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# Standing Committee on International Trade

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## Thursday, October 18, 2018

## Chair

**The Honourable Mark Eyking**

# Standing Committee on International Trade

**Thursday, October 18, 2018**

● (1100)

[*English*]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** I call the meeting to order.

Good morning, everyone. Welcome.

We're going to continue our study of the impact of tariffs on Canadian businesses, companies, and workers. We've had quite a few meetings, and they're very productive. Last Tuesday we had witnesses and we also had the Minister of Finance in the afternoon. Today we're going to have some officials with us from two departments. One is the Canada Border Services Agency and the other is the Department of Finance.

Welcome, folks.

The way we roll here is that you guys do presentations, and then we have a dialogue with the MPs. We're missing a couple of them, but I think we can get started right away. Canada Border Services Agency can start off, with Mr. Band and Mr. Lawton.

[*Translation*]

**Mr. Doug Band (Director General, Trade and Anti-dumping Programs, Canada Border Services Agency):** Thank you very much, Mr. Chair.

Good morning, members of the committee.

My name is Doug Band, and I am the Director General responsible for the Canada Border Services Agency's, or CBSA, trade and anti-dumping programs. I have with me today Alexander Lawton, the Director of Trade Compliance.

Within CBSA, our area facilitates compliance with Canadian trade laws and international trade agreements, including the proper assessment of duties and taxes owing on imported goods. We also conduct compliance verification audits, and deliver programs on behalf of Finance Canada that support the competitiveness of Canadian business.

Our area also administers the Special Import Measures Act, which helps protect Canadian producers who face unfair foreign competition in the Canadian marketplace from injury caused by the dumping and subsidizing of imported goods.

[*English*]

As the committee is aware and has heard from businesses and other officials who have appeared, the U.S. imposition of tariffs on steel and aluminum imports has increased the importance of protecting Canadian producers against the diversion of some of these goods into our market. With access to the U.S. market restricted by the tariffs, foreign steel exporters are seeking alternative markets, including ours.

The CBSA has certainly seen an increase in our anti-dumping program activity, and we expect this to continue. So far this year, CBSA has initiated 18 investigations of anti-dumping, or a subsidy, compared to an average of 12 in previous years. Sixteen of those 18 are related to steel. We've assessed over $18 million in anti-dumping and countervailing duties so far, and that's compared to a high in 2017-2018 of $33 million over the course of the entire year.

In recognition of the importance of this program to Canada's trade remedy system, the CBSA is hiring additional trade officers with new funding provided in order to conduct investigations and compliance monitoring activities, including those related to steel and aluminum. In addition, new anti-circumvention investigation authorities were introduced to further strengthen our trade enforcement, allowing the CBSA to identify and address companies attempting to avoid anti-dumping duties.

Two other programs that I'm responsible for as the director general and that I would like to highlight are the duties relief program and the duty drawback program, which I know have been subjects of discussion among the committee members. Both are regulated programs administered by the CBSA on behalf of Finance Canada.

While our trade remedy system helps preserve a fair and open trading environment for domestic producers, the DRP and drawback programs support the competitiveness of Canadian companies in the global marketplace. Through these programs, qualified companies can import goods without paying duties on the condition that the imported goods be exported within a specified time frame.

The duty relief program—or DRP, as we call it—allows eligible companies to import goods without paying duties at the time of importing. The duty drawback is somewhat different; it allows companies to claim a refund, or a drawback, after the fact, once those goods that have been imported are ultimately exported.

Both programs are valued and are well used by industry. Last year, in fiscal year 2017-18, the duties relief program had 402 participants, who benefited from approximately $385 million in duty relief. We processed over 3,000 drawback claims from over 1,300 claimants, and collectively under the drawback program they received $135 million in duty drawback.

Since the imposition of Canada's surtax on the U.S. in July of this year, the demand for these programs has increased significantly. In response, we received 73 applications to the duty relief program, of which 36 licences have already been approved. In a typical year, we would get on average between 20 to 25 new licence applications under the duty relief program.

Given the pressures facing Canadian business, we have internally reallocated resources to meet this surge in demand, and as a result we have cut the time it takes to process a DRP licence in half, from our service standard of 90 days to 45 days. While we've received a very small number of drawback claims to date, the few that we have received are being processed in less than a third of the allocated 90-day time frame. We're doing it in approximately 23 days.

While these programs are not a panacea for Canadian importers, they offer some assistance to qualifying companies in what is, as we know, a dynamic and rapidly changing trade environment.

Finally I want to mention that CBSA has worked hard to provide businesses with the information they need to comply with the surtax. We've updated our website, issued customs notices, and used social media in the days before and after the announcement. We received over 85,000 views of that material on our website.

● (1105)

Our border information service hotline responded to over 500 calls on the surtax within the first week of implementation alone. We've also been meeting with industry associations on how to comply, and this has included questions regarding the administration of the DRP and the drawback programs.

[*Translation*]

Thank you for the opportunity to appear before you today.

I would be happy to answer any questions the committee may have.

[*English*]

**The Chair:** Thank you, Mr. Band.

We're going to go to the Department of Finance. We have Mr. Halley and Madam Govier.

You guys have the floor. Go ahead.

[*Translation*]

**Mr. Patrick Halley (Director General, International Trade Policy, Department of Finance):** Thank you for inviting us to testify before this committee.

My name is Patrick Halley, and I am the Director General of the International Trade Policy Division of the Department of Finance. I am joined by my colleague Michèle Govier, Senior Director of Trade Rules, in the same division.

The Department of Finance is responsible for Canadian import policy and legislation. First is the Customs Tariff, which establishes tariff rates for goods imported into Canada, as well as numerous provisions concerning different import situations, authorities for imposing surtaxes, and authorities for providing relief from payment of duties.

Second is the Special Import Measures Act, which sets out and governs Canada's trade remedy system, concerning anti-dumping and countervailing duties.

Last is the Canadian International Trade Tribunal Act, which establishes the tribunal and its functions, including the conduct of safeguard inquiries.

As such, the department has a primary role in import policy, and works closely with the Canada Border Services Agency, Global Affairs Canada, and many other departments and agencies that are involved in Canada's trade policy.

The department is also closely involved in steel and aluminum matters, from import policy to initiatives with fiscal implications and, more broadly, the impacts that issues facing these industries can have on the Canadian economy.

● (1110)

[*English*]

The imposition of tariffs on steel and aluminum by the U.S. earlier this year has presented important challenges for the affected industries. Before the U.S. extended its tariff measures to Canadian steel and aluminum products, the government announced a number of measures aimed at preventing these tariffs from being imposed.

First, it strengthened Canada's trade enforcement regime. The Department of Finance led on a number of these initiatives, which I will explain shortly.

Second, once the U.S. imposed tariffs on Canadian steel and aluminum, the department played a key role in the government's response. It was through the customs tariff that Canada's counter-measures against U.S. steel, aluminum and other imports were imposed, effective July 1. Related to this, where companies have sought relief from the surtaxes through remission, this is also a process that falls within the department's responsibility.

Finally, the imposition of tariffs by the U.S. on all sources of steel imports has created a problem for our domestic industry. To address this situation, the government recently announced provisional steel safeguards. Again, this falls within the department's responsibility.

I will speak briefly about each of these elements.

Canada has a strong and effective trade enforcement regime. Earlier this year, the government took a number of significant steps to demonstrate that Canada is not and will not be a source of steel and aluminum transshipment into the United States. These measures included announcing important changes to Canada's trade remedy system to address circumvention of duties. This provides greater flexibility to address distorted costs in offshore markets and allows participation by unions in trade remedy investigations.

There was also announcement of significant new funding—$30 million over 5 years—to strengthen trade enforcement. Most of that funding went to the Canada Border Services Agency for its investigative and enforcement activities.

Finally, there were amendments to Canada's origin marking regulations to align Canada's marking regime with that of the U.S. and to support more effective enforcement of country of origin rules in the North American space.

In addition, two trade monitoring committees were established, one for steel and one for aluminum, involving the participation of federal officials, provincial and territorial officials, and industry and unions. These committees have met a number of times and are a useful forum for sharing information on government initiatives, the context in the United States market, trade patterns and developments in each of the industries.

As I mentioned, once the U.S. imposed its steel and aluminum tariffs, and following a consultation period, Canada responded with countermeasures affecting the same value of trade, which was $16.6 billion. These were imposed on U.S. imports into Canada of steel, aluminum and other products.

In imposing these measures, the government was cognizant of the potential impact they might have on downstream users, particularly those in the steel and aluminum sector. Efforts were made not to include products of particular concern, such as those not made in Canada.

However, we recognized that not all of these issues could be addressed at that time, and on July 11 the government announced a framework for considering requests for remission. Remission could be granted through a remission order in a number of instances, such as to address situations of short supply in the domestic market. The relief contemplated here is distinct from the duties relief and duty drawback programs that Doug just explained.

Last Thursday, on October 11, the government announced that it would provide targeted remission from Canadian countermeasures for a number of steel and aluminum products that were determined to be in short supply in Canada. This followed careful review of those requests that were received, discussions with domestic producers concerning supply conditions, and interdepartmental discussion on the proposed relief.

For some products, relief is ongoing, while for other products for which it was determined that the short supply situation might be temporary, the relief has been provided for a six-month period. The department continues to review and assess recent submissions, and the remission order will be amended as needed on an ongoing basis.

Finally, last Thursday as well, the government announced provisional global safeguards on seven steel products. This follows the consultation period that was held last August. Safeguards are exceptional trade measures that address import surges that cause, or threaten to cause, injury to domestic producers.

Trade-restrictive measures taken by other countries—most notably by the United States, but also measures taken in response to the United States by other countries and trading partners, such as the European Union and Mexico—with respect to steel products have caused significant disruption in global steel markets. Exporters who normally sell into those markets are often looking for more open markets, such as Canada. The provisional safeguards that were announced are intended to stabilize the Canadian market and will be in place for 200 days.

In the meantime, the Canadian International Trade Tribunal has been asked to conduct an inquiry to determine whether longer-term safeguards are needed.

