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Vice-Chair

Randy Hoback

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● (1105)

[*English*]

The Vice-Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good morning, everybody.

Mr. Eyking can't be here today. He asked if I would sit in as vice-chair for the meeting. It's a little different—you see the difference in the makeup of the committee and the questions—so I may take a few questions in light of the fact that it is the privilege of the chair. That said, I want to make sure everybody else gets a chance to ask questions too. You're all so good at asking questions, I'm sure I won't need to, so we'll go from there.

I'd like to welcome the witnesses this morning. You have five minutes each, and after your presentations we'll go to questions and answers. We follow a format here that is based on the makeup of the House itself.

Again, welcome. Take your tie off, if you want, and relax. You'll notice that I don't have one.

We'll start off with Ruth Salmon of the Canadian Aquaculture Industry Alliance.

Ms. Ruth Salmon (Executive Director, Canadian Aquaculture Industry Alliance): Thank you, Mr. Chair.

Good morning, everyone. On behalf of Canada's aquaculture farmers, thank you for inviting me to speak with you today.

These are indeed exciting times to be in the aquaculture industry in Canada. Demand is booming and we are excited by the new trade opportunities the trans-Pacific partnership presents. Few jurisdictions can match Canada's natural advantages when it comes to aquaculture—an enormous coastal geography, an abundance of cold, clean water, a favourable climate, a rich marine and fishery tradition, established trade partners, and a commitment to sustainable and responsible best practices.

The Canadian Aquaculture Industry Alliance represents over 95% of the aquaculture industry in Canada. We are farmers operating in all 10 provinces and Yukon. Our industry generates $3.1 billion in economic activity and over $1.2 billion in GDP. It employs more than 15,000 Canadians in rural, coastal, and first nation communities from coast to coast to coast. The Canadian farmed seafood industry is very much export-oriented, with approximately 65% of our production exported to over 22 countries around the world. Approximately 95% of our exports are destined for the United States, with most of our remaining exports going to Asia.

The global demand for seafood has doubled in the past five decades. To meet this demand, aquaculture has become the world's fastest growing food production sector. It currently contributes more than 50% of the total global fish and seafood production, with the per capita supply from aquaculture increasing at an average annual rate of 6.6%. However, despite growing worldwide demand and Canada's many natural competitive advantages, Canada's annual farmed seafood production has trended downwards for over a decade. In fact, Canada's share of the world's farmed fish market has fallen by 47% since 2002. Canada now accounts for only 0.2% of global aquaculture production. This stagnation has taken place while other producers in Norway, Scotland, and Chile have raced ahead. The principal challenge confronting Canada's aquaculture sector lies in the complicated overlapping laws and regulations that restrict growth and limit investment.

We thank the current government for its commitment to sustainable and responsible growth, and welcome the opportunity to work with all parliamentarians as well as the federal and provincial governments on a modern legislative and regulatory framework for our sector, including a new national aquaculture act. We believe an act with the right legal governance and policy framework will allow our industry to grow in a responsible and sustainable manner, adding an additional 17,000 jobs and over $3 billion in additional economic activity in Canada by 2024, but access to new markets will be critical. A successfully implemented TPP agreement would give Canadian aquaculture businesses greater access to some of the most dynamic markets in the world.

To illustrate the growing importance of Asian markets to our industry, our members are experiencing export gains even without full implementation of the TPP. In 2015 farmed seafood exports to China were over 600% higher than all of 2014. Indonesia was up 105%. Hong Kong and Taiwan were up 50% and 79% respectively. Yet in markets like Japan, Malaysia, and Vietnam, Canadian farmed seafood exports face high tariffs that put our farmers at a severe disadvantage. The TPP presents a good opportunity to reduce those trade barriers and open up a vast 11-nation market of over 800 million consumers. In addition, the TPP will also address many non-tariff barriers to trade. This is welcome news for our farmed seafood suppliers.

In summary, the Canadian Aquaculture Industry Alliance supports and applauds the federal government for its work to implement the TPP. However, our industry requires increased growth and competitiveness to take significant advantage of any new free trade agreement. Aquaculture in Canada offers tremendous opportunities. Working together, we can renew a vibrant aquaculture industry in Canada and unlock the full range of economic, environmental, and public health benefits that flow from a competitive, sustainable, and growing farmed seafood sector

● (1110)

The combination of responsible growth for aquaculture in Canada together with improved market access through the implementation of the TPP will improve industry competitiveness for our sector, ultimately leading to the building of stronger local economies in Canada.

Thank you.

The Vice-Chair (Mr. Randy Hoback): Thank you, Ms. Salmon. You're right on time.

Now we'll go to the Canadian Sugar Institute and Sandra Marsden, who has probably one of the sweetest jobs in Canada.

Ms. Sandra Marsden (President, Canadian Sugar Institute): I've heard that before.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): I thought you were going to say something about Ms. Salmon and aquaculture.

The Vice-Chair (Mr. Randy Hoback): Ms. Marsden, you have the floor.

Ms. Sandra Marsden: Thank you for the opportunity to appear before the committee on the TPP consultations. I would like to speak to the opportunity which the TPP provides for our industry sector, as well as food processing more generally, and I'll explain that.

The Canadian Sugar Institute represents refined sugar producers on nutrition and international trade affairs. The industry has three cane sugar refineries, and they are in British Columbia, Ontario, and Quebec. There is also a sugar beet processing facility in Taber, Alberta, and two further processing operations in Ontario for sugar-containing products, such as iced tea, drink mixes, gelatin mixes, and so on, for both the domestic and export markets.

Our industry has been an integral part of Canada's food processing value chain since its inception. We depend on food processors for 80% of our sales, and food processors in turn depend on a reliable nearby supply of competitively priced sugar.

Our refined sugar produced in Canada is an input to about 30% of food processing. Major sugar users in Canada account for about $18 billion in sales, $5 billion in exports, and 63,000 jobs.

Unfortunately, globally, sugar is one of the most distorted trade commodities, and it is characterized by widespread government support and high tariff walls and quotas. In contrast, Canadian refined sugar producers and processors don't have any of these benefits. The only protection we have from world market distortions is a $31-per-tonne tariff, which is about a 5% to 8% tariff, depending on world sugar prices. This is in sharp contrast to both the prices and the tariffs in most developed markets, including the United States, Europe, and Japan, which would be the leading protectionist countries. Their tariffs would be in the order of 100% or more.

Given this uneven playing field, we have no choice but to advocate for improvements in export access, because our market is open, and the markets of most of our trading partners are quite closed. Our priority is the United States. Unlike most commodities, NAFTA did not open the sugar trade for Canadian sugar and those high sugar content products that our members produce.

The TPP will provide meaningful improvements. It won't open the border, but it will certainly provide very meaningful and important improvements in access to the United States for those products, with a doubling of beet sugar exports out of Alberta and a 16% increase in those sugar-containing products from Ontario.

Much work remains to be done to analyze the benefits in the other trading partners. We see opportunities in Japan for sugar-containing products with a number of quotas that will increase over time, as well as in Vietnam and Malaysia, but much work needs to be done to analyze the specific benefits of trade with those countries.

Given North American and global restrictions on sugar, the vast majority of exports of Canadian sugar are in food products, and that goes beyond the products that we produce, but instead they further the processing industry.

