



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 126 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, October 30, 2018

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Chair

The Honourable Mark Eyking

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• (1100)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning and welcome, everyone, to the international trade committee.

We are going to continue with our study on the impacts of tariffs on Canadian businesses, companies and, of course, workers. We've had quite a few meetings so far. We've had quite a few witnesses and workers' groups. We've received a lot of good information and had good dialogue with the MPs.

We're going to start our first half. Colleagues, we'll probably do 45 minutes in one round. We have three stakeholders today.

By video conference, all the way from Burnaby, British Columbia, good morning, gentlemen.

I always start off with the video conference first, in case we have a jig up or something happens. We're going to go right to British Columbia.

Welcome. You guys are with UBS Industries. We try to keep it under five minutes for each stakeholder. If you can, we'd appreciate it. We're not that hard on you, but it gives us more time for dialogue with the MPs.

Go ahead, folks.

Mr. Andrew Mindell (President, UBS Industries): Thank you.

Good morning. My name is Andrew Mindell. I am the president of UBS Industries. Sitting next to me is Jim Kerr, our general manager.

Our company is a specialty steel distributor and agent that is located in Coquitlam, British Columbia. The product we're here to talk about today is known as in-line galvanized tube. It's a specialty tube product that is essential to small and medium-sized businesses across western Canada, representing over 2,000 jobs. The product is used by playground manufacturers, covered shelter manufacturers and farmstead equipment manufacturers, to name a few.

Today, we're here to answer any of your questions, but I wanted to share with you our journey through the steel tariffs process, as a small business from British Columbia representing many other small businesses across western Canada.

When the steel tariffs by the United States were first announced, our business was unaffected, as we are an importer of steel from the

United States and not an exporter. Many of our customers are exporters, but they export finished products that were not susceptible to the tariffs.

Shortly after America imposed their tariffs, Canada's counter-tariffs were announced and our in-line galvanized tubing was captured in the original counter-tariff proposal. Despite being an extremely specialized niche steel product, in-line galvanized tube was captured under the original counter-tariff proposal as category 7306, which captures iron or steel—excluding cast iron—tubes, pipes and hollow profiles, which are not seamless.

My understanding is that imports from the United States into Canada, within this category, equate to approximately \$975 million annually. Between ourselves and our customers, our imports would represent an extremely small fraction of this annually. Needless to say, we are a small fish in a big pond. Our product is so unique that it is only available from a United States manufacturer. It is not available in Canada or from any international trading partners.

As a business, the counter-tariff measures stood to become a major issue for us and our customers. For most of our customers, in-line galvanized tubing is the major material input cost in the manufacturing process. The result of the countermeasure was such that our customers would be at a 25% material cost disadvantage, as compared with their U.S. competitors, and the U.S. competitors would be able to export tariff-free into Canada because they would be exporting finished product.

The effect of the counter-tariff, as it related to our specific product, was such that U.S. companies were being strengthened and Canadian companies were being placed at a competitive disadvantage. This put us and our customers in a terribly uncomfortable, uncompetitive position that would see no harm to the U.S. mills, given that the dynamic of the supply was only available in the United States.

As a company, we were very understanding of Canada's position to implement the counter-tariff, but felt that we were likely an unintended consequence. Having no political affiliation and being a small business in Coquitlam, we simply took Minister Freeland's advice, through the media, to submit a request for exclusion.

As part of this process, we reached out to our local MP's office, which quickly put me in touch with Joyce Murray. Joyce Murray led us to Global Affairs in Ottawa, which led to us Ian Foucher in the Department of Finance. Ian was responsive and sympathetic, but was very honest that there would likely be some unintended consequences, when the final counter-tariff list came out.

Unfortunately, in-line galvanized tube was still captured on the final counter-tariff list, but we received a follow-up phone call, shortly after, to let us know that there was a remission process that we could apply to.

We immediately followed the instructions of the remission process and kept in close touch with a number of members in the finance department, all of whom were extremely responsive and understanding of our situation. They consistently challenged our case, to ensure the facts we were presenting were correct, and they gave us the opportunity to challenge some of the facts that they were presenting. We were put through a very thorough process.

Ultimately, we reached a remission for our product this past month.

• (1105)

Prior to receiving the remission order, I repeatedly commented to our customers, employees and friends how impressed I was with how the government was treating us and our issue. As I mentioned at the outset, we have no political affiliation. We simply followed the path that is set out for a citizen, and the path worked extraordinarily well and was fair and transparent.

I must commend the government on how well they functioned throughout the entire remission process. As a citizen and a business person, I would say this process far exceeded our expectations. We are extremely grateful for receiving the remission, and on behalf of our customers and the 200-plus employees that together we represent, we simply want to thank the government for the fair and thorough process we experienced.

Thank you.

• (1110)

The Chair: Thank you, sir.

We're going to move on to Onward Manufacturing. Go ahead, gentlemen.

Mr. Colin Kirvan (Vice-President, Product Management, Onward Manufacturing Company Ltd.): Thank you.

Good morning, Mr. Chairman and members of the Standing Committee on International Trade. My name is Colin Kirvan. I am the vice-president of product management at Onward Manufacturing Company. I'm joined today by our president, Terry Witzel.

Onward is a third-generation, Canadian-owned company in the Waterloo region since 1906. At our Waterloo facility and at our U.S. facilities in Indiana and Tennessee, we manufacture high-quality gas barbecues sold under the Broil King brand. Currently, we directly employ approximately 475 people in Waterloo and support significantly more jobs in Canada. These are well-paying, value-added jobs.

Although other companies manufacture barbecues in Canada and the U.S., our company's extensive vertical integration sets us apart. Other well-known Canadian and U.S. companies import a significant percentage of their finished products from China, or import major components that then are assembled into finished barbecues here. Our company operations are different. Our barbecues are manufactured in North America by our skilled North American workforce,

with quality North American steel. In Waterloo, we source Canadian steel where possible and make every effort to support our Canadian suppliers.

Since 2008, our company has invested significantly in its North American footprint, leveraging NAFTA to build a truly global business. Today, we ship our Canadian-made barbecues to over 40 countries around the world. Between 2008 and 2017, Onward has more than doubled its production and sales, with significant growth in both the U.S. and Europe, yet Onward's continued growth and viability are under duress. The pressure is twofold: trade tensions and tariffs, and China's unfair trade practices.

Current Canada-U.S. tariffs are driving up prices of our inputs in North America and threatening our supply chain. The pressure heightened when the U.S. imposed a 25% tariff on steel and a 10% tariff on aluminum under section 232. Things were made worse when the EU and Canada responded with retaliatory tariffs.

Our steel costs are up nearly 18% this year alone. That is a substantial increase that our competitors, who use of Chinese steel and process finished goods or parts in China, do not contend with. In this climate, it is difficult for a vertically integrated Canadian company with substantial steel inputs to compete.

I'll turn here to my second pressure: China's ongoing trade advantage. By subsidizing its steel industry, China gains a huge trade advantage, one that has decimated North American barbecue grill production. We have seen numerous companies fold or move production to China over the past 15 years.

China's subsidized steel and manipulated currency enables the Chinese to export finished goods around the world at lower than fair market value. Canada's 8% tariff on Chinese barbecues is insufficient to address these unfair trade practices. A more robust tariff of 25% would help level the playing field and fit with Canada's policy of ensuring that social, environmental and labour rights are enshrined in our trading relationships. When China starts trading fairly, the tariffs can be eased. Unless we take action to protect Canadian steel processors, the local consumers of Canadian steel, they will eventually move to China.

Finally, I'll point briefly to how we can leverage this volatile trading arrangement. Due to the recent 25% tariff the EU has placed on U.S.-made barbecues, Canada and China are presented with an opportunity. Our preferred option is to move this production to Canada; however, the China option is far less capital intensive and more cost effective. However, with the support of the Canadian government, we could leverage the made-in-Canada brand and grow our Waterloo operations in order to supply the growing EU market and create 200-plus direct Canadian jobs.

This is a real opportunity for Canada to support companies such as ours to scale up and grow jobs and exports here at home, by keeping material costs competitive and spreading funding directed to steel producers downstream to steel processors.

