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The Honourable Mark Eyking

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● (1130)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): We're into voting season, so I apologize to witnesses on our delay. Maybe we will try to make up some time.

Welcome to the Standing Committee on International Trade. We're still in the middle of a study on the impacts of tariffs on steel and aluminum on Canadian businesses, companies, workers and families.

I see that most of the witnesses are here. We try to keep the presentations to under five minutes so that we can have good dialogue with the MPs.

I think I'll start right off with Iafrate Machine Works.

Mr. Stepien, go ahead, sir.

Mr. Gary Stepien (Finance Manager, Iafrate Machine Works Ltd.): Good morning, Mr. Chair, and thank you for allowing Iafrate Machine Works to provide input into this study of how tariffs are affecting Canadian businesses and workers.

First of all, we are one of the companies that were successful in their remission request.

The topics I will cover are the custom machining industry, the market for machined products and the impact of the 25% surtax on our business.

We are a custom machine shop. We do not manufacture our own line of products. Instead we invest in sophisticated computer-controlled lathes and mills that are operated by semi-skilled operators and skilled tradesmen to produce products designed by our customers. Typically, customers will specify the type of steel, based on specific chemical properties required to meet industry standards; the melting practice, which could be electric arc, open hearth or basic oxygen; the forming practice, which could be wrought using hot-working or forged; whether heat-treating is required, and if so, the industry standard that must be met; whether test coupons are required to confirm that the raw steel meets the hardness, mechanical and impact test requirements; the industry quality standards, in our case, the American Petroleum Institute's API 6A; how the material is allowed to be marked for identification; and the minimum disclosure requirements contained in a material test report. I think you can see how compliance-driven the oil and gas industry is.

Now I will talk about our markets. A significant percentage of our business is driven by an Alberta-based company that provides flow-control products to the oil and gas industry in both Alberta and the U.S., specifically Texas, Colorado, North Dakota and Pennsylvania. Therefore, any oil and gas product produced for export to the States must meet the standards specified by the American Petroleum Institute, which is the list that I just went through. The products that we machine for this customer are incorporated into complete systems that are assembled in Alberta and shipped into the States. Please note there are no steel mills in Canada that provide steel that meets the American Petroleum Institute standards that this customer must meet. This is also the case for the specialty steel that we purchase from the States for the dies that we machine. When these dies are finished, they are used in a forging process to make product that will then be machined for the oil and gas industry.

Furthermore, our customers will not accept steel from China and Ukraine. As a result the 25% surtax, charged by the Government of Canada on all steel that we purchase to serve this customer, artificially increases our selling price to them and puts them at a significant disadvantage when they incorporate our components into their system, and then export that to their distributors in the States. We have already experienced a significant reduction in our sales to this customer, which directly provides employment for over 25 full-time manufacturing jobs at our facility in Thorold, Ontario. Our U.S.-based competitors are not subject to any of the American tariffs on Canadian steel because there are no suppliers of these API grades of steel in Canada.

To conclude, if the intent of the 25% surtax on U.S.-source steel designed for the oil and gas industry is to encourage the purchase of Canadian-source steel, it won't work, because no Canadian mill produces American Petroleum Institute-grade steel. Furthermore, the failure to apply a tariff on imported industrial product that our customers compete against automatically puts at a significant disadvantage Canadian manufacturers that must purchase U.S.-source steel.

We strongly advocate for the removal of the 25% surtax because removing it will level the playing field with our American competitors, and in doing so it will protect good-quality, high-paying technical and skilled jobs in Canada. This will also discourage the potential relocation to the States of Canadian businesses that support the oil and gas industry.

We recommend that any consideration to use retaliatory tariffs or surtaxes in the future not target industrial raw material purchased by Canadian manufacturers from free-market economies, because this automatically increases production costs, reduces competitiveness in the marketplace, and risks potential layoffs due to lost market share.

If the Government of Canada wants to use tariffs to change purchasing behaviour, it should only target foreign-finished goods with tariffs. This will encourage Canadian consumers to purchase Canadian goods, without distorting Canadian production costs, which puts Canadian businesses and jobs at risk.

Thank you for your time.

● (1135)

The Chair: Thank you, sir.

We'll go to Quebec now, to Mr. Juneau from Cedomatec.

Welcome.

Mr. Justin Juneau (Director of Operations, Cedomatec Inc.): Thank you, Mr. Chair.

First of all, I'd like to thank you for giving us this opportunity to voice our opinion on the matter.

I'm Justin Juneau, director of operations for Cedomatec. We're a third-generation family business located in Repentigny, Quebec. We are a manufacturer of steel and aluminum garage doors. We've been in business since the fifties, back when we were manufacturing hardware for garage doors. We've been building panels since 1987. We have a staff of about 25 employees. They come from a wide range of income distribution and skills backgrounds.

Being in the business of steel and aluminum garage doors, of course, we've been greatly impacted by the tariffs that took effect on July 1. We see impact in three major areas: on our costs of goods, on our supply chain management and on our revenues.

If we dig deeper into the impact on our cost of goods, all of the raw material we directly import from the U.S., such as some of the aluminum we use, is directly hit by the tariff, even if the orders were made way before tariffs were even on the table. Because of the usual lead time of six months, we still have to pay tariffs on the orders placed in February. That was, of course, not planned.

We also see repercussions when sourcing from Canadian suppliers of steel and aluminum. We see them try to transfer the tariff onto us, or else they carry a lot less inventory due to the climate of uncertainty, which leads to shortages of some types of steel. The scarcity also creates price hikes. For example, for one type of galvanized steel we use, we've seen an increase of up to 70% compared with the price of last year's material.

If we take a look also at the impact on our supply chain management, we have a concrete example of a partner that we were developing in Asia to source our steel. Unfortunately, they pulled out of the deal before we could place our first order because of the possible anti-dumping measures asked for by local steel mills. To give you some context, it can take up to four months to develop a partnership due to the specificity of our material. That includes sourcing, negotiation, testing and trial runs. All of that time and energy went to waste when that partner pulled out of the negotiation.

We also have to start a process to find new suppliers for our aluminum that comes from the U.S. That means ending a relationship that lasted more than a decade with a very trusted and reliable supplier. We have to start all over again, with, again, complicated material. This climate reduces our leverage when negotiating with local suppliers. The intensity of the competition has diminished a lot in the last months.

If we look at the impact on our revenues, of course, the increased price of raw material had an impact on our gross margin, which diminished sometimes to a single-digit gross margin on some products. Industry-wide, we've seen an increase in prices on garage doors in Quebec, but since our product is mostly seen as a commodity and the elasticity of demand is very high, we cannot pass the increase in price on down the supply chain. We pretty much have to foot the bill.

This, of course, impacts our shareholder value as well as our workers, whose wages have been stagnant for the last months. Unfortunately, this winter we have to consider furlough due to the climate of uncertainty. We do not want to stock too much inventory, because we expect a decrease in demand due to the higher prices. We also have to delay investments that would have increased our productivity and our competitiveness in the market. These are all measures that go against our long-term vision, but in such a grave situation, we have no choice but to prioritize the viability of the company.

I think our situation clearly demonstrates that tariffs always end up hurting people, not organizations or countries. In our situation, due to the market conditions, it's mainly the Canadian workers and entrepreneurs who are hit. Therefore, we think these tariffs are inefficient, since the prime payers are Canadian workers and entrepreneurs. In the long term, it will be consumers who will have to pay this increase.