NAFTA was a good news story in that trade improved to the extent that we had a trade deficit of about $40 million in the NAFTA region when NAFTA was implemented, and that grew to a surplus of $1.2 billion by 2005. That surplus has declined since then, which is a major factor contributing to a decline in the surplus, but faster than that has been the decline in the trade balance with other countries. This is why it's very important to our industry to diversify our markets beyond the U.S. We want to build on the NAFTA platform, and we see the potential to grow those exports and improve that trade balance, but we must advocate for market opportunity for food products in other markets.

We're a mature market in Canada. Canadians are not consuming more sugar, contrary to popular perception, so we have to look to exports. The WTO would be the best avenue to improve the sugar trade. In the absence of that, we see opportunities like the TPP, as well as regional agreements that have regional rules where manufacturers can access inputs from different countries based on their efficiencies and where we can take advantage of supplying sugar to food processors in Canada who can then diversify as well beyond the United States.

We see it as absolutely critical that Canada be part of this historic trade agreement, as the costs of exclusion would put Canada further behind in that food processing trade balance and investment in jobs.

The TPP will not resolve all sugar trade inequities for both ourselves and our customers, but it certainly does move the pendulum in the right direction.

● (1115)

We feel it's absolutely essential that Canada be part of this and that there be further work on analyzing and promoting the specific benefits.

The Vice-Chair (Mr. Randy Hoback): Thank you, Ms. Marsden.

For everybody's information, Mr. Lambrecht had some issues come up today, so he will not be presenting.

I'll go to the Canadian Union of Postal Workers, and then I'll go to the Retail Council of Canada, and then Soy Canada.

I have Mr. Peter Denley and Mr. Louis Century. The floor is yours.

Mr. Peter Denley (National Grievance Officer, Canadian Union of Postal Workers): Thank you. Good morning, everyone.

On behalf of the Canadian Union of Postal Workers, I want to thank you all for the opportunity to appear and to raise the union's concern about the trans-Pacific partnership agreement.

CUPW represents about 50,000 public and private sector workers in large and small communities from coast to coast to coast. I think it's no surprise to you that a majority of our members work for Canada Post. We believe the TPP could negatively impact Canada Post and, by extension, our members.

I'm accompanied here today by Louis Century from the legal firm Goldblatt Partners. Louis helped draft the legal opinion on the TPP and postal services that we submitted to you earlier this year. My comments will be based on this opinion.

I'd like to begin by pointing out that Canada did not take any reservations for postal services. It did not take an annex I reservation or a stronger annex II reservation. Other countries did. For example, Japan and Singapore both took annex II reservations. Notably, Canada's approach to the TPP contrasts with its approach to CETA for which it at least took an annex I reservation.

Unfortunately, Canada's failure to take reservations exposes our public post office to the restrictive rules of the TPP and may give rise to state-to-state and investor-state challenges.

In terms of broad strokes, as you may know, NAFTA and the GATS already impose broad constraints on the authority of Canadian governments at all levels to exercise their legislative and regulatory prerogatives. Unfortunately, the TPP expands the scopes of these constraints in several areas.

There are consequences to the new TPP rules. For example, the TPP includes an annex on express delivery services, which could impose far more explicit constraints on government authority concerning postal services and the activities of Canada Post. I would like to point out that the express delivery annex is a unique feature for a trade agreement, and that it was inserted in response to lobbying from the U.S. private courier industry.

This industry put substantial effort into influencing TPP negotiations, and it was very successful.

The TPP's express delivery annex reflects industry's objective, which is to reduce or eliminate competition from public sector service providers such as Canada Post, particularly in the express delivery market.

First of all, new TPP rules would not only limit the ability of Canada Post to expand current services such as Xpresspost and those provided by its subsidiary Purolator but would also threaten Canada Post's ability to maintain its current business model of integrated express delivery and letter mail services.

Second, the annex prohibits parties to the agreement from, one, requiring an express delivery service of another party to supply universal postal service as a condition of authorization or licensing, and two, setting fees or other charges on an express delivery service for the purpose of funding the supply of another delivery service.

The first prohibition is pretty clear. We believe the second prohibition means that Canada could not require private courier companies to contribute to a compensation fund in order to help fund universal delivery.

Third, the TPP rules concerning state-owned enterprises, or SOEs, and monopolies expand on similar constraints in NAFTA and the GATS and make these constraints more direct. In addition, the TPP expands the scope for investor-state disputes and raises the spectre of another UPS versus Canada case, which is strengthened by the TPP provisions on state-owned enterprise monopolies and the express delivery annex.

That said, chapter 10, “Cross-Border Trade in Services”, which includes the express delivery annex, is expressly exempt from investor state but is still subject to state-to-state challenges.

There's no direct threat, but in the minutes I have remaining, I would like to summarize by quoting from the legal opinion we submitted to you: “While TPP rules present no direct threat to the letter mail mandate of Canada Post, they impose significant constraints on its ability to maintain a business model that depends upon the integration of express package, courier and letter mail services.” The opinion also concludes that there are “no benefits to be gained by Canada in respect to commitments pertaining to postal and courier services.” It raises concerns that TPP rules could limit Canada Post options for responding to new marketplace opportunities. We don't think it would make sense to adopt provisions that could limit opportunities at the same time as this government is conducting a review of Canada Post in which it is looking at new opportunities.

The recommendations from CUPW are simple. CUPW believes the TPP needs to be either radically reformed in many areas or rejected. On postal matters, the union recommends that, first, the federal government eliminate investor-state dispute settlement provisions, and second, it take an annex II reservation for postal services and a reservation from chapter 17 under annex IV.

● (1120)

That concludes our presentation. I'll remain open to questions.

Thank you.

The Vice-Chair (Mr. Randy Hoback): That's amazing. You were five minutes right on the nose.

Mr. Peter Denley: I have a little bit of experience.

The Vice-Chair (Mr. Randy Hoback): Yes.

From the Retail Council of Canada, Jason McLinton, please.

Mr. Jason McLinton (Senior Director, Retail Council of Canada): Thank you, Mr. Chairman.

[*Translation*]

I would like to thank the committee members for inviting me to testify today.

First, I will tell you a little about the Retail Council of Canada, the RCC.

[*English*]

The Retail Council of Canada has been the voice of retail in Canada since 1963. Retail employs over two million Canadians, making retail the largest private sector employer in the country.

RCC is a not-for-profit industry association representing over 45,000 storefronts of all retail formats, including department, specialty, discount, independent stores, grocers, and online merchants.

In general, RCC and its retail members are very supportive of the trans-Pacific partnership agreement. Retailers over the past few decades have built strong relationships with manufacturers and suppliers around the world, and are increasingly becoming importers of products into Canada. This agreement facilitates this, allowing retailers in Canada to provide a great assortment of goods at competitive prices for Canadian consumers.

RCC has been an active participant in consultations on the agreement for the past many years. We have publicly stated our support for the TPP as it was signed in principle by negotiators last October, as well as when International Trade Minister Chrystia Freeland affixed Canada's signature on the agreement in February of this year as a first step towards formal ratification. In relation to the retail sector, there are just a few points that I would like to raise as to why this agreement is important to retailers in Canada.

First, the agreement will eliminate tariffs on a wide variety of products. It provides duty-free access to approximately $5 billion in retail consumer goods from the seven TPP countries with which Canada does not currently have free trade agreements. Most of these tariffs will be eliminated immediately upon formal ratification. The more tariff elimination there is, the more products are available to Canadian consumers at competitive prices.