In conclusion, we would urge the committee to recommend the elimination of retaliatory tariffs and to not impose further tariffs on imported steel; to recommend action to level the playing field for Canadian-made products, namely an increase of the 8% tariff on Chinese-made barbecues to 25%; and to recommend action to support small and medium-sized downstream steel processors to grow Canadian jobs and exports.

• (1115)

Thank you very much. We'd be happy to answer any questions you have.

The Chair: Thank you, sir. I have to confess that when I brought my Broil King home, I didn't know that it was made in Canada.

Mr. Colin Kirvan: That's great.

The Chair: I felt really good about it when I saw that it was made in Canada. I think a lot of Canadians don't realize how successful your business is. Also, it's working very well. I didn't blow it up yet.

Mr. Colin Kirvan: That's good.

The Chair: We're all doing well.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): He overcooks the steaks, though.

Voices: Oh, oh!

The Chair: Did you say how many employees you have?

Mr. Colin Kirvan: We have 475 in the Waterloo region.

The Chair: Thank you.

We'll go to Central Wire Industries.

Mr. Dodds, you have the floor.

Mr. Thomas Dodds (Vice-President, Commercial, Central Wire Industries): Thank you.

Good morning. My name is Tom Dodds. I'm vice-president of Central Wire Industries in Perth, Ontario, where I've worked since 1998. It is my privilege to represent not just our company but our fellow employees in discussing the impacts of tariffs on our business.

I'll give you a bit about our company. Production began back in 1955 to manufacture fine diameter wire used in the weaving of fabric in the paper industry. In 1979, a group of Canadian investors, along with senior management, acquired the company we now know as Central Wire from Albany International. The same original family of investors continued to participate, along with current management, as the principal private shareholders of our company.

Now, in 2018, here in Perth, Central Wire Industries manufactures stainless steel wire of all types, grades, sizes and packages for all applications in automotive, aerospace and industrial markets. For almost any market you can think of, we're producing the product. In 2017, our location in Erin, Ontario, unfortunately was forced to close, leaving Central Wire Perth as the last manufacturer producing stainless steel wire in Canada.

To manufacture the many grades of stainless wire that we do, we buy a product called stainless steel rod, which is hot-rolled, annealed and pickled into regular round coils. Basically, picture a rod with a diameter the size of your finger. We take that and draw it down as fine as your hair, depending on the application.

In this discussion, we've been well-immersed both on our supply chain and on our customers, because our biggest cost is stainless steel rod and, of course, our livelihood is stainless steel wire.

Central Wire employs more 80 people in Perth, Ontario, and continues its significant contributions to the community, both in direct employment and in other community-oriented activities. Perth is not a very large town, but it's a pretty town.

Since February of this year, the topic of steel and aluminum tariffs has dominated and consumed many hours of many days in our stainless steel market. The resulting impact since the U.S. imposition of section 232 has had a negative effect on our Canadian operations, our customers and our vendors. The two primary negative effects, of course, are increased costs in terms of stainless steel wire going to the United States and the diversionary tactics of those that once exported to the U.S. and are now looking for other markets.

Specifically with respect to the cost, the United States is an important export market for us. The imposition of the 25% duty on Canadian exports to the U.S. has been very harmful. Our U.S. customers will simply not accept such a significant increase. We're forced to absorb the cost or to try to find other markets or customers. The Canadian market is simply not big enough for all the production that we can produce.

Increased exports to Canada can be the direct result and consequence of the U.S. imposing the 25% tariff on products going into the U.S. Historically, they were bound for the U.S. and now these people are looking for places to bring their products. I'm sure you've heard this story from many other people. At the end of the day, we can absorb but can't compete with some of the low pricing that was once heading to the U.S. and is now reaching our borders.

The impact of section 232 on motor vehicle parts is a hotly debated topic these days, so I want to touch on that briefly in terms of some of the markets that we produce for in the automotive industry. Stainless steel wire is used for the manufacture of airbags, exhaust systems, seat frames and all kinds of components, fasteners and springs in your automobile. Our customers are unwilling to pay for those 25% increases in our manufacturing costs. If we want to sell to our U.S. customers, we have to find a way either to absorb that cost or, as I said, find another market or another home for our products.

As a result, this is not a profitable situation for Central Wire Industries. As offshore imports of stainless steel wire become prevalent in Canada, we're going to continue to face increased competition for our historical customers. Imports are gaining traction in the Canadian market and they're certainly a threat to us in future sales as well.

• (1120)

Our manufacturing facility and our employees in Perth are now at a very critical crossroads in our long history. We remain anxious for a potential resolution on section 232. We are also very hopeful and very supportive of the recent announcement the government has made on safeguard actions. We plan to participate fully in that process.

We believe that in light of recent trade measures globally, particularly in the U.S., it is vital that the Canadian government take certain action to ensure that the Canadian producers are not forced to shut down Canadian production.

Thank you very much for your time.

The Chair: Thank you very much, Mr. Dodds.

It's a very challenging time for sure, for many companies and employees, and we've heard that quite a bit from our witnesses. Thank you for coming.

I'd like to do some welcoming here of some visitors to our committee today. From across the Atlantic Ocean, we have a crew here from the European Union. We had the pleasure to have an informal meeting with them beforehand. They are from the European Economic and Social Committee.

Again, welcome, folks, to the Canadian international trade committee.

I'd also like to welcome MPs who are visiting here. With us today we have MPs Sikand, Morrissey, Wong and Trudel.

Welcome. You're going to find out that this is one of the most exciting committees on the Hill.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): You'll never want to leave.

The Chair: Let the excitement begin.

Let's have some dialogue with the MPs and witnesses. We're going to start with the Conservatives.

Ms. Wong, I think you and Mr. Carrie are going to share the time. Go ahead.

Hon. Alice Wong (Richmond Centre, CPC): Thank you, Mr. Chair, and thank you for the warm welcome.

As the member of Parliament representing Richmond, British Columbia, I'd like to welcome our witnesses from Coquitlam, British Columbia.

First of all, I would like to thank you for creating those 2,000 jobs. Definitely this is a difficult time, and you have been lucky enough to be able to sail through troubled waters. You say that you think you're okay as of right now.

I can assure you that you don't have to be politically affiliated with any party in order to have your voices heard. It is the responsibility of all governments, whatever stripe they represent, to protect Canadian jobs. It is our job to make sure the SMEs survive, because small and medium-sized businesses actually create the most jobs.

I'd like to ask a question. Earlier, you mentioned that this 25% in material costs will have a great impact on your customers. Can you expand a bit on that side, Andrew and Jim?

Mr. Jim Kerr (General Manager, UBS Industries): The major input for their product is steel. With the 25% increase in their material costs, it impacted their business and the cost of their finished goods went up dramatically, certainly not by the 25% but the majority portion of it did go up.

Hon. Alice Wong: You mentioned the 2,000 jobs created by your own company. How about your customers? Do you have any idea of how many jobs out there will be affected?

Mr. Andrew Mindell: The 2,000 jobs is a representation of our customer base and ourselves. They would be affected.

Hon. Alice Wong: In other words, this whole thing would impact the economy of British Columbia as well.

Mr. Andrew Mindell: Yes, but I would say that our customer base is much larger for this product in Manitoba and Alberta. We do have customers in British Columbia, but given the nature of our customers—farmstead equipment, covered shelter manufacturers, playground manufacturers—there's fairly heavy representation in Manitoba, Alberta, Saskatchewan and British Columbia. I would say it's in that order: Manitoba, Alberta, probably British Columbia and then Saskatchewan.

• (1125)

Hon. Alice Wong: Thank you very much.

Colin.

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

I wanted to say to Colin that I have a Broil King as well, although it doesn't burn as many things as our chair does.

Voices: Oh, oh!

Mr. Colin Carrie: You made a comment in your opening statement that I'm curious to follow up on. You said, "However, with the support of the Canadian government, we could leverage the made-in-Canada brand and grow our Waterloo operations in order to supply the growing EU market and create 200-plus direct Canadian jobs."

What kind of government support are you talking about there?

Mr. Colin Kirvan: We're looking at a couple of different things.