● (1140)

We therefore demand the abolition of the 10% tariff on U.S. aluminum and the U.S. 25% tax on steel and, as well, to maintain open borders for steel and aluminum coming from foreign countries, especially Asian countries. This would maintain price competitiveness and benefit a large number of businesses, both large and small, as well as ultimately benefiting the consumer.

I thank you for your time and look forward to your questions.

The Chair: Thank you, sir.

I think we're going to stick with the video conference and stay with Quebec.

Mr. Vezina, from Mailhot Industries.

Mr. Stephen Vezina (Vice-President, Sales and Marketing, Mailhot Industries): First of all, thank you for giving us the opportunity to explain the situation we're in and the outcome of the retaliatory tariffs in our situation.

My name is Stephen Vezina. I'm the vice-president of sales for the company. Mailhot is a Canadian-owned company that manufactures hydraulic cylinders for industrial use. Our company was founded in 1956. The company is based in St. Jacques de Montcalm in the Lanaudière region, close to Joliette, northeast of Montreal, and it is among the biggest employers of the Lanaudière region.

We have two production facilities, one here in St. Jacques and another one in Silao, Mexico. We operate an R and D centre in Terrebonne, Quebec, as well as two service and distribution centres, one in Edmonton, Alberta, and one in New Hampshire.

As I mentioned, we build hydraulic cylinders that are used for mobile equipment. Mostly we sell to original equipment manufacturers in the waste, snow removal and construction industries. Our company employs 323 people, with close to 200 in Canada. We import on an annual basis about 2,800 tons of steel tubing from the U.S., which represents a value of over $8 million Canadian.

The steel tubing that we import from the U.S to do the cylinders is unfortunately not available in Canada. There are no suppliers in Canada. Therefore, we have no choice but to get our steel from the U.S. or other countries. We are working on getting alternative supplies from Asia, but as my predecessor mentioned, that cannot be done overnight, so we have an immediate impact on our cost of production.

The situation we're in is that our competitors are all U.S.- or foreign-based and do not have to put up with the retaliatory tariffs. Therefore, it puts us in a less competitive position versus our customers. Our major customers are from the U.S., Brazil, China, India and Europe. Those products are not subject to import tariffs into Canada, so we are put at a disadvantage versus all of these competitors.

Naturally, because of the price increase in the last year, we've passed on some increases to our client base, but there is a limit to the elasticity of the price increase that we can pass on, especially when our competitors are not doing that.

Mailhot products are a crucial component of large pieces of mobile equipment. Our products are used in core parts of the Canadian economy, such as waste removal, construction and snow removal. Several of our customers are large OEMs in Canada that employ many thousands of people. They are in a position where they're competing against foreign and U.S. competitors, so they can't just increase their price to their base. With us increasing our selling price to our customers, it's putting them at a less competitive advantage and into a situation where they have no choice but to source their hydraulic cylinders from suppliers other than us.

It puts us in a situation where we're less competitive, and we ourselves are thinking of our investment. We were thinking of our investment decisions and of putting at risk well-paid jobs that we have in Canada in welding, machining and different skilled trade areas that are in high demand. It puts us in a difficult situation.

During all of this process, we did some representations as a company to the finance department in Ottawa on the impact this has had. In our case, we had some very good news in mid-October.

There was an initiative by the Department of Finance to give relief to Canadian businesses from countermeasures on U.S. imports, and the HS codes we use are part of that initiative. Our situation was not good. Going forward into the future, we could not sustain the situation that we were in. We made some representations and, happily, the Canadian government has answered those requests and did put out an initiative to exempt some products for all companies that are using them in Canada.

● (1145)

Fortunately, the products we were using are on that list. We had the same request that I'm sure everybody else who's using steel in Canada had, as far as the impact of tariffs. In our case, I think the conclusion for now is positive and going in the right direction.

The Chair: Thank you, sir.

We're going to go right now to Armo Tool. Mr. Whitney, you have the floor.

Mr. Ben Whitney (President, Armo Tool Limited): Thank you, Mr. Chair.

My name is Ben Whitney and I have the privilege of being the owner and president of two London, Ontario manufacturers: Armo Tool and Abuma.

Thank you for the opportunity to explain the impacts of steel and aluminum tariffs on Armo, Abuma, and our 225 Canadian team members.

My companies design and build things that make things. Some 80% of our business is in the automotive industry. We have risen to the challenge of going global, exporting 50% of our production, with most of our exports going to the United States and Mexico.

When tariffs were announced, my hope was that competitors in the U.S. market would be paying more for steel and that, by buying Canadian materials as well as materials from elsewhere, I would have a competitive advantage. Instead, all of my suppliers raised their prices. Armo is paying 17% to 33% more than we were a year ago for steel of all types. Most of the steel is produced in Canada or from offshore. These price increases occurred almost immediately upon the discussion of tariffs. It did not wait for the tariffs to take effect. I am paying $50,000 per month more for steel, aluminum, and metal components than I was a year ago.

If the Canadian government implements anti-dumping measures, I fear rising costs on steel plate and possible shortages. On more than a quarter of projects, I am competing with companies in China. These Chinese firms can buy steel cheaper than I can. They consistently deliver quality parts on time. They are very serious competition.

After Bush's 2002 steel tariffs, the U.S. discovered the unintended consequence of tariffs was to lose 10 times as many jobs in value-added manufacturing as were saved in steel-making. These tariffs are endangering manufacturing jobs on both sides of the border.

I don't need help to compete with the Americans. Just don't make it easy for our offshore competition.

We are a moderately sophisticated mid-size business. Many automation integrators, fabrication shops and tool-and-die companies are smaller and more localized. I have good support from a national accounting firm and experienced import brokers, but I am still not able to get duty relief on steel we are buying, even when it is used to manufacture goods for export. This is because we buy the vast majority of our material through local steel and aluminum distribution companies. Our material purchases are too inconsistent and require delivery times that are too short to go direct. Local distributors do not break out the cost of the tariffs in their invoices, and we cannot get the required import paperwork. We can't apply for duty drawback. If Armo, at a 200-person size, cannot figure this out, most companies in our industry will not be able to.

I hope and trust that these tariffs will soon be a thing of the past. I know the government intends to use tariffs collected to help companies that use steel and aluminum. Other than returning tariffs paid through duty drawback, I understand that some of the funds have been pointed towards the SIF program. The minimum project size for SIF is too large at $25 million and will only help companies that are large enough to figure out how to get duty drawback or their cost passed on to customers.

What is needed is funding of much smaller projects, like the digital technology adoption pilot program, DTAPP, from a couple of years ago, which could promote industry 4.0 investments, or the CME SMART program for supporting capital purchases.

The simplest measure might be allowing accelerated capital cost allowance on capital equipment for processing steel or aluminum. A targeted ACCA could be implemented immediately with a minimal amount of administrations.

Congratulations on finishing the USMCA agreement. I hope you get these mutually destructive steel and aluminum tariffs removed as soon as possible. Thank you for your interest and support.

● (1150)

The Chair: Thank you, sir.

We're going to go now to the St. Thomas and District Chamber of Commerce. We have Mr. Hammersley. Welcome.

We had a crew from your neck of the woods here a couple of days ago. I think it was your economic development corporation.

Mr. Robert Hammersley (President and Chief Executive Officer, St. Thomas and District Chamber of Commerce): Correct. I tried to be here at the same time, but flight schedules just wouldn't let it happen.

