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The Honourable Mark Eyking

Standing Committee on International Trade

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● (1100)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everyone. It's good to see such a good turnout on this snowy, snowy morning in Ottawa. It's hot on the Hill but it's cold outside.

Welcome, witnesses. Thank you for making it here this morning.

It's good to see you from Brussels, Mr. Sinclair. I doubt it's snowing in Brussels.

From the Canadian Federation of Independent Business, we have Ms. Pohlmann; from the Dairy Farmers of Canada, we have Mr. Leduc; from Manitobah Mukluks, we have Mr. Fine; and from the Retail Council of Canada, we have Mr. Littler.

Welcome to everyone. As you know, we're here dealing with CETA. A lot of work has been done so far on CETA. We are going through the final stages with it here on the Hill , and we really appreciate your input today.

Since we have five presenters, I'd appreciate it if you could keep it to around five minutes. That would be very helpful. Then we could have a good follow-up and good dialogue with the MPs.

Without further ado, we'll go right to Brussels, if that's all right with you, Mr. Sinclair. Please start us off with your presentation. You have the floor.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Thank you, Mr. Eyking.

Thank you for the opportunity to be part of your deliberations on whether or not Canada should ratify CETA. Today I wish to emphasize three areas where the costs of ratification for Canada outweigh the modest trade benefits. These problematic features are among the main reasons the deal has become controversial, especially here in Europe, and why it is extremely worrying that CETA is being pushed through both the Canadian and EU parliaments with limited debate.

The current conduct and openness of the Canadian government in ratifying CETA could well be a factor when European member states and their citizens consider whether or not to ratify CETA over the next several years. I believe recent events in the U.S. have borne out the risks of a backlash when controversial trade deals are pushed ahead without full and open public debate.

Potentially the costliest single chapter in CETA is on intellectual property rights. A considerable portion of the legislation before you deals with changes to Canada's patent regime in response to European demands for stronger protections. By extending patent terms on brand-name drugs and providing for a new right of appeal for patent holders in patent linkage cases, CETA would delay the introduction of cheaper generic medicines. This unilateral change to Canada's drug regime will add an estimated $850 million annually to the overall cost of medicines in Canada, where we already pay the third-highest costs per capita in the OECD.

These increased costs will put more pressure on provincial health care systems, private drug plans, and individual consumers. In fact, the costs of CETA's stricter intellectual property rules cancel out the potential benefits to Canadian consumers of tariff elimination on EU imports to Canada. It is imperative that the federal government release its own estimates of these increased drug costs.

In both Canada and the EU, the most controversial aspect of CETA is the inclusion of an investor-state dispute settlement mechanism. Canada's NAFTA experience with ISDS speaks for itself: we have been sued more times than any other party, with corporations successfully challenging non-discriminatory public interest regulations. Far from addressing the problem, CETA entrenches and expands the ISDS regime through an investment court system. While it improves some procedural aspects of ISDS, the substantive protections afforded to investors in this new court system are largely unchanged.

Foreign investors still receive extraordinary legal rights to sue governments for measures that may negatively affect their investments. These protections, which are not available to domestic investors or ordinary citizens, would expose taxpayers to large financial liabilities and threaten to chill public policy. In contrast to these strong protections for investors and corporations, CETA's labour, environment, and sustainable development chapters merely trigger non-binding consultations.

The third and final issue pertains to CETA's impacts on public services and regulation affecting essential services. CETA would restrict governments' capacity to regulate the entry and activity of foreign service suppliers in our domestic market, even when such regulations do not discriminate based on the nationality of firms. By locking in market access for foreign service suppliers, CETA threatens the viability of public services. A standstill and ratchet mechanism forces governments to make any future regulatory decisions in the direction of even greater liberalization, including for many services that are on the list of exceptions. I'm referring to those in annex 1.

While a number of important public services are excluded from certain of CETA's liberalizing provisions, there is no way to take reservations against CETA's core investment protections, such as fair and equitable treatment in section D of chapter 8, and this would restrict the capacity of governments to reverse privatizations and expand public services by making such decisions unpredictably costly.