Second, RCC and its retail members are supportive of the text on regulatory coherence, transparency, and harmonization. Regulatory barriers unnecessarily impact trade, impede product availability and consumer choice, and have negative impacts on competitive pricing. That said, in an ideal world, the text would contain some teeth, requiring TPP countries to have specific mechanisms in place to ensure that systems and processes are there to ensure transparency and predictability. The agreement encourages regulatory coherence and transparency, but does not require it.

I also want to go on record with regard to the agreement's yarn forward, or country-of-origin provisions. Yarn forward means that fabric used in clothing produced in a TPP nation must also come from a TPP nation in order to qualify for tariff relief under the agreement. The vast majority of textiles come from non-TPP nations, such as China and India, so a pair of jeans made in Vietnam under the agreement, for example, would now have to be made from cotton from the United States in order to qualify for tariff relief. This would actually have the effect of lengthening supply chains and go against the spirit of the agreement.

I would also like to raise a point specific to online sales. As you know, Canadian consumers can buy products from anywhere in the world. Currently, imported online shipments above Canada's de minimis threshold of $20 are treated in the same way as goods sold in Canada. All merchants, foreign and domestic, have to pay duties on sales taxes above that $20 threshold so the playing field is level. While you may have been told that the U.S. de minimis level is $800 and that Canada is far behind, this in fact is not the case. We are much more comparable to the EU and the U.K. that have limits similar to ours. Changes to the de minimis level would create an incentive for Canadians to shop anywhere but in Canada, and could be devastating to retail merchants in Canada and to our two million-plus employees. The TPP agreement recognizes this, and treats online imported shipments into Canada the same way as goods that are sold here.

To conclude, RCC and its members support the agreement and urge the government to ratify it. It's good for retailers in Canada. It's good for consumers in Canada, and it's good for Canada.

[*Translation*]

Thank you.

● (1125)

[*English*]

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. McLinton.

We'll go to Mr. Everson of Soy Canada.

Mr. Jim Everson (Executive Director, Soy Canada): We thank the committee for inviting Soy Canada to appear today.

I'll comment on Soy Canada for just a moment. We are a national association representing the full soybean value chain in Canada. Our members include producer associations representing all the farmers of soybeans across Canada, the seed development companies, soybean exporters, and soybean processors. Soy Canada facilitates industry co-operation and represents the industry on domestic and international issues affecting growth and development of the soybean industry.

The soybean sector in Canada is growing significantly. We are in our eighth straight consecutive year of soybean production growth. Between 2006 and 2016, soybean production increased by 82%, or 5.4 million acres. Since 2005, production levels have nearly doubled, to 6.2 million metric tonnes, and farm cash receipts in Canada are $2.3 billion. Finally, and significantly for the international trade area, since 2005, soybean exports have increased by roughly 250%. Canada has a small domestic market, and our growing production of soybeans is destined primarily for international markets.

Domestic use, processing, and export of Canadian soybeans contribute $5.6 billion to Canada's annual GDP and are linked to over 54,000 direct and indirect jobs. We are a growing segment of the agriculture industry, and further expansion is forecast in the coming years. This is why international trade is critical to our industry.

The TPP represents a huge opportunity for Canada. We know that TPP countries represent nearly 800 million potential customers and account for 40% of the world's GDP and 65% of Canada's $56 billion in agriculture and food trade.

In terms of soybeans, the total value of soybean exports to TPP countries reached close to $1 billion in 2015. The Asia-Pacific region encompasses a large segment of key soybean export markets, with roughly 40% of total Canadian exports shipped to TPP nations. Soybean trade with this region of the world is significant. The TPP provides a platform for our industry to access these growing markets and build on existing trade relationships with our importers.

All members of the soybean value chain—producers, processors, exporters, seed companies, and related companies—directly or indirectly stand to benefit from the TPP. The agreement provides a more secure and equal trade environment free from tariffs and free from administrative quotas on all soybeans and soybean products, which is a very significant development. Canada's participation in the agreement ensures that other oilseed-exporting nations do not have preferential access to TPP markets. Our industry will be better positioned to compete against other major soybean-producing nations, a major advantage for Canada when combined with the increase in demand throughout the Pacific Rim for high-quality Canadian soybeans.

The TPP also includes important provisions relating to biotechnology. As you know, innovation through the application of biotechnology to seed development has provided tremendous benefits to crop production. It is also a frequent contributor to trade disruption, in that the application of zero-tolerance regulatory frameworks and increasingly acute testing technologies in a world of increasing deployment of biotechnology is a recipe for trade challenges.

Recognizing this, policy-makers are looking for ways to better coordinate regulation internationally. The TPP establishes a working group to facilitate co-operation and information exchange on biotechnology issues, including low-level presence of genetically modified materials and the sharing of information related to plant breeding innovation.

To talk a bit about low-level presence, the TPP will establish a process collectively for managing cases of low-level presence should they occur. Low-level presence refers to the trace levels of GM materials that have been deemed safe through safety assessments in commodity grain shipments internationally. It's a very topical issue in the international grain trade as a result of the growing acreage and number of agriculture products being assisted by biotechnology methods. Canada has taken a leadership position in developing new regulatory approaches to managing LLP, and the inclusion of commitments to co-operation in the TPP is very welcome.

The TPP is a modern and comprehensive agreement and an important milestone in reforming international trade. Canada is a trading nation, and our grains and oilseeds sector is heavily reliant on international markets. In many commodities, while access to export markets is very important, we do not have the size and export might of competitive nations.

● (1130)

Soybeans are a good illustration of this. Despite the rapid growth of our sector, Canada represents only about 2% to 3% of production internationally. Our industry competes with the U.S. which produces about 39% of world soybeans, and Brazil is at about 37%. They are responsible for the vast majority of trade. It's critically important that we have fair trade rules that are even and equal, so that we can compete with larger participants.

Thank you very much for your time. I look forward to questions.

The Vice-Chair (Mr. Randy Hoback): Thank you, too, Mr. Everson.

We'll start our rounds of questions.

Mr. Van Kesteren, you have the floor for five minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): I'm happy to see my colleague here, but by the same token I wish he would stay away, because I have so many questions. I could have them all morning. It's good to see the former agriculture minister.

So much of this is pertinent to my riding that every time somebody came to present, I thought that's the first one I'm going to ask. With the soy, I think Kent County is the leading county in Canada for soy production, so it's quite important to us.

Did I hear that right, that since 2005 our imports have increased by 250%?

Mr. Jim Everson: Our exports.

Mr. Dave Van Kesteren: Our exports, pardon me. Our exports, wow, and 40%. That's an interesting statistic, Much of what we hear through presentations is that the United States is our biggest trading partner, but if we can grab a little bit...so this is really important for you, this 40%.

You mentioned something about the GMO and the non-GMO, which I remember back in the 1970s when we were the talk of the town up in the Clinton area just north of London, and we were starting to grow soybeans. Of course, today, you're growing it out west, aren't you?

Mr. Jim Everson: Yes.

Mr. Dave Van Kesteren: Much of that is a result of GMOs, I would assume.

Mr. Jim Everson: Yes.

Mr. Dave Van Kesteren: Which countries in the Asia-Pacific region will not accept GMOs? I think Japan wants non-GMOs, but what about the rest?