Good morning, committee members. I know this committee has heard from a diverse cross-section of interests across industry and the commercial sectors impacted by tariffs on Canadian businesses. Thank you for allowing me to appear today.

I'd like to examine those impacts through a different dimension, I believe, that incorporates the anxiety most businesses are confronting alongside the pressures this government is working to overcome.

I am the president and CEO of the St. Thomas and District Chamber of Commerce. Our membership is close to 600 businesses and organizations. We count large industry to small businesses, which make up the majority of our commercial sector and employ over 14,000 people.

This committee is doubtless aware that St. Thomas, Elgin County and the broader region of southern Ontario were ground zero during the unparalleled economic contraction between 2008 and 201O. Since then, however, we have worked diligently to turn the page. Our industries and commercial sectors create everything from auto parts, which have been our traditional hallmark, to consumer goods and electronics, to home fixtures, beverages, agricultural and agrifood products, to fuels and even clean energy enterprises.

We're turning the corner, but that transition is being threatened by the imposition of tariffs in our largest market, the United States. Directly, there is a threat in my community to over 5,000 jobs. That' s one of every four jobs in our market. Indirectly, that threat extends to several thousand more. Any loss of these jobs would have direct impact on this government's priorities. The cost of tariffs in our market area is staggering. In a random sampling of businesses we know to be affected, we found the annual impact at $40,000 for a craft brewery using aluminum cans, to over $70 million for our largest employer, with a direct impact on 1,500 jobs.

Enterprise in Elgin County builds critical products whose uses go to the heart of many of the policy objectives of this government. Our area boasts manufacturers of critical components and finished products that contribute to positive outcomes in neonatal and newborn health. For example, we create parts for incubators and other medical devices that are essential to strong public health. Healthy outcomes for people here in Canada, in the developing world and around the globe depend on what is built right now in our community.

While the auto manufacturing sector is but a fraction of its size prior to 2008, innovation and quality continue to hold high value among our U.S. and international consumers. But its viability is at stake and mitigated in this tariff environment largely by a lower Canadian dollar. As commodity prices will go up, so will our dollar, making the continued viability of our area industries all the more untenable.

It is not unreasonable to observe that many of our existing businesses may find it necessary to leave the country, relocating in whole or in part to the U.S. Our local innovation extends beyond hard products alone. We are proud to count internationally recognized leaders in the agrifood sector. Their processes and efficiencies, by design, contribute to lowering food prices and opening greater access to high-quality, sustainable, and locally grown or raised produce, fish and others. Their machinery and equipment needed to produce and deliver their product excellence relies upon steel and aluminum. While this sector is providing vital food access for Canadians, and globally, their access to the needed inputs to their operations is either narrowing or has closed.

Like other regions of southwestern Ontario, we have become a gateway for foreign companies to establish Canadian operations and footprints. Further progress depends on the government's constant and ongoing efforts to attract diverse investment to rural Canada.

Mr. Chair, my chamber and I recognize this is a difficult dilemma. The near-term consequences for our businesses are extraordinarily real and can undo what has taken nearly a decade to build. The jobs factor alone captures the most attention for obvious reasons, but the implications extend further. From health care to transportation, to what we eat, to bettering society for all, these are all amplifiers for this government. St. Thomas and Elgin County are solution destinations. I trust this government will deliver practical and prompt relief so our solutions can continue to deliver results locally, across Canada and around the world.

Our position in representing the business community and the people of our region is firm. Canada should receive nothing less than a full and permanent exemption from steel and aluminum tariffs.

Thank you, Mr. Chair and committee members. I appreciate the opportunity to be with you today.

● (1155)

The Chair: Thank you, sir.

We're going to wrap up with our last group of witnesses from the United Steelworkers. You're no stranger to our committee and it's good to see you back. You also helped us down in Washington when we were down there.

Mr. Neumann, you're taking the floor. Go ahead, sir.

Mr. Ken Neumann (National Director for Canada, National Office, United Steelworkers): Thank you.

On behalf of the members in the steel and aluminum industry, I want to thank you for this opportunity to speak to the committee on the crisis that becomes more intense with each passing day the tariffs are in place.

With me is Jamal Shaker from our national office research team.

The Steelworkers is the primary Canadian union representing workers of steel and aluminum. The absurd section 232 tariffs continue to cause massive uncertainty for 175,000 Canadian workers, whose jobs are directly or indirectly tied to steel and aluminum industries.

I want to say right off the top, Canada must not commit to signing the USMCA unless and until there is a guarantee that the steel and aluminum tariffs will be repealed. It is a massive betrayal of our steel and aluminum members that the tariffs still remain after the conclusion of the USMCA negotiations.

Canada is the United States' closest trading partner. It is completely inconsistent to sign a new trade agreement that will govern the commercial relations between the U.S. and Canada for decades to come while at the same time maintaining these illegal and punishing tariffs. I must also note that the dangerous precedent of including references to section 232 tariffs in a side letter of the USMCA only serves to legitimize what has been an obscure clause in U.S. trade law, a clause that is supposed to deal with real national security issues. The longer these tariffs are in place, the more devastating they become. We have already seen layoffs in Sault Ste. Marie as a result of the tariffs; 45% of our steel industry is at risk from these tariffs.

Remember, 90% of both steel and aluminum exports from Canada go to the United States. We have seen a sharp decline in those exports since the tariffs came into effect. The impact of the tariffs is only worsened by the events like the new, now 10-month lockout of our members at the Alcoa aluminum smelter in Bécancour, Quebec.

The steelworkers on both sides of the Canada-U.S. border reiterate our common position that the section 232 tariffs must be cancelled now and unconditionally. Further, quotas must not be seen as a trade-off for tariff removals. We oppose any system that only helps some part of the industry while harming others. We call quotas nothing more than voluntary export restraints. The tariffs and threats of quotas are already having a negative impact on the steel industry. For example, we've been anticipating an announcement that steel will again be made at the Hilton Works facility in Hamilton. Now that we are mired in this trade war, the uncertainty has delayed any such decision. We can only imagine the impact if Canada agrees to a quota.

As well, the proposal to base quotas on historical averages with entrenched Canadian export levels has been negatively impacted by global overcapacity from bad international actors such as China. We would like to emphasize that our impact of the tariffs goes beyond steel and aluminum. Our union also represents workers across the manufacturing sector, where smaller companies employing our members are also feeling the impact of the tariffs with increasing layoffs and slowdowns. Repeating what we said to this committee on July 31, to protect workers in manufacturing, particularly those in small and medium enterprises, the Steelworkers assert that the worker and industry support package must cover industries across the supply chain.

We must ensure that the industry supports are going to go to those who need them, particularly where there is a real threat to the good jobs. We also emphasize the need for improved worker support, including additional reform to employment insurance, and work among unions, business and government to prevent as much job loss as possible. Not only are our members suffering from the uncertainty caused by tariffs in Canada, but they're also dealing with the ripple effects of the tariffs Trump first imposed on the rest of the world in March.

Imports of certain steel products to Canada have surged, threatening good Canadian jobs across the industry. Since March, the Steelworkers has been calling for additional trade remedies to counteract these abnormal increases in imports from non-NAFTA countries. While we were relieved when the Ministry of Finance finally announced interim safeguard measures earlier last month, we were puzzled why it took some five months to have these measures implemented.

● (1200)

We also support the remission order listed by the government, in particular, as I said earlier, to protect the jobs in manufacturing.