With more time, I could raise other concerns. Instead, I'll simply note that some of these are explored in the CCPA's accompanying brief, which you will have shortly, and our two “Making Sense of the CETA” reports.

● (1105)

To conclude, if the Canadian government and European Union are serious about getting CETA right, they should take the time to make necessary changes. Full European ratification will require the approval of all EU member states, including some that still have grave concerns about its investment court system. Permanently removing that system would help make CETA less objectionable and increase the likelihood of the deal being fully ratified. But even if the ICS never becomes a reality, CETA still contains provisions that make it far from progressive and that need to be studied in detail. Consequently, it would be a mistake to ratify CETA in its current form, especially after such a hurried parliamentary review and inadequate public consultation.

Thank you.

The Chair: Thank you, Mr. Sinclair.

We're going to move over to the Canadian Federation of Independent Business. We have Ms. Corinne Pohlmann, senior vice-president, national affairs and partnerships.

Go ahead, Ms. Pohlmann. You have the floor.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): Thank you.

Thank you for the opportunity to be here today to share CFIB's perspective on Bill C-30, an act to implement the CETA agreement.

You should have a presentation in front of you that I'd like to walk you through over the next few minutes.

First, CFIB is a not-for-profit, non-partisan organization that represents more than 109,000 small and medium-sized businesses across Canada. Our members represent all sectors of the economy, and they're found in every region of the country.

It's also important to remember that Canada's small and medium-sized enterprises employ about 70% of Canadians working in the private sector, they're responsible for the bulk of new job creation, and they represent about half of Canada's GDP. Addressing issues that will benefit them can have a widespread impact on job creation and the economy.

CFIB takes it direction solely from our members through a variety of surveys throughout the year, and we have found that a strong majority of members support free and fair trade. This is because most of them understand that trade is good for Canadian small business, for our economy, and for jobs. We also know that many of our members appear to be in a position to benefit from trade deals such as CETA.

For example, as you can see on slide 3, almost two-thirds of our members in a very recent survey are supportive of international trade agreements. However, nearly one in five small business owners felt they didn't have enough information to answer this question, suggesting that perhaps more needs to be done to inform them about the opportunities trade agreements can bring to their business.

A few others, including supply-managed producers, for example, may have strong concerns. We continue to carefully listen to our members who have those concerns and communicate them to the government. One concern we have expressed is the importance of ensuring that any economic harm to dairy producers, for example, as a result of the CETA trade deal be compensated.

Though there are some small but important exceptions, there is broad support for trade agreements even among those not involved in trade. But how many are actually involved in trade? As you can see on slide 4, about one in five have sold goods or services to other countries, while about half have purchased from other countries, with another 6% planning to get more involved in trade in the future.

What countries do they trade with? As you can see on slide 5, the U.S.A.—not a surprise—remains by far the most likely place that Canadian small businesses will trade, but second to that is the EU, and 9% of our members say they have purchased from the EU and about 6.5% have sold into the EU.

On slide 6 you can get a sense of which countries within the EU smaller firms tend to trade with. Germany and the U.K. lead the pack, with Netherlands, Italy, and France also being important for more than one third of small businesses that do trade into Europe.

We also explored what small business owners would like to see in a CETA agreement that would most benefit their business. Ultimately, as you can see on slide 7, what smaller businesses want to see is more consistency, fewer regulations, standards that are simple to comply with, simpler border processes, less paperwork, and lower costs. The good news is that CETA tries to address each of these areas, as it not only lowers tariffs, which are important, but it also starts to look at ways to reduce non-tariff barriers, which are very important, by finding ways to better align European-Canadian regulations and standards as well as look at ways to simplify border processes.