Mr. Jim Everson: There are really two large divisions in soybean production. There's non-GMO and GMO, and non-GMO tends to be used for food. Canada has an excellent reputation. Growers in your region are mostly responsible for that. Ontario and Quebec grow the majority of our non-GMO soybeans. It goes to food use. We are successful in Canada in growing both non-GM and GM soybeans. I think all Asian countries...I don't know of any Asian country that will not accept GM. The issue with GM is the segregation and ensuring that you have the purity of the standards. That's why I just mentioned low-level presence. The low-level presence policy initiative is critically important for making sure that we can continue to ship, even though there's a possibility of some trace levels of GM in our non-GM product.

Mr. Dave Van Kesteren: Finally, you mentioned that we're about 2% and 3% of the world production. I've seen Brazil and the United States.

We have some huge potential. We did a tour a few months ago to Quebec. I saw the expansion in the agricultural sector in Quebec. It's just enormous in Quebec and out west.

What do you see as the potential for Canada growing the soy industry?

● (1135)

Mr. Jim Everson: It's really interesting, and it's related to the TPP in western Canada, where we have a large expansion in soybeans. We're getting close to a point in acreage where it could attract an investment of a processing facility in western Canada. Instead of exporting whole beans, we would be crushing those and turning them into oil and meal for the export market and keeping those jobs in Canada.

When you look at some of the markets in the TPP, and Japan is a really good example, we have tariff-free access already for seed into Japan, but we have very high prohibitive tariffs on oil and meal. That means we don't export oil to Japan. We export seed. The TPP will take those tariffs immediately down to zero in all TPP countries. What it does is it gives an opportunity for the industry to put jobs in Canada in processing value added before we ship the product to those export markets.

Mr. Dave Van Kesteren: Have you done any calculations as to how much the industry could grow?

Mr. Jim Everson: I don't have a specific economic model for it, Mr. Van Kesteren. I always look at the trade agreements as the beginning of the decisions that companies would then make. To make a crushing plant is a very significant economic decision. They're not even going to start looking at that before they note that tariffs are predictably and forever at a zero rate, and then they can build business plans around that.

Mr. Dave Van Kesteren: Okay. I don't have much time, so I'm going to go to Mr. McLinton.

As I said, we just develop that way. You brought out a very important point. We keep talking about jobs, and that's primarily why we want to do this, but we're forgetting one key factor. I brought it out in a speech just a couple of days ago, and it's consumers. Consumers are really going to benefit from this.

As in my neck of the woods, most of Canada borders the United States. How will this affect cross-border shopping?

Mr. Jason McLinton: It's an excellent question. Maybe I could touch on the notion of jobs first and then talk about cross-border shopping.

The Vice-Chair (Mr. Randy Hoback): I'd have to ask you to do that in two seconds. We're out of time. Thanks.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): I have some questions for the panel members.

My first question is for Ms. Salmon.

Ms. Salmon, you talked about competitiveness, and my friend Dave on the other side talked about GMOs. Your organization recently remarked that Canada's aquaculture producers have no interest in GMO seafood. Will increased TPP market access mean that Canadian producers will have to compete against other countries' aquaculture exports that are genetically modified? How will that impact Canada's competitiveness?

Ms. Ruth Salmon: That's an interesting question.

We're at early days in terms of genetically modified salmon, and it's the first animal that's been approved, so we don't even know where that will lead. Right now the marketplace is not interested in the product, and that's one of the reasons my members aren't interested in the technology, because the buyers are not interested in purchasing the product. I think it's really early days to know how this will be over time and how much of a place in the marketplace it will have.

Our perspective is that there is such a demand for farmed seafood that Canada could be meeting now, and we could be doing more if we had the opportunity, that I don't see that as a real threat right now in terms of trade.

Mr. Sukh Dhaliwal: Thank you.

My next question is for Mr. McLinton.

You mentioned the regulatory requirements and the standards across signatory nations. Has the council done any study to indicate the total cost to Canadian retailers with such harmonization?

Mr. Jason McLinton: We have not done that kind of analysis because our industry is very unique. There are a lot of other industries that are interested in regulatory coherence and harmonization that have one or two major issues; whereas, by definition, our members sell hundreds of thousands of products, so the impact is very large. To do that kind of analysis would involve having to work across a number of industries.

What we have done is taken a few examples in order to focus on specific product areas. One example would be child car seats on which we're working towards harmonizing requirements in the U.S. Technically right now, if you were to purchase a car seat in the U.S., because of small technical differences, it wouldn't meet Canadian requirements. That sort of thing has an impact on trade, and for Canadian consumers it has an impact on consumer choice—the latest and greatest models and that sort of thing—and ultimately on price because of differences in design and having to do different tests.

No, we have not done that global analysis because for our industry it involves hundreds of thousands of products.

● (1140)

Mr. Sukh Dhaliwal: Thank you.

My next question is for Ms. Marsden.

If signing the TPP includes access to the international market, when it comes to agrifood producers in Canada, what happens to domestic food production? Currently we see the split is just over 50% for exports. Will increased interest in Canadian agrifood products mean that we will need to import more food products for our own population?

Ms. Sandra Marsden: The experience with the NAFTA, for example, shows that there is a growth in both exports and imports, but on balance the export growth exceeded the import growth.

I mentioned that the trade balance had been deteriorating, particularly under the NAFTA, and a lot of that was reflected in exchange rate problems, which are now looking better. Some of it was reflected in small food processing operations in Canada that left the country for various reasons.

We see agreements as fostering more investment in Canada to serve all of those markets because you can build your capacity utilization here, including in our sector, with a broader range of export markets.

Mr. Sukh Dhaliwal: Do I have a few more minutes?

The Vice-Chair (Mr. Randy Hoback): You have 15 seconds.

Mr. Sukh Dhaliwal: Mr. Everson, you already have a lot more demand than production when it comes to soybeans for India and China. Would you be able to meet the demand if we were to ratify the TPP?

Mr. Jim Everson: Yes. We're confident that we will grow with the opportunity it presents. What a trade deal also does is it creates value. With having more markets, the value of the product goes up, so it brings more value to the Canadian marketplace.

Mr. Sukh Dhaliwal: Thank you.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Randy Hoback): Colleagues, we're having some technical difficulties. We'd like to reboot the system.

● (1140)

____________________ (Pause) ____________________

● (1140)

The Vice-Chair (Mr. Randy Hoback): All right. We've reset. We'll continue, folks, and we'll go to the NDP.

Ms. Trudel, welcome to the committee. You have five minutes. The floor is yours.

[*Translation*]

Ms. Karine Trudel (Jonquière, NDP): Thank you, Mr. Chair.

I would like to extend a big thank you to the witnesses for their presentations. It is greatly appreciated.

My question will be for the CUPW. I am also on the committee that is currently conducting consultations on Canada Post's services. Earlier, you touched on services and the impact that the TPP would have on them. Could you expand on the impact? You spoke about express delivery. The brief submitted by the union in April 2016 also mentioned that the agreement might have an impact on mail and parcel delivery.

If the TPP is signed, what impact will it have on the jobs and expansion of Canada Post's services?

● (1145)

[*English*]

Mr. Peter Denley: It's a great question. I'll lead off and likely let Louis finish up.

Simply put, we have an obligation to deliver universal postal services at affordable rates, first under international law, where we're required to do it, and also under Canadian law, under the Canada Post Corporation Act. The model we have used for many years is that we deliver parcels along with letter mail. We use an integrated delivery method.

Letter mail volumes have been in steady decline for many years, but the parcel business has exploded. For instance, Canada Post revenue from parcels in 2015 was $1.6 billion. Without that revenue, Canada Post likely would not have remained profitable, as it has for over two decades, with the exception of one year.