The safeguards are in the form of a tariff-rate quota. Imports that are in line with historical levels—that is, 100% of the average volumes over a similar period in the last three years—would face no additional surtax, provided that importers have obtained an import permit. Imports without an import permit, and those that go beyond the established quota limits, will be subject to a 25% surtax.

This safeguard is an important trade enforcement measure to address import surges and resultant injury to domestic producers that have arisen because of exceptional circumstances in the global steel market.

● (1115)

[*Translation*]

In conclusion, the current steel and aluminum trade context presents significant and complex challenges.

We are aware of the challenges faced by stakeholders in these sectors, ranging from primary producers to smaller businesses across the country that rely on a free flow of inputs for the products they manufacture.

In responding to the current situation, significant efforts have been made to strike an appropriate balance between different viewpoints.

As well, the government continues to work toward the complete repeal as soon as possible of all U.S. steel and aluminum tariffs.

Before concluding, we would like to inform the committee that we have taken note of the follow-up to be done regarding the current status of surtax revenues and expenses with respect to the various forms of assistance that the government has put forward, as we discussed during our presentation with the minister on Tuesday.

We are able to provide the requested information, and we hope to be able to forward it to the committee soon.

This concludes my remarks. We are happy to answer any questions you may have.

[*English*]

**The Chair:** Thank you, sir.

We're going to go to questions from the MPs now, and we're going to start with the Conservatives.

Mr. Allison, you have the floor for five minutes.

**Mr. Dean Allison (Niagara West, CPC):** Thank you very much, gentlemen and ladies. Thank you for being here.

Mr. Band, I have a question for you.

How much surtax have you collected? Do you have a current number for us of what you've collected in that surtax?

**Mr. Doug Band:** In terms of the surtax, for the first two months it was hovering around $230 million. We're still refining the numbers as we speak. However, presently, from what we can tell from the data, the trajectory of the trend line that we saw in those first two months is remaining on the same path. It's going up. It will continue to increase.

Certainly in the trade world, it's a voluntary compliance regime that we monitor, and we do verification work to ensure compliance. As the industry gets more comfortable with self-assessing the surtax, we expect this to continue to grow. It's tracking to the same trend line that we saw in the first two months.

**Mr. Dean Allison:** Okay.

I know we've asked the Department of Finance or whomever for those numbers, just to keep us abreast of it.

One of the challenges when it comes to duty drawback, duty relief, as it relates to this specific issue, is the fact that it's a surtax. It's not really a tariff that we're putting on; we've weasel-worded around it by calling it a surtax. Most of what we're collecting is not technically.... I guess that's with the exception of the finance department through the minister's office, which on a case-by-case basis can look at those things.

Is it correct that it is a surtax going on, which makes it difficult, almost impossible, to be eligible for duty relief and duty drawback programs?

**Mr. Doug Band:** A surtax is a different form of duty. It's not a customs duty, but it is a duty, and it is eligible under the duty relief and drawback programs for relief.

**Mr. Dean Allison:** Okay. You're saying it is eligible.

**Mr. Doug Band:** Yes.

**Mr. Dean Allison:** Talk to us about the process. We've talked to a couple of hundred stakeholders. We keep pointing to the programs, to you guys, and I think one of the challenges they have is just how complicated the forms are to fill out. As a business owner, I fill out an HST form every month. It's pretty easy. I collect the HST, I pay it out and I subtract the difference.

I realize this is not HST, so I guess my question is, are there any thoughts around trying to simplify that process? This is something we've raised with the government. I realize that you guys execute what the government asks you to do, but talk to us a bit about the process.

**Mr. Doug Band:** Sure. I think the application process is, if I may say so, fairly streamlined. For the drawback, it's a one-page application. For the duty relief program, it's two and a half pages long. That said, I think what the industry is getting at is that the complexity of the compliance challenge is to demonstrate that you can meet the conditions of the program.

I think what's important for the committee is that the law is very clear that these are regulatory regimes—a licensing regime, in the DRP's case—and what's paramount is that the imported product can demonstrably have been exported to be eligible for the relief. That implies certain things for the companies, which I think some may find challenging and others not, such as the ability to have the books and records to show where that product goes across the supply chain. Who are you selling it to? Did they export it? Did it go somewhere else after that? Inventory management, similarly....

We're quite flexible in terms of what we would accept. We do a site visit and determine that it seems reasonable, but at the end of the day, what's paramount is that the relief only goes to the company for the amount of the good that was imported and subsequently exported. It's relief for the purposes of importing to re-export. It is allowable to have the product enter the domestic marketplace, but you have to pay the duty on that. You have to be able to track where that imported product is ending up before it gets exported.

● (1120)

**Mr. Dean Allison:** Sure, and I think that's among the challenges for the SMEs, while some of the bigger companies obviously have whole departments that look after trade, duty and all these other kinds of things. It makes it tough for traceability, because some companies they deal with don't have the product origin and stuff like that.

On my last question, I understand the reason for safeguards. I'm very well aware of that. My concern is that it's really going to disproportionately affect SMEs, and the challenge is their access to steel and whether it's even available in North America, etc. I don't have much time to go through all of that. It seems to me that on the 25th we're going to have a whole new round of tariffs put on the steel and aluminum industry as that relates to safeguards. Is that correct?

**The Chair:** It will have to be a very short answer.

**Ms. Michèle Govier (Senior Director, Trade Rules, International Trade and Finance Branch, Department of Finance):** Yes.

**Voices:** Oh, oh!

**Ms. Michèle Govier:** On October 25, that's the case. I will emphasize that as Patrick said, although they are informed of the tariff rate quota, it's not a straight 25% on everything. The intent is really to stabilize the market, because we were very mindful of these potential supply issues that could arise.

**Mr. Dean Allison:** Thank you.

**The Chair:** We'll go to the Liberals.

Mr. Fonseca, you have the floor. Go ahead.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Thank you, Chair, and thank you to the witnesses.

In my riding of Mississauga East—Cooksville, a great many of my constituents are CBSA officers due to our proximity to Toronto Pearson International Airport. I don't know if much steel or aluminum comes through their borders there, but as we look at CBSA in terms of the expertise to address steel and aluminum and to understand that market, that sector, can you tell me about how many people have been trained in that regard?

Would that $30 million over five years for enforcement go into that specific sectoral training for aluminum and steel? We've just heard from Mr. Allison how it may be difficult in terms of the labelling for these products to see what exactly is coming over the border.

**Mr. Doug Band:** Thanks for the question.

I'll answer the first question in terms of the new money. The new monies go to having 40 new officers. It is for the Special Import Measures Act activities that we perform, as we're part of the trade remedy system that Patrick outlined. That's to hire new investigators and compliance personnel in relation to our anti-dumping investigations. Those folks are all located in Ottawa.

We don't have a sector-specific expertise base to the workforce. What we have is people who understand how the trade works and how to apply the various acts and pieces of legislation to all.

I will say that in my program we have a very deep expertise in the steel business. In the anti-dumping area, steel is our number one customer in terms of the volume of requests, the investigations and the number of measures that are enforced. We work very closely with them. There's a very deep understanding in my employee base of that issue they're facing an industry.

**Mr. Peter Fonseca:** Can you explain that anti-dumping? Is that a misrepresentation? How would a company be able to come forward with their product, their steel or aluminum? Would they say it's manufactured here? Would they say it's manufactured in the United States, and not say it's coming from China or from another country? How would they do that? I'd like to also know what penalties are put on those who have these infractions.

**Mr. Doug Band:** I think that question gets at a couple of different areas. The first one, as I understand it—please correct me if I'm wrong—is about how people avoid or evade duties.

**Mr. Peter Fonseca:** That's right.

**Mr. Doug Band:** They can misclassify them. They can, as you say, say that it's only this much or it's from this country. When we have a measure in force as a result of our investigations and we're applying duties to imports from a given country of a given product, we have the ability to identify those and correct them. In those cases there can be an advance monetary penalty. The maximum penalty is $25,000, but those penalties can be issued in that regard.

Where people are being mischievous, if you will, and trying to deceive by avoiding application of duties that are protecting Canadian jobs and companies, we have new authorities called anti-circumvention investigations, and that's about giving us the ability to identify and quickly go after companies that may be actually physically altering a product, for example.

Take, for example, puncturing holes in waterproof rubber footwear to evade a measure in force for those types of products, and then after it's imported, fixing it so that it is once again waterproof. That gives us new authority to go after those kinds of activities.

● (1125)

**Mr. Peter Fonseca:** Are you able to detect those things that you just brought up? It seemed to me that the amount you brought up, $25,000, is a pittance in terms of a penalty. In your opinion, should that be much higher?

**Mr. Doug Band:** We're looking at the whole advance monetary penalties regime in the trade area, including the SIMA duties, to make sure they are providing the deterrents they are intended to provide. On the first part of the question, we haven't had yet....

I should back up. The SIMA investigative process is initiated by industry, by and large. They bring forward a complaint. Once we determine it is a legitimate and reasonable complaint, the investigation is initiated after 51 days, as a maximum. That gets the ball rolling, if you will. We do rely on and work with industry to identify these actors who may be trying to avoid duty, and when there is the perception of dumping and a reasonable case, we launch the investigation, and if it's found to be true, attach duties for a period of five years.

**Mr. Peter Fonseca:** What are your thoughts in terms of the penalty?

**Mr. Doug Band:** The penalty really depends on the nature of the activities. There are penalties for late accounting and there are penalties for making errors in classification. There's a whole gamut of them. The penalty depends on the type of misclassification or activity, but the maximum, at the end of the day, is $25,000.

**Mr. Peter Fonseca:** Are these bad actors repeat offenders?

**The Chair:** Sorry, Mr. Fonseca; I know you're on a roll there, but I have to....

**Mr. Peter Fonseca:** It's five seconds. Yes, okay.

Are they repeat offenders, is what I—

**The Chair:** We're going to move over to the NDP now.

Ms. Ramsey, you have the floor.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you, and welcome to the committee.