We also know it's important to communicate the benefits of CETA to more small business owners, and encourage them to consider the EU if they're looking to expand to new markets. Understanding how small businesses learn of trade opportunities in Europe might be helpful in how governments, organizations, and others might be able to support them with those opportunities. As you can see on slide 8, most learn of opportunities through business contacts, one in five conducted their own research and found their own contacts, about 15% were contacted by an EU buyer or seller, and another 15% participated in trade shows.

It's important to note that none, in this survey at least, went on a trade mission. I think there may be some lessons here for policy-makers to consider when they look at how to potentially promote the EU agreement in the future.

The good news, as you can see on slide 9, is that more than half of those already trading with Europe plan to increase their activities. This was before the CETA agreement was signed, so hopefully even more will follow as opportunities increase after the agreement is ratified.

You can see on slide 10 the reasons they wanted to increase their trade into Europe—to expand their business, which is what we ultimately want them to do, and to pursue more opportunities as the economy recovers—because they do see it as an alternative to the U. S. market. This latter issue may become even more important as a motivator for small firms in the next few years, depending on how the new U.S. administration will deal with NAFTA.

Thinking about how to encourage more small firms to consider trading with Europe, it might help to provide advice on how to overcome some of the challenges others have faced when they have tried to trade into Europe. As you can see on slide 11, providing them with guidance on how to deal with things like a fluctuating Canadian dollar, costs associated with shipping, and that type of advice would be useful. Many of the rest of the challenges they face, like high tariffs, different rules or standards, and the complexity will be somewhat addressed by CETA, so communicating how CETA addresses those issues will also be very important.

In summary, a strong majority of our members in CFIB are supportive of free and fair trade. Many of our members appear to be in a position to benefit from CETA, but a few may have some strong concerns. We have communicated these concerns, as I mentioned, to government, and have stressed the importance of finding ways to mitigate any economic harm to sectors that may be adversely affected as a result of the trade deal.

Finally, it's important that the benefits and advantages of CETA be well communicated to smaller firms so that more of them will feel confident about expanding their trade opportunities into the EU.

Thank you for the opportunity to present, and I'm happy to try to answer any questions.

● (1110)

The Chair: Thank you.

We're going to move over to the Dairy Farmers of Canada. We have Mr. Leduc, the director of policy and trade.

Welcome. You have the floor.

Mr. Yves Leduc (Director, Policy and Trade, Dairy Farmers of Canada): Thank you, Mr. Chair and members of the committee.

The Chair: Sorry, Mr. Leduc, do you have somebody with you?

Mr. Yves Leduc: Yes. I'm going to introduce her.

The Chair: Go ahead, sir.

Mr. Yves Leduc: I'll start by highlighting the fact that I am accompanied by Thérèse Beaulieu. She is the assistant director for policy communications at Dairy Farmers of Canada.

I'd like to thank you for the invitation to appear before the committee today in view of its study of the subject matter of Bill C-30. Before I begin, I would like to stress that DFC's preoccupations are not necessarily related to Bill C-30, per se, but rather to the impacts of the CETA agreement itself on the dairy sector. Our presentation, therefore, will focus primarily on mitigating those negative impacts.

I want to point out that the Canadian dairy sector is a huge contributor to the Canadian economy. According to the latest economic impact study that has been performed by ÉcoRessources, in 2015 the dairy sector, both at the producer and processing level, contributed $19.9 billion to the Canadian GDP, provided $3.8 billion in tax revenues, and sustained 221,000 jobs in this country. Compared to 2013, that represents a 5% increase in the contribution to the GDP, a 5% increase in tax revenues, and a 3% increase in the number of jobs that are being sustained in Canada. In addition, dairy is either the top or the second largest agricultural sector in seven out of ten provinces across the country.

It's important also to point out that unlike other jurisdictions where farmers' incomes are heavily subsidized, Canadian dairy farmers receive no direct subsidies and derive their income from the marketplace. In comparison, for example, in the European Union the common agricultural policy budget amounts to 58 billion euros, and on top of that the dairy sector alone received an extra billion in the last year to compensate farmers for the very low prices that confronted them.