What's essential is that we continue to be able to do that. As you're pointing out, we're in the middle of a review of Canada Post services and how the Canadian public is going to be best served by Canada Post in the future. Again, we think that what we need is the ability to modify Canada Post in response to what the Canadian public needs.

Something like the TPP, with the provisions that the express courier delivery services from south of the border have placed in it, could put serious constraints on our ability to be flexible and agile and to modify what Canada Post does for you. It's of serious concern to us. The TPP, without the annexes, prevents us from having that kind of flexibility to perhaps integrate some of the recommendations that will come out of the review of Canada Post.

I'll let Louis comment as well. Thank you.

Mr. Louis Century (Associate Lawyer, Goldblatt Partners LLP, Canadian Union of Postal Workers): I would just add to that by explaining a little bit about the risk that we perceive.

Our view is that the TPP ought not to constrain the kinds of activities we're talking about, both our current integrated service model as well as potential expansion into other lines of business.

There are those who take a different view. The private courier industry has been engaged in a long-running campaign to eliminate competition from postal monopoly providers, any involvement in the private sector courier market at all. That was manifested in the long-running UPS versus Canada dispute under NAFTA. Canada won that claim, but they won it by a margin. There was dissent.

There's no doctrine of precedent in these trade regimes, and similar rules are now implemented in the TPP and expanded upon. The possibility of another UPS-type claim is real, in our view. UPS or other companies like that may well take the view that the TPP changes the rules. We think we ought to win such a claim, but there is that possibility. That possibility looms large when Canada Post is in the process of really re-envisioning its mandate and the ways in which it will be able to deliver on its mandate of providing universal service across a vast geography like Canada.

The current government is engaged in this review, looking at other opportunities and exploring options. Now we have the TPP, which adds to NAFTA, and not only in the rules affecting postal providers. It also opens up the possibility of complaints from a number of other countries as well as private industry in those countries.

Finally, the existence of this risk in our view is a real concern, because it can be used as an argument to freeze policy development. We're already seeing this to some extent in the debate surrounding future directions for Canada Post, those arguing that the TPP will—

● (1150)

The Vice-Chair (Mr. Randy Hoback): You're well over your time.

Mr. Louis Century: Okay. Thank you.

The Vice-Chair (Mr. Randy Hoback): We'll move on to the next questioner.

Mr. Peterson, I believe you have five minutes—or actually, I think you'll get two minutes now.

Voices: Oh, oh!

The Vice-Chair (Mr. Randy Hoback): The floor is yours for five minutes.

Mr. Kyle Peterson: I was going to say it's nice to have you in the chair, but maybe I'll take that back after that comment.

Thank you for chairing today.

Thank you, everyone, for being here and for your informative presentations. I have a few questions for you.

Ms. Marsden, could you let me know a little about the industry in terms of your footprint? What are some of your locations geographically?

Ms. Sandra Marsden: I'll start from west to east for no particular reason. In Vancouver, British Columbia, we have a cane sugar refinery that was established in the late 1800s but is still servicing particularly small and medium-sized businesses in western Canada. Taber has a beet processing facility that is linked to sugar beet production in Alberta. We have a cane sugar refinery in Toronto mostly servicing the food processing industry, and a cane sugar refinery in Montreal, Quebec, servicing mostly the food processing industry. As well, two further operations in Ontario are producing sugar-containing food products.

Mr. Kyle Peterson: Your footprint across the nation is pan-Canadian, I think it's fair to say.

Ms. Sandra Marsden: Yes.

Mr. Kyle Peterson: That's great.

You characterize it as a distorted market, and I agree. It must be hard for you to compete in these external markets based on the protections we've seen. I wasn't quite clear, however, on how you think the TPP will help alleviate it, especially into the U.S. market, because I think that's the most protected market when it comes to sugar. How will the TPP let you penetrate that market?

Ms. Sandra Marsden: Well, the TPP won't change U.S. sugar policy, unfortunately, but it does incrementally increase our access, mostly through sugar out of Taber, Alberta, and a quota for sugar-containing products. That'll help our refineries as well as those plants. More importantly, for other markets, it's those food-processing customers who will have access to those diversified markets beyond NAFTA.

Mr. Kyle Peterson: Thank you for that.

Ms. Salmon, I have some questions with regard to the aquaculture industry. I understand you're in favour of the TPP. There'll be some benefits to your industry, of course, but you expressed some concerns about the industry's ability to tap into the increased market. Can you elaborate on that and on whether any solutions might be at hand?

Ms. Ruth Salmon: Our major issue, in terms of growth of the industry, has been the regulatory complexity, the overlapping regulations between federal and provincial, and the lack of clarity. We are not even referenced in the Fisheries Act, even though that's the act we are under. There are a number of issues that are problematic for our industry to grow, and for investment to be attracted to that growth. Given that the demand for seafood is so strong, and other countries are doing so well, we need to capture some of that growth here. We can't meet the demand we have now. We are certainly in favour of the TPP, as some of our products are going to those countries, but in order to really take advantage, we have to have responsible and sustainable growth here in Canada.

Mr. Kyle Peterson: Without that, the increased market is not going to be met anyway.

Ms. Ruth Salmon: Exactly. It's robbing one buyer from another.

Mr. Kyle Peterson: Okay, I understand that.

Mr. Everson, you are probably in a similar position. As you said, the demand is exceeding what you can supply right now. Are you confident the ability to meet the demand would follow if the TPP comes into effect?

Mr. Jim Everson: Yes, we certainly are. In eastern Canada, we have very sophisticated infrastructure for soybean production. We've been growing soybeans for 60 years. There is new infrastructure going into the port of Hamilton. We now have four large grain-handling companies exporting soybeans from there. Our infrastructure is very modern, very up to date. In western Canada it's growing. What happens in western Canada is that you are relying on the same infrastructure that's there for the delivery of wheat, canola, barley, and so on to international markets. It's a very integrated business. As soybeans come on and there is more production in western Canada, they will go through that system. It's a highly efficient system. There are issues around transportation, which you would be very well aware of, that we are all working to improve. Aside from that, Canada has a very modern infrastructure, so that's not a challenge to growth.

● (1155)

Mr. Kyle Peterson: Thank you.

The Vice-Chair (Mr. Randy Hoback): You have five seconds.

Mr. Kyle Peterson: No, I'm good. Thank you, guys.

The Vice-Chair (Mr. Randy Hoback): All right.

We are going to move into our second round now. We are going to start with the Liberals.

Ms. Lapointe, you have the floor for five minutes, please.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much.

Good morning, everyone.

Mr. McLinton, I have some questions for you about retail. You spoke earlier about labelling and the country of origin. You spoke mainly about clothing. Are there other ranges of products that would be affected because of their origin?

[*English*]

Mr. Jason McLinton: Yes. There is a whole range of products that are up for almost immediate tariff elimination. As everyone around this table knows, the original reason for tariffs was to promote domestic manufacturing. There are a lot of examples where there isn't a lot of domestic manufacturing. We certainly support tariffs where they make sense, where they mean to do what they are supposed to do, but there are things like certain types of apparel, footwear, and that sort of thing where there really isn't a lot of domestic production. We would very much welcome tariff reduction there in order to pass those savings on to consumers and reinvest in businesses and jobs. The more affordable these products are for consumers, the more consumers can go and buy other things. In the example of apparel and footwear, I believe right now the tariff rates are at something like 17%.

