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## **Standing Committee on International Trade**

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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Tuesday, October 23, 2018

• (1135)

[English]

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

Sorry for the delay. We had some votes in the House, and that always changes the order around.

We're continuing our study on the impacts of tariffs on Canadian businesses, companies and workers in steel and aluminum.

We've had quite a few meetings so far, with various witnesses and ministers in.

Colleagues, we're going to shorten it up a bit today to try to get this all done so we can hear from everybody and have a good dialogue.

We have three groups with us today. I always like to start off with the video conference first, in case we have any technical problems.

Mr. Wharin, can you hear me?

**Mr. Chris Wharin (Director of Administration, Bohne Spring Industries Ltd.):** Yes, good morning.

**The Chair:** If you don't mind, you can start off first, and we can get on with the program.

Go ahead, sir.

**Mr. Chris Wharin:** I can, by all means. Good morning.

I'd like to introduce myself. I am Chris Wharin. My company is Bohne Spring Industries. We're manufacturers of precision mechanical springs and wire forms in Toronto. Our business has been in continuous operation since about 1891. We employ approximately 42 people and are responsible for the livelihoods of basically 40 families.

When we first learned about the tariffs and in particular the countermeasure tariffs, we certainly felt as though we had been thrown under the bus somewhat, with respect to our own business plus our entire industry. These tariffs have put us under tremendous stress personally as we try to mitigate the damage caused by them.

The questions that were asked when we were first invited to make this presentation seem a bit redundant now. They seem like questions that were asked back in June, when the consultation process first began. I had written a submission back at that time stating that ultimately I think the countermeasure tariffs will have a greater

negative impact on businesses and consumers in Canada with the prices of everything rising.

Unfortunately, I don't feel as though our voices were necessarily heard then, and the result is that the government did impose huge tariffs on a wide range of products as countermeasure tariffs, in retaliation for the section 232 tariffs that the Americans implemented.

I was and still am adamantly opposed to these countermeasure tariffs, as I don't believe they're doing anything to help Canadian manufacturers or citizens. The only companies that may have benefited from these countermeasure tariffs are the steel and aluminum producers, who may be receiving government assistance to help them cope with the loss of sales to the U.S. market.

The countermeasure tariffs have had a very serious negative impact on our business. As I detailed in my initial submission, much of the material we use to make our products comes from the United States and is subject to the 25% tariff.

Since July 1, when these tariffs came into effect, we've paid over \$50,000 in surtaxes. That, on an annualized basis, would be about \$150,000. This is having a crippling effect on our cash flow and profits because we are not able to pass along all of these substantial increases to our customers. Not only are we paying the 25% surtax but we're also experiencing upwards of 25% increases in the base price of materials from suppliers due to shortages in the industry. This means that our costs have risen 50% to 60% in some cases.

We are all very concerned about the additional tariffs coming into effect on October 25 for materials coming from outside of North America and the impact this will have on the price of materials. I've been told that all stainless steel spring wire coming from Korea, for instance, will have a 25% surtax. Stainless steel wire is not available in Canada in the quality or grades that we require for our products. Most of the materials we use are not available in Canada, and yet they are subject to the surtaxes.

We were relieved to see, on October 11, duty remission order 18-16. This will certainly help between now and the end of the year, although I don't think the schedule was complete, as it omitted some particular items that we use on a regular basis, which we cannot obtain locally—specifically, music wire and hard drawn spring wire.

Some of these materials are available in Canada from Sivaco and Mittal, but not in the finer sizes that we require, i.e., 1.14 millimetres and under. The other issue is that Sivaco and Mittal have 8,000 to 12,000 pound minimum order quantities and 12-week lead times. In our business, we don't use sufficiently large quantities of material to warrant buying directly from a mill. We must rely on local warehouses to provide smaller quantities, and then we're at their mercy in terms of whatever material they have in stock.

We have had a particularly difficult time passing these surcharges onto our customers, particularly in the automotive sector. We cannot afford to absorb these surtaxes. As I said, the stress associated with trying to pass them along to customers has been inordinate.

● (1140)

It doesn't make any sense to us to penalize Canadian manufacturers for purchasing raw materials that we can't buy locally. If anything, tariffs should have been placed on the finished products, to help protect Canadian parts manufacturers and jobs. Canadian companies, primarily Canadian auto parts manufacturers that purchase finished springs, wire forms and stampings from the United States, do not pay a tariff, so they can buy these items more cheaply in the United States or from overseas than they can in Canada, even though the Canadian industry is fully capable of supplying all the products they require. Ultimately, this will significantly harm our industry in Canada.

**The Chair:** Excuse me, sir. Could you wrap up, so we can have time for the other witnesses.

**Mr. Chris Wharin:** Yes.

The price increases, which of course, are passed along to our customers, only encourage them to shop offshore.

No small business owner in Canada should have to be subjected to this type of pressure. Business is stressful enough, without having to deal with government intervention of this scope and magnitude. How much time and effort should I have to devote to fighting these tariffs and trying to pass the price increases along to increasingly hostile customers? Does our government care if small businesses such as ours survive? How can I grow and run my business effectively when I have to deal with the consequences of these tariffs and material increases? Shouldn't small businesses be focused on growth instead of fighting the government and fighting with customers on price increases?

The high-quality materials that we require for production of our parts are not available from Canadian manufacturers. I fully agree with members of the international trade committee that Ottawa's remission request processes are far too onerous for many companies, particularly smaller ones like us, that are already consumed by the day-to-day activities of running their businesses.

Thank you.

**The Chair:** These are challenging times for big and small corporations and their employees for sure.

Now, we're going to move over to Mr. Wilson and Mr. Gates, from Ocean Steel and Construction Ltd.

You have the floor.

**Mr. Harrison Wilson (Vice-President, Ocean Steel and Construction Ltd.):** Thank you for the invitation to speak to this committee.

Ocean Steel and Construction Ltd. is a structural steel fabricator with its head office in Saint John, New Brunswick. We have fabrication plants in Saint John and Fredericton, New Brunswick. We employ a total of about 200 employees: 70 staff composed of engineers, detailers, estimators and project managers, and 130 hourly tradespeople, such as machine operators, welders, fitters, painters and maintenance personnel.

Ocean Steel started in 1955 and is the oldest member of the Canadian Institute of Steel Construction. We have provided structural steel for projects from Newfoundland to Alberta, and as far south as Texas. We have done projects in the U.S. since the 1960s. The percentage of U.S. work we do in a year can range from zero to 100%.

Fabrication of structural steel involves designing connections for individual components and creating manufacturing drawings using 3-D software to create a virtual building model. This model is then used to generate digital files to operate our CNC equipment—saws, drills, anglemasters, plate burning machines, etc., in our shop. Substantial investment is required for the latest computer-driven equipment available in our industry. For example, the latest plate processor machine we recently installed cost close to \$1 million.

Historically, we have sourced the raw material from mills in the United States and Canada. Because of our concerns about quality and delivery of long and flat-rolled steel shapes, we have avoided buying steel from low-cost suppliers such as China, Russia and India.

The Canadian surtaxes on material from the United States are causing us difficulties in a couple of areas.