I want to ask the CBSA officials a couple of questions.

How many people were in your anti-dumping department before these tariffs were levied against us?

**Mr. Doug Band:** I believe it was upwards of 60 personnel.

**Ms. Tracey Ramsey:** Okay, and of the 40 people who are meant to be allocated for that $30 million, how many have actually been hired?

**Mr. Doug Band:** So far we've hired 10, and those are all investigators. We were able to hit the ground running with staffing. Staffing in the government, as you can appreciate, takes a while. We have 10 in the door already, and we have processes under way to bring in more.

**Ms. Tracey Ramsey:** Okay, and you're up to three times your normal levels so far this year. You've already hit three times your number, and we're not even through the end of the year then, given the numbers you gave us. I would like to see you fully staffed with as many people as it takes to be able to process these in a quick manner, because that is the criticism we're hearing here. It is about that inspection point where you have to go out.

I certainly have heard locally, from companies in Windsor-Essex, that they're being told there were dates of four to five months out until someone can actually come to the site to see whether they qualify. For small and medium-sized businesses, this is really a killer, and a lot of them, as we've heard at this committee, are laying people off and having down weeks. We're really in an emergency situation.

I want to ask you about the anti-circumvention unit that you mentioned. I think you delicately described what I would call cheating, which is what these companies are doing to disadvantage Canadian companies greatly. I wonder how many people work in this particular unit or department.

**Mr. Doug Band:** We don't have a specific unit dedicated to that function. As of yet, we haven't had any complaints initiated by the industry. What we have is a team that is able to undertake all the various forms of investigative activity.

I should say that your point about cheating is quite legitimate. They are cheating the system, and if we suspect that it is a case of trade fraud, it can be referred to a criminal investigation. That can occur from time to time.

**Ms. Tracey Ramsey:** How many people are on that team, then, with the anti-circumvention unit?

**Mr. Doug Band:** The team that is new is 10 people strong right now. That is in addition to our initial resource base. I have to be clear with the committee; it's not dedicated to the new authorities. That additional team of people will give us the ability to cover all of the authorities, including the new ones and the ones existing under the Special Import Measures Act.

● (1130)

**Ms. Tracey Ramsey:** Have you made further staffing requests from the government to try to deal with this influx?

**Mr. Doug Band:** I think that at this point what we'd be able to do is reallocate internally. The member raised the question of the duty relief processing times and the requirement for a visit. We've reallocated personnel to shore it up in the regions where this work is done, so I've had the regional offices reallocate personnel. As you can see, so far at least, with the surge, there's always room for improvement, and we have to do everything we can to get those processed. It seems to be at least holding water for now.

**Ms. Tracey Ramsey:** I'm sure you've analyzed the need for people on the ground, and if you had additional people who were able to fill those roles, you would be able to ramp up your efforts and not even have to reallocate. You would actually have fresh people there.

Have you done any analysis on what you feel you need to be able to deal with the emergency situation that we're in?

**Mr. Doug Band:** We have a sense that surely.... Let me back up. It really depends on how long the surtax is in effect and how long the surge lasts. That's an unknown commodity for everybody.

**Ms. Tracey Ramsey:** Yes, we have to assume it's indefinite at this point.

**Mr. Doug Band:** At this point it's difficult to predict. More is always better, but in the trade world, as you can tell from some of the things we're talking about, it's a very technical domain. It's deep expertise.

I just want to caution that immediate surges of untrained people are helpful for the medium term, but in the short term we're going to have to get through together with what we have, working with industry and other departments, because after we bring new officers on board, it takes them well over a year to get up to speed to be of the kind of assistance that industry needs.

**Ms. Tracey Ramsey:** All right. I think the gap that we're hearing exists is between the approval.... It is just shocking to me that there are only 36 people who have been approved, but those 36 people are not getting their payment, which jumps over to finance because they're approved. How many of the 36 have received the funds that they're owed at this point? Does that go to finance? Do they cover the payments?

**Mr. Doug Band:** It would be us, actually. We're both the administrator as well as...on both sides.

**Ms. Tracey Ramsey:** Oh, okay. You just get approval and then send it out?

**Mr. Doug Band:** Yes. The way it works is that once there's a licence and all of the players on the chain are licensed, the relief flows immediately, so they simply aren't having to pay the duty and taxes. If we find out after the fact through verification, through audit, that they have broken the terms and conditions of that relief licence, then they'll get a bill from us. It should be—

**Ms. Tracey Ramsey:** I think it's unclear. What I'm hearing people saying is that they haven't been paid yet.

**The Chair:** Sorry, Ms. Ramsey; your time is way over. We have to move over to the Liberals and Mr. Sheehan.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much for the presentation.

I just wanted to pick up where Tracey was going with the new officers. At our first committee meeting, I asked a question of David McHattie, who is the incoming president for the Canadian manufacturers' association. The federal government made a number of changes in the 2017 budget, and Patrick has alluded to some about scoping, market distortion, union participation, and also the other ones that were in the 2016 budget.

He referenced the one that was recently announced by the Prime Minister, and that is the increase in funding—the $30 million—and the 40 new officers for the Canada Border Services Agency. You kind of alluded to a special set of skills that they would have. Maybe you could delve into that. You know I'm on the border in Sault Ste. Marie, and Peter obviously has some folks in Mississauga at the airport, but what kind of skill sets would these individuals have and be able to use, as David McHattie said, to fight this battle very effectively?

**Mr. Doug Band:** I'll speak quickly to it, and then I'll ask Alex to add something. This is more his specific domain, in the sense that he was one of those officers earlier in his career.

They tend to be accountant types in the way that a CRA auditor is —not always, but they tend to be B.Com. accountant types. They're the kind of people who can reasonably be sent into a boardroom of a foreign company to bust open the books, pore through them, and really figure things out. What is the price at which that company is selling in their domestic market, recognizing what the various subsidy programs might be? What's the actual price they're selling at, and how does that compare with the price they're selling it at in Canada? Are they de facto selling lower in Canada than they sell in their own domestic market, which constitutes dumping?

It's about poring through the books and wading through the minutiae to really get to the truth and the heart of the matter. Those are the kinds of people. It takes a while for them to learn the Special Import Measures Act. The requirements we adhere to in order to be WTO-compliant, including the formulas and the calculation methods we use, are all prescribed in the legislation. There's a lot of learning, but that's the background educationally that they bring.

Alex, did you want to add to that?

**Mr. Terry Sheehan:** First, I'll just follow up on your point with the new officers in place. You alluded in your opening comments to the time it usually takes to do the work and that it has been shortened. I can't remember the number of days, but it has been shortened. Obviously it has been successful.

**Mr. Doug Band:** I think there's a little bit of a difference that I need to clarify here. When I spoke in my remarks about the time frames being shortened, that was in reference to the processing of the duty relief program and the drawback program. That's people who are looking for relief either at importation or after.

● (1135)

**Mr. Terry Sheehan:** What was the shortened time again?

**Mr. Doug Band:** That was our service performance in getting those licences approved for people or those drawback claims approved for people and getting relief out.

**Mr. Terry Sheehan:** Yes.

**Mr. Doug Band:** For those programs, it has shrunk from a typical 90-day time frame to 45 and 23 days respectively.

**Mr. Terry Sheehan:** Congratulations.

**Mr. Doug Band:** We're adding a team around investigations of anti-dumping. Those are completely distinct, completely separate functions. There we're actually time-bound in the statute for the maximum time frame. Usually it's 260 days to go from A to Z in an anti-dumping investigation, with the CITT undertaking concurrent activities to determine whether or not the dumping and the subsidy we identified will cause injury to Canadian customers.

**Mr. Alexander Lawton (Director, Assessment and Licensing and Trade Incentives Unit, Canada Border Services Agency):** To go back to the original question in terms of educational background and skill sets, there's not a lot I can add to Doug's response. They have accounting and auditing backgrounds, a certain level of knowledge with respect to finance and international trade, as well as, ideally, some technical knowledge when it comes to steel or aluminum particularly, although that's something that can be gained on the job.

Essentially, we're looking for somebody who's comfortable doing books and records and audits, comfortable with accounting and looking through reams of business transactional data, and just comfortable with international trade in general.

**Mr. Terry Sheehan:** Thank you.

Patrick, of the remission orders that have been granted, what percentage of the companies that are benefiting are small businesses?

**The Chair:** Please make it a quick answer.

**Mr. Patrick Halley:** Of the 50 that were assessed and part of last week's announcement, 35 of those were SMEs. That's about 70%.

**Mr. Terry Sheehan:** Thank you.

**The Chair:** Thank you.

That ends the first round. We'll go to our second round now. It will be a short one.

We have the British Columbia dynamic duo here.

It's good to see you here, Ms. Murray, the member for Vancouver Quadra. I believe you and Mr. Dhaliwal will share the five minutes.

Go ahead.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** I will let Madam Murray go first.

**Ms. Joyce Murray (Vancouver Quadra, Lib.):** Thank you very much.

It's great to be a visitor to this committee with regard to this very important study.

I want to share a letter I received yesterday about how the remission program is actually working very well. I won't read the whole thing, but the letter writer states:

> Our business...is a small business that distributes specialized steel products....We import this product from the United States and have many manufacturing customers across Western Canada who depend on this product....

Essentially, the countermeasures brought the business to a standstill, as the Canadian customers had no other Canadian source for this product, and it no longer allowed them to be competitive. They approached my office. I sent them to the ministry of international trade, and they made their way to the right person to investigate their situation. The writer wrote:

> I am pleased to let you know that this last week we received a remission order for our product. The joy and relief of our customers and our staff is immense.

They complimented how the government functioned in exploring the merits of the case for remission, and wanted to thank the government on behalf of their company and customers across western Canada, representing over 5,000 jobs.

I thought I would just share a success story from the west coast and thank you for your part in that.

● (1140)

**Mr. Sukh Dhaliwal:** Thank you, Joyce.

Thank you to the presenters.