[*Translation*]

Ms. Linda Lapointe: Thank you.

You spoke about online sales. You spoke about duty-free sales. It is $20 in Canada, and $800 in the United States. If we modified the rate, what do you think would be appropriate to impose here in Canada?

[*English*]

Mr. Jason McLinton: That's the de minimis rate above which you have to pay duties and taxes as you would have to here in Canada. It has been $20 for quite some time. If anything, I'd like to see it actually lowered. Of course, that's administratively quite challenging. When that de minimis level was set, the ability of consumers to make purchases online was not what it is today. If a tax break were to be given to U.S. merchants, that same tax break should be given to Canadian merchants as well. Whatever happens to the foreign online market, we would want to see a level playing field for buying in Canada. Otherwise, if you were to increase that—not even to $800, but something like $200—that would be devastating. The average basket of goods, depending on the retailer you speak with, ranges from $45 to $77. Why would you buy in Canada if you could buy the same product online with no taxes and no duties?

[*Translation*]

Ms. Linda Lapointe: Thank you.

I will continue with e-commerce. We know that online sales are constantly growing. You also said earlier that Canada Post's services are used for online purchases.

Do you think that, by adopting the Trans-Pacific Partnership Agreement, we could increase the visibility of the Canadian companies you represent, and enable them to export products sold in Canada?

[*English*]

Mr. Jason McLinton: That's a really interesting question. We focus so much on the import end of things. The other witnesses here are talking more about export. We focus mostly on bringing more types of products, more consumer choice at better prices, more competitive prices for consumers. In terms of exporting, that's a really interesting question that I'd like to follow up on.

Our members are very competitive online. They have a very strong online presence. The one's that do it really well are the ones that are able to match the online experience with the in store experience, because you have consumers doing both. You have them doing research online and then going into the store, or going into the store, touching and feeling products, and then going online.

Our members are very competitive in that area. I'd really like to follow up with you on the impact the deal would have in terms of increasing online sales overseas.

[*Translation*]

Ms. Linda Lapointe: That's interesting. It will have to be explored.

The sectors are quite varied within retail, the industry you represent. Might some companies experience a positive impact? You spoke about textile companies, among others.

At the same time, might other companies fare worse if the Trans-Pacific Partnership Agreement was signed?

[*English*]

Mr. Jason McLinton: I don't think so.

The position of the Retail Council is that we're very supportive of tariff elimination generally. The way that the agreement has been written, there are a few exceptions for which tariffs would be eliminated over time and there are some areas in which they wouldn't be, such as on supply-managed goods, and that's understandable. The vast majority—I can't remember the number, but it's something like 93%—of tariffs would be eliminated immediately upon formal ratification of the deal.

It's a matter of principle and it's something that the Retail Council and our retail members are very supportive of in principle.

● (1200)

[*Translation*]

Ms. Linda Lapointe: Thank you.

[*English*]

Mr. Randy Hoback: Thank you, Ms. Lapointe.

We're going to move to Mr. Ritz.

You have five minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, ladies and gentlemen, for your presentations today. It was very interesting stuff.

I have a couple of quick points to begin with.

Jim, on soybean, we all know there's a tremendous market in Japan, especially in the non-GM for foodstuffs, but there's a growing market for animal feed derivatives, once the oil is done. There's that great secondary marketplace as well. Have you done an appraisal as to the potential you have in countries like Vietnam and Malaysia that are major components now in the TPP?

The Australians are close, but we have quality.

Mr. Jim Everson: I don't have an economic analysis. We haven't done a full economic analysis that way, but you mentioned the countries that really matter. In the TPP, Vietnam and Malaysia both have tariffs that will be eliminated through the TPP. For our companies and our exporters and our farmers on the food-grade side, those are countries of real interest. They're growing. The middle class there is growing. People are eating more meat, and soybeans are used to feed those animals, so those are critically important markets, as is Japan.

Hon. Gerry Ritz: Thank you.

Ruth, it's good to see you again.

With regard to the aquaculture industry, you definitely do the saltwater aquaculture. Do you do freshwater as well? Do you represent both? I know in the Prairies there's a tremendous opportunity now that the freshwater fish marketing board has been moved aside by everyone. There are all kinds of ideas springing up, and the potential is unlimited. When you look at export, are you starting to take that into consideration as well?

Ms. Ruth Salmon: Absolutely.

When we talk about doubling the size of our industry in 10 years, that's really basic. We could easily do that. You can do that with what we're doing now mostly in terms of saltwater production on both coasts. We do farm in every province. There are some freshwater trout and other things happening. The potential is just amazing. We could easily do more than double that if a number of factors were put in place.

Hon. Gerry Ritz: It's the fastest protein that you can bring to market, and repeat that over and over. It's not seasonal by any stretch.

I think the big plus too with the aquaculture side is keeping the processing plants viable year-round. The problem with the labour force is that you're either going 110% or you're dead stopped. This levels all of that out and starts to bring strength to those coastal communities and some of the prairie communities too.

Ms. Ruth Salmon: Absolutely, and then when you have such high demand, it's a win-win for Canada.

Hon. Gerry Ritz: The great thing about these markets in the TPP is that they eat a lot of the parts of the fish that we don't. There's all that secondary and third-place stuff.

Ms. Ruth Salmon: The demand there for our products is huge. We see it at Boston and European seafood shows. They love the high quality of our product,. When I say it has huge potential for Canada, it really has.

Hon. Gerry Ritz: That's good.

To the Canada Post folks, your bread and butter is in parcels now. Letter mail has gone off the face of the earth with email and everything else. We all know that. I look at my mailbox and all I get are junk flyers and the odd notices for parcels coming in. Parcels are the future. When we start looking at global access, when Purolator is a big portion of what Canada Post does now, do you not see potential in growing that side of Canada Post?

Mr. Peter Denley: Letter mail has declined but I wouldn't characterize it as falling off the face of the earth. It still represents the lion's share of the revenue generator for Canada Post. Parcels are now starting to supplement that. Purolator is an arm's-length company from Canada Post. It's a subsidiary but separate so I can't really comment on that. You can't go into a Canada Post outlet, for instance, and buy a Purolator product.

What we're looking at with the Canada Post review is changing what a post office should be. It should be a community hub. It should be a place where people can do a variety of things. If you've been to a post office in Italy or Japan, you'll understand that. They're doing things much differently, and that's where we want to go. We want to say we're changing with the times.

I can't really comment on Purolator. They're doing express delivery, and we're doing it too, but with the integrated service model where we're carrying that with letter mail, etc., that's what's working and keeping us in the game.

● (1205)

Hon. Gerry Ritz: I sat on the finance committee when I was first here years ago, and I could never understand why Canada Post, as you say, wasn't the community hub. We were putting computers into libraries and other areas. Why weren't they in the Canada Post building? You guys couldn't even have a fax machine. You had to mail a letter to the post office 10 miles down the road. You couldn't just pick up the phone and call them or fax them. It was ridiculous. It was an outdated model that needed to change.

Mr. Peter Denley: Can I keep going?

Hon. Gerry Ritz: Yes, sure.

Mr. Peter Denley: Canada Post retail outlets were the very first place that the community, people in Canada, got access to computer facilities. All sorts of our corporate outlets had computer access where people came and used computers. We started, and then they took them out. We were the first place to have it.

Hon. Gerry Ritz: When was that? I never saw them in any of the ones I was dealing with.

Mr. Peter Denley: There was plenty of access.