In conclusion, the Canadian government must do everything in its power to eliminate the section 232 tariffs. That means standing up to the Trump administration and drawing a line in the sand. We must not sign the USMCA unless their tariffs are removed.

The government has already lost one opportunity to cancel the tariffs. Do not sell out our steel and aluminum workers again.

I would refer you to our full submission, which we filed with this committee on Tuesday. My colleague Shaker and I are here to answer any questions that you may have.

Thank you for the opportunity.

The Chair: Thank you, sir.

That wraps up the presentations by our witnesses.

I also would like to welcome some visiting MPs to our committee, MPs Duvall, Mihychuk and Ellis.

We could have votes any time, so we're going to start right off with the Conservatives. I would suggest to MPs that you keep your questions nice and short because we have six witnesses.

Also, witnesses, do your best to keep it short so that we can have a lot of dialogue over the next 45 minutes.

Without further adieu, Mr. Allison, you have the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you, gentlemen, for being here today and for taking the time. I know I had a chance to speak with a few of you this summer.

Ben, I know I had a tour of both your facilities.

I know, Gary, that someone from your office was at one of our round tables. Was it you? No, I didn't think it was you.

Let me just go to you. I only have five minutes, and it's tough to cover all these topics.

I guess our biggest concern is that, with great fanfare, this government talked about $2 billion in relief, which really ended up being $1.7 billion for EDC and BDC loans. Obviously, taking on more credit or, as they say, reducing your capitalization is probably not the greatest thing for what bankers will want at the end of the day.

Then, of course, you talked about the strategic innovation fund. It's $250 million, which really puts out a lot of small and medium-sized enterprises. Talk to us in terms of how you haven't really found any program that fits for what you need at this point in time. Is that correct?

Mr. Ben Whitney: That's correct.

I thought that the duty drawback was going to work for us. Then I started talking to our suppliers. The paperwork that I would need would show who they're buying from and how much they're buying it for, so they're not going to supply that to me.

The other issue is that as long as these tariffs are in place, I'm paying 24% more for Canadian steel. All the steel guys recognize what has happened to the market, and they are making good profit from me. They may be losing money on sales that they used to make in the U.S., but they are making a lot of money from me. That's happening from the Canadians, the Europeans...everybody.

So, no, I don't see a program that really works for me. With regard to the amount of money that this is costing us, we can pass a little bit on to customers, and then, basically, it just reduces our profitability substantially. It's not a life-or-death issue probably for us, but it makes us less competitive against foreign or American suppliers.

That's why I'm suggesting small programs like DTAPP, SMART or even—

Mr. Dean Allison: Accelerated capital.

Mr. Ben Whitney: —accelerated capital, just to put a little bit of money back into our pockets to invest in the business. We're growing quite rapidly. This just sort of drains some of the oxygen out of our organization.

Mr. Dean Allison: Perfect. Thanks.

Gary, talk a bit about what's going on in Niagara. I know you guys are out of Thorold and Welland, but what I'm sensing.... Maybe it was your remarks, but someone for sure said that they were laying people off as a result of orders and lack of ability. Could you just talk about your experience with what you understand is going on in Niagara as it relates to people either shifting production to the U.S. if they have that option as a company, or laying people off as a result of lost sales?

● (1205)

Mr. Gary Stepien: We haven't got to the point of laying people off yet. That is a possibility. Like I've said, we've had a serious hit to our sales. The issue really is that we make what our customers need, and our customers are finding that we're too expensive now. They're basically looking at what their options are to essentially replace us. That's an impact of 25 people on our floor. We're talking about skilled trades and that type of people. It's a serious risk.

The thing is that our customers not only ship into the States, but into Canada, and in their case, they're competing against foreign product that is not exposed to any of these tariffs because that product comes from either Asia or Europe. It isn't a level playing field at all. We're kind of caught in the middle.

Mr. Dean Allison: As we look at supply chain when dealing with those things, one of the concerns is that if customers in the U.S. are saying that they don't want to pay that price, they then shift to the U. S., which then erodes the whole ability to be competitive and once you lose those customers, you may never get them back. It takes years to accumulate these customers, right?

Mr. Gary Stepien: We are aware that companies are seriously considering hopping the border because that's a quick fix to solve their problem. You have to remember that we have millions of dollars of super expensive, high-technology equipment, like CNC machining lathes and mills. If it comes down to it, you unbolt it and move it. That's the reality of it because we're talking about private families that, in our case, have 42 years of business that is at risk simply because of this type of paperwork legislative issue that was never even considered when all of this investment was made.

We have gone through 20 years of NAFTA with none of these issues. You have private wealth accumulating and reinvesting, but all of a sudden, the rug is pulled out from underneath them and it's serious because you have investment that has to be utilized. It impacts cash flow. It impacts market share and all of that.

The Chair: Thanks, Mr. Allison.

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

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you to the presenters.

My first question is for Mr. Neumann and Mr. Jamal. The United Steelworkers are very diverse. I want to thank you for the great work that you do.

You are telling us here that we shouldn't have signed the USMCA, but when I'm on the ground and when I'm talking to the workers and to companies, they are very happy. In fact, they are saying that it creates certainty.

Does the USMCA help the United Steelworkers?

Mr. Ken Neumann: Let me back up. I can tell you that I've talked to a lot of our workers as well and the fact of the matter is that this deal was signed, but what was left out was that we were abandoned on steel and aluminum. It was a commitment right from day one.

Mr. Sukh Dhaliwal: If I leave that aside, if I just have to focus on USMCA, can you tell me the impact it has on the Steelworkers union?

Mr. Ken Neumann: In its entirety, it probably has some good provisions, but there are also some provisions we're concerned about, as I said in my submission. Through their acknowledgement, with regard to the national security threats, you can now impose clause on 232. I can tell you what's going to come next. It's the uranium workers. We represent the uranium workers. That's the next thing that's going to be declared. It's going to be national security. Canada is the furthest thing from national security. We have to start from that premise. This is an illegal dumping. It should have never been there to begin with and now, people say we have a deal, but you got the deal at an expense. You sold out the aluminum and steelworkers.

To me, yes, there are some provisions that are good, like chapter 19. That salvaged us in the industry with regard to wood, but where did that end up? We had five or seven cases go under chapter 19, but we still have duties today that are punishing our members.

Yes, there are some good elements in it, but it's not an agreement that I'm very happy with, nor are our members. If you look at the trade union movement, I know of very few unions that have come out endorsing it. People are relieved because the fact is that you have a bully south of the border, but the fact is that we're going to capitulate to that and that's what the issue is.

● (1210)

Mr. Sukh Dhaliwal: Are you aware of any layoffs or job losses?

Mr. Ken Neumann: Yes, we've had layoffs up in the Soo. There have been layoffs that we know of and, as some of the gentlemen have spoken about here, a lot of our smaller companies are at the brink of making some decisions on layoffs. You just heard the news this morning or last night, there's a company that is 45 minutes from here that is closing its facility. I don't know if it's related to the tariffs that are taking place, but they are moving away. There is no doubt that 45% of our facilities are at potential risk. It's very serious.

Mr. Sukh Dhaliwal: Thank you.

My next question is for the St. Thomas and District Chamber of Commerce. We have heard from small and medium-sized firms, particularly small manufacturers, that they have difficulty applying for the programs that the government has in place.

Have any companies come to you that you are helping to proceed?