First, to back up a little bit so that you understand, our facilities are in Tennessee and Indiana. We make die-cast aluminum ovens. We have seven die-cast cells in Tennessee. Those components would flow to our Canadian facility and also to our U.S. facilities. Likewise, in Waterloo we make injection-moulded components that we would then supply to our U.S. facilities. In a lot of ways, then, our NAFTA footprint is quite strong. We're able to move parts very economically and get them to the right place when you need them.

To me, that is the first piece. We have an issue at the moment where we're captured in that 10% retaliatory tariff. We have components coming that we need for production in Ontario to be able to ship in Canada and all over the world, and we're now getting hit with a tariff on them. Those would be cast aluminum ovens, shelves, you name it—whatever those components happen to be that are coming from those particular facilities. Right out of the gate we want to deal with those issues that are now impeding our ability to compete.

The second issue is around how we then capitalize on that opportunity for Europe. When we looked at it, we said there was a strong opportunity to open up that market with increased capacity in our Waterloo facility. We need about 90,000 square feet to accomplish that. We physically don't have the footprint today to be able to run that product economically through the plant, and we want to make that investment here.

At the moment, for every barbeque we're shipping through our U. S. facility, going to Europe, we're trying to hold our pricing so that our customers can maintain those retail price points and we can compete. We're dealing with the likes of Weber, who's doing a significant amount of their product offshore. They're competing with us in that market space, so we have to hold those price points. The goal is to move that production where it's targeted for European Union customers into Canada, leverage CETA and be able to supply that product from Canada to Europe.

I hope that answers it.

The Chair: Thank you, Mr. Carrie.

We'll go to the Liberals for five minutes.

Mr. Sheehan, you have the floor.

Mr. Terry Sheehan: Thank you very much.

I'm the member for Sault Ste. Marie, where we have two large steel producers but a lot of small and medium-sized steel producers as well. We have Algoma steel. We have Tenaris tubes. We have a number of small and medium-sized steel producers. We've become sort of a centre of excellence for steel, and in many ways they're affected by the tariffs, these punitive and unfair tariffs. Some of the steel producers are importing steel. It's just the way the integration of the steel market happened. They're affected in many of the ways you're sharing with us and past people have as well. The big ones are affected too, as you know.

I had the pleasure of being co-chair of the all-party steel caucus. At this committee we're hearing about, through those channels, the challenges that the different organizations and businesses are having. In response to these unfair tariffs, \$2 billion in aid was announced to help businesses deal with these unfair tariffs and section 232.

First, to the folks from B.C., perhaps you could expand on and share with us your advice on how you were able to access this very quickly and get the ball rolling. I think that would be important to hear, so perhaps you'd like to share your story about that—about your best practices and how you did that.

Mr. Andrew Mindell: I would just say that we followed the advice we heard and we followed it to a T. When we were told to fill out an application, we filled it out as we were asked to fill it out. We

were persistent in our following up. We just stayed on it. It was the biggest issue in our business, so we were on top of it. We didn't try to plead a case that wasn't being asked to be pleaded. We answered the questions that were asked. We followed up with people, as you would in business. I would say that we were successful in having a...

Our case was unique and we quickly realized that it was unique. The product was not available in Canada. It was only available in the United States. It was highlighted that this was one of the things the government was looking at.

That was really all we did.

● (1130)

Mr. Jim Kerr: We encouraged our customers to support the cause as well.

Mr. Andrew Mindell: Yes. We had many customers who applied alongside us. We don't have a trade group or a trade organization. We're a small industry. However, they certainly supported us, and we welcomed the government to probe us where necessary, as opposed to going unprobed, to make a decision. We wanted to give full disclosure and answer any questions that those individuals had.

Mr. Terry Sheehan: Thank you very much.

My next question is for Thomas Dodds.

Beyond the \$2 billion in support, there was also the announcement of safeguards. Could you please share with the committee why that's important for a producer like you that produces with the stainless steel rods? I believe those were included in the safeguarding.

Mr. Thomas Dodds: Absolutely. I might even touch a little bit back on your question to our friends in British Columbia because Central Wire produces stainless steel wire from stainless steel rods. There are no stainless steel rod producers in Canada. Our primary partners are in the U.S. Our market, our customers, our competitors and our vendors have, for my 20 years in the business, looked at it as one market.

One of the first things that we did, similar to our friends in British Columbia, was file with the remission process, and that does help us on some of our input. With regard to our friends here from Waterloo, I think their next challenge now is to get the product that they make into the U.S. to compete against some of the imports and the pricing. That's where we're at. That's where the safeguard.... We were included in the initial seven products of the safeguard announcement, so we're kind of all in different stages of the process. To this point, I have to say that we're pretty excited that it's working and that the Canadian government is listening.

We have done the remission process. We are partly involved now in the safeguard process. We looked at the funds that were available through our CFO. I spent the better part of yesterday filling out many forms and questionnaires for the safeguard.

That's really where we are in the process. Again, if section 232 went away today, that would be a win for Central Wire. If the safeguard proves out after 200 days and stays in place, that's another win, especially if the U.S. still has its duties on products coming into the U.S. Again, our fear is—and we've always seen this—that some of those products come into Canada to compete with us, as opposed to going to one of the world's biggest markets.

Mr. Terry Sheehan: So what you're saying is—

The Chair: Sorry, Mr. Sheehan, your time is well over there. It's good dialogue, but we're going to move on.

The NDP has the floor now.

Ms. Trudel, go ahead.

[*Translation*]

Ms. Karine Trudel (Jonquière, NDP): Good morning. I want you welcome you and thank you for your presentations and for being here before the committee.

I'm from Jonquière, which is in the Saguenay—Lac-Saint-Jean region of Quebec. I had the opportunity to visit STC Manufacturier, which makes steel frames and windows. The 25% steel tax has also severely affected their production. If prices increase outside the country, the company must also pay more for supplies in Canada. This is becoming an issue.

I heard your comments regarding the program implemented by the federal government. As such, I have a few questions for Mr. Mindell and Mr. Kerr, by video conference, and perhaps Mr. Dodds could answer them afterward.

With regard to the federal program, you said that you had to respond to a number of questionnaires and spend several hours providing the information requested by the Canada Revenue Agency. Of course, it's good to conduct a study and an investigation. However, I want to hear about the time frame. You needed this program, but it was a long time before you had access to it. Should the government shorten this time frame?

Could we start with the witnesses from Burnaby?

• (1135)

[*English*]

Mr. Andrew Mindell: I think in an ideal world, yes, it would be shorter. That would be ideal. In the situation we found ourselves in, we had customers who had slowed their ordering to the absolute bare minimum and were holding their breath hoping to get through the steel tariffs, to get through NAFTA or to have section 232 reversed. We were mostly focused on the fact that there was a process we had some input into, and that we could get a remission.

Of course, we wanted them to go faster. We'd like it to have never happened or happened in a week, but we also were respectful of the fact that, like I said, we are a small piece of the imports into Canada. This is a major issue between Canada and the United States. It was impacting our business and we didn't enjoy the impact, but we did recognize the position the government was put in. They couldn't make knee-jerk decisions. They needed to have a due process. I would say they were good in communicating to us that they expected to make decisions by certain days, and I think the last one we were

hoping to have was an October 15 list of those who received the remission. We knew this in September.

Timelines are one thing, but it is something else to be able to communicate to our customers the expectations and then have those expectations met. We were impressed by that. To answer your question, it would be wonderful if the list came out July 1 and we had tariffs and by July 15 we were off it. That would be our preference. However, we certainly weren't demanding it, and we recognized the greater situation at hand.

Mr. Thomas Dodds: Everything Andrew has said is bang on, from our experience. Obviously, faster would be better, but it worked and it was right. Our production is maybe unique. With the raw material I'm looking to acquire for our production, I'm getting lead times of three, four and five months, so I'm planning that far out anyway. Fortunately for us, a three-, four- or five-month process actually worked, but certainly faster is better.

The Chair: We're going to go to the Liberals now.

Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair.

First, let me remark on what excellent presentations all of you have brought here to the table today. It's been really encouraging for us to hear the steps you've taken personally and how you've reached out to the government. We want to ensure that we can get all the supports we possibly can to all our friends from Burnaby, Perth and Kitchener.