The Vice-Chair (Mr. Randy Hoback): Sorry, you've gone well past your time, Mr. Ritz.

We'll move to Ms. Ludwig. You have five minutes.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you all for your excellent presentations. Ruth, I have to go to you first.

As you know, I represent the riding of New Brunswick Southwest. We are deeply entrenched in aquaculture. Could you explain to me the benefits or the disadvantages if aquaculture were removed from the Fisheries Act and shifted to a farming act?

Ms. Ruth Salmon: As a clarification, we would always need to comply with certain aspects of the Fisheries Act, so it's not a question of removal from some of those important habitat protection areas.

The issue with the Fisheries Act is it doesn't define us. It was obviously developed long before aquaculture came on the scene, so as a result, the farming practices that our members undertake are often in conflict with many of the things in the Fisheries Act. We've been advocating for a national aquaculture act that is a modern piece of legislation that reflects a modern industry, which ours is. It certainly takes into account those important sections 35 and 36 of the Fisheries Act that are critical, but it goes beyond that and defines us, and it identifies roles and responsibilities, who does what. There's nowhere right now that you can go to find how aquaculture is managed in Canada. To us it's the best of both worlds, taking what is critical in the Fisheries Act and also giving us a vision, defining us, and being really clear about how we're managed.

Ms. Karen Ludwig: Thank you for that.

Recently I was on a cage site—you can imagine which company that was—and I was out there with the Minister of Fisheries. What was very evident was that nobody was working on this particular farm. The company had expressed to us the need for additional workers. At this point, because there's such a shortage of labour for feeding, for example, on the sites, they're importing huge barges for automated feeding. We're at impressive numbers and if Canada were to go forward and ratify the agreement, we definitely could be at impressive numbers. How could we reach that point in production with the challenges we face right now with the shortage of workers?

Ms. Ruth Salmon: That's an excellent question and it has to be discussed in the mix because there will be challenges. Even with technology improvements, having access to enough workers is a critical issue we're dealing with. I know that's another discussion, but it is absolutely critical. The temporary foreign worker program is one issue where we need access to additional workers on a full-time basis. We're not seasonal. We're 365 days a year. Having access to employment, even with technology improvements, is a critical issue that we're aware of, and we need to bring that into the mix when we're talking about future growth in Canada.

Ms. Karen Ludwig: Certainly, in our riding we definitely appreciate the significance of the aquaculture industry. It's a billion-dollar industry, and we appreciate the innovations that have been done. In the early days, when Andrew and I arrived in St. Andrews in the late 1980s, it was a rudimentary industry. Since then, with the value-added features and the increase in technology, we've seen a tremendous growth in the middle class and in subdivisions in our area where there were never subdivisions before.

Ms. Ruth Salmon: It's very exciting, I agree.

Ms. Karen Ludwig: It is.

My question is for you and Mr. Emerson, as well as Ms. Marsden and Mr. McLinton. If Canada did not ratify the TPP but the U.S. and Japan did, what impact would that have on your industries?

● (1210)

Ms. Ruth Salmon: I guess my first response is that it probably wouldn't have any dramatic effect immediately, but if we want to take a longer-term vision of where this industry is going to go, it would definitely be putting us at a disadvantage and not making us as competitive as we could be.

Ms. Karen Ludwig: Which countries are our major competitors coming into the market? Would it be Norway, Scotland, or Chile? Which one would it be?

Ms. Ruth Salmon: I would say all of them.

Ms. Karen Ludwig: Okay, thank you.

Mr. Jim Everson: It would be a very significant issue in the soybean industry.

I was explaining earlier how in Japan we have tariff-free access on seed but not on oil. If the U.S. was able to have access to the Japanese market with those reduced oils, they have a big industry and would take over that market very quickly. Canada would never have an opportunity to develop that market. This would apply to other Asia-Pacific markets as well.

The Vice-Chair (Mr. Randy Hoback): Okay, thank you.

Ms. Marsden.

Ms. Sandra Marsden: Surely the advantage we have in food-processing investment would largely shift to the United States, because they would have access to those markets. Their plants are much bigger in the United States, and we'd lose the advantages we have in Canada, including our import costs.

The Vice-Chair (Mr. Randy Hoback): Okay, we're well over time, Ms. Ludwig.

Mr. Van Kesteren, you get five more minutes. I know you're excited.

Mr. Dave Van Kesteren: This is a great day.

Thank you, Chair.

Jason, I asked you before about cross-border shopping and competitiveness at the retail level. This was a big issue, especially when our dollar reached parity. Right now, we don't have that. We know it's going to fluctuate. How will that advantage our retailers?

Mr. Jason McLinton: We don't anticipate that this agreement would have a big impact on cross-border shopping, given that there is already NAFTA as well as other agreements in place with the United States. Of course, the majority of cross-border shopping happens in the United States as opposed to other nations.

Where we did dodge a bullet, though, was on the issue of online sales and the pressure that was coming from some TPP negotiators, namely from the U.S., to increase that level dramatically and essentially favour online purchases made in the U.S. I don't anticipate that it will have a major impact and that's a very good thing. Canadian TPP negotiators recognize this, and therefore the $20 exemption level did not change.

Mr. Dave Van Kesteren: I'm going to get a chance to talk to Ms. Marsden. As you probably know, Chatham-Kent was the largest sugar producer in all of Canada at one time. They lost that sugar beet production probably in the 1980s, maybe earlier, maybe in the 1970s. We're still producing sugar beets out west and we're starting to produce them in the northern part of the county. As a matter of fact, we have quite a large number of farmers who are producing sugar beets. As it stands now, they're being processed in Michigan. What are the chances of this industry growing to the point where we would see a processing plant back in southwestern Ontario?

Ms. Sandra Marsden: First, let me explain that the reason operations were closed in southern Ontario was that Canadian companies were finding that operations have to compete globally, because our market is open. In the late fifties, those plants closed. Redpath Sugar built their plant and opened it in 1959 in Toronto. It's more economic to import the raw commodity, which is unfit for consumption, and process it close to customers.

Sugar beets in Alberta have the disadvantage of geographic location away from deepwater ports. In Ontario, yes, they sell their sugar beets to Michigan, into a high-priced market. In the absence of very substantial reductions in trade distortions in sugar in other markets such as the U.S., it would be difficult to envisage putting in a new sugar beet operation. We would certainly be very happy to see more processing in Canada, but the opportunity is unlikely.

Mr. Dave Van Kesteren: Can we compete with the world market in taking in the raw product? Do we take it in from Cuba at this point?

Ms. Sandra Marsden: No. Their industry is very small. It's mostly from Brazil and the Central American countries that we get the raw commodity. It's exported to Canada in 20,000- or 40,000-tonne vessels. It's very economic rather than importing refined sugar, which would be competitive with us. That's where we have that advantage, because we don't apply tariffs to that raw commodity.

● (1215)

Mr. Dave Van Kesteren: You mentioned that in 2005 you had a surplus of $1.2 billion and it declined significantly. What was the cause? Was it the 2008 recession?

Ms. Sandra Marsden: It was mostly to do with the Canada-U.S. exchange rate, as well as some relocation to Mexico under the NAFTA, because the U.S. and Mexico have free trade, which exemplifies the problems when Canada—at least for one commodity but also more broadly—isn't part of a freer trade area. That's coming back a bit now with the exchange rate, but we need more markets to improve that again.

Mr. Dave Van Kesteren: Thank you.