In regard to the government's announcement of a transition assistance package for CETA on November 10, DFC was pleased to see that the government decided to invest $250 million in dairy farms as well as $100 million in funding to help spur investment into updating Canada's dairy processing infrastructure. This represents a recognition on behalf of the government that the dairy sector is being negatively impacted by the CETA agreement. While we would, of course, prefer that any future trade deal has no negative impact on the dairy sector, this package does set a precedent for future trade negotiations in the event that they do negatively impact the dairy sector in Canada.

The announced package is a step that will foster the continued growth of the sector for the benefit of all Canadians. However, it only partially addresses the damage that will be caused by the CETA agreement. For dairy farmers, CETA will result in an expropriation of up to 2% of Canadian milk production, representing 17,700 tonnes of cheese that will no longer be produced in Canada. This is equivalent to the production of the province of Nova Scotia alone. It will cost Canadian dairy farmers up to $116 million in perpetual lost revenues.

● (1115)

[*Translation*]

I will now continue my presentation in French.

While Canadian dairy farmers appreciate seeing the government deliver in these two key areas, we remain concerned that several of our other issues remain outstanding. In particular, Canada's domestic regulations and border measures were not addressed in the transition assistance package, as we were led to believe they would be.

It should be noted that on November 18, our government announced that they are launching a consultation regarding potential changes to the duties relief program and the import for re-export program. This is a step in the right direction, and we remain hopeful that the government will take concrete actions to stop further damage to Canadian dairy farmers, and show they fully support the supply management system.

As Minister MacAulay noted himself during question period on November 14, the government is just starting what they are going to do to address the issues impacting dairy; Canadian dairy farmers are eager to see how the government delivers on that promise.

As mentioned by our friend Jacques Lefebvre from the Dairy Processors Association of Canada, Dairy Farmers of Canada was also disappointed that the government did not utilize the opportunity given on November 10 to announce how the new CETA TRQs will be delegated.

When it comes to the delegation of new TRQs, DFC urges the government to ensure that only those who are negatively affected by the opening of the Canadian market—namely, cheese makers, first, and indirectly the dairy producers that supply milk to the cheese makers—should be eligible to receive a share of the new quota. Therefore, DFC strongly recommends that the new cheese TRQ only be allocated to cheese makers.

From that perspective, cheese makers who are being affected by it, big or small, whether individually or collectively—and I would like to mention here that some small and medium cheese makers are trying to band together to position themselves as acceptable importers—need to be treated fairly and should be eligible to apply for a share of the new quota. Allocating the TRQ to cheese makers will not only help to maintain the stability of the Canadian market; it will allow imported cheeses to have access to established distribution networks, therefore maximizing fill rates and avoiding speculation and disruptive marketing practices. Canadian cheese makers are best positioned to import cheeses into Canada in a way that minimizes speculation because they have no interest in negatively affecting or disrupting their own business.

Furthermore, while we believe it is important to allocate the TRQ in a manner that will assist cheese makers in developing long-term relationships with their customers and ensuring that their share of the TRQ is sufficient to develop a sustainable business, DFC is opposed to allocating the new TRQ to retailers or distributors. Notwithstanding the economic contribution of retailers to the Canadian economy, allocating any share of the CETA TRQ to them will only result in a substitution between domestically and imported cheeses, and will not generate added benefits.

In conclusion, Dairy Farmers of Canada want to continue to be strong contributors to Canada's economy, and DFC wants to continue to work in partnership with the government to ensure the sustainability of the supply managed dairy sector. We have been on record many times as not opposing the CETA deal, or any other trade agreements, provided that Canada's dairy sector is not negatively impacted. Canada's dairy sector will be negatively impacted by CETA, and as much as DFC appreciates the package that was announced, there is still work to be done; the government recognizes as much.

Thank you.

● (1120)

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

[*English*]

We're going to move over to Manitobah Mukluks. We have the chief brand officer, Mr. Josh Fine.

You have the floor, sir.

Mr. Josh Fine (Chief Brand Officer, Manitobah Mukluks): Thank you.