My first question is going to go to Mr. Halley. Yesterday I met with Chris Gardner, the president of the Independent Contractors and Business Association of British Columbia, and Tim McEwan, the vice-president. The issue they raised with me is that 15% of the rebar used in British Columbia is local and 85% of it comes from either the U.S. or Asia. They also mentioned that it's not feasible to bring rebar from Quebec or Ontario. Because it's going to affect the housing market and I'm expecting the small businesses there as well, are there any programs that you are thinking of in the future that will help small businesses like that?

**Ms. Michèle Govier:** Thank you.

We have heard some commentary as well from stakeholders on that issue. I guess I would reiterate that the provisional safeguards, which are in place for 200 days, are in the form of a tariff rate quota. Companies that are importing along the lines of historical volumes should be able to continue, provided that they are obtaining the permits that are required.

The intent wasn't to kind of clamp down too much on imports. It was to address the surge but not go too far with it. We are taking feedback from companies that might face particular issues, and certainly the trade tribunal will be hearing these views as well as part their process, and those views will then be reflected, I would think, in the recommendation that comes back to the government for any final safeguard that might be recommended.

We're certainly listening to those views. If there are things that are of a more urgent nature, I think we would reflect on that and see whether the government needs to do something to address it.

**Mr. Sukh Dhaliwal:** Is there a particular department or person that this Independent Contractors and Business Association should contact?

**Ms. Michèle Govier:** They can certainly come to us.

**Mr. Sukh Dhaliwal:** Thank you.

I have a question for the CBSA.

I come from British Columbia, and Surrey is the nearest point to the border on the Pacific side. You hired those new officers mostly to deal with an accounting background, right? My interest is more in products that are moving across the border. What are the challenges that you are facing? Is there any suggestion or recommendation that you might have that we can do to make life easier for the CBSA?

**Mr. Doug Band:** Thank you for the question.

Nothing is coming to mind, quite honestly. From our standpoint, I think that we want to get people on the programs that will give them the relief they deserve. Sometimes it requires patience in working with us and working through a site visit, as was mentioned by the member. We send officers out to confirm the kind of traceability and the books and records that are required to get the duty relief program benefits, which was $385 million last year in benefits given to over 400 companies. That takes a little while.

We know it can feel like a burden to companies when they have so many pressures. If they just stay with us and be patient and work with us, then we know that it pays off in the end because we have the evidence that these programs can be of particular assistance to companies that are importing for the purposes of re-exporting.

**The Chair:** Thank you, sir.

That wraps up your time, Mr. Dhaliwal.

**Mr. Sukh Dhaliwal:** Thank you.

**The Chair:** We have time for one more MP.

For the Conservatives, Mr. Carrie, you have the floor.

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

Basically, I've heard from stakeholders who are extremely concerned with the sense of urgency on this. They have said to us that nobody is listening. We did have the minister here the other day. I was actually getting quite upset, because it seemed that he was oblivious to the problems that were in the program.

As a committee we called people in, in June, because of the sense of urgency that we were hearing from the community. They have been in touch with us regularly over the last four months. This committee is doing a study on this. It seemed that the minister had no sense of urgency, that he really wasn't briefed to a point where he knew what we were hearing in committee.

One thing that I found quite promising, Mr. Halley, is that you mentioned that you have taken note of the testimony since Tuesday. Did the minister give you any direction as a department to monitor this committee and kind of keep up to date with what we were hearing on the ground?

● (1145)

**Mr. Patrick Halley:** I think I can speak for our division, where we certainly listen to and read the transcripts of the committee to make sure we are aware of the issues.

**Mr. Colin Carrie:** Is the minister aware of that? I don't know if you're aware, but we've heard in testimony that the thresholds currently in place for the strategic innovation funds are way too high for SMEs. These people are right on the precipice. We're hearing from companies right now that are seriously thinking of maybe relocating or shutting down business. Are there any plans currently in place to change any thresholds?

**Mr. Patrick Halley:** The strategic innovation fund is administered by Innovation, Science and Economic Development, so I cannot really speak to that. The minister did speak about...and we can certainly re-emphasize that we have certainly had a lot of back-and-forth with a lot of the SMEs we deal with—with respect to remission, for example—to make sure they are aware of the remission process and that we can work with them when they have requests.

As we outlined, 70% of the first wave of remissions announced last week were SMEs. We are really working with them. In the suite of programs the government announced at the end of June with respect to BDC and EDC and work-sharing arrangements...with all of this, I think there is a lot of interaction with SMEs.

**Mr. Colin Carrie:** I'll interrupt you there, because I heard the minister quote statistics on the loans. Earlier in the day we were told that the loans are useless to a lot of these companies on the ground. They need relief as soon as possible. The lag time of response worries me.

We had Minister Freeland here in May or June. She confirmed that at the G7 in 2017, I believe, Mr. Trump and Mr. Trudeau had a conversation, at which she was present, and Mr. Trump brought up this whole idea of tariffs. There was nothing in the budget that prepared us for this. The Americans mentioned in March this was going to be happening. They did give us a relief until June. Politically, it seemed there was nothing being done until after June in terms of consultation with industry and things along those lines.

We knew about this for over a year. March was when these were announced. When did you get political direction to come up with some type of relief program that was coming down the pipe? Was it in June—after the fact—that we were just kind of reacting to what was going on, or did you guys get information after the G7 back in June that we knew this could be a potential problem for us?

**Mr. Patrick Halley:** I can reiterate what we had done. When the first wave of 232 tariffs were imposed by the U.S. back in March, Canada was exempted. There were some concerns expressed with respect to trans-shipment, for example, and with trade enforcement in Canada. The government has responded with concrete measures with respect to new funding, changing some regulations with respect to origin, the trade—

**Mr. Colin Carrie:** Yes, I realize that—

**Mr. Patrick Halley:** All of that was done to address these concerns prior to the imposition of the duties by the Americans.

**Mr. Colin Carrie:** Yes, but there was no money in the budget for the programming and the preparation. Apparently we knew about the potential of this happening for well over a year. We knew quite clearly that March.... That was when the hammer came down. We had a bit of relief, but this is urgent for these companies. It just seems that the frustration is building with the non-communication, non-adaptability and non-flexibility in these programs. I'm worried that our manufacturing sector is going to be devastated within the next few months.

Maybe Mr. Morneau knows.... Maybe there is a deal that these are coming off soon and he's not so worried about it, but this is an urgent situation. I'd just like to emphasize that to the people we have on the ground.

**The Chair:** There's no time for a response. You're over your time, so we'll have to end it there. That ends the second round and ends the dialogue with the MPs.

Thank you for coming, folks. These are challenging times for everybody if you're in the bureaucracy, and definitely if you're a business owner or employee out there. Again, thank you for coming.

We're going to suspend for eight minutes. We have two groups coming on via video conference. We will be back in eight minutes.

●

(Pause)

●

● (1155)

**The Chair:** Welcome back, everyone. We're going to go into the second part of our study today.

Our next two witnesses are by video conference. One is all the way from the wonderful island of P.E.I., and the other is our neighbour to the south in Chicago.

This might be the first time you're in front of a committee, or maybe in front of our committee. I'll ask you folks to do a presentation. Try to keep it to around five minutes or less. That would be appreciated so that we can have good dialogue with the MPs.

Without further ado, we have Atlas Tube, all the way from Chicago, Illinois.

Mr. Zekelman, do you want to start? You have the floor.

● (1200)

**Mr. Barry Zekelman (Chairman and Chief Executive Officer, Atlas Tube Inc.):** Unfortunately, I've spent way too much time in front of trade committees and tribunals. Hopefully, we can resolve that.

Thank you for taking the time today. I'm pleased to be before the committee to help in this important task of examining North American and global steel trade issues. It's vital that the members of Parliament know the challenges the steel business faces today and the impact on Canadian employees and their families who are dependent on steel companies like our own.

I should mention that we are a steel consumer. Atlas Canada is part of the Zekelman group, Canadian-owned but with major operations on both sides of the border. We employ hundreds of people in our Harrow, Ontario, facility and are a vital part of the southwestern Ontario economy. We make mostly carbon steel structural tubing and piling, both critical to infrastructure projects.

I want to talk about two things: first, the direct impact on Atlas of the U.S. and Canadian reciprocal steel surcharges; and second, how offshore steel is being diverted to Canada because the U.S. market is effectively closed to imports.

Because of our extensive cross-border operations, we have direct experience in Canada and U.S. steel trade, but also in the damaging impact of low-priced offshore products that have been flooding into Canada over the years.

Whatever product we are talking about, the world is awash in excess steel. The OECD has been studying the problem of massive excess global capacity for years. Because of that, countries like China and others in Asia and elsewhere have to export, and this steel floats around the world looking for a home. Exporters and huge trading operations will seek any opportunity to liquidate these supplies at whatever price they can get.

Canada has been a target of these opportunists for many years. It's becoming worse now that the U.S. market isn't open. For example, the data shows huge increases in structural tubing imports into Canada after President Trump imposed his national security measures. The question is this: What should Canada do to protect our industry and the families that depend on us?

Anti-dumping and subsidy complaints are only a partial remedy. They are cumbersome and expensive, designed in an era when the steel business moved very slowly. Today the trade moves at an amazing speed. Deals can be done in a second, and there are multiple ways to circumvent these actions.

Canada needs to initiate rapid safeguard action for threatened steel products like HSS, following the ones that were just announced for seven categories of steel, but we need to move beyond safeguards—they are temporary—to permanent and more rapid measures to deal with the reality of unfair steel trade.

Although the implementation of safeguards is welcome, they're really just a feel-good measure. Canada is already awash in dumped steel and steel-intensive products. We have witnessed two of our biggest steel producers bounce in and out of CCAA protection for many years. This has been a direct result of dumped steel. Nothing else caused that problem.

I must say that as the single largest hot-rolled coil consumer in both Canada and the U.S., we purchase over 2.5 million tonnes of this steel a year. As a taxpayer, I'm appalled that this has happened. I have a tube plant in Welland, Ontario, that has been closed for three years while imported tube floods into the Canadian market. My tax dollars are going to bail out pensions and mills that could be economically viable if illegally dumped imports were stopped. Safeguards will still allow the current level of imports to flood our markets, while only charging duties on the amounts over the ridiculously high historical norm.

