one question.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Yes, he did.

Thank you, Mr. Chair.

I want to thank our presenters. You spoke so eloquently, really. You spoke to the values of fairness and unfairness.

Mr. Clutterbuck, you were talking. What's unfair we all know, and what unites us all here is that section 232 should be gone from Canada. When we talk about fairness, the United States has brought up section 232 as a security issue. We've heard different. I think we would all agree that, if anything, we help with the security of the United States. With regard to the program we now have in place, which has taken us over these weeks and months, and looking into the future, with what we are doing for workers and how we are trying to help in terms of the remittances, etc., where do you see that those could be improved? What can be changed if this is prolonged over weeks and months? What do you see in terms of our retooling of the program we're offering today?

Anybody can answer.

Mr. Clutterbuck.

Mr. Tim Clutterbuck: I'll try to be brief this time.

Really, what I see—and I did mention—is that there needs to be some relief for this period of adjustment. We're all adjusting. We're all trying to figure out ways to make it work. That needs to be economic relief. People are paying dollars to the government, and they need to have some of that back, either through a speedier process that these gentlemen would go through.... I don't have that issue, because basically I have the other problem, with people trying to do this duty drawback and duty relief.

I think the process needs to be faster, but I also think there needs to be some recognition that this action is not legal. There should be some recourse, for companies that have been injured, to somehow be reimbursed for lost profits.

● (1250)

Mr. Peter Fonseca: You also talked about the threshold. You'd like to see a threshold change when it comes to the SIF?

Mr. Tim Clutterbuck: As it relates to the SIF, definitely the threshold sits at $20 million. There are not a lot of small or medium-sized enterprises that are ready to turn the shovel on a $20-million dollar project. Certainly that's a challenge for us. I also believe there is a threshold for numbers of employees which, again, needs to be reconsidered. In any discussions I've had, I've suggested that may be reconsidered.

Mr. Peter Fonseca: Mr. Closner, thank you very much for employing all the people that you do in Mississauga. I'm an MP from Mississauga. Our parliamentary secretary, Omar Alghabra, is also an MP from Mississauga. We highly value the manufacturing sector. Thank you so much for that.

Mr. Humphrey, as you were speaking, with regard to the remittances, you said you will receive 94% and that 6% is outside of the criteria for that field. Is that 6% something you've brought to the attention of the ministry?

Mr. Eric Humphrey: We haven't yet. We've just started analyzing the drawback. There is one HS code that we pay duty under, which was not included on the amendment A and our amendments 1 and 2, so we'll be going back.

The Chair: Thank you, Mr. Fonseca.

Mr. Peter Fonseca: We do have experts here who can help you out with that.

Thank you.

The Chair: That's it. Thank you, folks, for coming. These have been challenging times for all of us this last year, but especially for your companies and the people who work for you. We'll keep at it.

We're going in camera. MPs, I need you for five minutes.

We're just going to take one minute to get everybody out of this room who's not supposed to be here so we can go in camera.

[*Proceedings continue in camera*]