On Burnaby, one thing maybe we fail to do often is to advise people to reach out to their member of Parliament. That member of Parliament can help navigate the system here and get you in touch with the right people. If there are roadblocks or things are not moving at the pace you're looking for, often we're able to pick up the phone, or actually go and speak somebody in person, just to see if we can help to get the ball rolling. So congratulations to all of you.

Another thing is that we are all so proud of the work you do. We understand the investments you make in your communities, provinces and country. We also understand how much the people you employ depend on those wages for their families. Again, we thank you so much.

Perhaps you can help us go through the remissions. You were talking about the process—how long it would take, the forms you had to fill out. What advice would you give us about improvements to the process? It's a bumpy road because we're all in this for the first time, but what improvements could we make to that process for the remissions?

Mr. Dodds, would you like to answer? You're going through it right now.

• (1140)

Mr. Thomas Dodds: Individually, I was not heavily involved in the process, other than supplying some data and questions for our CFO. Like you said, though, it's the first time for all us. There are always hiccups and bumps. We did have a lot of advice from our own counsel, as well as from our own MP, and even the mayor of Perth was supportive of our efforts. I think we all get better as we do something repetitive. The process was clear. It wasn't complicated. It was in depth at times, but nothing jumps to mind that I would change today. We'll all get better at it, unfortunately.

Mr. Peter Fonseca: Is there anything from our friends from out west?

Mr. Andrew Mindell: The only thing—and this is just us sitting here—that would be preferable goes back to the first question about the timeline, but I can understand why it wasn't possible. It felt as though we did our work and then the finance department was going to put forward their recommendation to the Minister of Finance, who was then going to go to cabinet. For us to have to wait for the rubber stamp to find out.... It would have been nice to know sooner, even though you guys have a process, because it sounded—I'm sorry for calling it a rubber stamp—like the decision was very likely, whatever the Department of Finance recommended.

It was just that much longer to not be able to communicate any certainty to our industry and our customers. As somebody who received the remission, if we had known as soon as the Department of Finance recommended it and that it was subject to...but we didn't get that. I can understand that the government has a process, but sitting in our seat, that would have been ideal.

Mr. Peter Fonseca: Okay, so more communication...?

Mr. Andrew Mindell: No, the communication was great. I'm not saying that. I'm saying that if the government had the ability to communicate to us to say that we got past that hurdle.... We didn't get that. They just said that some had been put forward and "we will let you know when cabinet gets back to us, but we can't tell you for certain whether or not you've been put forward because we're not allowed to tell you that".

Mr. Peter Fonseca: To our Broil King friends, I have a Broil King myself.

Mr. Terry Witzel (President, Onward Manufacturing Company Ltd.): That's good news.

Mr. Peter Fonseca: I don't know if you have every MP here on the Hill, but you definitely have the government fired up. It's all good.

Voices: Oh, oh!

Mr. Peter Fonseca: I wanted to ask you the same thing around the remission. Is that something you're looking at? Would that affect you? Would that be something you can access?

Mr. Terry Witzel: Go ahead and answer, Colin.

Mr. Colin Kirvan: No. To be blunt, our biggest issue is trying to get the steel costs normalized, to be honest.

When we're dealing with our inputs, that's what our business is focused on. We're 18% up and 22% on the spot market right now and it's killing us. We have to get that issue specifically handled. Would

the remission process help us with our barbecue parts coming up? Yes, but that's not going to solve the bigger issue. That's where we're focused right now.

The Chair: Thank you, Mr. Fonseca. That ends the first round.

We have some time here, I think, for just two questions. I'm going to have four minutes for the Liberals and four for the Conservatives.

Go ahead, Mr. Peterson. You have four minutes.

Mr. Kyle Peterson: Thank you, Mr. Chair, and thank you to the witnesses for being here today.

It's always important to take a step back and look at the section 232 as put in by the American president because he considers your products a national security threat, which I think we can all agree is ridiculous. I don't think anyone here agrees with that assessment by the president, but we have to live in the times that we live in, and we're coping the best we can. I appreciate hearing your personal stories.

I think, Mr. Dodds, you said that your MP helped you as well.

Mr. Thomas Dodds: Yes, he did, and more so, it was the mayor of the Town of Perth. Mayor Fenik unfortunately had gone through having another industry recently announce a closure, so he was quick to come right to our door and offer support, and he actually came to Ottawa for some of our visits.

• (1145)

Mr. Kyle Peterson: It's good to hear those local stories. It's good to hear them as MPs. I know that our friends in B.C. said that Joyce Murray helped them. I think Scott Reid is your MP, Mr. Dodds.

Mr. Thomas Dodds: That's correct.

Mr. Kyle Peterson: It's good to hear that he's able to help you as well. The root of our role is to help our constituents. I'm glad to hear that these stories are happening.

I want to talk a bit to Broil King—I have limited time here—and touch on a couple of other things that you mentioned. I think you guys have the brand "made in North America". Is that correct?

Mr. Colin Kirvan: It's what we're using on our point-of-sale material.

Mr. Kyle Peterson: Yes, I've seen the U.S. and Canadian flags—

Mr. Colin Kirvan: Yes.

Mr. Kyle Peterson: —which is good, I think.

You mentioned that if we could promote Canadian goods, that would also be helpful in the industry as a whole. Do you see that as a marketing mechanism that the Canadian government can help in? How do you see the role that we could play to help with that?

Mr. Colin Kirvan: Yes, I certainly do. One thing we've found as a result of some of this trade tension, which really has happened globally now, is that Canadian products still in a lot of ways hold a stronger value than those of our counterparts in the U.S.

To be completely honest, the “made in North America” logo sold very nicely for us in Europe, while today we're getting asked by customers if we have to have that logo or if we could just have “made in Canada”. They're worried about some of the backlash at the consumer level due to some of these issues that are happening.

In that respect, I think there's a benefit.

Mr. Kyle Peterson: Okay.

Mr. Dodds, you supply automotive in some of your products as well. Is that correct?

Mr. Thomas Dodds: That is correct. As I say, in terms of our products, the airbags hold a container that's stainless steel wire. Seat frames have stainless steel in them. Exhaust systems, braided hoses, they're all stainless steel.

Mr. Kyle Peterson: Obviously, none of your customers want these increased costs passed down to them.

Mr. Thomas Dodds: No. Again, they can't pass it on, especially in automotive, which is such a tight supply chain as it is.

Mr. Kyle Peterson: You must have a good relationship with your customers. How are you dealing with what must be a difficult situation?

Mr. Thomas Dodds: To say that maybe their patience is getting thin is probably a bit of an understatement. Early on, our Canadian customers.... At the end of the day, they're all very supportive, but they just can't wait any longer for us to resolve certain things. They have to find other solutions for their own business. It's tough that we're all lumped together in this, but at the same time, hopefully we get out of it together.

In terms of our U.S. customers, again, some of them have gone through the section 232 exclusion process. I think the last time I checked, there were 40,000 requests for exclusion. I can't speak to how that process goes and how efficient it was or has not been, but at the end of the day, for 95% of the products we supply to the U.S. for those types of customers, they're still facing 25% duty going back into the U.S. That's from product that started in the U.S.

Mr. Kyle Peterson: It crosses twice so they get you twice.

Mr. Thomas Dodds: Exactly.

Mr. Kyle Peterson: That's difficult.

Thank you, everyone.

The Chair: Thank you, Mr. Peterson.

Mr. Hoback, you have four minutes, please.

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

Thanks to all of you for being here. I have only four minutes, so I'll be relatively quick.

Mr. Dodds, you talked about three- or four-month lead times in ordering. Are you getting a non-section 232 price and a section 232 price? There is a saying out there that this is going to be resolved after the mid-terms relatively quickly.

Mr. Thomas Dodds: No. In fact, all of our product, our raw material supplied, is freight, duty and tariff extra.

Mr. Randy Hoback: We heard from a lot of manufacturers that they can't separate the surtax amount and the section 232 amount. It's just being lumped into the price. They can't really see, when they do their claims, what is duty or what is tariff or what is the actual price of the product.