Thanks for the opportunity to participate in this process. I am a partner and the chief brand officer of Manitobah Mukluks. We're an indigenous-owned company based in Winnipeg, and Canada's fastest-growing footwear brand. We produce over 150,000 pairs of footwear annually, and share our uniquely Canadian story in 48 countries worldwide. Our products are sold in 800 retailers throughout Canada and the United States, and globally through our robust e-commerce channel, which now represents half our overall business.

We are excited about CETA for two reasons. One, it allows us to further our mission of developing a truly global indigenous brand, and two, this increased success globally allows us to make a bigger impact in our communities locally. I also want to reinforce the importance of the changing consumer habits, particularly with regard to e-commerce, that make these overseas markets increasingly relevant for more small businesses like ours.

Traditionally for small and medium business, and in particular for indigenous businesses, the quote-unquote global economy has been far away. Many businesses our size do not have the capacity and resources to navigate the complexities and costs associated with developing foreign markets. Government assistance programs such as the trade commissioner service certainly help break down some of those barriers, but still, it really is unrealistic and too costly for many businesses. Ten years ago, Manitobah would not have been able to take advantage of CETA.

In today's economy, e-commerce plays a critical role in democratizing commerce. It allows us and other small businesses to effectively take advantage of the global economy and the benefits of CETA. We can now reach consumers in Paris and London through a 10¢ ad and a follow-up click. In the past, London and Paris consumers were many trade shows, distributors, and travel expenses away. Now they are much closer. Many of the practical market entry issues have now been solved through this change in consumer online purchasing habits. We can now compete globally against our multi-billion dollar competitors in telling our story not only to a local audience but also to the many European consumers with whom our story and mission resonates.

Given this new accessibility, trade agreements like CETA become increasing beneficial in allowing us to succeed on a global scale. Currently consumers who are buying our Canadian products online are being hit with a surprise 17% duty after the purchase is made. Removing this tariff, as CETA promises, will help us drive this important piece of our business. Consumers are price sensitive, and this added 17% is a barrier that can mean the difference between success or failure in our target markets.

The social impact this can have is also very exciting. Some of our artist-crafted Storyboots sell for upwards of $1,500 and $2,000. This is a fair trade program where indigenous artists receive 100% of the proceeds of their works. We leverage our distribution, both online and in stores, to share these works of art and culture with a global audience. The further we go from home, the more this culture and art is appreciated and admired. While 100% of the sale goes back to the artist, consumers in Europe have been surprised by a $200-plus duty that they pay on each and every one. Eliminating this will allow us to have more success for the Storyboot program in Europe, and will in turn help us build businesses amongst crafters and keep this important piece of culture alive and vibrant.

In conclusion, by eliminating the remaining trade barriers and allowing the free flow of goods, especially goods purchased online, CETA can allow small businesses like ours to truly participate in the global economy in an even bigger way.

Thanks.

● (1125)

The Chair: Thank you, Mr. Fine. Our committee over the last year or so has heard a lot of businesses come forward, and yours is definitely unique and very Canadian. It's good to hear from you, and it's good of you to be here.

We're going to move over to the Retail Council of Canada. We have Karl Littler, vice-president of public affairs.

You have the floor, sir.

Mr. Karl Littler (Vice-President, Public Affairs, Retail Council of Canada): Thank you.

Mr. Chairman, thank you for today's opportunity to provide the retail sector's perspective on the comprehensive economic and trade agreement. We are delighted to even be at this stage of consideration, given some of the uncertainties that first Brexit and then Wallonia have created for CETA along the way. Retailers are deeply concerned about the emergence of anti-free trade sentiment world-wide and about recent pronouncements regarding the trans-Pacific partnership south of the border.

In that increasingly challenging context, the attainment of an agreement between 28 member states is a remarkable achievement. Successive Canadian governments deserve a great deal of credit for envisioning, negotiating, and delivering on the CETA deal.