One area is hollow structural shapes. Some of the larger sections are not available from Canadian mills. Any sizes that have two adjacent sides adding up to 24 inches or more, for example, HSS 14 x 14 or HSS 18 x 6, are not produced by Canadian mills. We need to buy these sizes from the U.S. and therefore pay the Canadian surtax. Paying this surtax is raising the price for our customers and making us less competitive against offshore fabricators.

Another area is plate. There is only one plate mill in Canada: Algoma steel. Because of limitations on plate thickness, grade of steel, weight and size that they have been able to produce, we have sourced the thicker, heavier and longer plate from U.S. mills such as SSAB, Nucor and ArcelorMittal. In the past, Algoma had restrictions of no greater than two and three-quarter inches in thickness and 26,000 pounds in weight for A572 grade 50 plate, and 50W, which is the most popular grade of plate used in our industry.

We often require thicker and heavier plate of this grade for the fabrication of plate girders used for heavy industrial and bridge projects. We understand that Algoma is trying to increase their capacity to produce thicker sizes, more grades and generally higher volumes of production, but to date we do not believe they have achieved this goal.

Before implementation of the 25% tariff, about 60% of the needs of Canadian structural steel fabricators were supplied by rolling mills from the United States. Presently, it is our experience that Algoma is getting more requests for steel plate than they can deliver. As an example, in June of this year, we placed an order with Algoma for delivery in mid-August or sooner. As late as October 2018, our order is still not yet fulfilled. In fact, to meet our committed job schedules, we have been forced to buy replacement plates from other sources as a substitute for our Algoma order, at a considerable price premium considering the surtaxes or surcharges.

Until sufficient capacity is available from Algoma in Canada, as a temporary measure, we would suggest that a quota be established for plate that could be imported from the U.S. without application of any surtaxes. This quota could be adjusted as Algoma increases their production, size and grade capabilities.

For larger commercial and industrial projects in Canada, we sometimes compete against offshore fabricators. Some of these fabricators are dumping fabricated steel into Canada, putting Canadian fabricators such as ourselves at a disadvantage. Now, with the surtaxes, we need to pay on material that we cannot source in Canada, and we are being made even less competitive than we were before.

● (1145)

We were involved in the trade action launched in 2017 and coordinated through the CISC against fabricated steel for industrial projects that were being dumped into Canada. The Canada Border Services Agency and the Canadian International Trade Tribunal found that fabricators from China, South Korea and Spain were dumping fabricated steel, and that the Chinese fabricators were also being subsidized. Anti-dumping and countervailing duties were applied to certain fabricators from those countries.

We agree with and support Canadian countermeasures in principle to protect jobs at Canadian steel mills; however, protecting jobs from unfair trade practices for employees of structural steel fabricators is equally important. For this reason, we were disappointed to learn that the Canadian government has decided to waive the anti-dumping and countervailing duties for China, South Korea and Spain on fabricated steel for the LNG project in B.C. This decision will likely mean the loss of a substantial amount of work for Canadian steel fabricators.

From our industry's perspective, it appears that the government is concerned about protecting the workers at steel mills but not the employees of Canadian fabricators who transform Canadian steel mill products into fabricated components. Without a strong steel-fabricating industry based in Canada, there will be no domestic customers for the Canadian steel mills.

Thank you for this opportunity to raise our concerns at your committee.

● (1150)

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

We're going to move to the Aluminium Association of Canada.

Mr. Simard, you have the floor.

**Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada):** Good morning, and thank you for this invitation to appear before the committee regarding tariff impacts arising from the application of section 232 on the aluminum sector.

The position of our industry is very clear. We're calling for a total and permanent return to free trade for all aluminum products, without exception, between Canada, the U.S. and Mexico, as was the case before June 1, 2018. This means the removal of all section 232 tariffs, without quotas.

The Aluminium Association of Canada believes, as do our counterparts in the U.S. and Mexico, that there is momentum. With the principles agreed to in the USMCA, the conditions are now in place for the U.S. administration to put an end to these measures on a permanent basis. All parties can now get back to growing the North American economy in order to compete with the rest of the world.

The USMCA brings together three countries within a mutually agreed sandbox, a continental market with pre-set rules for the three players. From now on we must all protect the integrity of this hard arrived-at value proposition by monitoring and managing incoming metal from non-party countries, and by adhering to the rules of origin, all of this in a harmonized way.

Tariffs and quotas go against the ideas negotiated among the parties under the new free trade agreement. What Canada can do, and is doing, is protect the integrity of the agreement by monitoring and managing metal from non-party countries to ensure no transshipment or circumvention of rules.

As we have stated many times, the issue in the aluminum industry is overcapacity, primarily from China, and that's where the attention of free-trading countries should be focused.

The aluminum industry in North America has a highly integrated value chain. The 8,000 workers in our Canadian factories, producing 3.2 million tonnes of primary metal, supply an American downstream industry where more than 160,000 workers create value in the automotive and aerospace industries.

According to figures from the American Aluminum Association, the U.S. aluminum industry generates more than \$175 billion of economic output in the U.S. economy, while our annual exports generate about \$7 billion U.S. We're very far from a U.S. deficit.

The continuation of a tariff on aluminum only hurts the industry on both sides of the border and makes it difficult to meet the growing demand for aluminum. Canada exports 70% of its metal to the U.S., and the downstream companies in the U.S. need that metal to meet demand. The U.S. produces 700,000 tonnes, has capacity for two million tonnes and demand for 5.5 million tonnes.

Aluminum is a commodity, and the price is the same all over the world. By artificially increasing input costs and constraining metal supply, the impacts of the tariffs are making the cost of aluminum in North America the highest in the world. The downstream industry both here in Canada and in the U.S. becomes less competitive. This benefits foreign suppliers and hurts our domestic downstream companies that are pushed out of the market. As this occurs, Canadian primary producers tend to lose market share as well. What pulls out doesn't come back.

This disruption of our integrated value chain is a net loss to both the U.S. and Canada. Many of these businesses are part of the North American value chain, but find themselves cash-strapped when they have to pay the 10% tariff to ship to the U.S., and face growing competition from other sources elsewhere in the world.

We appreciate the efforts of the Canadian government to help offset these situations, but it only highlights the reason that tariffs should be removed altogether. Market volatility and supply chain disruption take us toward the undesired path of metal substitution as well.

The end customers of aluminum, whether they are automotive or beverage companies, will evaluate the cost and availability of supply for future investments. They can replace aluminum with other types of materials, and once the business goes away, it doesn't come back.

More importantly, the uncertainty as to whether these tariffs will remain in place, and the disruption they cause in the market, make it difficult to effectively plan investments, jeopardizing Canada's expansion projects in the aluminum industry.

As part of the world's top-producing areas, we have to sustain our competitiveness by growing our capacity, and keep investing in plant modernization. The required investments are in the billions of dollars. The Canadian industry has invested over \$13 billion since 2008 to remain a world-class competitive industry.

• (1155)

Finally, Canada is not a threat to U.S. national security, but in fact, it's an asset. Since the Second World War, our two countries have developed and implemented mutual assistance agreements both in times of conflict and in peace. We've always been a close strategic ally, both in production and manpower, to the U.S. national defence base. All along, we've had America's back.

Without a total and permanent exemption from long-term measures under section 232, there will be such a climate of uncertainty that any potential U.S. restart predicated on contextual and domestic pricing will not be sustainable. The plants are simply too old. At the same time, such a policy will make any expansion project in Canada hardly justifiable, thereby putting at risk all of North America's aluminum production capacity.