Mr. Robert Hammersley: We haven't hit a level yet that sees attempted remedy other than perhaps, as my colleagues have all said, the threat of relocation seems to be the biggest potential. I'll give you one example that is near and dear to me. It's a small business that started as a family enterprise with three people. It has grown to employ over 100 people. It manufactures products, castings that are principally sold in the U.S. Right now, if it were not for a 30-cent approximate differential in the Canadian-U.S. dollar, it would be to their advantage to simply pick up and move to Michigan.

Mr. Sukh Dhaliwal: Two more minutes?

The Chair: A few seconds, yes.

Mr. Sukh Dhaliwal: I'll put a small question to Mailhot Industries.

You're thinking that you can go to some other country that can supply the steel. Can you tell me what are those countries that you're focusing on?

Mr. Stephen Vezina: We use steel tubing that's supplied by mills. We don't buy through distributors. We get it directly from the steel mill that manufactures it. That supply is fairly limited around the world. There are some suppliers in India, Asia and South America. But once again, when you're looking at three to six months' lead time on getting the steel from the mill, to change suppliers is over a one-year process.

Naturally, being in a situation where we had retaliatory tariffs, we were facing a 12- to 18-month period before being able to get new sources of supply, which would have put us in a really bad situation.

The Chair: Thank you.

We're going to go to the NDP now.

Mr. Duvall, you've got the floor.

Mr. Scott Duvall (Hamilton Mountain, NDP): Thanks, Mr. Chair, and thank you to all of you for this important information. It's been very helpful.

Mr. Neumann, I thank you for all the work you do representing the workers across Canada. Do you believe that the temporary safeguard measures are actually helping the companies? We understand from the information I got that there's about $300 million that's been collected by the Canadian government. Seventy-four companies have applied and only 36 companies have been approved for funding so far.

I know the big businesses can make an adjustment on this temporary mess but on the small and medium-sized, as Mr. Whitney has told us, they're having difficulty.

Do you see that happening right across the country?

Mr. Ken Neumann: We hear the complaints that it's a very complex process. Like you say, there are a lot of applications. I know of two particular situations, one in Hamilton and one in Kingston, that have actually.... We've signed letters of support to make sure that they get those exemptions. My understanding is that one of them has been approved.

We support the measures that have been put in, but again it's how expedient it is, it needs to be.... If you're going to put that money out there and make some commitments, you've got to make sure you follow through with them. From what I've seen in one particular case there were 150 jobs at risk. They couldn't source the material here. They had to go to the U.S. It was approved.

If you've got all those applications in and only a handful approved, that obviously needs some more monitoring and making sure that they get on top of it.

● (1215)

Mr. Scott Duvall: Thank you.

The next question is dear to me because it's from my hometown Hamilton where Stelco Canada now has gone through bankruptcy. There was great hope that they were going to expand and expand the capacity. When the tariffs came in, they just stopped. These were a lot of jobs they were looking for in the city of Hamilton.

Do you see other companies that are doing the same thing but not expanding until this issue is resolved?

Mr. Ken Neumann: I know a bit about Mr. Kestenbaum. He's taken over Stelco. I know he had big plans to expand. Because of this cloud hanging over, that's not going to take place. There's a lot at risk. I think Steeltown gets affected hugely. The question really becomes about investment.

I'll tell you, as someone who was born and raised and worked in the steel mills as a youngster, I know the importance of the steel industry to this country. The fact is that it's an important industry that we no longer have. All of our investments are all in companies that are from outside of Canada. We need to expand.

The reason companies come here is because we've got a good workforce. We've got a good society. We've got a good business element. That's what's important. The fact that you've got these illegal tariffs that are out there is basically going to risk any companies. Is any company really going to come and say they are going to stick billions of dollars or millions of dollars into an investment? It's very unlikely with this cloud hanging over our head. That's a bigger concern looking forward.

Mr. Scott Duvall: Mr. Hammersley, thank you very much for what you said.

We've noticed today, and Mr. Neumann made a statement on it, that Sandvik announced yesterday that they're going to be closing down next year—160 jobs, and then you have the ripple effect—because of competitiveness and the tariffs. Tenaris announced layoffs right away, as soon as the tariffs... Do you see that in your area, that if something doesn't happen immediately, they could possibly close down because of not getting any kind of relief?

Mr. Robert Hammersley: Uncertainty is not good for any of us, but that's very real right now. I can't predict the future and say for certain, but I do know, for example, in speaking with a company that is our largest employer, that a $70-million-a-year burden is simply something they will not endure. If I were betting, I would say uncertainty and definitely negative action is a strong potential.

Mr. Scott Duvall: Mr. Neumann, you mentioned the USMCA, with the tariffs not coming off. Do you believe that the government, by signing the agreement, has blown its leverage on making sure the tariffs come off, going into the future?

Mr. Ken Neumann: No, you give up your leverage. The fact is that you have the second round coming up. There was a commitment from President Trump that if we get a free trade agreement, which they did the morning he tweeted out that we're back to a good normal relationship, the tariffs would come off. The government never held him to account on that.

To now go ahead and sign the agreement when those tariffs are there, all we're doing is running into muddy waters. The fact is it doesn't help the industry. It doesn't help the people sitting here today, giving you testimony about the seriousness of this issue.

It's wrong-headed. It's unconscionable that we're in the situation that we are today, if you look at the trading partners that Canada and the United States have been for decades. You cross those borders no differently than any of us and you see that trade continues. We have an integrated market. It makes absolutely no sense. We're up against the bully, and the fact is you have mid-term elections coming next week, and maybe something will happen after that. We'll wait and see, but to go ahead and sign that agreement doesn't give me any comfort whatsoever.

The Chair: Thank you, sir. You were a bit over your time, but that's okay.

We're going to move over to the Liberals. Mr. Fonseca, you have the floor.

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

I'm not sure if the witnesses have been following this committee closely. We have had many companies come in. They've told us about the challenges they're experiencing. What we're doing as a government...we're all learning as we go along. When it came to the remission of surtaxes, many have brought very positive stories and experiences here to this committee.

Mr. Vezina, I think you were talking about being helped by the remission of surtax. Is that correct?

● (1220)

Mr. Stephen Vezina: Yes, definitely. We had applied to explain our situation, which was not good. It was costing us over $150,000 in retaliatory duties per month, so obviously we couldn't keep on at that rate forever. As I mentioned before, there is no Canadian source for the tubing we use, so we had no other option than to go overseas, and it takes over a year to be able to secure that type of supply for that type of product. At least there was that opening on the part of the government to allow us to apply, and the decision put forward in mid-October certainly worked to our advantage.

Mr. Peter Fonseca: How did you go through the process to be able to do that?

Mr. Stephen Vezina: At the beginning, there was a process where you could ask for an exemption. We went through that and did some representations afterwards to explain our situation. We had no other option in Canada, and there are actually only two or three mills in the U.S. that supply that type of tubing used for hydraulic cylinders. Because of the application, you can't use just normal tubing for that product.

Mr. Peter Fonseca: Thank you.

I know, Mr. Hammersley, through the chambers and other business groups, we've been able to disseminate that information. If you don't have it, we would like to provide it so you can get that out to your 600-plus members in Elgin County.

Mr. Robert Hammersley: I would appreciate that, thank you.

Mr. Peter Fonseca: That would be great.

One thing that unites us all here is that we know section 232 is unjust. It's unfair. Mr. Neumann, you said it was completely illegal, and we feel the same way. We want this thing abolished, taken out.