Mr. Thomas Dodds: I don't necessarily understand that statement, but I can see where it might be confusing. For example, if I'm selling a product for \$1 into the U.S. and the customer is going to pay 25% on top of that, he's actually paying 25% on \$1.25, not on \$1. What is the exact amount he's paying? Again, that was part of the process in the U.S.

I can see why some customers are confused, but no, on the raw material that we supply or that we buy, it's all extra.

Mr. Randy Hoback: Okay.

Mr. Kirvan and Mr. Dodds—my friends from Burnaby can also weigh in on this—when you heard that a trade deal was done, that the USMCA was done, were you surprised that aluminum steel was not part of that deal?

• (1150)

Mr. Colin Kirvan: I'll say, for us, absolutely.

Mr. Thomas Dodds: We were not involved in the aluminum market. Really, I was focused on stainless steel rod, because that's what we buy, and stainless steel wire.

Mr. Randy Hoback: Okay, but were you surprised that the trade deal was signed without that being resolved?

Mr. Thomas Dodds: I was surprised that the trade deal was signed and yet section 232 is still here.

Mr. Randy Hoback: Okay.

Our friends from Burnaby...?

Mr. Andrew Mindell: Yes, we were surprised, but we're not trade gurus, so I don't know that we were in a position to have a strong opinion. We were very focused on section 232 and, yes, disappointed.

Mr. Randy Hoback: Yes, exactly; I think a lot of people were disappointed. We talked to some 200 people right across Canada this summer, and they all had the perception you guys did, that we'll do a trade deal, this will be all done, and we can move on. We had a lot of manufacturers saying, “We can hold on for a little while longer.”

Are we past that point now? We have a trade deal. Mexico's incoming president has been out there saying publicly that he will not ratify the USMCA unless steel and aluminum tariffs are dealt with. What's your advice to the government at this point in time? What should we be saying?

Mr. Thomas Dodds: Well, I wish I had a magic cue ball.

Voices: Oh, oh!

Mr. Thomas Dodds: Certainly, “unpredictability” is the best word to describe what's happened with our southern neighbours. I really don't know what to say. It has to go; it has to. Again, for our business, it has to go away.

As I said, in terms of our market, our customers and our suppliers, I've been in this business 20 years and our product has been one market: U.S. and Canada.

Mr. Randy Hoback: Mr. Dodds, then, if the Canadian surtax part of that were gone, would that make it easier?

Mr. Thomas Dodds: The retaliatory...?

Mr. Randy Hoback: Yes.

Mr. Thomas Dodds: No. It would, probably, for other companies, but not for us because, specifically, we started the remission process. Coincidentally, in the safeguard announcement, our raw material is excluded if we bring it from the U.S. I don't even need the remission process today. I now can get my material again from the U.S.

Mr. Randy Hoback: Mr. Kirvan and Mr. Witzel, your business is actually the classic example of what we've seen out of a true free-trading economy, where if we had done this deal right we would have gained more efficiencies for you to compete in Europe. Instead, it's been done wrong, so now you're looking at this situation. How is this going to affect your manufacturing facilities and the flow of goods if this is not resolved soon?

If we go on for another year, do you see manufacturing being relocated from Canada to the U.S., or some of it relocated back to Canada? How does this affect that cross-flow?

The Chair: Just give a quick answer, please.

Mr. Terry Witzel: The issue is where the manufacturing is going to go. Would it be from the U.S. to Canada or from the U.S. to China? That's what we're faced with. We have to make a decision. Colin's been to China 60 times. We do a lot of work in China, but we try to produce everything in North America, as much as possible. We have a great group of people in both of our plants in the U.S., and we have a fabulous group of people here in Waterloo, Ontario, whom we work with.

The instability is a big problem, but we're really hoping that Canada votes for more Broil King barbeques being made in Canada versus our running over to China and having them made there.

Mr. Randy Hoback: That's like Harley Davidson, what they've done.

Mr. Terry Witzel: Yes, that's the problem. We're given an opportunity.

If I can just give you one second here, Kyle, I think you're incorrect on the bit about Trump's thinking that Canadian products are a national security threat. The concern is this. We met with all kinds of people. We met with four different senators. We met in the vice-president's office. We met with a senior person with the commerce department, and I gave testimony down in the U.S. a couple of months ago. It's not about Canadian products. It's about the U.S. keeping their steel industry in case they get into a war. If they

don't have a steel industry, they have a big problem. We almost should be supporting it, in a way, because the U.S. supports us militarily, in a great way, and we should be thankful for that.

Now, it's not fun, the situation that we're going through, and it's very unsettling. Hopefully, I can clear up that misconception. I don't think it's true. That's what we learned when we were down there.

The Chair: Thank you. Those were good comments and good dialogue with the MPs.

Witnesses, thank you very much for coming here today, with your busy schedules, and for being away from your companies and your employees.

We're just going to suspend for 10 minutes, folks, so be quick. We'll come back to a new slate of witnesses.

● (1155)

_____ (Pause) _____

● (1205)

The Chair: We're going to continue today's meeting on the impacts of tariffs on Canadian businesses, companies and workers.

We have some witnesses here with us today from the St. Thomas Economic Development Corporation, Beer Canada and Ellwood Specialty Metals.

Welcome, gentlemen. Try to keep your presentations under five minutes so that we can have a good dialogue with the MPs.

Without further ado, we're going to start off with St. Thomas EDC.

Sean, you have the floor.

Mr. Sean Dyke (Chief Executive Officer, St. Thomas Economic Development Corporation): Thanks very much. It's a pleasure to be here.

In 2008, the city of St. Thomas was often used as the poster child for the recession that took place, and we've really rebounded back in the decade since then. We've seen all of those buildings that were vacated by companies like Sterling Trucks, Lear Canada and A. Schulman Canada get filled by other companies that have come from various places: from Canada, from the U.S. and from overseas.

We've been extremely fortunate to grow back from that point. However, as Canada continues to shift to a more service-oriented economy, which has been happening over the last few decades, I think it's important to recognize that a lot of that growth is happening primarily in the larger centres. In small cities like St. Thomas, we're effectively a very strong representation of how manufacturing affects small communities. In fact, with our population of 40,000 and our labour force of 20,000, 5,000 of those 20,000 jobs are in the manufacturing sector. If you look at that as 25% of our labour force that is directly affected by manufacturing and another several thousand that are impacted indirectly, you will see that there's a significant impact when you impose trade barriers.

I know that it's not the fault of anyone in here or anyone in our government, but it's a crazy time that we're working in right now. It has created a lot of challenges for our local businesses.

In our region, we use the focus on manufacturing as a tool to try to attract more manufacturing, as people look to clusters. We work with a group called the Southwestern Ontario Marketing Alliance, a member-based organization of seven other municipalities that are very much like St. Thomas. Through that group, we've recognized that we have some impressive foreign investment in our area, primarily in the automotive sector. We have the largest Japanese manufacturing investment in all of Canada in our little region. Any of the news around auto tariffs is always scary for regions like ours, where manufacturing is the bread and butter of our communities.

I'll talk a little bit more about the concern that we have locally. I spoke with one of our local businesses, and I'll give you just a very brief summary of some of its concerns. They're probably not much different from some that will be shared a little bit later on. This is a company whose main product is made from base metals—aluminum and steel. Because it has a U.S. parent company, it's required to purchase the majority of its products from the U.S.

As a result of the increased demand for domestic steel in the U.S., steel suppliers have taken the opportunity to raise some of their prices by as much as 20% over 2017 levels. Given that much of that product was already sold before then, it's up to the company now to absorb that cost. The border crossings have slowed down for this company, and the broad range of input subject to tariffs has significantly increased its costs, lowering its competitiveness and forcing it to question the feasibility of its Canadian location. It has even become impossible, in some cases, to have intercompany transfers of technology, of components, for anything from service to new development. That medium-sized company—say 30 to 50 employees—represents an economic impact of tens of millions of dollars in Canada, and it's only one example. We have dozens more in St. Thomas that are just like that, some larger and some smaller, and across our region there are many more like that.

In my role, I have the opportunity to speak with a lot of businesses, and the one thing that they're looking for is stability. That's true for tariffs, for the Canadian dollar and for trade agreements. Trade uncertainty is a huge challenge for companies in our region and across Canada. While we recognize that there's not a lot that we can do about it at the local level, what we want to do is to just try to voice their feelings to groups like yourselves and ensure that they can continue to do what they want to do, which is to invest in Canada.