We will be brought to realize after a few years that the unintended consequences of this policy will have been to the overall advantage of foreign producers such as China, Russia and the Middle East.

Thank you.

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

As we conduct this study, we are hearing of the impact all across the country.

I welcome the MPs who are here today from Richmond Hill, Mount Royal, Kenora, and Mississauga—Streetsville.

Without further ado, we're going to get right into a dialogue with MPs, and we're going start off with the Conservatives.

Mr. Carrie, you have the floor.

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

I want to thank the witnesses for being here. We've been studying this since the beginning of the summer.

I have to tell you, Mr. Wharin, that it's a little disconcerting to me, and I think to all committee members, what you said about how you feel you've been thrown under the bus and your voices are not being heard. Unfortunately, we've heard that from a number of stakeholders.

The minister was here last week, and he seemed to be oblivious to the state of emergency that this is causing. What you said about not being able to pass on costs and the onerous process in place to get some relief, we're hearing over and over again. I come from Oshawa where we manufacture, and I am really becoming concerned. As Mr. Simard was saying, once these jobs go, they don't come back.

Under this renegotiated NAFTA, the U.S. can still use section 232 to adopt new tariffs as long as the measures don't apply to Canada for a period of 60 days. Do you find that the level of uncertainty has decreased or rather remains as strong as it was before this new NAFTA? Some people are calling it "shafita" because it hasn't really done anything to help. Are you finding that the uncertainty has remained strong, given the continued imposition of section 232 and the threat of these future 232s? Did this agreement help at all?

Maybe, Mr. Wharin, you could start.

**Mr. Chris Wharin:** Thank you.

No, until its countermeasure tariffs are dropped in their entirety, I don't see what benefit the new agreement will have on industry, using metals and so forth. There's none whatsoever from our perspective.

It's nice that the remissions are put in place. There are certain materials now that will not be subject to a surtax when they come across the border, which is good, and that's overdue, but until they completely disappear... As you stated, there's a tremendous amount of uncertainty in the marketplace. Our suppliers don't really know how to price their products, because they don't know from one week or month to the next how much the material they're buying is going to cost them. They don't know how much to pass on to us. It's really a continual process of trying to set pricing, what you can pass on to your customers and so forth.

• (1200)

**Mr. Colin Carrie:** We're hearing that over and over again.

Mr. Simard, I want to ask you a question.

You talked about quotas. Interestingly, with this new agreement, I think it's the first agreement in Canadian history where we were trying to get more free trade and we ended up with an agreement where there were more restrictions and less ability for free trade.

We've had different opinions come to the committee about quotas. It seems some of the bigger players are saying to let's just do that. Let's do quotas because several countries have completed deals with the United States that include quotas. We're getting other opinions on how quotas really restrict the ability to grow and restrict the ability to attract new investment, because you're now limiting growth. It's capped.

We had a witness last week who basically said we could have a deal tomorrow if we accepted these quotas, and I'm worried that there's been some type of understanding with the current government and the American administration that eventually we're going that way. It seems the longer we wait, there's going to be less and less market for us to access.

Would you be able to give us your opinion whether you see any advantage to having a quota system in place on steel and aluminum to get rid of 232s? What advice would you give to the committee on that topic?

**Mr. Jean Simard:** Thank you for the question.

I'll speak for aluminum, because our markets are totally different. They're structured differently. The pricing is different. The cross-border DNA of the industry is very different. When I said at the outset that we are totally against quota, quota is one of the worst things that can happen to Canada, in terms of aluminum production. It hinders growth. It maintains a very strong layer of uncertainty. You know when it starts. You don't know when it ends. You don't know what's waiting for you after. It increases the price for everybody in North America, which is very bad, because it creates inflation in a metal industry, and it plays into the hands of foreign suppliers.

Some people say that other countries have accepted quotas. I'm not sure they accepted them, and when they accepted them, I'm not sure they were very conscious of what is happening. You can ask South Korea how they feel about the quotas that they—quote, unquote—“accepted”. It's like the morning after for them right now.

**The Chair:** Thank you, Mr. Simard. That wraps up the time.

We're going to the Liberals now.

Ms. Ludwig, you have the floor.

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

Thank you, all, for your presentations this morning.

Mr. Simard, thank you for mentioning that Canada is not a national security threat. I think all of us around this table agree that the tariff should never have been placed on it, and the ultimate goal is to get rid of the tariff.

Ocean Steel representatives, thank you for being here this morning. Two hundred-plus jobs in Saint John are certainly significant. I've spoken with your company on a number of occasions and I know the situation with fabricators is a little different from other parts of the industry. To what extent are you importing steel from the United States, fabricating it and exporting it back?

**Mr. Harrison Wilson:** Right now, about 60% of our work is in the U.S.

As I mentioned before, because some of the sizes are not available in Canada, we have to bring that in from the U.S., fabricate it, and then export it back out again. For the moment, we can get a clawback on that, but there are some uncertainties on how much we can claw back. The waste, are we not able to get it on that? There is still an additional cost for us that our American competitors don't have to pay.

It is a fair amount of work that we do in the United States.

• (1205)

**Ms. Karen Ludwig:** Okay, thank you.

Did you submit any requests for the remission orders, or submit anything under the safeguards?

**Mr. Harrison Wilson:** Not yet. We had hoped that the tariffs would disappear with the signing of the new trade agreement. Unfortunately, they did not. We will probably have to proceed with that now.

**Ms. Karen Ludwig:** Okay. We could certainly connect you, even today, with people here in Ottawa to help you move along in that process.

**Mr. Harrison Wilson:** That would be great. We would appreciate that.

**Ms. Karen Ludwig:** Okay. Thank you.

In terms of the shapes and sizes, I think that's another unique aspect of having to import. We've heard from other witnesses, Mr. Wilson and Mr. Gates, that if the product is available in Canada... That has been a bit of a hiccup at some point. What you mentioned today about Algoma... So, yes, there may be a similar product available in Canada, but the availability date is an issue. How has that affected you?

**Mr. Harrison Wilson:** It affects us quite badly on plate items.

As I mentioned before, in some of our projects, we're competing against offshore fabricators, and offshore fabricators do not have to worry about, for example, the tariffs on fabricated steel coming into Canada. At least some countries are not affected by the countervailing duties. Vietnam, for example, is exporting steel into Canada for the Baffinland project. We bid on structural steel there, and we were not successful. It went to Vietnam.

We're bidding on another bridge project for Baffinland. Again, the plate size is 20 metres long. It would be greater than two and three-quarters inches in thickness. There's bridge plate A709 that Algoma has difficulty producing because of the hydrogen embrittlement, so we will have to buy those plates in the United States. It means we will have to pay 25% more on a third of our costs on that project, and we will probably be competing against fabricated steel coming in from offshore fabricators. It makes it very difficult for us to compete.

**Ms. Karen Ludwig:** This is a very direct question. Do you support the measures the government put in place for the countervailing duties or do you think we should have left it with section 232 on the table, and not had any countervailing duties?

**Mr. Harrison Wilson:** I think we should have been more selective about where we put it, and on the steel that was definitely not available in Canada and not being produced in Canada at that time, we should not have been putting duties on that material.