There is a challenge with the USW. I read here that your U.S. counterpart, USW U.S., says, and this is before the ways and means committee in the United States, “The steel and aluminum section 232 tariffs are necessary to ensure that the United States can supply our defence and critical infrastructure needs,” and then goes on in a very supportive way about section 232. Have you spoken to your membership? Have you spoken to your U.S. counterparts and told them that this is completely illegal and wrong?

Mr. Ken Neumann: Sir, let me set the record straight.

There are some people who would like to play in the sandbox to make us look bad as an international union. The fact of the matter is that our union is consistent on both sides of the border that these tariffs are absurd, that they should have never been there, that they're illegal and they're wrong-headed. It's the same as the position that we've taken.

The day those tariffs were imposed, we also passed the unanimous resolution that the tariffs.... Canada is not the problem. You can go through chapter and verse with regard to what the real global problem is. We can talk about the history of how it has diminished, and that sort of stuff.

For the record, let's be very clear. The United Steelworkers international president is Leo Gerard, a Canadian. Trust me, the fact is that we're on the same page with our brothers and sisters. I have had the opportunity to speak numerous times at many our conventions, and it's an issue that I raise. Never, ever have I been challenged by the fact of them saying, “Well, look, you're Canadianizing it.” That's because they understand.

One thing that workers understand is the fact that it's an industry. Many of the companies that we represent here are also in the U.S., and they understand they interchange. You take Arcelor, or you take some of these huge companies...that's not an issue at all.

There may be some people who say that because you have an international union that somehow you're not defending them. That's the furthest thing from the truth.

Mr. Peter Fonseca: I'm just reading from the record here.

I hope that Mr. Gerard, being a Canadian, being down there representing everybody, would be defending Canadians—

Mr. Ken Neumann: Trust me, he is.

Mr. Peter Fonseca: —in North America.

If you can provide the committee with a statement from Mr. Gerard, that would be great.

Would you be able to do that?

Mr. Ken Neumann: I will.

Mr. Peter Fonseca: Thank you so much for that.

In regard to unions right across Canada, we know the largest union, Unifor, is very supportive of the USMCA. They've talked strongly about this.

Jerry Dias has talked about the automotive sector. He has talked about bringing certainty and stability to the USMCA. This is what we're hearing from the union movement.

I know it might not be from USW, but this is what we're hearing from labour.

Mr. Ken Neumann: Well, you're hearing that from one affiliate, and the fact of the matter is—

Mr. Peter Fonseca: Well, many—

Mr. Ken Neumann: I've not heard from them. I've seen the press —

The Chair: Sorry, your time is up, and—

Mr. Ken Neumann: I've seen the press releases. The fact is that there's only one union that has come out in favour of it.

Look, I support the auto industry. It's important to the industry. We produced the situation. I get that. But the fact is that in these last trade negotiations, Canada sat out while Mexico and the United States did the heavy lifting.

An hon. member: Hear, hear!

Mr. Ken Neumann: I'm pleased for the auto sector. I'm pleased that it is where it's at, but the fact is that in order to build autos, you need steel and you need aluminum.

● (1225)

The Chair: Thank you, Mr. Neumann.

That ends our first round.

We have time for almost another round.

We're going to start off the second round, and, Mr. Peterson, you have floor.

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

Thank you, everyone, for being with us today. It's very informative. It's obviously a dire situation, and we're trying to make sure we do all that we can do, as effectively as possible, to help those who need it.

Mr. Whitney, I was interested in a lot of your testimony, and thank you for providing it.

I think you said that your suppliers were jacking their prices before these tariffs were even announced. Can you elaborate a little on that?

That doesn't sound fair to you, but tell me a bit about the context and how that was happening.

Mr. Ben Whitney: One of our suppliers is a company called Anchor Danly. They were kind enough to show me their pricing structure for the last 12 months, and things that they were selling for $950 in November were $1,300 in March. They're not producing the steel; they're just turning it into a state that I can use.

Basically, as soon as there was talk of tariffs, a bunch of companies in the steel industry saw an opportunity to dramatically make more money.

Mr. Kyle Peterson: That seems unfortunate.

We have a full range of stakeholders here. We have labour, manufacturers; we have the chamber here, of course. I want to focus a bit on the manufacturing side of things.

To the manufacturers, the people selling to customers, are your customers mainly based in the States, or in Canada, or both?

I'll start with you, Mr. Whitney.

Mr. Ben Whitney: We probably sell 50% into Canada, and roughly a quarter into Mexico and a quarter into the United States. Most of our customers are global tier 1 automotive companies—big companies.

We're competing against Canadian, American and offshore on most projects. Because we're a highly engineered, value-added company, the materials are maybe a relatively smaller piece of our costs than what Iafrate might experience. However, it's still enough to wipe out the profit on most projects.

It's difficult. We might have a project quoted for a year before it's awarded, and then the project might take six months. I think what you heard earlier is that the only thing that's saving our bacon is the low currency. As interest rates rise, if we get oil pipeline certainty and our dollar starts to rise, then we're going to have a problem; the problem gets bigger.

Mr. Kyle Peterson: Mr. Stepien.

Mr. Gary Stepien: In our case, it's hard to isolate the impact on a product-by-product basis because some of our products are small enough that you can pick them up with one hand. Other products are so large you need an overhead crane. The steel impact ranges across the products also because we have also locked into certain quotes. You lock your selling price in, and then your costs change. That's the issue we're dealing with.

We're really focused on the Alberta company, which distributes within Alberta and through the States. The impact on them is significant because this is a price increase that they can't pass along. They are trying to figure out how best they can do it. Right now, we're not the customer they want because we've become the high-cost supplier.

Mr. Kyle Peterson: Mr. Juneau.

Mr. Justin Juneau: We exclusively sell in Canada—mostly Quebec, Ontario and New Brunswick—so the entirety of the price increase will be transferred to Canadians in the long term. In the short term, we have to pretty much internalize the increase in pricing, and bite the bullet for now.

Mr. Kyle Peterson: Mr. Vezina.

Do I have any time left, Mr. Chair?

The Chair: You have almost a minute, but keep it tight.

Mr. Stephen Vezina: We're about fifty-fifty in Canada and the U. S. It's the same thing. Our big thing is that our competitors are from overseas or from the U.S., so we're at a disadvantage in the Canadian market and the U.S. market because they don't have to do any price increases. We lose all over the place.

Mr. Kyle Peterson: I will ask everybody. I don't think we're going to have time to ask everybody, but I will probably get a second round.

How much inventory do you have now? Is there a waiting game? Presumably you're pricing jobs for the future, for which you have to take into account these tariffs and that pricing. When the jobs come to fruition, the tariffs may be gone or anything like that.

How are you balancing all these competing factors?

● (1230)

The Chair: We have a problem here. It's a challenge. It's a good question. Maybe you want to punt it until your next round.

Mr. Kyle Peterson: Okay. Think about that. I think it's going to come back to us.

The Chair: I think it's too big a question for your last 10 seconds.

We're going to move over to the Conservatives.

Mr. Carrie, you have the floor.

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

Thank you to the witnesses for being here.

I'm going to agree with my colleague, Kyle, in that we do have a dire situation here.

Mr. Neumann, you were here in July, and back then we were hearing how grave it was. You mentioned the metal tubing plant, Sandvik, in Arnprior closing down. We heard that last night. They are moving to Scranton. They are consolidating down there. The concern with that huge betrayal and disappointment with the USMCA to have these 232s.... We even heard from Mr. Ross in the spring, I think. He was saying these were put on for leverage. The fact that they are still there, I think, has just surprised everyone.