Thank you.

•(1210)

The Chair: Thanks, sir.

You mentioned some of the big companies. How many small and medium-sized companies do you have in your region?

Mr. Sean Dyke: In our region or in St. Thomas...? In St. Thomas, we have well over 100 small and medium-sized companies. I'm sure there are hundreds more across the region.

The Chair: Okay. Thank you.

We're going to move over to Ellwood Specialty Metals.

Mr. Heath, you have the floor.

Mr. Dave Heath (Vice-President, Ellwood Specialty Metals): Good afternoon, Chairman and members of the international trade committee.

On behalf of Ellwood Group, thank you for the opportunity to present our concerns on the impacts of the U.S. section 232 steel duties and the unintended consequences of Canada's response.

My name is Dave Heath. I'm the vice-president of Ellwood Specialty Metals. I was born in Sarnia, and I've worked in the steel industry since I graduated from college. I started Ellwood Specialty Metals about 15 years ago. We have grown and developed a personal relationship with our customers in the Windsor area, but for the first time in 15 years since I've been running the business, our business is struggling and facing severe headwinds.

Ellwood Specialty Metals has been a uniquely integrated American and Canadian company since 1990. We are a proud supplier of the Canadian and American mould and tool market, in products that drive the transportation industry. We produce parts for operations across Canada, including General Motors in Oshawa, Ford Motor Company in Brampton, Honda engines in Simcoe, and Chrysler operations in Windsor and Brampton.

It is unfortunate to report that the Canadian surtax is having adverse impacts on Ellwood Specialty Metals and our Canadian clients. Ellwood's business in Canada has significantly decreased since the surtax on July 1, 2018. A vibrant and competitive Canadian steel market is at stake.

We are working within the government processes to seek remission of the surtaxes on select specialty products in order to maintain Canadian jobs and our unique value added to the Canadian mould and tool market.

Today we operate in a facility of about 40,000 square feet, and we have a little over 20 well-paying, full-time jobs at our facility. Our facility is a prime example of the small and medium-sized businesses that make up the steel industry in Ontario. We have long-term contracts and client relationships that span decades.

Ellwood Specialty Metals is a uniquely and highly specialized product in Canadian business that no one else in Canada produces. What we do is not easily replicated. The 25% surtax on these products has removed the competitive advantage for a lot of our Canadian clients who rely on us. Our Canadian customers can no longer obtain some of our specialty products that they need at fair pricing.

The unintended consequences of the Canadian surtax are that foreign competitors with no Canadian footprint now have the advantage. We are part of a broader Canadian value chain. About 70% to 75% of our steel is processed by Canadian shops that then export the moulds and tools back out of Canada. These exports are no longer competitive and are at risk because of the Canadian surtax.

One example of the Ellwood product is our H grade of steel, or H13 modified grade, which has no competitive equivalent here in Canada. It is designed for the industry. It is a high-quality, die-cast steel that is used for liquid injection moulds. One of the bigger products that comes from it is transmission housings, which go basically in every North American vehicle. All of these parts are vital to the automakers across Canada.

Without the ability to provide reliable and efficient steel products, our long-term customers are looking at European competitors as an alternative. Canadian jobs and future investment are now at stake.

We understand that the Canadian government is working hard to bring these tariffs to an end and that the government has taken concrete steps to support businesses and workers. We would like to thank you for your efforts on that. However, we remain hopeful that the negotiations between Canada and the U.S. will bring these tariffs to a swift end.

Ellwood must be realistic and recognize that we may be facing a long uncertain future. That is why we're here today asking for a remission for the Canadian surtax on select specialty products to save some Canadian jobs in our unique value added to the Canadian mould and tool market.

In closing, your leadership is urgently needed to save the steel industry in southwestern Ontario. Canadian jobs, and small and medium businesses are at stake.

Thank you.

• (1215)

The Chair: Thank you, Mr. Heath. I have a quick question on Ellwood.

You mentioned transmission parts as being a big one for you.

Mr. Dave Heath: It's one of the very many parts.

The Chair: Would that be for light cars and trucks, or is that bigger trucks?

Mr. Dave Heath: Again, they make them for all cars. Transmission housings also go into trucks, just about any SUV, and even commercial vehicles and stuff like that.

The Chair: Good. Thank you.

We're going to go to Beer Canada.

We had the barbecue guys earlier, so now we have the beer guys.

Mr. Luke Harford (President, Beer Canada): It'll be the pizza guys later.

The Chair: Yes.

Go ahead, Mr. Harford.

Mr. Luke Harford: Mr. Chairman and members of the committee, thank you for the invitation to contribute to your study on the impact of tariffs on Canadian businesses, companies and workers. To that list, I would also add Canada's 10 million beer drinkers.

Beer Canada is the national voice of the domestic brewing industry, an industry that directly employed 14,800 Canadians and paid \$1 billion in salaries and wages in 2017. Our 50 members are drawn from all 10 provinces and one territory, operating 62 brewing operations that together produce 90% of the beer manufactured in Canada.

Beer is the leading beverage alcohol category, accounting for 41% of retail dollar sales and 73% of the GDP generated by all domestic beverage alcohol producers combined. The large positive economic impact beer has on Canada's economy stems from its still being a very local industry. Of the beer sold in Canada, 85% is made here in Canada.

Our last estimate on the cost of Canada's countermeasure tariffs on aluminum beer cans, put in place on July 1, is \$20 million to \$25 million on an annualized basis. The federal government announced earlier this month that it would provide relief from Canada's countermeasure tariffs on a number of products, including aluminum beer cans. This is a very positive development for our industry and very positive for our customers. The tariff costs on cans were a concern for brewers who already are having to pass onto consumers \$25 million in additional federal excise tax as a result of two back-to-back tax increases since budget 2017.

While the move to provide relief from Canada's countermeasure tariffs on beer cans is very encouraging, there is more work to be done. Beer Canada urges the committee to examine the issue of possible irregularities in the aluminum market, which appear to have inappropriately inflated the price of aluminum over the past 11 months. My brewing industry colleagues in the U.S. are urging their government to investigate this issue as well.

The sale of beer in aluminum cans has grown in recent years to now make up the largest share of packaged beer sales. A decade ago, bottles accounted for 65% of total packaged domestic beer sales. Cans accounted for just 35%. The ratio is now reversed. In 2017 cans made up 62% of sales.

This transition, a response to changing consumer preferences, has altered our supply lines and the packaging lines inside our breweries. It has, as a result, increased our sensitivity to changes in the price of aluminum. We pay attention to that now more than ever before.

The 355-millilitre aluminum beer can—a 12-ounce container the industry refers to as the “standard can”—is the most popular container size. In 2017 Canadians purchased 2.5 billion cans of beer in the standard can size. Canadian brewers rely on both Canadian and U.S. sources for their standard can requirements. All other can sizes, including the 473-millilitre tall can, are sourced from the U.S. They are not manufactured here in Canada at this time. In 2017 Canadians purchased half a billion cans of beer in the tall can, up 66% from 2013. The tall can is a popular container, especially amongst small brewers.

Brewers, as is the case with all purchasers of aluminum, are encountering pricing irregularities that market observers, including some members of the United States Congress, believe may be a result of unlawful pricing arrangements by aluminum producers, merchants, traders, banks and others. These pricing irregularities for aluminum appear to stem from the Midwest transaction premium.

The Midwest premium is charged to all end-users of aluminum in Canada and the U.S. and is supposed to account for the cost of storage and transportation of aluminum to end-users. This premium has increased sharply in recent months, despite the fact that logistical costs of sourcing metal from around the world have not changed significantly. From November 2017 to now, the premium has more than doubled to over 20¢ per pound. The Midwest premium is set by ratings service S&P Global Platts. It claims that the premium is based on transactional prices, using actual spot transactions between customers and suppliers.

● (1220)

Each end-user, such as brewers, believes that the process is not consistently followed. There is no transparent benchmark that can explain or validate the reference price. Some market participants believe that the premium may be set, not by strict adherence to using transactional data but by a co-operative alignment between aluminum producers, merchants, traders and banks in order to unlawfully fix the reference price.