**Ms. Karen Ludwig:** Mr. Simard.

**Mr. Jean Simard:** On the other aluminum side of things, we agree with the way it's been managed. It's been set up and managed by the government.

One thing is certain. For small and medium-sized businesses, the pain happens very early, and the remedy comes in always too slowly. It's a matter of managing things so that you can really support the small and medium-sized businesses that are strapped with cash payments and stuff like that. That's the tough part of things. But it seems that up to this point, it's working.

**Ms. Karen Ludwig:** Okay, thank you.

Mr. Simard, through your association—

**The Chair:** Sorry, but it's going to have to be quick. You only have 30 seconds.

**Ms. Karen Ludwig:** Are you able to help out the small to medium-sized businesses directly as an association?

**Mr. Jean Simard:** We represent only the three large primary producers, but each of them is working with their customers through their client relationship to ensure that within that relationship, there's no additional pain that happens to the small businesses.

**Ms. Karen Ludwig:** Thank you, gentlemen.

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

We're going now to the NDP.

Madam Ramsey, you have the floor.

**Ms. Tracey Ramsey (Essex, NDP):** Good morning, and thank you, everyone, for your testimony.

Unfortunately, it's not unique to what we're hearing here at the trade committee. We're essentially hearing the same story being

repeated from small businesses that aren't able to navigate the red tape of the government's programs.

Last week we had finance officials here. They told us there have been 74 applications for duty drawback and relief. Only 36 have been approved, and the money isn't flowing. It's a very significant issue when we know they're collecting upwards of, I would say, half a billion dollars, by this point, in tariffs and surtaxes. We need to find a way for that money to reach you on the ground to support what you're going through because it is so drastic and extreme. It's something that we've spoken about at this committee pretty consistently. We're in an emergency situation in Canada.

There is a theme that keeps emerging around the LNG case. It's a bit mind-boggling, and you mentioned this, Mr. Wilson. We have a domestic steel and aluminum industry in Canada, but our steel industry in particular is being shut out of procurement projects and things that would see growth. We are favouring foreign steel, which just sounds on the surface to be something made up or unbelievable, but it's true. Even in the LNG case, we have Chinese fabrication that we know we have a case against—a found case of dumping—that we are now rewarding with this project in our country. It really is mind-boggling.

Understandably, we can't control what's happening south of the border right now, but we can control our domestic policy. I want to ask all of you what you think we can do right now in this eye of the storm to be strengthening and really protecting our domestic industry so that we don't continue to lose jobs throughout this tariff war that we're in.

• (1210)

**Mr. Harrison Wilson:** As I mentioned with LNG Canada, it's unfortunate. It's a large project. There are a lot of Canadian fabricators available capacity-wise that could provide it. We have provided the module steel from Saint John, New Brunswick, all the way to Alberta for modules for the oil industry. There's enough capacity in Canada to do it. The only reason they don't want to do it would be for price, because as part of the trade action, the Chinese were subject to, I think, a 46% tariff plus a \$2,300 per tonne countervailing duty because they were found to be dumping steel into Canada.

We should enforce the duties that have been put there for good reason in order to keep fabrication jobs in Canada.

**Ms. Tracey Ramsey:** Does anyone else want to weigh in on domestic?

**Mr. Chris Wharin:** I just think that the countermeasure tariff surtaxes should be eliminated altogether. I think they're too punitive and too arbitrary in some respects. I don't know how they were selected, but they seem very arbitrary. As I said, it's fairly penalizing and targeting specific industries, which is hurting our entire industry. I'm just one of 30 spring manufacturers in Canada that's affected by these tariffs.

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

**Mr. Jean Simard:** From the aluminum industry's point of view, countermeasures are working. They probably have to be improved in terms of managing the situation. We have to remember that we're in uncharted territory in our industry. This has never happened before.

Government procurement is also a way to facilitate supporting businesses. As an example, we have to open up government procurement to aluminum all over Canada, both provincially and nationally. It's very hard for a metal like this to make its way because it's off the beaten path. For SMEs, we have to maintain the support to assist them in terms of cash flow through this situation. There's a lot of unpredictability for the big ones, but it's even more burdensome for the smaller ones. Market diversification is also very important, because we have to wean ourselves off this giant client that we've been nurturing for many years and which is becoming more and more volatile.

I must say that these are all sectors in which government intervention has been put in place. I'm not saying that it's 100% efficient, but there is movement on those aspects.

**Ms. Tracey Ramsey:** The other question I'd like—

**The Chair:** You only have 15 seconds.

**Ms. Tracey Ramsey:** I'm not going to have time for the other question, but thanks to all of you.

**The Chair:** We're going to move to the last MP.

Mr. Sikand.

**Mr. Gagan Sikand (Mississauga—Streetsville, Lib.):** Thank you, Mr. Chair.

My questions are for Mr. Simard.

I represent a riding that has a pretty strong footprint in aerospace. They're very concerned. They're hurting because the aluminum they require has to be of aerospace grade. Obviously, businesses only have so much recourse, and one recourse is that they're considering moving and relocating to where it's easier for them to manufacture.

Would it be possible for Canadians to move into that space? I know that we have high-quality aluminum, but do you think we can move into the space where we will be able to produce the aerospace grade?

**The Chair:** Go ahead, sir.

**Mr. Jean Simard:** Thank you for your question regarding the potential for Canada to move deeper into the aerospace field in terms of aluminum products. We are already a significant supplier of aerospace grade aluminum, both to the U.S. and to Canada.

These are niche markets and value-added products that are very specific and very specialized. You're talking sometimes about proprietary alloys that can be made in only one single plant in the

world, which in our case is in Quebec, for a specific client. We're already there. Could we be there more importantly and more significantly? Certainly, and that brings us to the characteristics of Canada's market.

We're a very small country in terms of population. We don't have critical mass. There are parts of industrial markets that we don't cover because we're not big enough. The markets are elsewhere. Parts of those gaps are covered in those markets domestically, such as the U.S. That's why the temptation to move somewhere else to get the right cost for the product for the supply is very tempting at this point in time.

• (12:15)

**Mr. Gagan Sikand:** Thank you for that.

Correct me if I'm wrong, but I believe the aluminum industry was pretty quick to react when we were going to renegotiate, and they built in what they assumed the tariffs would be quite early into their production. No?

**Mr. Jean Simard:** Could you elaborate a bit? I don't understand the question.

**Mr. Gagan Sikand:** I believe that a lot of the manufacturers in Canada built in the price of what they assumed the tariff would be early on. I was wondering how close the tariffs ended up being to what was assumed.

**Mr. Jean Simard:** I guess what you're referring to is what we call the Midwest premium.

Basically, Mr. Chair, the price of aluminum in a market like North America is related to two notions. One is the world price of the commodity that is set at the London Metal Exchange, the LME, on a daily basis. It's a commodity price for all the world.

Depending on which region you're sourcing your metal from—North America, for example—you pay an additional cost, a regional premium, which is basically the logistical cost of bringing in the metal to the customer at a given point in time. It factors in a whole series of things: the ocean cost, the transborder cost, the payload cost and the duty cost.

The Midwest premium is not something that anybody controls. It's a market arbitrage that is done through documenting the most recent sales on the market, and it's handled by a group called Platts Aluminum in the U.S. They survey the deals that have been made through the day and they publish the last price paid. That's how the market adjusts on the regional demand on an ongoing basis. We don't have anything to do with that. It just happens.