Retail Council of Canada is a strong supporter of freer trade, whether through bilateral agreements or multilateral agreements like this one. The reason is straightforward. Free trade agreements remove the customs duties charged on the goods we import. That allows us, in turn, to offer lower prices for consumers and also, ideally, to increase sales volumes and the associated level of economic activity and employment.

These customs duties are not at all minor. Shoes are one of the major retail items sourced from Europe, and most of them face duties of between 18% and 20%. Similarly, most apparel is dutiable at a rate of 18%. Of course, these duties are themselves subject to sales tax. Once all of that is totted up, exclusive of the later sales tax, duty has typically increased the price paid by Canadian consumers by more than one-fifth.

Tariff elimination not only reduces prices, but it increases consumer choice, as goods that would otherwise remain uncompetitive become marketable.

Beyond retailers' support for reduction in tariffs, our grocery members are also very supportive of the CETA provisions for increased importation of 16,000 metric tonnes of European cheeses. I should note that the distinction from what my friend from Dairy Farmers of Canada said is that we're excluding the industrial portion from that number.

RCC is recommending that 100% of this new cheese quota be directly allocated to retailers. This would provide significant benefits, we believe, both to Canadian farmers and to Canadian consumers.

First, with regard to farmers, there's an allocation process that needs to be completed, but RCC is proposing that each retailer's share of the cheese allocation be based on its previous year's combined sales level of imported and domestic cheese. Linking future retailer allocations to sales within the entire cheese category provides a strong motivation to grow sales of both domestic and imported cheeses. This would prove a direct benefit to Canadian farmers.

Second, Canadian consumers' appetite for cheese has grown substantially. Allocation of cheese quota directly to grocers will allow retailers to ensure that the right product is provided to consumers, at the right price.

Retailers will be able not only to ensure that quota is used to bring in cheeses that are being sought after by consumers but, importantly, to eliminate inflationary components inherent in the current third-party quota system and take out, based on our members' estimates, some 20% to 40% in extra costs that are currently built into the system.

Mr. Chair, the CETA agreement will bring tangible benefits on some of the core necessities purchased by consumers; namely, food and clothing. The deal will diversify choice, and it will see a lowering of prices paid by Canadians.

We strongly encourage support and ratification for this agreement and, indeed, for further bilateral and multilateral trade deals, whether with a post-Brexit U.K. or with willing Asia-Pacific countries now that the TPP deal appears to have unravelled.

Thank you, Mr. Chair.

The Chair: Thank you, sir.

We'll start off the dialogue with the MPs, beginning with the Conservatives.

You have five minutes, Mr. Hoback. You have the floor.

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

To the witnesses, I'd like to thank you for being here this nice snowy Thursday morning, talking about one of the topics I love to talk about; that is, of course, trade and CETA.

I'll start off with you, Karl. I'm just kind of curious. You're talking about the allocation of cheese quota. You say 100% should go to retailers. How are you going to differentiate between the size of those retailers? For example, you might have a mom-and-pop store that just sells cheese that will want some of that quota, and then you're going to have retailers like a Costco or a Walmart that would sell large volumes of cheese because of their sheer size.

● (1130)

Mr. Karl Littler: We believe it should be pro rata, based on prior years' sales. It should be recalibrated either—

Mr. Randy Hoback: I'll use Walmart as an example, just because it's top of mind. If Walmart has, let's say, 100 stores across Canada, do you take the 100 stores, divide it by...? Do you take the total volume, divide it by 100, and say, okay, that would be the basis for allocation for Walmart, and then that would be the basis for allocation to other small retailers?

Mr. Karl Littler: I don't believe we would say that there has to be a down-to-the-store distribution for—

Mr. Randy Hoback: How do you split up the quota, then, to allow the small players actual access into the marketplace?

Mr. Karl Littler: Well, the small players would have access, because if they're specialized in cheese, then they would already have, relative to their size, a substantially greater portion of the overall market sales.

Mr. Randy Hoback: So it would be a percentage.