Canada's brewers and their customers thank the federal government for recognizing the negative impact countermeasure tariffs on aluminum beer cans were having on our industry and on Canadian beer drinkers. The government consulted and took appropriate action, providing necessary relief to help protect the competitiveness of Canada's brewing industry. For the same reason, we ask the committee to examine the issue of possible irregularities in the aluminum market by investigating how the Midwest transaction premium is developed and applied to aluminum end-users.

Thank you very much for the invitation to be here today. I'd be happy to answer any questions.

The Chair: Thank you, sir.

I know you're just speaking for the beer industry, but I would assume the other beverage industries have the same challenges with the cans.

Mr. Luke Harford: Yes, it's all end-users.

The Chair: Okay, we're going to go right to dialogue with the MPs. We're going to start off with the Conservatives.

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

Mr. Dean Allison (Niagara West, CPC): Thank you very much, Mr. Chair.

Mr. Dyke, you had an election last Monday night. You elected a new mayor. My question is, are you going to be able to work with that new mayor?

Mr. Sean Dyke: I think we could make it work.

Mr. Dean Allison: Okay, good.

Some hon. members: Oh, oh!

Mr. Dean Allison: I had to get that on the record anyway, so I'll make sure I report back that so far you're optimistic, but it's still early days. We'll go from there.

The Chair: Did you run for mayor, Mr. Allison?

Mr. Dean Allison: Mr. Preston is now the mayor of St. Thomas, so there you go.

Let's go back now, Dave. Thanks for coming today and talking about some of the issues you have. When we talked to people this summer, they were saying, “Listen, for three or four months we can handle this, but we can't keep going much further.” You alluded to this in some of your remarks.

Talk to us about how urgent it is to get this resolved in terms of what it means to your business and the businesses of those in your space.

Mr. Dave Heath: We're pretty much at a critical point. We really haven't brought a whole lot of steel in, yet we've paid probably over a quarter of a million dollars in tariffs just in these three months alone.

The problem is that a lot of our customers rely on that steel base. As I said before, they have contracts with the big OEMs. They have to finish producing parts, and they're sort of in the middle. We've been able to manage to pass on....

We've been working closely with government to try to work, again, as I said, within the guidelines. We worked with the duty drawbacks first, as it seemed to be the easiest one. We're working now with the remissions. They're all relying on us. I get calls every day to ask where we are and how are we addressing this. Our customers are probably feeling it the worst.

Again, our company is lucky enough that our reputation is to have inventory. We have a lot of inventory on the floor.

Mr. Dean Allison: It would be once that inventory runs out....

Mr. Dave Heath: Absolutely, which is starting to happen.

Mr. Dean Allison: As you're trying to mitigate whether you're passing it on, eating the cost or whatever, is there a concern that suppliers—as it relates to OEMs among others in the supply chain—may say, “You know what? Your product's too expensive. We're going to source it in the U.S.”? Is that a very real possibility?

•(1225)

Mr. Dave Heath: That is exactly what's happening with our Canadian customers. All the OEMs are very nervous about what's going to happen with their costs. They're placing programs in the U.S. with the competition, our Canadian competition.

Mr. Dean Allison: Once you lose that business, that's gone. I mean, it takes years and years to build that business, right?

Mr. Dave Heath: Absolutely.

Mr. Dean Allison: Hence the reason why this needs to be resolved, like, yesterday.

Luke, thank you very much. Listen, I'll give credit where credit's due. If you guys have seen some ability in terms of aluminum cans now that the government's worked with you, we'll give kudos where kudos are due in terms of that. That's good to hear.

Talk to me about the price. We've heard everywhere for steel and aluminum that, as a result of tariffs and duties on these things, producers have decided to take price. You kind of alluded to that in there, because now we see the price of aluminum going up. If one of your sole sources for aluminum cans is the U.S., what you're saying is that they've taken price even though they're not now doing the countervailing duties on you. It's being raised.

Mr. Luke Harford: To kind of describe it a little bit, you have the cost of aluminum that a brewer would pay the can manufacturer, and then inside that, one of the lines is this Midwest premium they have to pay. That is supposed to be for the cost of storage and transportation.

As I mentioned in my remarks, it's gone up by 100%. It's now 20¢ a pound. The interesting thing is that there is a lot of aluminum, recycled metal in the United States that's tariff paid that is being recycled, yet that premium, which does capture the tariff piece, hasn't come down. I think there has been some discussion about having two different prices, but we're not seeing that as of yet.

Mr. Dean Allison: Okay, I have just one final question. You did talk about tax hits that the industry has taken. Talk to me about an escalator in excise and how that affects the beer industry and why it's a bad idea.

Mr. Luke Harford: The starting point for brewers in this country in terms of tax is egregious. Half the price of beer is already tax. Most of that comes at the provincial level, but yes, the federal government in 2017 has piled on not just one increase but an annual increase that will take place automatically. Our big concern is that there's no mechanism in this legislated escalator that will require the government to review this tax to see the impact it's having on the industry.

Mr. Dean Allison: What's—

The Chair: Sorry, Mr. Allison.

Mr. Dean Allison: Thanks.

The Chair: I know you have your clock there.

Mr. Dean Allison: I was just waiting for you to cut me off. I have a lot of great questions. I'm just getting started. I have a lot of good questions.

The Chair: I know you're on a roll. You're doing a good job, but we have to move over to the Liberals here.

Mr. Sikand, you have the floor.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): I'm going to start with you, Sean. You were talking about the Japanese footprint. Is that an entry into the U.S. market, or is there reciprocity, with their products going back to Japan as well?

Mr. Sean Dyke: I would say the majority of it, quite honestly, is product going to the U.S. and Canada. They are supplying companies like Toyota in Woodstock and Cambridge. They're supplying GM. They're supplying Ford. Those products go across the border multiple times, and oftentimes they are getting hit by tariffs more than once.

Mr. Gagan Sikand: On that point, can you talk about harmonization and the level of impact that has on your town?

Mr. Sean Dyke: It's a challenging one as far as our community goes.

I don't have a good answer for you, to be honest. I don't think so, on that one.

Mr. Gagan Sikand: Fair enough, thanks.

I'm going to move over to Luke. I represent a riding that has a lot of aerospace manufacturers, and the type of specialty aluminum they need for what they manufacture can pretty much only be found in the States.

Is the composition of the aluminum cans, beer cans, something that's readily available in the world—that composition of the aluminum?

Mr. Luke Harford: I'm not an aluminum expert. I do know there's a lot of innovation that goes into that can. It's quite surprising how they can manufacture it so thin and so light but still able to contain a product that's under pressure and still be safe for delivery, bouncing around in trucks. There is a lot of innovation in the can, but as to its makeup, I'm not an expert in that area.

•(1230)

Mr. Gagan Sikand: You should see some of the cans that survive my camping trips.

Mr. Luke Harford: Right.

Mr. Gagan Sikand: What I was getting at was whether we can get this aluminum everywhere. Can we find it in Canada and the States, or does this mainly come from the States for us?

Mr. Luke Harford: You can absolutely get aluminum for beer cans here as well, and we do ship aluminum sheet metal into the United States. It gets hit with the tariff and then we process it into cans in the U.S. and then it comes into Canada. With the countermeasure tariff that was on, we were actually getting hit twice with the aluminum going into the States, being processed into cans and then being hit with a Canadian tariff. Now that is off, it's a big help to our industry and our competitiveness, for sure.

Mr. Gagan Sikand: You have to excuse me, this isn't my committee, but there is an acronym, and I forget if it was ACC or AAA, but there was a summit in Montreal in June last year. Does that affect the beer industry at all? It was addressing aluminum.

Mr. Luke Harford: I'm not sure.

Mr. Gagan Sikand: Okay, no problem.

Moving over to Dave, I guess I still have the same question. What's the level of impact that harmonization has on your industry, having to be harmonized with the States?