**Mr. Gagan Sikand:** Okay.

**Mr. Jean Simard:** It factored in the duty before the duty kicked in. Those who benefited the most between all of us are U.S. producers who were not affected by the duty but took it in at the same time.

**Mr. Gagan Sikand:** I have one last quick question.

The AAC had a meeting in June. Could you tell us what was discussed?

**Mr. Jean Simard:** The Montreal summit in June was a meeting of board members from the European, Canadian, Japanese, and U.S. aluminum industries with government representatives in order to set out a working plan, a road map, to address the problem of overcapacity in aluminum. We handed that work plan to the G7 summit members. They factored it into their analysis and came out with a recommendation at the end of the G7, which is now finding its way through the OECD toward the next G20.

As an industry, we spearheaded this undertaking two years ago to try to find a way to access a multinational, multilateral platform to bring China and all other countries together to address the problem of overcapacity.

**The Chair:** Thank you, sir, and thank you, Mr. Sikand.

That wraps up our first half. Witnesses, thank you very much for taking time from your busy schedules to join us. You represent not only your companies but also employees and families who rely on your industry.

We'll suspend for two minutes to bring in our next set of witnesses.

• (1215) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1220)

**The Chair:** Welcome to the second half of today's meeting on the study of impacts of tariffs on Canadian businesses, companies and workers.

Witnesses, thank you for joining us. We're sorry for the delay. We had a vote in the House, and that changes things.

We definitely want to hear your perspective on these tariffs, so without further ado, we will hear from Mr. Vescio from the Automotive Parts Manufacturers' Association?

**Mr. Gian Paolo Vescio (Director, External Affairs and Internal Counsel, Automotive Parts Manufacturers' Association):** Thank you.

My name is Gian Paolo Vescio. I'm the Director of External Affairs and Internal Counsel at the APMA. The APMA represents over 280 companies, 95% of the independent parts production in Canada, which amounts to about 96,000 employees in Canada, over 42,000 in the U.S. and over 43,000 in Mexico. We're here to discuss the impact of tariffs with respect to steel and aluminum, and provide a slight update of our comments now that the NAFTA negotiations have concluded with the USMCA.

As previously discussed by my president, the power to levy section 232 tariffs on steel and aluminum derived from the U.S. Trade Expansion Act of 1962 through which Congress granted the President the power to impose tariffs for national security reasons. The definition of national security is markedly wider under this act than others, but once set in motion by the President, the U.S. commerce department initiates an investigation which includes public consultation, and subsequently provides the President a report with recommendations on whether the threat is accurate and if tariffs should be levied.

Congress has the power to repeal if it disagrees with the President, but perhaps this current Congress doesn't seem to desire to do so

with respect to some of the President's initiatives. That being said, we are closely monitoring the election which has the potential of flipping the House to not the President's party, and there may be political will to repeal some of the President's initiatives, including the section 232 tariffs.

The implementation and the usage of the tariffs are challengeable in international trade court, and U.S. commercial entities are able to seek injunctive relief in U.S. district courts. However, the test is quite high.

The courts have been reluctant to limit the powers conferred to the President. However, since the implementation of the tariffs on July 1, there have been a number of challenges to section 232 tariffs. Most notably, the American Institute for International Steel, which is currently challenging its constitutionality, was successful in a motion to have the matter heard before a panel of three judges as opposed to one. This is only important because there is an American legal belief that decisions by three judges are directly appealable to the Supreme Court of the United States, which simply means that it could expedite the decision on section 232 tariffs within the U.S. legal framework.

As previously noted, steel and aluminum are critical ingredients, the most valuable mechanical structural parts of a car. Stainless steel and other specialty steels used in automotive tooling are not available in Canada at the required quantities, and Canadian parts production buys both Canadian and U.S. steel. Canada is not a threat to American steel or steel interests.

However, we understand that both the tariffs and the countermeasures employed by Canada, as a result, are being felt on both sides. Though Canada has taken positive steps toward relief with respect to the steel consumers who are directly affected through the tariffs, we understand that this is not a sustainable long-term solution.

The Department of Finance has allowed any firm importing any of the metals with the HS codes listed in the schedules of the remission order which are having to pay the tariff to be eligible for a drawback. While it's a positive reprieve from the countermeasures, the tariff is still paid out of pocket. If you are a medium or a large company, you may be able to shoulder the cost until returned to you, but smaller, leaner firms may run into cash planning issues as they may not be financed to wait for the drawbacks.

Furthermore, though the drawback system works well for short supply situations, the Department of Finance hasn't addressed how the drawbacks will work with respect to contractual obligations. Our members are interested to hear the decision on that matter.

Though the countermeasures by our government, we believe, were necessary, we continue to urge the Canadian negotiating team to maintain their resolve and pressure in trying to reach a sustainable trade regime on steel and aluminum. Obviously, not having the steel and aluminum matters dealt with within the USMCA was not ideal, but it is worth repeating that when dealing with unconventional parties using unconventional negotiating tactics, the road to resolution can often be unconventional.

We believe that steel and aluminum section 232 tariffs cannot be looked at within a vacuum, and we believe there are a number of factors that will affect the resolution. There are currently cases making their way through the U.S. courts. The mid-term elections may affect section 232 tariff impositions, but also the ratification process of the USMCA, and the ability of Canada's team to accurately display to our American friends that the path to prosperity is through collaboration and not isolation. It's kind of like what was done with autos.

This past week, the USTR requested Congress for a TPA, a trade promotion authority, which is a request to Congress to allow it to begin official trade talks with other nations. The USTR has requested a TPA for the European Union, Japan and the United Kingdom. It's important to note that Germany and Japan are jurisdictions with major steel and aluminum regions, and they are dealing with the tariffs as we are, along with their own local challenges.

• (1225)

It should be noted that if Congress votes to give them the TPA, once those discussions ramp up, it could have implications on how the matter is dealt with here. The APMA is keen on seeing this resolution take place.

• (1230)

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

We're going to move over to Mr. VanderVeen from Court Holdings Limited.

My being from Dutch origin, I think that sounds like a Dutch name.

**Mr. Mark VanderVeen (President, Niagara Piston, Vineland Manufacturing and Maple Manufacturing, Court Holdings Manufacturing Limited):** It sure is.

**The Chair:** Well, as you drove up Wellington Street, you probably saw all the Dutch flags.

**Mr. Mark VanderVeen:** I saw them.

**The Chair:** It's a big day Thursday.

**Mr. Mark VanderVeen:** Oh, that's why. I thought they were out for a reason.

**The Chair:** We put the flags out for you.

**Voices:** Oh, oh!

**The Chair:** Anyway, without further ado, sir, you have the floor.

**Mr. Mark VanderVeen:** Thank you and good afternoon, Mr. Chairman, honoured members of the committee, those in support and fellow guests.

I'd like to relay on behalf of myself, the shareholders and all our employees a high level of gratitude for the opportunity to speak to this committee.

I'm here representing Court Holdings Limited. We are a family company that will be celebrating 100 years in business next year. We operate in 14 different countries around the world. Our main focus is in two areas: providing mechanical and technical services to international steel companies, and the manufacturing of automotive and railway parts for the North American market. Each one of our companies operates as a small business employing between 12 to 100 employees. In the Niagara region alone, we have approximately 500 employees in manufacturing jobs.