Here are my suggestions for some immediate steps.

We must implement quotas at levels such as, let's say, 30% less than the 2015 to 2017 average level for non-United States or Mexico countries. The tariff rate quota in the present temporary safeguard simply allows imports at present injurious levels, with foreign producers averaging their costs over total exports by paying 25% on their additional exports.

Also, implement reductions on all imported steel products to levels that will support full utilization of domestic output. Then provide a streamlined exemption system for products not produced in Canada or that fall in short supply, so as not to hurt our steel-consuming businesses.

● (1205)

In addition, we must agree to a two-way quota with the U.S. to immediately eliminate tariffs.

These measures will provide significant relief to both the steel industry and consumers so that businesses can continue to prosper, employ Canadians and make long-term investment decisions.

Thank you.

**The Chair:** Thank you, sir.

I'm from Cape Breton, so I say that's the best island to visit, but P.E.I. is a close second. Good to see you, sir. Go ahead, you have the floor.

**Mr. Dave Clark (President, MacDougall Steel Erectors Inc.):** I want to thank the committee for extending this opportunity to MSE today. Here is a little introduction.

MacDougall Steel Erectors Inc., MSE, has been a family-owned business since its inception in 1998. MSE fabricates and erects structural steel and miscellaneous metals for our main plant in Borden-Carleton, Prince Edward Island. Our current markets are all across Canada and into the eastern United States. We currently employ approximately 150 people.

In terms of tariff impact on prices, currently MSE products crossing the border to the U.S. are not being affected by the U.S. tariff as we are shipping fabricated structural steel, not raw materials. The issue MSE has been experiencing is the rapid increase in costs of raw material and the availability of some products.

Over the last 12 months, steel prices have significantly increased by as much as 40%. As tariffs came into effect, all prices started to climb rapidly. We are an end-user of the steel, so our prices have gone up, but since we are not buying directly from the United States, we do not have the invoices/support for the direct amount of tariff that we ended up covering. We are somewhat confused about how the tariff is being collected by the Canadian government and how it is to be redistributed. It seems we are paying the higher price but are unable to get compensated.

In terms of direct negative effects to MacDougall Steel, it was steel prices quickly moving higher earlier in the year that affected our company the most. This had a major negative effect on both profitability and cash flow.

There was an effect on profitability. We had jobs and signed contracts based on current steel prices. Once the price of steel started to increase, we took a hit directly. We couldn't pass it on to customers as we had already received purchase orders or contracts that were signed. In the case of raw materials for a couple of projects, just to give an example, on two or three projects our cost for materials alone would have been over $100,000 higher on each project than what we had in the bid, which was a direct hit to our bottom line.

Another aspect is cash flow. When the prices started to climb, we had to lock in as many of our steel prices as we could so that we didn't continue to bleed our job profits. Once we committed to buy, our suppliers wanted payment in 30 days. Some of these jobs were months away from hitting the shop floor, and we typically cannot bill a customer until steel is on site, so we had to cash flow millions of dollars more in inventory than we usually would. Prices were so volatile for a while that we had to tell customers their quote was only good for one day.

Uncertainty within the marketplace had an effect. There is still a lot of uncertainty in the marketplace with the tariffs. We were hoping the steel tariffs would have been dealt with as part of the NAFTA renegotiations. We recently expanded our shop to do more work in the United States before the tariff talks started. With our increased overheads and capacity, we need to be able to do the work in the United States to stay competitive.

As for future work, we are trying to keep jobs within our company. The downturn in the oil markets and the limited number of significant industrial projects on the go have been a significant challenge, as current capacity in Canada is larger than the demand. With the oversupply and lower demand within the Canadian market, margins have significantly decreased and profitability is suffering. We are quite disappointed to hear that the B.C. LNG project might be exempt from the current import duties on FISC, or fabricated industrial steel components. We feel Canada has the resources and knowledge to fabricate these modules, and Canadian steel fabricators need a project like this. There could be a couple of more LNG projects announced, and once the government provides the exemption for one project, they will have to provide it for all the projects.

● (1210)

Thank you.

**The Chair:** Thank you, Mr. Clark. These are challenging times, to say the least.

We're going to go to dialogue with the MPs now. We're going to start with the Conservatives. Mr. Hoback, you have the floor.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Thank you, gentlemen, for being here this morning. My first question is to Mr. Zekelman.

You talked about your two facilities being closed in Canada because the market just didn't allow them to be open. Why aren't they opening now? We've heard from Mr. Clark and other guys that they're having a hard time securing sourced steel here in Canada. What will it take to open these two facilities?

**Mr. Barry Zekelman:** First off, it's one facility that we have closed in Welland.

**Mr. Randy Hoback:** Okay.

**Mr. Barry Zekelman:** Our other facility is running. The problem is that he's sourcing steel out of Canada. Our market that we would supply out of that Welland plant is flooded with imports from Thailand, Vietnam and Korea. Until those imports disappear, we don't have any volume to open that plant.

**Mr. Randy Hoback:** The countervailing tariffs don't help you at all? What's in place right now?

**Mr. Barry Zekelman:** There are no tariffs on that product. There are none.

**Mr. Randy Hoback:** Okay.

**Mr. Barry Zekelman:** The other thing I'd like to add is, yes, steel prices have increased, and there was an immediate shock to that. Remember, I'm a steel consumer, not a producer. We buy $450 million worth of steel a year in Canada. We're the largest steel buyer in Canada, larger than any automotive company, so I'm affected by it as well, but I would argue that steel prices have been ridiculously depressed for many years.

Yes, while prices swing up and down—and I sympathize with the gentleman in P.E.I.—there have been years when steel prices have gone down, and I'm pretty sure he didn't go back to his consumers and lower the price, so it's give and take.

Also, on his point on the LNG plan, it's unconscionable that we would allow imported fabricated products for those plants. Again, the tax dollars that the gentlemen pays and I pay are going to go to foreign producers while we have steel companies and fabricators here struggling to get by. It's unconscionable that we would allow that to happen.

**Mr. Randy Hoback:** Mr. Clark, you talked about the inability in your pricing to get the duty deferral. It's required that you sign a waiver. If you're buying steel from the U.S., then you can't claim it; the importer claims it. Are you saying that you're not seeing that claimant amount reduced in the price? You're not seeing what that amount is?

**Mr. Dave Clark:** Well, when we purchase our products, we typically purchase from service centres. The service centre will buy that material from the United States—

**Mr. Randy Hoback:** Yes.

**Mr. Dave Clark:** —then he would give me a price on the material that includes the tariff, and then I just pay the bottom price I get.

**Mr. Randy Hoback:** Is he pocketing the tariff duty relief and the duty deferral?

**Mr. Dave Clark:** That's one of our questions.

**Mr. Randy Hoback:** You have to sign what is called a K32 or a K32A form, basically saying that you don't have any right to claim, but by doing that, you're left in the lurch. You have no ability to know exactly whether you're getting rebated on that tariff amount or not. How much is that being pocketed by the industry and just being added into their bottom lines, and you're paying for it?

**Mr. Dave Clark:** That's our question today.

**Mr. Randy Hoback:** You have no ability to know that.

**Mr. Dave Clark:** We don't know that, no.

**Mr. Randy Hoback:** Mr. Zekelman, how do you deal in that situation when you have people importing steel into Canada?

Mind you, there aren't many of them getting duty deferral and relief. Out of 85,000 views on their Internet site, I think they've approved 50, so that kind of gives you an idea of where they are.

How do we create a system so there's transparency through it so you can see the duty deferral being passed on to the manufacturer here in Canada?

● (1215)

**Mr. Barry Zekelman:** Yes, I sympathize with the gentleman. We buy directly from the mills, but our product is all dutiable from the U.S. Most of the steel we use is Canadian-sourced steel, so we're buying from Stelco, Algoma, and the like, and processing that and shipping it.

I will tell you that there are other problems that are being borne by the consumer. For instance, there are no electrical conduit manufacturers in Canada. It's not made here—

**Mr. Randy Hoback:** Yes.

**Mr. Barry Zekelman:** The primary manufacturers are in the United States. We're one of them, so our product is being shipped over to the Canadian consumer and being charged 25% duty, and the Canadian consumer is bearing that for really no reason. They couldn't access that product in Canada since it's not made here.

Again, the gentlemen in P.E.I. is probably talking about beams. There is no beam producer in Canada, so all that product is either brought in from offshore or from the United States. If it's brought in from the United States, you're penalizing the consumer here, like the gentleman from P.E.I., who ends up eventually paying a duty on a product that's not even made here, and there are no exclusions for it.

**Mr. Randy Hoback:** Is there any way you can actually identify that so that they remove it?

**Mr. Barry Zekelman:** Sure we can. Yes.

**The Chair:** Thank you, gentlemen. We will have to move over to the Liberals.

Mr. Peterson, you have the floor.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Thanks, Mr. Chair.

Thank you, gentlemen, for being with us.

If you want to expand on Mr. Hoback's question—he got cut off just at the last second—please take a few seconds.

**Mr. Barry Zekelman:** We've put in exclusion requests for a product that isn't produced here, and there is some movement on it. We've obtained exclusions on certain products.

At the end of the day, you don't want to cost the consumer money and make them uncompetitive, so we have achieved that. The process is a bit slow, but it is being dealt with.

To the gentleman in P.E.I., I would have to think that he'd go to his service centre and say, “Look, did you apply for exclusion on this? I expect to get compensated for that duty that you told me I have to pay.” There has to be a mechanism that he has with his supplier.

**Mr. Kyle Peterson:** Thank you for that.

Maybe we can somehow help you navigate this process, Mr. Clark. We have your contact information and perhaps we can get someone to reach out and help you in the process, if you're amenable to that. We'll see what we can do, because it does sound unfair that you're not able to tap into this.