We heard from Mr. Whitney. Unlike Mr. Fonseca, I heard most people come and say they were having a problem with the government aid. It's very onerous, and even the big companies are saying it's a timeline type of thing.

Mr. Stepien, I believe you said you did get remission relief. How long did that take? What was the paperwork like?

Mr. Gary Stepien: Our management put in 40 hours, between me, the president and the business development manager. It took 40 hours to get the application completed the way we thought they needed. There were still some follow-up meetings to clarify some things.

Mr. Colin Carrie: The top guys at the company took 40 hours. The small companies are telling us they can't really do that.

Did you have any luck getting an exemption? You mentioned—

Mr. Gary Stepien: Yes. We did.

One of our products is in schedule 2, which means that exemption expires December 31. Tenaris has indicated they believe they can provide us with that. I guess time will tell.

It's one thing to say you can get the product. It's another thing to say you get it at a price you used to buy it at.

Mr. Colin Carrie: I think that's one of the biggest problems coming out. Even Mr. Hammersley was saying they're hearing about companies that are losing customers, and they are looking at this whole relocation like we saw with Sandvik.

Mr. Neumann, I do want to ask your insight. There's this issue right now of 232s, but there's a long-term issue about the dumping. I guess some of the strategy, as Mr. Fonseca said, is that the Americans are looking at this as a defence issue. In other words, that's where the security argument is coming from. We all know that Canada is not a security threat to the Americans, but we're stuck with this type of a situation.

Looking at long-term solutions for the anti-dumping.... China, Turkey and these countries are putting their product into our countries, and we're not able to compete with this. What do you see in the long term as a strategy to help with that?

Mr. Ken Neumann: To be honest about it, and it's probably hard to say this, but Mr. Trump said something that got everybody's attention. The dumping of steel, the saturation from countries that cheat and manipulate, don't have human rights, don't treat their workers the way that...has been ongoing for years. We've had that same situation here in Canada. If you look at the amount of steel that's been dumped over the years, you see that has diminished the amount of capacity that the companies that are playing by the rules have, because we've never had the ability to basically stop it. The same thing has happened in the U.S.

What the U.S. has done is they've gone ahead and applied these tariffs around the world. But don't punish your neighbour. Don't punish your best ally. Don't punish the integrated...of the market. There are decades and decades of history there.

The fact is if you look at aluminum, the prices of aluminum have dropped because of the oversaturation of China. A country that produces in excess of a billion tonnes and uses 700 million ain't gonna leave it in the boneyard.

What you have to have is Europe and the other countries come together and you have to deal. Don't reward bad behaviour. That's what's happening. The fact is it's coming at our expense. To have these tariffs imposed is an insult to Canadians. If you look at—

Mr. Colin Carrie: I heard that short term. I don't mean to interrupt you because what you're saying is absolutely valid. But I've heard from other stakeholders—and I don't know whether you were getting to this—who actually said that if we all got on side with what the U.S. administration is doing for North America, that might not be a bad way of addressing the dumping issue.

Once these are resolved, do you think this is a good strategy to move ahead globally if Canada can get back to where we have that preferred access that we've had for the last 25 years?

● (1235)

Mr. Ken Neumann: Maybe I'm not getting to the exact question you're asking. If the tariffs are removed and there are no quotas in place, and you have the ability for us to expand our market, I think that's all great.

If you can get everybody to play by the same rule book, and not manipulate the currency and do the dumping and you can't compete, I think that's the track you need to go on.

President Trump has taken advantage of what's happening around the world. Basically he's targeted a neighbour that he shouldn't have, and we now suffer the consequences of that.

The Chair: Thank you, Mr. Neumann.

Mr. Carrie, that wraps up your time.

We're going to the Liberals. Mr. Peterson, do you want to continue on where you left off?

Mr. Kyle Peterson: I did ask a question about inventory and your pricing, and how this sort of situation is affecting those processes internally for you.

Mr. Whitney, maybe you can start off?

Mr. Ben Whitney: We don't keep much inventory of raw material, but what we are seeing is that our suppliers are also driving down their inventories, because they don't want to have a bunch of material that they paid tariffs on when the tariffs are removed.

I used be able to get steel in two or three days, now I get it in seven or eight days, so it creates a bunch of problems in my supply chain. It's definitely a challenge on the pricing side, too, because there's a real temptation among the people who are quoting to say, “That's going to be gone soon. I'm just going to quote the prices that don't get any problems from my customers.” Then we're trying to teach those people to quote at a new rate, but it's definitely challenging. Then people spend time trying to find new suppliers to avoid me.

We really can't pass on the full cost. We're mostly absorbing it and hoping that it ends quickly.

Mr. Kyle Peterson: I hear that.

Mr. Stepien.

Mr. Gary Stepien: In our case because of remission we're okay now, but until that occurred, we would, yes.

Mr. Kyle Peterson: It's good to hear that.

Mr. Juneau.

Mr. Justin Juneau: Since we're in the peak season right now for garage doors and response time is crucial in our industry, we cannot afford to carry less inventory, so we have to carry the same amount of inventory and support larger capital immobilized on the floor so we can still be a viable supplier for our customers.

Mr. Kyle Peterson: Thank you.

Mr. Vezina.

Mr. Stephen Vezina: This being a trucking equipment industry, just before all of this was happening, a lot of people stocked up on the inventory of tubing, in our case, or steel plate for people who build dump bodies or garbage trucks or snow removal equipment.

Naturally once everybody has gone through the stock they had, now they are paying more for their raw material for whatever they're making in the truck equipment industry. It will trickle down to the end users: to the cities, governments, private contractors that use garbage trucks, snow removal trucks and dump trucks. In the end, the end product will be more expensive so that may delay purchases from cities, provinces or departments of transport, and slow down the industry as we move forward.

Mr. Kyle Peterson: Mr. Whitney, you said you couldn't take advantage of the remission because you don't have the invoice. You're not the one paying the duties and your customers obviously aren't going to give you that pricing information. Do you know, or is there a way of you knowing, if they're applying for the remissions, the ones who pay the surtaxes?

Mr. Ben Whitney: I don't. They can't apply for duty drawback because they don't know that the products were exported. On the remissions side, I don't know enough about the steel market to know where the steel is coming from to be able to answer that.

Mr. Kyle Peterson: I'm just curious because they're obviously passing that on to you, and I would imagine, if they were getting it back, this would somehow affect their pricing. They don't want to overcharge unnecessarily in a competitive market.

Mr. Ben Whitney: Well, somebody in the supply chain is overcharging. There's a tendency to go, “Okay, the tariff is in place, and I'm going to immediately charge 25% more, never mind that I stocked all this stuff before the tariffs. I'm going to charge for the tariff all the way along.” Then there's going to be a tail on the other end saying, “Well, hey, I paid the tariff on this stuff. I've got to get that money back.” This is after the tariffs are removed. It's unpleasant.

Mr. Kyle Peterson: I'm going to share my time with Mr. Fonseca if that's all right, Mr. Chair.

● (1240)

Mr. Peter Fonseca: Thank you.

My question is for Cedomatec. Justin, I think you brought up that you would welcome steel and aluminum from Asia. What would be the mix of your steel and aluminum coming from outside North America?

Mr. Justin Juneau: Depending on whether the steel meets our requirements, we can move up to maybe 70% coming from other countries such as Asian countries.