In our manufacturing business, we export 90% of our products into the United States. In the past, we have freely moved components and raw materials across the U.S. border to provide goods and services to our customers. Over the past 18 months, what had been normal is now abnormal. Today I'll speak about two examples. First is the impact of the U.S. section 232 steel tariffs, as well as the Canadian reciprocal tariffs, on our plant in Vineland, Ontario.

At Vineland Manufacturing Ltd., we manufacture steel air reservoirs for the braking systems on railway cars and locomotives, and that's for the North American rail industry. We source a very specific grade of steel from the U.S., one that was not available in Canada until recently, and that's now being ramped up at Algoma steel. Since the trade confrontations escalated, we have seen the price of our steel increase over 28% since January 1. This is absent of the tariffs. This in itself has created significant hardships because we have long-term agreements with our customers, and material pass-throughs are terms that make our relationships with our customers extremely strained. They will not give us the pass-throughs that we're asking for.

In conjunction with this price increase, we're now dealing with an additional 25% uptick in the form of tariffs. Although there is a process for drawbacks, the administration is time-consuming, and it ties up a significant portion of our working capital. The process is also expensive. It's costing us up to 5% of the total cost.

The next cost impact is in the area of consumables. As the steel price increases, so does the cost of our metal components and welding wire. This, all told, has taken a Canadian company and its team from tight margins, but very successful, to one that struggles to come close to the break-even point.

The cost increases are not controlled by the dedicated team on the ground at Vineland, but by external forces. They are controlled first by the U.S. administration and second by our government's counteractions, reducing profitability and strangling cash flow.

My second example is maybe a bit redundant now, but I'd like to go through it. It's the potential of the auto tariffs and how they will impact us.

At Niagara Piston Inc., we supply braking components to the North American market. Again, over 90% are supplied to the U.S. If tariffs are imposed, and there's still a possibility of that, the following sequence of events will occur.

As the U.S. tariffs are not applied to Canadian suppliers such as us, they will be imposed upstream to our U.S. customers. The North American automotive manufacturers have messaged very strongly that they will not pay for these tariffs, nor will the tier one suppliers, and they will push them back down into the supply base. As a tier two supplier, we cannot bear the impact of these as there is no means of drawback from the U.S. tariffs. As a business that operates at razor-thin margins, we cannot absorb these additional costs. We will either run at significant losses, or we'll be forced to shut down production and operations until there is a resolution. Both options come at a significant cost to our company and to the livelihood of our employees. Neither of these courses is tenable.

The result is that, in most cases, there are very few sources for products, so the North American auto industry would quickly run out of parts and would come to a complete shutdown. We are only one of hundreds of suppliers in the same situation.

●(1235)

The possible imposition of these tariffs is ill-conceived, and we hope that through the ratification of the USMCA this issue will be behind us.

How has this impacted our company?

**The Chair:** Are you going to wrap up, sir?

**Mr. Mark VanderVeen:** Yes, I'm concluding right now.

First, it's taken our teams away from their real focus, which is engaging themselves in innovation and technological advance. Second, it's strained long-standing relationships with customers. Third, it's reduced income profitability and constrained working capital. Capital investment projects have been shelved, deferred or even outright cancelled.

Please understand this. We are supportive of the actions and most of the negotiating strategies taken by our government in the trade battle. It is our intent today to provide transparency that these actions and battles do come at a cost, and that cost is right down to the grassroots in this country.

We strongly endorse and encourage our government to move forward and provide us with the ability to do business on a level playing field with the rest of the world, work diligently to eliminate all obstacles in the form of tariffs.

In conclusion, I've been in this business for many years. I've travelled to many different nations. I always come back to the fact that we, as Canadians, not only can compete on a global basis, but have proven that we can be world leaders. Drop the barriers and let us do what we do best.

Thank you very much for your time.

**The Chair:** Thank you, sir. You're well spoken.

We're doing well in catching up on time. I think we have time for one full round.

Without further ado, I think Mr. Hoback and Mr. Carrie are going to start.

Go ahead, sir.

**Mr. Colin Carrie:** Mr. Vescio, I'm going to read a quote. I think you know this guy, Flavio Volpe. He said, "If I wanted to be absolutely sure that I could access 17 million annual U.S. car buyers, Canada is a safe bet, Mexico is now a safe bet. But the only guarantee is the U.S." This uncertainty is not going away, as we heard from witnesses over and over again, and even today.

Under the new NAFTA, it seems exports to the auto and auto parts sector are effectively capped, and your association seems to be okay with that. I was a little surprised to hear some of the comments. It seems that this might be not a bad idea in the short term, but long term, as we've heard from witnesses, it seems to discourage further new investment since it limits growth. Do these quotas not encourage companies to move to jurisdictions where their volume is not capped and where there's less uncertainty?

**Mr. Gian Paolo Vescio:** When looking at the side letters in the USMCA, I think obviously we would prefer to allow the market to determine where things are manufactured. Dealing in an unconventional situation as we are here, I believe the government needs to be pragmatic. We would prefer that if there are quotas or caps that the number is good enough that it still allows for growth, and that can be manageable. I believe in this situation there is room for growth, and there is room for it to be manageable.

**Mr. Randy Hoback (Prince Albert, CPC):** That's interesting. A lot of the companies we're talking to on the manufacturing side of things are saying the surtax has done more harm than good, that it's creating part of the problem in their ability to survive and move forward. Do you see that in auto parts, or do you still think we should go fist to fist even though we're getting pummelled as we do it?

**Mr. Gian Paolo Vescio:** Speaking pragmatically, obviously only so many things can be done. We would prefer that it's not a problem, and we would prefer that auto parts producers are able to freely sell, buy, create and move their product. We'd encourage the government to try to find a solution as quickly as possible so we're not—

**Mr. Randy Hoback:** We've also heard in other testimony last week that there is a solution there. If you make one phone call and accept the quota on steel and aluminum, you have a solution. There's also the concern that if we don't do that, the U.S. is going to import only so much, and they don't care if it comes from Canada, Germany or anywhere else, but once they hit that number, that's it. So if you want to have a bigger quota now, you'd better do it today, because if you wait two weeks from now, Germany and Korea might eat that amount, and all of a sudden we'll be sitting here with nothing.

Do you subscribe to that theory?

●(1240)

**Mr. Gian Paolo Vescio:** Obviously, we wouldn't describe quotas as good. I wouldn't presume to say this is good; this is bad. I would prefer to see what was on the table before making a judgment. Obviously our government has to be pragmatic in dealing with a partner that's bigger than we are, but at the same time, we would prefer that they try to come to a resolution where—

**Mr. Randy Hoback:** I get it.

Pardon me, I don't mean to cut you off, but he's going to cut me off, I think, so—

**Mr. Gian Paolo Vescio:** No problem. Go ahead.

**Mr. Randy Hoback:** Being pragmatic is very important. The reality is that by not being pragmatic at the start of this, by letting it drag on and drag on, we've gotten what we've gotten. We could have solved this with Trudeau and Obama with TPP, because that was the NAFTA replacement. We wouldn't be here today if they had gone down that road. This government chose not to, so Obama chose not to put any equity into it either. We could have avoided all this, but it is what it is.