**Mr. Dave Clark:** Sure.

**Mr. Kyle Peterson:** These tariffs are obviously an exceptional circumstance, and they are most unfortunate. Obviously, they are retaliatory because the American administration put these tariffs on steel for national security reasons, which is just most unfortunate, to put it mildly.

It's a good opportunity, actually, for us to look at the steel industry more generally. You've raised some important issues and some important trouble spots, I'll call them, in the industry. This committee did a study almost two years ago on dumping and the impact that has on the industry.

It seems to me, though, Mr. Zekelman, that you've thought about a lot of solutions, which is good. You mentioned quotas as an immediate step, but you didn't have much time, because it was in your opening. If you want to expand on how that would work and how it would improve the industry, please take the time to do so.

**Mr. Barry Zekelman:** Sure. Look at the hot-rolled coil, cold-rolled coil or galvanized coil that floods into Canada. You should put a quota on that product category—not necessarily a country, but that product category. Let's say a million tonnes of hot rolled coil comes into this country, but we have steel mills that could easily produce 600,000 more of those. You should put a quota down to 400,000 tonnes so that the domestic steel mills could fill themselves up and employ the people to do that.

The same applies to pipe and tube. Again, I could have 120 people working for me in Welland, producing—and consuming, by the way —140,000 tonnes or 150,000 tonnes of steel, but the imports come in, standard pipe from the likes of Korea, Thailand and Vietnam. If we quota that product down, I could start that plant up again and support the domestic steel industry, but we just let the product pour in.

I'll give you an example, and I'll try to do it very quickly. It concerns piling, which we pound into the ground. We filed a dumping case against China on piling, and we won that case. It took 18 months and I spent $2 million. I won that case. The very day I won the case, the gentleman who was importing that product changed the tariff code to API 5L line pipe and brought it in as line pipe. I had to then file another 18-month dumping case on line pipe to get that blocked out, and we blocked it out from China. The very next day, he brought it in from India. I've spent $3 million and got no relief.

You need to put quotas on the product category from all countries, and then block it out from here. Let the domestic producer produce it, support our industry, create jobs here and pay taxes.

● (1220)

**Mr. Kyle Peterson:** Thank you.

Mr. Clark, I just want to learn a little more about your business.

Am I correct that the input you're buying is from the States?

**Mr. Dave Clark:** Yes. We buy beams from the U.S. and HSS materials from Canada. Some jumbo sizes that aren't available in Canada we get from the U.S., so we get hit twice.

**Mr. Kyle Peterson:** The stuff you're buying from the U.S. isn't generally available in Canada—is that correct, or am I making a false assumption?

**Mr. Dave Clark:** It's just the W shape, so it's beams, essentially.

**Mr. Kyle Peterson:** Okay. Are those now coming in tariff-free and duty-free? How are they treated?

**Mr. Dave Clark:** There's no tariff from Canada on the beams, I believe.

**Mr. Kyle Peterson:** You said some of your customers were in the eastern United States. When you're selling back to the United States, are there any tariffs, duties or surtaxes put on that product?

**Mr. Dave Clark:** No. There is no tariff on our materials. It's fabricated structural steel. The tariff is only on raw materials.

**Mr. Kyle Peterson:** That's what you're having trouble collecting, and we can hopefully help you with that.

Thank you.

**The Chair:** Thank you, Mr. Peterson.

We're going to move over to the NDP now. Ms. Ramsey, you have the floor.

**Ms. Tracey Ramsey:** Good morning, gentlemen, and thank you for being here.

We have been talking all this week about the fact that we're in an emergency situation right now.

Barry, it's wonderful to have you here. I often speak of Atlas Tube here at the committee and the importance of those jobs in a very small rural community in our riding—good-paying jobs that are sustaining that entire community. I appreciate you being here to share your thoughts with the committee.

We've learned a couple of things today. Out of the government's money that's been put toward improving, preventing and circumventing, only 10 people have been added at CBSA. We heard today that of the people applying for the duty drawback and other programs, only 36 companies have been approved, and we have yet to hear from one that's received the money.

We're in this very long, slow process that is killing business across our country and costing us jobs. We're trying to bring that here to the government so that it understands the urgency we're facing.

One of the things I want to touch on.... Barry, you mentioned the full utilization of domestic steel and what that looks like. Both of you commented on the LNG. It's just unfathomable that we are now giving a free pass to a company and a product that we know is being dumped into our country and costing us jobs every single day. It's just beyond comprehension.

I wonder if you could speak a little further about other ways we can improve our domestic consumption, perhaps through government procurement or federally funded infrastructure projects.

Barry, I'll pass it to you for your thoughts on how we can do that.

**Mr. Barry Zekelman:** Thank you, Tracey, and thanks for all of the work you've done for our company and our community.

I'll give just one example. We know that beams aren't manufactured in Canada at all. When we did the Herb Gray Parkway, which was built in Windsor, 30,000 tonnes of piling for the footings of the bridges and overpasses were done with beams. I'm 20 miles away, and I can produce pipe piling for that out of Canadian steel, yet we procured beams from the United States and foreign countries to go into that highway. Here again, my tax dollars are going to U.S and foreign companies to put into an infrastructure project that I'm 20 miles away from and that I could supply.

We just do some dumb things. We certainly need to put in a “buy Canadian” policy for those projects, particularly when products aren't even made here and there are alternate products.

It all comes down to steel coming in. I'll tell you that I've imported steel into Canada from Russia and other places, and it makes me sick to my stomach. The reason I had to import that steel is that I needed it at cheap prices to compete against finished imports that compete against my product.

It's ridiculous. I could have bought that steel from Stelco, Algoma or Arcelor Dofasco and made product and shipped it into the market, but I would had to compete with stuff from China or Korea or Taiwan.

It's unconscionable that this is going on when places aren't running at capacity. Stelco is a very good steel mill. It has great costs. It has been in bankruptcy twice. Look at Algoma. The only reason those mills went into bankruptcy is that any time they had pricing traction, where they could get to real, sustainable, profitable levels, imports flooded in and crushed them, just pulled the rug out from under them.

If we had a system that put quotas on these products coming in, or blocked them out, we would have a very vibrant and successful steel industry that would have reinvested hundreds of millions of dollars, as we would have. We need a way to block out these imports, much like the U.S. has.

• (1225)

**Ms. Tracey Ramsey:** Can you share with us quickly what the dumping has looked like over the last year for your company?

**Mr. Barry Zekelman:** Again, with respect to piling, we're not even in the business in Canada. These guys circumvent and bring it in from every country, and it's virtually unstopped, because they just change the country of origin or the product code. That's how they circumvent.

It's the same on structural tubing. Yes, we're producing and doing well in Canada, but how much better could we do? How many more people could we employ and how much more steel...? We've seen HSS imports increase dramatically.

Again, I'll point to the plant I have in Welland. It's completely shut down. I could have 120 people working there—who were earning, by the way, $25 to $30 an hour—and be buying $100 million of steel out of Stelco Lake Erie, but I can't even light the place up because of imports from Thailand and Korea and Vietnam.

We need to block those imports out. Then I could start the plant tomorrow.

**The Chair:** Okay. Thank you, sir.

**Ms. Tracey Ramsey:** Thank you.

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

Mr. Dhaliwal, you have the floor.

**Mr. Sukh Dhaliwal:** Thank you, Mr. Chair, and thank you both, Barry and Dave, for being presenters.

You both mentioned LNG. I come from British Columbia. It's great news for British Columbia and great news for Canadians with this type of project. It will also help develop, as Tracey was saying, high-paying sustainable jobs. It will help the steel industry. Do you agree?

**Mr. Barry Zekelman:** It depends on where they get their fabricated product. The government spent $3.5 billion buying a pipeline—great. Again, that's with my tax dollars and the gentleman from P.E.I.'s tax dollars, and now they're going to allow a company to hook up to that by bringing in imported fabricated product not made here in Canada because they claim it will cost them a billion dollars more.

I didn't see my company getting a bailout like the automotive industry did for $12 billion from the government, yet we're allowing this company a billion-dollar cost on a $40-billion project? It's unconscionable that we let that happen.

You're talking about a project that will last for 50 years. They're saying it's a billion dollars cheaper, yet it's on our back. There are fabricators that could be busy here using Canadian steel and Canadian labour to fabricate this, and we've granted them a hall pass. Do you think they're not going to do this project for the billion dollars? It's ridiculous.

By the way, it's more than the billion dollars. You're talking about tens of billions of dollars of fabricated product that could be made here. Great—if the government wants to buy a pipeline and bail everybody out, tell them to give LNG Canada a billion-dollar loan to have $15 billion dollars' worth of product made here. I think that's a better return than letting it be made in China.

**Mr. Sukh Dhaliwal:** When you talk about quotas, there must be some drawbacks as well. How can it be equitable? I'm trying to understand. If one company takes that quota and then goes to the other companies, can you explain it to me so that I can understand the quota system that you suggest is equitable?

**Mr. Barry Zekelman:** The quota would have to go to the countries importing the products. Are you talking about the consumer in Canada accessing that quota?

● (1230)

**Mr. Sukh Dhaliwal:** That's right.

**Mr. Barry Zekelman:** The consumer in Canada will have access to the product that's made in Canada. What's the difference? Wouldn't they buy Canadian product rather than imported product? If I could start up my plant, I'd have available product for them. They don't need to access that quota. I'll make it for them. I'm trying to be compromising: Okay, we'll let some of it come in, but not the vast amount that comes in today that displaces Canadian workers.

If you're talking about the cost of steel in a product, I'm going to give you an example. Everybody says, "Oh, my God; the cost of steel has gone up, and it's a huge problem." The gentleman from P.E.I. is right. He had a transition period when he bid on a project, and the cost went up. Once he bids on the project with the cost of the product that he goes in with, he's fine. He's competitive, because he's on the same playing field as everybody else.

Steel—typical fabricated steel—is four times the cost of the raw steel itself, so the real extra cost is labour and all the work they do to it. If the raw steel itself goes up by a couple of hundred dollars a tonne in that transition period, is it a problem? At the end of the day, it doesn't make the product uncompetitive.