Mr. Peter Fonseca: As you've heard, many companies are against this, and we've had a number of witnesses talk about how we should look at a 25% tariff on steel and aluminum coming from Asia and some of the countries that we feel are dumping.

This is open to the other witnesses. What would your thoughts be on that?

The Chair: Hold it, now. The Liberals are having a tendency to get these loaded questions in at the end. I have to be fair here and not allow it.

So we're going to move back to the Conservatives.

Mr. Hoback.

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

Thank you all for being here, and I apologize that it's shortened down and that the format changed a little bit, but I'm glad we're getting a chance to ask questions.

I'm going to start off with Mailhot Industries. You talked about how you went through the process and had an exemption. You actually proved to the government there was a product that you could not get into Canada, that you could only get in the U.S.

When you got that exemption completed, and you did all the necessary documentation, does that product now go on a list so that anybody can get an exemption on access to that product in Canada?

Mr. Stephen Vezina: Yes. Actually, we didn't get a direct answer to our exemption request, but when the government put out the “Relief for Canadian Businesses from Countermeasures on Certain U.S. Imports” document around October 11, and we read the HS codes that covered the different products, we saw that our stuff was in there. That's how we found out. We knew there was something going on, that they were going to be exempting certain products. It was not done specifically for our company; it applied to any company in Canada that uses that type of tubular steel product.

Mr. Randy Hoback: Mr. Whitney, then, would have access to that steel at the same price as you, in theory? It would be tariff-relieved?

Mr. Stephen Vezina: Yes.

Mr. Randy Hoback: We've had a lot of people come in front of this committee and say that there's the 232 issue, but then there's also the surtax issue. The surtax is doing as much damage as the 232 in a lot of cases. I'll use the witness from Cedomatec. I think that would be a good example. The 232 in your case probably doesn't matter, but it would for your Canadian sales, if you're paying the surtax on all the steel you're bringing in. Is that not fair to say?

Mr. Justin Juneau: Yes, you're right. It would affect our clients in Canada.

Mr. Randy Hoback: You talked about taking steel in from Asia, for example, for certain components in your doors. Now, if you said, “You know what, I'm not going to bring steel in. I'm just going to build this component somewhere in Asia where I don't have that tariff.” In that case, could you ship those components in tariff-free?

Mr. Justin Juneau: As I mentioned earlier, response time is crucial in our industry. Just to ship in from Asia to Canada and get it quickly would cost a fortune. We cannot consider building our components outside of Canada.

Mr. Randy Hoback: Okay, I guess I'm looking at this and I'm questioning it. A lot of people were saying this was going to end quickly, but it didn't end with the free trade agreement being signed, and I think that surprised a lot of people in the business community. I think a lot of people are saying that after mid-terms it's going to be taken care of, but any prudent officer of a board would say we have to hope for the best but plan for the worst. You could be in this scenario again this time next year, so if you see this still being there on the horizon, what types of moves are you going to make with your organizations to make sure you stay competitive not only here in Canada but in the international market?

Mr. Stepien, maybe you're a good person to ask, and then I'll go to Mr. Hammersley, because you had actually experienced what these companies are facing out of Tennessee and out of Kentucky as to incentives to move down there.

I'll start off with you, Mr. Stepien.

Mr. Gary Stepien: In our case, our concern is our big customer, because they're facing pressure on the section 232 side as well as the surtax side.

Mr. Randy Hoback: They're getting hit twice.

● (1245)

Mr. Gary Stepien: Right. I can't speak for them, but you can be sure that, with the amount of money they have invested, they're going to have to seriously think about what they want to do.

Mr. Randy Hoback: It's either get hit twice in Canada or don't get hit at all and be in the U.S.

Mr. Gary Stepien: In our case, the remission has solved our problem, but the problem is that, when they ship into the States, some of the product that they make is being hit under the 232 duty. On the Canadian side of their business, they're impacted by foreign product that's not subject at all to any duties, so they're now the high-cost producer.

Mr. Randy Hoback: Mr. Hammersley, can you give us some insight on what these companies are facing as incentives to move to the U.S.?

Mr. Robert Hammersley: I'd like to comment on it by looking at the bigger picture. Let's remember that the issue is not just tariffs. It is the issue of other legislation, whether it be provincial or federal. It is the issue of competition to the U.S. It's illegal for companies or communities in my part of the country to incent companies to locate, by tax gifts and other such things; yet the State of Ohio does it regularly and the State of Michigan does it. It's a threat. I think the big picture is the way we need to look at this, and simplicity is probably the better way.

It's an interesting scenario to me to look to the imposition of tariffs and then look at creation of programs that take rebates and take hours of time to administer. It would be a heck of a lot easier on all concerned if we just simplified it and got back to the reality that, as far as trade between Canada and the U.S. goes, we aren't a security threat to each other. It was good the way it was, so let's just go back there.

Mr. Randy Hoback: Yes, and I agree with you, but I think the reality is—

You have to be kidding me. What kind of watch do you have there?

The Chair: I know, you're getting excited—

Mr. Randy Hoback: It's not a Timex.

The Chair: —there and you're on a roll, but I have to be fair to all.

We do have time for one more MP, and the NDP is going to get it.

Mr. Duvall, you have three minutes. Go ahead.

Mr. Scott Duvall: Thanks, Mr. Chair.

Mr. Neumann, Mr. Fonseca turned around and said that the Unifor president has fully endorsed the free trade agreement. I heard the same thing, especially because he deals with auto. I also heard that he didn't feel it was right with the steel and aluminum having the tariffs put on, because that would increase the price of the automobile in North America, which would then take the competition away, because we're going to bring foreign cars in.

Do you agree with that assessment?

Mr. Ken Neumann: Sure, there's no doubt that I understand that Unifor has come out and said they're very happy with what's been negotiated with regard to the tariffs, but at the same time, they should be concerned as well, because they have members in the aluminum industries. They have members in Quebec and they also have members in British Columbia, and these tariffs hit them the same way. So, of course, I can't imagine them not saying that it's one thing to have one part of the puzzle that's fine, but if you look at the big picture, it doesn't bode well for their members in the same industries that we represent.

Mr. Scott Duvall: Thank you.

Mr. Hammersley, Mexico is having the same problems that we're having with the steel and aluminum tariffs. They have come out and said they will not sign the agreement until these tariffs on steel and aluminum are taken off. I have heard many requests for the Canadian government to do the same. Do you believe that we should do the same?

Mr. Robert Hammersley: I cheered when I heard that news from Mexico on Friday, and I would applaud the Canadian government to do exactly the same thing.

Mr. Scott Duvall: Mr. Stepien, how about you?

Mr. Gary Stepien: Without question, yes.

Mr. Scott Duvall: Mr. Whitney, would you say the same thing?

Mr. Ben Whitney: No, I wouldn't care to comment.

Mr. Scott Duvall: Okay.

Mr. Neumann?

Mr. Ken Neumann: I think you got my comment: of course.

The Chair: Have you finished?

Well, folks, that ends our meeting.

Thank you, witnesses. Sorry for a little bit of confusion at the front end, but when we have to go to the Hill, we have to go to the Hill.

Thanks for all the dialogue and the good submissions. These are challenging times for your companies and your workers, and we're going to do our best on this end.

I'm going to suspend. Colleagues, we have five minutes in camera. I would ask everybody else to leave the room, so we can do that. In two minutes, we're up.

[*Proceedings continue in camera*]