If you want to talk about being pragmatic moving forward, then any uncertainty that's sitting in the industry right now is still sitting there even though you have a trade deal. I think a lot of companies said, "Oh, great; we have a trade deal. The uncertainty is gone. We'll get back to normal." Yet if you talk to anybody in manufacturing in the steel sector, no. In fact it's worse, because they don't know anything more today and we were given this false sense of security that this was all going to be solved.

Mr. VanderVeen, let me give you a chance to answer this. Do you feel better today or are you more concerned about your future today than you were, let's say, six months ago?

**Mr. Mark VanderVeen:** Well, I'll tell you, in January I lost a lot more nights of sleep than I have recently, but there are still a lot of issues out there creating a lot of concerns.

Our concerns are with the consistent increase to our costs of goods sold. When we have tariffs implied, when we have a steel industry in the United States that arbitrarily raises the prices at the AMM, we cannot predict where we should set our prices so that we can be a profitable company moving forward. When we have that uncertainty, when you sit down and look at return on investments for your capital spend, which is eroding as we speak, the shareholders sit back and say, "Can you guarantee that return on investment or do we sit and wait?" When you sit and wait, what happens? There is stagnation, and that is the last thing we want to see in this industry.

So, yes, we are concerned with it.

**Mr. Randy Hoback:** How much time do I have, Chair?

**The Chair:** You have 15 seconds. You can get a comment.

**Mr. Randy Hoback:** Do you think we should continue with the surtax or do you think we'd be better off going down the road of getting rid of the surtax and getting more competitive? Let's eat the 25% the U.S. has thrown at us. If their consumers want to pay more money for their goods, so be it, but let's make us more competitive, and that way we can be more competitive not only in the U.S. but right across the globe. Would that be a lot wiser attitude?

**The Chair:** We can have a quick answer.

**Mr. Mark VanderVeen:** That is an option, but I don't believe we're in a position to become 25% more competitive.

**Mr. Randy Hoback:** But you don't have to be. Ten per cent might do it.

**Mr. Mark VanderVeen:** Right.

**The Chair:** Thank you, Mr. Hoback. We're over time. We're going to try to get everybody in here.

Mr. Dhaliwal.

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

Thank you to the witnesses.

Mr. VanderVeen, you were saying that Canada can be a leader. In fact it's a leader only because companies like yours have played a key role. Government can only be a force of good and can create an environment.

I want to congratulate you also on your 100th anniversary coming up as well. Congratulations.

**Mr. Mark VanderVeen:** Thank you very much.

**Mr. Sukh Dhaliwal:** You mentioned a 28% steel price increase. Do you think it's just because of these tariffs or would it have come anyway?

**Mr. Mark VanderVeen:** I don't believe it would have gotten to that level, but of course I'm not an expert in the industry. With the administration in the United States putting out the threats that would allow the supply and demand of steel in the United States to fluctuate and alter, the steel manufacturers have had the opportunity to increase prices. I didn't believe they would increase as much as they have, but you probably would have seen a fair percentage of this 28% due to the tariffs and the trade initiatives that are going on. The tariffs were put in place by the administration to allow the steel industry in the United States to expand capacity. They have not expanded capacity; all they've done, based on supply and demand, is increase the prices. It has been extremely significant. As I mentioned, on top of that, we're now looking at the 25% reciprocal tariffs that we have to deal with. So it is significant.

**Mr. Sukh Dhaliwal:** As you know, we have signed the USMCA. It's going to help the auto industry. The minister is working very hard even on aluminum and steel, but in the meantime the government has come up with all these supports they can give to the companies.

●(1245)

**Mr. Mark VanderVeen:** Right.

**Mr. Sukh Dhaliwal:** What are your opinions about that? What else could have been done besides coming up with an agreement?

**Mr. Mark VanderVeen:** I am very opinionated about that, so I will temper my approach to it. The announcement was that \$2 billion was going to become available. That was just in our backyard in Hamilton, I believe at ArcelorMittal Dofasco.

We've done a lot of looking around, a lot of research, a lot of digging around to understand how we can access some of that to improve our innovation, and I believe that's where it is. We've had a difficult time gaining transparency to that. The one area we have been approached is by the EDC, who I believe has taken a very substantial chunk of that \$2 billion. We have had dealings with the EDC in the past, and I'm not going to knock them, but at this particular point I don't need a bank to lend me money because the government has implemented policies that are drawing back my profitability and cash flow. It's like the government implementing policies that are constraining your paycheque. You can't pay your mortgage payments anymore, but they'll let a bank lend you money.

That's not what we're looking for. We're a free enterprise. We'd like to move forward with this. If there are programs out there, please work very diligently to make them more visible and transparent to us.

**Mr. Sukh Dhaliwal:** Have you approached the minister's department to somehow find out if there are programs besides EDC?

**Mr. Mark VanderVeen:** We've searched through the web to see how we can access that, and now we've hired a consultant to help us.

Again, consultants are not very cheap, or very—

**Mr. Sukh Dhaliwal:** Okay.

Mr. Vescio, how about your members? How do they feel about the government support that's coming up? Have they submitted their remissions and gotten the money? What is your feedback from them?

**Mr. Gian Paolo Vescio:** Obviously, as I stated, for bigger companies the ability to wait for the drawbacks is a little bit easier. The issue is that for a lot of the smaller parts companies that we represent, they might not have the finances to wait. They would preach speed, essentially.

**Mr. Sukh Dhaliwal:** Have you suggested how we could have managed that differently? We heard from other SMEs as well, and they said the same thing you're telling me. Have you provided your input on how government could have done things differently so that those small businesses, and particularly your members, could have taken advantage of the situation?

**The Chair:** Make it a quick answer, please.

**Mr. Gian Paolo Vescio:** I believe there are so many things the government can do. Allowing business to be able to react more quickly in terms of the administrative process is probably where we could start.

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

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

We'll go to the NDP now.

Ms. Ramsey, you have the floor.

**Ms. Tracey Ramsey:** I'm actually going to pick up on my colleague's thread, because I think this is an area where we should be

able to help what's happening on the ground. The amount of money that's flowing into the country and being collected right now is not reaching the ground. I think that's clear. We've heard that repeatedly at this committee. Out of 74 companies that have applied, only 36 have been successful in the duty drawback and duty relief.

Part of it is that there just aren't enough people on the ground. CBSA has hired 10 people, as we heard last week, since the launch of these tariffs. That prevents them from getting to your places in a timely manner to determine whether or not you're a successful applicant. In the meantime, to Mr. VanderVeen's point, you're bleeding that money. You're losing during that whole period of time.

The point you made about BDC and EDC, about getting a loan, is something we heard repeatedly here. It's not that people can't have access to that money; it's just that if your business is diminishing and you're losing, losing, losing, and then you have a loan on top of it, how does that benefit or help your company in any way?

In Windsor on July 18, we had 300 people come down to a meeting that was planned within, I think, a day and a half. I was there. The automotive parts manufacturers were there. Flavio Volpe was there. It was packed. The title was "Planning for the Impact of Tariffs on Manufacturers". A lot of the things we've been sitting here discussing at this committee over this last little while are the exact same things we heard on July 18. The program hasn't improved in a way that's helping businesses on the ground.