I don't know the last time the price of a car went down, but the price of steel bounced up and down for decades. You didn't see the price of a car go down because of the price of steel, yet automotive companies will claim that it's killing them. They should stop giving $3,000 rebates per car.

**Mr. Sukh Dhaliwal:** You were talking about the long-term solution, but let me talk about the short term. In the short term, the government has come up with the program to help the steel industry. Do you appreciate those millions that are made in the short term?

**Mr. Barry Zekelman:** Yes and no. It's kind of "thanks for nothing," because the imports are already flooding in here. The safeguards don't do anything except prevent even more from coming in. While I say, "Yes, thank you", they don't do any good. They're not going to increase my production and they're not going to let me open that plant in Welland, because we've already been inundated. All the safeguards will do is help stop an even further flood of steel.

We've been Boy Scouts here. We need to push back.

**Mr. Sukh Dhaliwal:** Have you taken the—

**The Chair:** Mr. Dhaliwal, you are quite over your time there. That ends the first round.

In the second round, we're going to start off with the Liberals again. Mr. Fonseca, you have the floor.

**Mr. Peter Fonseca:** Thank you, Mr. Chair.

Thank you to our witnesses.

I really appreciate your candour, Mr. Zekelman.

I want to ask, in regard to some of the proposals you have put forward, how we can make some changes in terms of a quota type of system. Also, with the LNG project, if that would be successful, would some of the things you've put forward not trigger a WTO challenge?

**Mr. Barry Zekelman:** Do you mean a WTO challenge saying that the product has to be made here in Canada? I mean maybe.... I don't know.

By the way, I am probably one of the only people who has gone to the WTO in Geneva and spent time there. I was the first CEO who went there, for two weeks. I lobbied and beat China at the WTO on continuous circular welded pipe that came into the U.S. We beat them in 2008. The imports from China went from 800,000 tonnes a year virtually down to zero, but guess where they went? They went to Thailand, to Vietnam, to Oman, and the UAE. They went everywhere else. That's where China shipped their steel to circumvent the duties. That's how this game works.

When you talk about the WTO, nobody plays by the rules, and the Chinese are the worst offenders. I don't even know why they're in the WTO. They have broken every accession protocol. It's a joke.

**Mr. Peter Fonseca:** I would like you—

**Mr. Barry Zekelman:** Quite frankly, when you ask me about the WTO, I would say, “Who cares?” It's about Canada and the jobs here, and our prosperity.

**Mr. Peter Fonseca:** Listen, I agree with you. One thing that puts us all on the same page is that we see this section 232 measure as unfair and unjust. It's something that we are trying to address and deal with as best we can.

I know we've put in place a number of support services. They may be somewhat archaic, which is what I've heard from you, in terms of where we are today with steel. I heard from Mr. Clark that it's almost just in time, that things are happening very quickly.

You talked about multiple ways that different countries are using to circumvent the rules. How can we clamp down on this a lot better than we are now?

● (1235)

**Mr. Barry Zekelman:** Well, you need to give customs a bigger stick and more leeway. As I said, piling was coming in from China. We beat them, and they changed the HST code on imports. It was the same damned product, but they just put a different number on it.

As far as section 232 goes, listen, I know President Trump. I've dined with him several times. I know Robert Lighthizer very well. I know Navarro well. I talk with these people all the time. Section 232 was a tool to get you guys to the table on NAFTA. That's it. Don't think anything else.

You can get out of section 232, and this could be solved—literally, I could do it—this afternoon. All Canada has to do.... The U.S. has agreed to two-way quotas, and this thing is over. How do I know that? I've talked to Mr. Lighthizer myself. This deal could be done this afternoon. It's very easy, and it would be great for both countries.

If you want, I'd be more than happy to make a phone call, but Minister Freeland has to get on board too. We could have this deal done this afternoon.

**Mr. Peter Fonseca:** Well, thank you for your comments.

I'm going to share a little of my time with MP Sheehan. He is from Sault Ste. Marie, and Algoma is in his riding.

**Mr. Terry Sheehan:** That's right, and—

**Mr. Barry Zekelman:** Algoma is—

**Mr. Terry Sheehan:** Sorry, go ahead.

**Mr. Barry Zekelman:** Thank you.

Algoma is a great company, and we buy a lot of steel from them. We need them to survive.

**Mr. Terry Sheehan:** Yes, absolutely, and we appreciate the support from Atlas.

Algoma Steel is a perfect example of the integrated steel market in North America. They make steel with Canadian steelworkers. They flow it into the supply chains on both sides of the border. They make it with iron ore from various states of the U.S.; the coal comes from the United States. There are about four or six states that rely on Algoma Steel's survival for those people in the transportation networks.

You've tweaked my interest, Barry, and I have some questions.

You mentioned a quota system. We've heard testimony on various quota systems, including Algoma. There are a thousand scenarios around quotas and what a quota could look like. Algoma Steel had suggested a product-based quota, a company-based quota system.

Barry, in your mind, what kind of quota would work for the steel industry or aluminum industry in Canada?

**Mr. Barry Zekelman:** You absolutely need a product-based quota. If you just give a country-based quota, it's hard to implement, first, and second, you're going to have to go country by country by country. You just need a product-based quota.

For instance, let's say there are two million tonnes of hot-rolled coil brought into Canada every year. Chop it to a million tonnes. The Canadian industry is more than capable of making that up. Look at the numbers and talk to them. Ask them how much more they could make. Then set the quota at that. Then who cares what country ships it in? It's first come, first served. Do it by quarter so you can only bring in *x* amount or 30% of the quota per quarter, so you don't flood the market in any one quarter. That's it; it's very simple.

It's the same thing on standard pipe. I could start up that plant again, and companies like Nova Steel could produce more product and make the product here and use Canadian steel. Look at standard pipe. Let's say 250,000 tonnes or 300,000 tonnes are coming in; chop it back to 150,000 tonnes or a 100,000 tonnes, and we'll light those plants up immediately.

It's about a product-specific quota. Cut it there, and it will get produced domestically. We'll be paying Canadian taxes. We'll be employing Canadian workers. We'll be consuming Canadian steel. Those steel mills will never be in trouble again.

**The Chair:** Thank you.

We're going to move over to Mr. Carrie with the Conservatives. Go ahead, sir.

**Mr. Colin Carrie:** Thank you both for coming in and being in front of us here today as witnesses.

I'd like to talk to Mr. Zekelman. You mentioned section 232 and how it related to NAFTA. I think that's why so many people were really discouraged when there was no resolution on this tariff thing.

You also brought up a really good point, because this is a long-term problem. We understand that the Americans had an initial strategy for this. I think we've known about it as a country since the G7 of 2017. Apparently the Americans have a strategy, and the target is China. My understanding is that these tariffs were used to stop dumping, to stop diversion. Other countries kind of got ahead of it. I think Australia, Korea, Chile, the EU and Japan have all accepted some type of quota system. They are working with the Americans on this global strategy to stop the long-term problem.

I want to ask you about that. Do you think the American strategy for addressing this in the long term is a good strategy? My understanding is that this is what this quota system is all about. It's what these tariffs they are putting on these countries are all about.

● (1240)

**Mr. Barry Zekelman:** That is it, 100%. I have 15 plants in the U.S., and we're booming, booming. I can't hire enough people in every plant. It's been fantastic. We're actually hoping for more as they hit these countries.

Look, with the quota system, what he's trying to do.... China accounts for only about 3% of the direct imports of raw steel coming into the U.S., about 35 million tonnes. On indirect imports, however, products made from steel, it's 55 million tonnes, and China is 27% of that. That's the problem.

**Mr. Colin Carrie:** Yes.

**Mr. Barry Zekelman:** China backdoors it through finished products. We have the same problem with product coming into Canada on fabricated assemblies. We've stopped that. We've put duties on those.

**Mr. Colin Carrie:** That's where I want to drill down on this. Frankly, we've heard some companies are worried about the quota system. Especially for new entrants, it can really restrict the amount of growth and new investment. For people already on the ground, I can see how that solution would work for them.

It seems that as far as the Americans were concerned, you were either on their team doing this or you were off the team. What discourages me is that we're off the team. Canada is off the team regarding the overall strategy. I think the challenge is where we land.

We had the minister here the other day, and he seemed oblivious, as though it wasn't an urgent issue that needed to be brought forward. I'm wondering if there is a deal on the quota system that will come up around the mid-term elections, because he didn't really seem to be as concerned as the businesses on the ground here. I don't know how that's going to play out. If we do get some type of solution, I think the people will be relieved.

We did take some actions. One of the actions I'll give Minister Morneau credit for was that he put this unique stamp, I think it was in May, on product from Canadian mills. In other words, the Americans were asking for unique stamps so they knew it was actually coming from Canadian mills.

Is that something that you're supportive of? Do you think it's a good idea?

**Mr. Barry Zekelman:** It's a country of origin marking. I've been dealing with it for years.

Country of origin markings are a state of mind. It's about whether they want to enforce it or not. I've seen it enforced at the border, and then I've seen them just overlook it.

In terms of a deal, there's absolutely a deal here. You just have to go make it.

I will tell you, and I think Ms. Ramsey will tell you.... I will call it as I see it; I'm not shy. Chrystia Freeland blew it. This deal could have been done months and months ago on NAFTA.

I told her point-blank Mexico was going to negotiate behind her back. She laughed at me. Sure enough, they did.

I know what's going on. I talk to these people. I can tell you right now, as recently as last week, Lighthizer would do a deal. We can get rid of these 232s and just agree to 2017 quotas for both countries and leave it there. We'll be happy.

**Mr. Colin Carrie:** I hope you're wrong. If we end up with that deal, it means that we could have had it a long time ago. If that's the deal—

**Mr. Barry Zekelman:** We could have had it. I'm telling you right now we could have had it a long time ago.

This is the worst negotiating I've seen. He can't stand negotiating with her because she's just not a business person. She's way out of her league.