Ms. Salmon, I think Gerry asked most of my questions. I'm looking for potential for growth. You say that it's our restrictions on your industry that are stopping.... If you were to give us a snapshot of the potential—I think about Arctic char for instance—how many areas of Canada would benefit from some changes in regulations?

Ms. Ruth Salmon: It would be across the country. Arctic char is now farmed in Yukon. They would benefit from a national aquaculture act that clearly spelled out the rules and provided a vision for growth, as would the salmon producers on both coasts and the trout producers in the prairie provinces. Everybody would benefit from having clarity in the regulatory field.

Mr. Dave Van Kesteren: If someone could—

The Vice-Chair (Mr. Randy Hoback): Mr. Van Kesteren, your time is up. I know you're so keen and you have more questions, but we're going to Ms. Trudel again.

You have three minutes.

[*Translation*]

Ms. Karine Trudel: Mr. Century, could you continue answering the question I just asked? You have three minutes.

Mr. Louis Century: Thank you for the question.

[*English*]

Just to make things a little more specific, I spoke about the risk of a new renewed NAFTA-like challenge under the TPP. Of course, the TPP now continues investor state, so that's a possibility. The rules have changed. They have been enhanced in a number of areas.

If you happen to have the opportunity to look at the express delivery services annex of the TPP, I encourage you to do so. It's very short, just eight bullets and under a page, but I think you may be surprised to see an annex of that kind in a general trade agreement. It's quite clear that it serves industry's interests. The efforts of the express delivery and courier industry to influence trade rules are well documented and, frankly, they have been quite successful. Our view is that an annex like this has no place in a general trade agreement. It poses risks of another lawsuit, and even if we're successful, do we really want to go down that road again?

It is also highly relevant as Canada Post is considering all of these options entering into other areas, so it poses a risk to the current line of business. The way Canada Post currently gets by is by also delivering by courier. The view of companies like UPS is that this very involvement in those competitive markets is problematic. They call it cross-subsidization. Now, the jury is out on what exactly cross-subsidization means. It hasn't fully been litigated. The NAFTA case didn't go there, but it may well be litigated under the TPP, and the result could be highly problematic to the survival of Canada Post, which is not to mention lines of business besides courier.

You're a member of the Canada Post review, and obviously Canada Post is looking at a number of other ways to revitalize its services drawing on international models. There are untold consequences throughout the TPP and potential for renewed challenges threatening Canada Post's ability to really deliver on its mandate of universal service, which is particularly hard in a country like Canada.

We heard from some friends about the natural advantages that Canada has in a number of industries. In postal delivery, Canada is at a disadvantage. The geography is vast, there are underserved communities, and we're concerned about new threats that the TPP poses.

● (1220)

The Vice-Chair (Mr. Randy Hoback): Your time is up.

Mr. Fonseca, you get the last set of questions for the day. You have five minutes.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): First of all, let me thank all of the presenters for their fine presentations and the way you represent your sectors. You represent, really, millions of Canadians, be they employers, employees, the public sector, as well as all the consumers in Canada.

I find it so remarkable, Ms. Marsden, that Redpath Sugar is occupying probably the most expensive real estate in Canada, right at the foot of Yonge Street on the lake in Toronto, and they still have a viable business there and have not moved from that location.

You mentioned sugar and our trade with the United States, that it would improve under the TPP, but it will not open the border. What do you mean by improve? Why would it improve, but then not open the border?

Ms. Sandra Marsden: It's because we face quota restrictions going into the United States. Those quotas will be increased, and the rules within the quotas will be more flexible to allow more product diversity, but they won't eliminate the quotas. That would take either a U.S. sugar policy change under their farm bill or a multilateral agreement where there would be much wider changes.

Mr. Peter Fonseca: Under the TPP, where do you see the big net benefit to Canadian companies and consumers, etc.? How much would we export to the other TPP countries in terms of sugar products?

Ms. Sandra Marsden: There are direct benefits through the various quotas. Most of the countries are not fully liberalizing. Many food products are, but sugar itself won't be liberalized as a commodity, so we have to depend on food products, and many food products will eliminate duties.

Canada will have to compete, of course, with other TPP partners, but we're well positioned given investment, particularly in food processing in Ontario and Quebec. Also, we have a lot of very good small and medium-sized businesses in western Canada that would have specialty products that may meet the needs of consumers looking for products.

Mr. Peter Fonseca: How much would sugar make up of those input costs? Would sugar be a big part of their cost?

Ms. Sandra Marsden: Sugar would be a relatively low-cost input, which helps make those products more competitive in those markets. That's the advantage our sector in particular brings and the high quality as well.

Mr. Peter Fonseca: Thank you.

Ms. Salmon, you brought up that your greatest increase in export was 600% to China. Was that correct?

Ms. Ruth Salmon: That's right.

Mr. Peter Fonseca: What percentage of all exports within aquaculture would go to China?

Ms. Ruth Salmon: It's actually quite small because 65% of our products are exported, and of that, 96% is to the United States. The remainder is Asia, and that's broken down. China would be a big piece of that, but we're still talking about a fairly small piece of the pie at this stage, but again, if growth happens, we adjust. There's such a huge potential in China and the other countries that while we're not sending a lot of product now because of availability of product, that could just go through the roof. It's small now compared to what we send to the United States, but certainly that potential is there.

Mr. Peter Fonseca: Have you looked at the risk of TPP countries that then would themselves be exporting and we'd be net importers to Canada or the United States, and they would take a lot of your market share?

Ms. Ruth Salmon: It's a good question, but when you look at the overall global demand for seafood at a 6.6% increase, it just isn't a problem in the short term for sure.

Mr. Peter Fonseca: You've not looked further out.

Ms. Ruth Salmon: No, we haven't. Again, we're focused on trying to be able to grow responsibly and move forward, but we don't estimate that being a problem for a long time.

Mr. Peter Fonseca: Mr. McLinton, for the retailer, I know many of the things we purchase here are brand-type products. As I understand it, with branded types of products, one of the big concerns with the TPP has been that this is made for large, global corporate players. If they are selling a pair of Nike shoes that are made in Vietnam, one of the TPP countries, when they export those shoes, be it to the United States, Canada, Switzerland, or other countries, they put a price on that shoe based on what the market will bear. What we will find here in Canada is that many of the prices are a lot higher because our market will bear those prices. You'll find a pair of Nike shoes at $130, the same currency—

● (1225)

The Vice-Chair (Mr. Randy Hoback): I'll give you a couple of seconds to let your witness give you a quick answer.

Mr. Peter Fonseca: —but then you'll find it much cheaper, be it in the United States or in some other countries. How would the TPP bring down those prices?

The Vice-Chair (Mr. Randy Hoback): I'm sorry, but we're going to have to stop it there, Peter. You're well over your time.

Mr. Jason McLinton: Can I comment quickly on that?

The Vice-Chair (Mr. Randy Hoback): I'll give you 10 seconds.

Mr. Jason McLinton: That's a phenomenon known as country pricing, and it's a very real problem. That's why we support tariff elimination generally. It's a very competitive market. With retailers in Canada, it's the opposite of a monopoly. They are very competitive with one another, so the more we can eliminate tariffs and have these types of agreements, the more competitive, generally, we will be, and we will have better prices for consumers.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Fonseca.

Everybody has had a chance to have a round of questions, which was good to see.

I want to thank the witnesses. I'm going to dismiss you now.

We are going in camera to deal with a bit of committee business.

[*Proceedings continue in camera*]