I really want to dig at that a little further, because I think my colleague was asking you some questions, and I want to know if you have applied for the duty drawback and duty relief or exemptions at all. Obviously, you're representing an umbrella. I'm wondering if you have any data on how many of your members have applied for the duty drawback or duty relief and whether they've applied for exemptions because they need U.S. steel, basically.

• (1250)

**Mr. Gian Paolo Vescio:** I don't have access right this moment but I could possibly see if I can acquire that and provide it.

**Ms. Tracey Ramsey:** Okay.

**Mr. Mark VanderVeen:** In Vineland, as I've used the example, we're a very lean organization. The administration to fill out the paperwork and go through the process is taxing, and we have one person who can do that, along with their other duties, of course.

In addition to that work, we also needed to post a \$300,000 bond just to cover for our exports. Again, each time we talk about this—

**Ms. Tracey Ramsey:** Wow.

**Mr. Mark VanderVeen:** —ekes away at the working capital we would like to reinvest in the business, but we can't do so now.

What we have done is hired a company to help us with the administration of that. As I mentioned, they are taking 5% off the top. Each time you eke away at and nibble away, it becomes very taxing on the business to be able to come forward with a solid bottom line.

Yes, we are applying on a monthly basis to get back our clawbacks. We have three months in arrears, and we expect our first cheque at the beginning of November.

**Ms. Tracey Ramsey:** Okay.

**Mr. Mark VanderVeen:** Again, to put it bluntly, my money is sitting in the coffers of the government, not in my bank.

**Ms. Tracey Ramsey:** I know. That's exactly right.

In the middle of the summer, the NDP called for a tariff task force. We think you should all be in a room trying to find a solution and a way forward much in the way we saw in the USMCA negotiations. I don't understand why that process isn't being replicated, because I think the answers lie within all of your companies, with all of the job creators you have. We're hearing consistently the same type of theme. To think there is now some subsection of consultants who are popping up charging you fees, trying to take advantage of you in this really difficult time...

The government should be helping you with this. What you're paying 5% for, you should not be paying. This should be done by Finance. They should be assisting your company because you're already in very difficult times.

I want to go back to another theme that we hear. It's about what we can be doing domestically. What do your companies now need domestically to strengthen themselves and to find some types of opportunities here in this tariff war we're in? It's very unclear at this point in time how long this will go on. For long-term planning to be in this, what do you see as the domestic policy?

**The Chair:** I'm sorry, but there's not going to be time. Your five minutes are up, and I don't think they are going to be able to answer that question.

**Ms. Tracey Ramsey:** If you could submit your response to the committee after, I would appreciate it.

**The Chair:** Yes. They are welcome to do that if they can. Submissions are good.

We have time for one more MP.

Mr. Peterson, you have the floor.

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

Thank you, everyone, for being here with us today. It's obviously a very important issue.

We hear clearly that USMCA is a good deal, but perhaps in the auto world it's a bit tempered by these continuing steel and aluminum tariffs. I think the auto industry and the steel and aluminum industries rely on each other to be healthy, vibrant, free market industries. Hopefully, we can get back there as soon as possible. I think we also all agree that the section 232 tariffs were unwarranted and put on by the President and his executive order based on a commerce report. It obviously had nothing to do with

Congress or anybody else. We're trying to deal with the situation the best we can, but we appreciate your input in trying to guide us in that initiative.

I want to talk about the impact on auto. I'm from the riding of Newmarket—Aurora. My neighbour Ms. Alleslev and I both have a lot of auto parts manufacturers that have strong footprints in our ridings and thousands of jobs.

The consensus seems to be on auto that this is good. There's significant room for growth. I think my friend Mr. Carrie quoted Mr. Volpe. He came out, too, saying this is important. There is, I think, up to a 20% increase in local content rules that will be helpful in those things.

Mr. Vescio, I know you agree with Mr. Volpe.

Mr. VanderVeen, do you see the same sort of growth opportunity that Mr. Volpe sees?

• (1255)

**Mr. Mark VanderVeen:** In our automotive business, we manufacture brake caliper pistons. We have a very dominant position within the automotive market in North America.

We are happy with the increased content rules coming on board. We were very engaged with the APMA and provided input into the negotiating team. We believe it will provide us with the ability to continue to grow our business based upon the fact that it will put up barriers from offshore components coming up. It's not to say we're in a position where we're concerned with that, because we believe we're extremely competitive in a world market, but it certainly does help.

**Mr. Kyle Peterson:** I think I see the concept in the case that it sort of puts a fence around the offshore market.

Ideally, what should the steel and aluminum industry look like? Should it be a Canadian industry? Should it be a Canada-U.S. industry? Should it be a North American industry? How do we deal with the external threats that have nothing to do with these tariffs, but you look at dumping and things like that? What should the industry be structured like to be as successful as possible?

I have 20 seconds left I think.

**Mr. Gian Paolo Vescio:** I would say, on behalf of our members, it should be an industry that allows us to be able to make car parts and cars in the best way we can and the most cost-effectively—if I could put it as quickly as I could.

**Mr. Kyle Peterson:** That's good.

**Mr. Mark VanderVeen:** Steel companies are international businesses, and there are very few stand-alone Canadian steel companies remaining. Putting up barriers within companies to stop the natural flow of product is something that needs to stop. Let the businesses operate in a free enterprise market and things will settle out for sure.

**Mr. Gian Paolo Vescio:** It's important to note that 70% of what we make comes from the U.S., so it's important that the North American steel market remain strong for our members to prosper and grow.

**Mr. Kyle Peterson:** Right.

How much time do I have? I'm probably pretty much out of it.

**The Chair:** You have two minutes. Go ahead.

**Mr. Kyle Peterson:** Wow, did I get bonus time?

Mr. VanderVeen, how do you source your inputs? Are you going across borders more than once on the final product? What impact do any tariffs have on you because of that?

**Mr. Mark VanderVeen:** Yes. In both in our rail business and our automotive business we do source from two locations in the United States and then from Canada. We do have components that move across the border frequently—and I shouldn't say "frequently" but more than once—that go into our manufacturing facilities in the States and come back. The platform, which was established since the implementation of the Auto Pact and NAFTA has allowed us to do that.

Putting up barriers to stop that process sends ripples through the industry, uncertainty, and it also increases costs significantly. These costs, again, from a macro standpoint, will get passed down to the consumer. They're false increases within the economy that will drive prices up and demand increases in wages. The Federal Reserve and the Bank of Canada will see the inflation and interest rates go up.

**Mr. Kyle Peterson:** Right.

**Mr. Mark VanderVeen:** Again, to answer your question, lower the tariffs, eliminate them, allow us to compete on a world basis, and we'll do very well.

**Mr. Kyle Peterson:** Perfect.

I think I probably have used up my time.

**The Chair:** You just have 20 seconds.

**Mr. Kyle Peterson:** There's no point.

Thank you, gentlemen, for being here. We appreciate your input.

Again, if you have anything else to add, please forward it to the committee before we do our final report.

**Mr. Mark VanderVeen:** Thank you very much.

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

That wraps up our second round and we're at the end of today's meeting.

Gentlemen, thank you very much for coming. You represent companies, businesses and employees.

These are challenging times. Many witnesses have come forward with complaints and suggestions, and we're putting it all together in our study.

Thank you, again.

This ends today's meeting.

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