**Mr. Colin Carrie:** As I said, we're hearing from people on the ground. People are hurting. This is an urgent matter.

**Mr. Barry Zekelman:** Absolutely.

**Mr. Colin Carrie:** We hope that the minister is going to be taking this extremely seriously.

In my community of Oshawa, we're manufacturing. If we lose these jobs, they're not coming back. That's the biggest concern.

**Mr. Barry Zekelman:** I agree with you.

I'm telling you this deal could be done this afternoon. They're waiting for it.

Just like on the chapter 19 resolution, I told Minister Freeland that the sunset clause is a red herring. It was there anyway. It's a state of mind. I told her to agree to the six-year... It was a month and a half before that. That's how long it took, and they finally did it. They have stalled and blown this, big time. Our consumers and our industry in Canada are suffering because of it.

**The Chair:** It's now—

**Mr. Barry Zekelman:** They need to get off of it and get the deal done.

**The Chair:** We're going to move over to Mr. Sheehan.

You have the floor.

**Mr. Terry Sheehan:** Thank you very much.

I appreciate your leeway, Mr. Chair, in taking a little more time than Peter. I understand I'll have a shorter window now, to keep us on track.

It's such an important issue for us to continue to work on. I think the best answer that we've heard in testimony is to get rid of all tariffs and all quotas. That would be the ideal situation, in particular because of just how integrated our markets are. We've heard stories about different businesses in the United States also hurting.

I've travelled with both Tracey from the NDP and Randy from the Conservative Party down to the United States. We've put that message forward that tariffs, no matter what product they are on, mean an increase in prices for consumers. It's a tax on Canadians and Americans. It's not good.

We saw with the softwood lumber example—I just met with the Canadian Forestry Association's president—that the average price of American homes for the middle class just went up $10,000. It's not who we are. We are both countries of free trade, as well as Mexico. Hopefully we can get down to that particular program.

There are some other relief programs that are in place for steel companies. Has my friend in P.E.I. applied for any of that particular programming? Then after hearing from him, I'll ask Barry as well to comment on that.

● (1245)

**The Chair:** Can you stop the clock there for a second?

I have to remind MPs of something. We have a couple of conversations going on. If you're going to have a conversation, please get away from the table a bit, because it could be interfering with what we're doing here.

Go ahead, Mr. Sheehan. You have the floor again.

**Mr. Terry Sheehan:** I think you guys heard the question.

**Mr. Dave Clark:** MacDougall Steel is working with the local Prince Edward Island government, trying to navigate the different systems that we can try to get through on this.

**Mr. Terry Sheehan:** I would just comment that a number of programs have been developed, as we've been pointing out to the companies over the last three and a half months. If you want to contact the Department of Finance, we can provide you with the details of the person who can get you straight to the heart of the matter, and get you through the program expeditiously.

Thank you.

**Mr. Dave Clark:** We appreciate that.

**Mr. Terry Sheehan:** Barry, would you comment?

**Mr. Barry Zekelman:** Absolutely not. I do not want a handout from the government. I want to run our business. I don't believe that long term it's the way to build a business. I think we need to solve the problem.

I don't want any handouts.

**Mr. Terry Sheehan:** Thank you.

**The Chair:** Thank you for shortening it up there.

We're going to the Conservatives. Mr. Allison, I think you're splitting time. You're starting off, anyway. Go ahead.

**Mr. Dean Allison:** Thank you.

Thanks again, gentlemen, for joining us here today.

Barry, I just want to pursue that last line of questioning we had there. In terms of the deal, I get that. We've said all along that if we had dealt with that issue up front, we would have had a deal. Thank you for confirming what we always felt, even though we didn't, on the ground, have the direct link you had with Lighthizer.

Talk to us about the section 232s, or safeguards, that are going to go into place on October 25. Is that going to be enough for them to lift tariffs? Is that going to be enough for them to eliminate tariffs, or do we need to go past that in terms of quotas?

**Mr. Barry Zekelman:** What the U.S. is very concerned about is steel coming into Canada and then making its way through the back door into the U.S. I think the safeguards help. They're similar to what they have in terms of section 232 for a foreign country, so I think it helps keep that back door shut.

I think a stronger measure that would promote Canadian steel and, quite frankly, even U.S. steel would be better. I'd rather import steel into Canada from the U.S. than from Russia.

I think those measures will help, but really what it comes down to is the quota itself. What's on the table right now is 2017-level shipments, with some exceptions that could be put in there for the likes of Algoma and/or Stelco on Canadian slabs, which would be welcome into Canada and, if there's not a historical pattern there, I think Lighthizer would be willing to give a waiver to up that, because U.S. steel mills need those slabs as well.

The real deal here is 2017-level shipments. I think in a couple of years down the road you can revisit it, but I think everybody would be very happy with that in two waves.

What Canada and Mexico have asked for is 20% or 30% increases, and I can tell you right now that it's not going to happen. They won't do any deal with anybody who has increased shipments. They will do reduced shipments or level shipments as they've done with others, but they will not do increased shipments. Korea did a deal at 70%. Brazil did a deal at some reduced and some level, depending on the product. Canada could easily have a deal done this afternoon at 2017 levels and move on.

● (1250)

**Mr. Dean Allison:** Are safeguards on the 25th a part measure?

**Mr. Barry Zekelman:** Yes, but to be honest with you, they're fine. They're there. Again, it's a feel-good measure. It doesn't help us. I'll never be able to open my plant up in Welland with that there.

**Mr. Dean Allison:** What are we waiting for, then? We're being destroyed. Our SMEs are getting killed.

**Mr. Barry Zekelman:** Yes. I'll tell you what we're waiting for: someone's ego. They need to get in a room and get the deal done.

It's a problem. If Freeland or Morneau picks up the phone and calls Lighthizer and says “Here it is”, the deal's available this afternoon. I'm telling you that. I know that personally.

**Mr. Dean Allison:** We'll make sure we raise this at question period—maybe not this afternoon, but certainly this week.

My last question is getting off topic. It's a wide topic. What are your thoughts on trade with China in terms of trade deals? I realize they're a huge market, and we're not just talking about steel here, but do you have any advice as we embark or have conversations with them, other than the fact that we have given up our sovereignty through the USMCA on that issue? Talk to us about China.

**Mr. Barry Zekelman:** If their mouth is moving, they're lying. They will lie, cheat and steal. They will circumvent and they will break every rule. You will try to penalize them, and they're done. I've seen it done. I've been in this business for 32 years, and I've spent tens of millions of dollars on trade cases. I've fought China from the very start. I've watched them circumvent through different countries, through different products. They don't even put the right information down on import forms. We've caught them importing containers of tubing that they labelled as books. They're the worst of the worst.

We've caught them shipping steel, and it's a self-certifying industry. They mark it as meeting certain specifications. I had it tested, and it was half of that. Those products were going into buildings, into schools, all right? You're talking about product that has half the strength of what they certified it to. They're terrible. They're absolutely terrible. They have a callous disregard for any of our rules, our safety and our sovereignty.

**Mr. Dean Allison:** Thank you.

**The Chair:** You have 20 seconds, so you can't ask a question. You'll have to make a comment in 15 seconds.

**Mr. Randy Hoback:** Thank you. You talked about a non-specific quota. It's a total plan, say, 200 tonnes, whatever it is. The U.S. right now has a number in their head that they're going to allow to come into the U.S. The longer we delay negotiating something, the smaller that number gets, so what's left for Canada? Is that fair to say?

As they drag on for another year, let's say, there will be nothing left for us to actually come into as far as a quota amount is concerned.

**Mr. Barry Zekelman:** Yes, I would agree with that.

**Mr. Randy Hoback:** I'd give us as much as we can, as soon as possible.

**The Chair:** Thank you, Mr. Hoback.

**Mr. Barry Zekelman:** That's right.

**The Chair:** We have enough time, I think, for the NDP to have three minutes.

Go ahead, Ms. Ramsey.

**Ms. Tracey Ramsey:** Thank you so much.

Thank you, Barry, for your testimony here today. It's very important, I think, that people hear the things that you're bringing forward.

Like you, I'm really worried about people's jobs. I think we've had a lot of great conversations today about what we need to do, and the reasons that we're not is still mind-boggling to many of us, as we have company after company come and sit before this committee and tell us they are shutting their doors for down weeks. They are laying people off. We're in a desperate situation that requires action immediately. If there's been this deal sitting there and they haven't taken advantage of it, shame on this government for costing people their jobs and costing people their businesses, because that is what's happening right now.

I really do want to go back to the fact that if we solve this and we get some type of resolution with the U.S., we still have these issues facing us. We still have them breaking the rules. I've had my colleagues here ask questions of other businesses about what that looks like.

I wonder if you can share a little more. You gave us one example of the tubing labelled as books. I would like you to share with my colleagues the way that they're cheating the system— just a couple of examples. What do you think the CBSA needs to do to prevent this from being dumped into our country?

**Mr. Barry Zekelman:** First, I'd like to say that it's a shame our Prime Minister is more concerned about getting Canada high than actually keeping jobs here. That's the big news today, about getting Canada high. How about having some jobs?

Anyway, they change tariff codes. They cheat on tariff codes. There are product substitutions. They lie on the duty entry forms. They transship through other countries.

● (1255)

**Ms. Tracey Ramsey:** Yes.

**Mr. Barry Zekelman:** It's all over the place. We just put up with it. Again, I spent 36 months beating a piling case of China only to have them import it from India after they changed tariff codes twice on me. That's why I say it has to be a product quota, not a country.

All he did was move it to India. Once we're done beating India, he'll move it to Thailand. Once we're done beating Thailand, it's five years down the road and $4 million, and I still haven't produced a tonne of the product. It has to be product-specific, not country-specific, if we're going to put those quotas on, because there are just too many ways to cheat. It's Whac-A-Mole.

You're right. This thing needs to be dealt with today or this week to get Canadians back to work.

**Ms. Tracey Ramsey:** Thank you.

**The Chair:** That pretty well sums up our day. What a feisty day we had.

Thank you, witnesses, for joining in. We have to leave the room now. That ends today's meeting.

The meeting is adjourned.