Mr. Dave Heath: Being a U.S. company, we figured we were probably kind of safe. We always touted it as that, but the fact that we've gotten into some little bit of trade wars here is huge, more so just on the Canadian side. Again, I started 15 years ago and the whole reason that Ellwood brought a distribution to Canada was to help the Canadians get a more direct pricing—take another distribution out of the middleman to be able to make us more competitive here in Canada and make our Canadian toolmakers and mould-makers here more competitive as well. Since that's happened, it's really shut things down.

Mr. Gagan Sikand: You were mentioning that you have a lot of specialty products, some that only can be made here in Canada. If we look toward the rest of the world, what's the impact of different standards? For example, I'm thinking that if we have appliances made here and we have to think about the voltage in Europe being double, how does that different standardization affect your industry?

Mr. Dave Heath: I struggle a bit to answer that. With the OEMs, everybody has to go through an approval process. Whether it's a Canadian, U.S. or European manufacturer, all have to go through that process. The biggest part is becoming very competitive in the small market-type segment of building those specialty alloys.

Mr. Gagan Sikand: Thank you very much, guys.

The Chair: You're all good. Okay.

We're going to move over to the NDP. Go ahead, Ms. Trudel.

[Translation]

Ms. Karine Trudel: Thank you for being here.

I want to answer my colleague's question. I'm proud to say that there are five aluminum smelters in my constituency, Jonquière, in Quebec. We produce aluminum sheets, which are used to make cans, including beer and soft drink cans. The aluminum is produced in Quebec, and we take great pride in that fact.

Mr. Harford, I want to start with you. According to the press release that you provided, the industry directly employed 14,800 workers. Have there been any job losses as a result of the imposition of tariffs? There has been a great deal of discussion regarding the price of cans and beer. I want to know whether this has had a direct impact on job losses in the industry.

•(1235)

[English]

Mr. Luke Harford: The distance between the time that the countermeasure tariffs came in and the time that there was relief... There was a remission process put in place almost immediately, and an application process was made available to us. On October 11, the countermeasure tariffs were essentially removed for an indefinite

period. I do not think that there was any negative impact as a result of the tariffs put in place from the countermeasure tariffs. I think that, over time, there could be an adjustment made if tariff relief from the U.S. is not secured. That adjustment could be a change in packaging configurations, as much that can happen.

To answer the question, it was too short a period of time. Relief was brought in quickly, and we have not seen a negative impact from a jobs perspective.

[Translation]

Ms. Karine Trudel: In light of what Mr. Harford just said, I also want to ask all three of you two questions.

The first concerns the impact of the tariffs. If the situation continues, are you worried about job losses in the industry? Is this a major concern that you need to address?

Second, what should the government be proposing to get the industry through this period? We know that there was a rebate program for the tariffs. However, what more could the government do, in particular to maintain jobs and support industries in Canada?

[English]

Mr. Sean Dyke: In St. Thomas, it's safe to say that we haven't seen any significant job losses yet as a result of trade barriers or tariffs. In fact, we're seeing record numbers of companies hiring people, trying to find people and having challenges doing so. But we've all seen how fast that can change.

If this continues to go on and companies' profit margins continue to shrink, I think it's fairly safe to say that we will lose some of our companies, particularly the U.S.-based companies located in our region, not just in St. Thomas. I think we'll see a shift in those businesses back to the U.S. Some of them don't have to be in Canada. Some of them are shipping only to the U.S. and are in Canada for various reasons. Certainly, from an economic development standpoint and from a community standpoint, we need those businesses to stay. I think it's fairly safe to say we would see layoffs in the future if it continues the way it is today.

As far as a solution goes, unfortunately I don't have a solution or an answer. Everyone wants to see the eradication of tariffs, but I'm not sure that's up to us.

Mr. Dave Heath: For us in Windsor, it's a tricky situation because we are seeing two things. We are seeing that programs are being lost from [Technical difficulty—Editor] and placed back into the U.S., but we are seeing a little bit of slowing in the industry itself. We've had a fairly good run in the auto industry, for probably seven years plus. I think that's probably pushing the slowdown a little bit and we are seeing some of the younger folks, who are in the early parts of their trades, being laid off.

Probably the only reason I actually see this is that we've been fighting for employees down in Windsor. There is a very low unemployment rate and we've been fighting to get employees. We're now starting to see some people knocking on our door and we're picking up some young people. But, again, if it carries on, we really worry about it affecting the auto industry and slowing it further and possibly causing layoffs.

The Chair: Thank you. That wraps up the time. There have been good questions and good dialogue.

We have room for one more MP.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you. I'm splitting my time with Mr. Sheehan. I'm going to direct my questions to Mr. Harford. Actually last week in the Financial Post I read about the changes, the remission of the 10%. My questions are actually specifically about that.

Could you speak to how the consultation process worked to basically remove the 10% tariff?

As well, is there an opportunity—you must have some very happy beer drinkers in Canada right now—with the 473-millilitre tall cans through innovation through SIF? I don't know if you've had an opportunity to speak with the aluminum can producers in Canada and whether they are able to apply for funding or they are looking to apply for funding on the innovation side so they can retrofit and actually produce more of the 473-millilitre cans here. Was there an increase in your smaller can, the 355-millilitre can?

• (1240)

Mr. Luke Harford: The consultation process was robust. Knowing that this was going to touch virtually every Canadian brewer across the country—and in particular a lot of small brewers who package only in cans—we took an approach really to get brewers to engage directly with the government through the consultation process. Then as an association, we put together the big number on what the impact was.

As for your second question, on what I have tried to do, I don't work directly with suppliers other than malt and barley growers and the bottle manufacturers, because we have a shared bottle in the country. Can manufacturing being somewhat new, I have now oriented myself around that group and I've been able to explain to them and direct them to some of the opportunities that the government has made available to make investments here in Canada that would further secure our supply going forward. I've connected people that way, but I'm not lobbying in that direction.

Ms. Karen Ludwig: Just on the last one, if you need any more information, we have experts here, and we can certainly follow up with you with more resources.

Thank you.

Terry.

Mr. Terry Sheehan: Thank you. I'm going to pick up on the conversation started by MP Trudel and Mr. Dyke. I'm glad to see you again. I didn't put your name forward but I'm glad to see you here. We did our EDAC certification, the economic development certification, at the University of Waterloo many years ago.

When they put forward the \$2 billion in relief, there was \$50 million specifically set aside for businesses to diversify their

networks and to take a look at the advantages for the new trade agreements with Europe. We have our European friends in the background, and also there is the comprehensive trade agreement that was just recently passed.

How critical is that for Canada to do, with the economic developer's hat on?

Mr. Sean Dyke: It's absolutely critical. We do have to diversify, to get out of dealing with just the U.S. Beyond that there is still a lot of uncertainty around the trade agreements that exist currently with Europe and with what's going on with Asia as well with some of the work that's being done there.

For us, we're working with some of our local businesses now as they look to expand their business into Europe, and they are looking to, in some ways, avoid the U.S. and are trying to deal explicitly with Europe. Obviously trade agreements that are happening there are certainly useful to those businesses, but I still think there is a lot of information missing for the general population and even for us, with regard to economic development and being able to share that story.

Mr. Terry Sheehan: That's very good.

For you, Dave, you said you were in the process of going through remissions. Where are you at with that, and how has that process been going for you so far? What advantages will come about once they are approved?

Mr. Dave Heath: As for the remissions, we belong to various Canadian associations: the CAMM association, CTMA and others. We've been working very closely with them. The remissions have already been applied to part of our products—maybe about one-third to about one-half of our products. We're here to be able to get the rest of our products on those remissions so that we can hang on a little longer. They're made with the same processes as the ones that are already provided with remissions.

We have our remissions applications ready alongside us at our meeting here, so we hope they'll be considered. It will really help us to move forward and to be able to help our Canadian customers here, especially in southwestern Ontario. We do have people as far as Quebec who have some very large mould-makers as well.

• (1245)

The Chair: Thank you, all.

Mr. Sheehan, that's it for your time. I know you had lots of questions, but it was split time, and we're out of time.

That's it for the dialogue with the MPs. That ends this session.

Thank you, witnesses for coming. You support a lot of employees in challenging times. We'll work at it and continue on. Good luck.

We're going to break for a minute and clear the room because we have some in-house business.

[Proceedings continue in camera]

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