Mr. Karl Littler: Yes, it would be a percentage. What we are proposing is that it be on both domestic and imported, because that then pushes people to push domestic product as well.

Mr. Randy Hoback: So you can create a formula that would actually still protect the small guy—

Mr. Karl Littler: We believe so.

Mr. Randy Hoback: —and yet allow the bigger guys who want it to have the access to their own cheese.

Do you think the whole quota system needs to be relooked at? I get lots of complaints about retailers saying that they were being forced to buy stuff they didn't want in order to get the stuff they wanted through the existing quota system. Do you think it's time, that if we're going to do this, let's redo the whole thing?

Mr. Karl Littler: I think it's always timely to review mechanisms for the distribution of goods, particularly if there are complaints.

I have to say that I would not purport to be an expert in this particular field. We do have a grocery division. Unfortunately, I'm representing both perspectives today. We would certainly be prepared to pick that up, with any member with interest, with more specialized folks.

Mr. Randy Hoback: Okay.

Mr. Sinclair, you said we needed more time and more study and more consultations. I go back to TPP, and you said the same thing, that we need more time, more study. This committee actually committed another full year to study and consultations. So now are you in favour of TPP?

Mr. Scott Sinclair: I'm going to address the CETA today.

Mr. Randy Hoback: I guess the question I asked you—

Mr. Scott Sinclair: You asked why—

Mr. Randy Hoback: —is coming back to the CETA. And the reason I ask this is that it doesn't matter how much time and how much consultation we do, you would never be in favour of a trade agreement such as this anyway. So why—

Mr. Scott Sinclair: Mr. Hoback—

The Chair: Sorry, it's always difficult when we have video conferences. There's a time delay with the witnesses and of course MPs. Just give each other some space here to answer the question.

Mr. Randy Hoback: I hope he answers my question, though. I asked a very specific question.

The Chair: I stopped the clock, it's all right. Just take it slow back and forth so a response can be made.

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

Mr. Scott Sinclair: Thank you.

Well, Mr. Hoback, as you're aware, there were a number of, I would say, unanticipated obstacles in Europe to the signature of CETA, which were placated through the development of a joint interpretive instrument. I don't believe your committee has studied that instrument. There are other—

Mr. Randy Hoback: We've had the negotiators themselves come in and say the trade deal that was designed two years ago basically is the same deal except for the changes in ISDS and financial instruments, which don't come into play until all of the countries in Europe actually approve it. So the provisional agreement that would come into play right away is that same agreement that we did over the last seven years.

I will remind you that every province, every association, every group that wanted to be part of the consultation process in CETA could have. Nobody was ever denied. Then how do you come back and say that after seven years of negotiation, we still need another seven years of study? It doesn't make sense to me. I think the reality is that it doesn't matter what you do: we'll never convince you that this is a good deal.

Mr. Scott Sinclair: I'm not convinced it's a good deal on the basis of my long study of the text, but not every Canadian has had that opportunity. Certainly only a very select number of stakeholders have been invited to participate in these particular hearings, which are quite important.

Mr. Randy Hoback: Which Canadians were denied access who wanted to participate? Tell me which group went to Global Affairs or trade and said, hey, I want to participate, and were told, no, they couldn't? Can you name one?

Mr. Scott Sinclair: I'm not aware of any witnesses speaking to the consumer and health implications of the patent changes. If you contrast the process to that for the trans-Pacific....

If you'd just give me an opportunity with a timeline to answer, I'll be brief.

If you contrast the CETA—

● (1135)

The Chair: I'm sorry, Mr. Sinclair. You might have another time to respond to that, but Mr. Hoback's time is up. There's lots of time here yet this morning.

We're going to move over to Mr. Dhaliwal for five minutes.

Go ahead, sir.

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

Thank you to the panel members.

To Ms. Pohlmann, out of these 109,000 business members that you have, how many of them are small businesses?

Ms. Corinne Pohlmann: I would suggest that probably something like 98% are small businesses.

Mr. Sukh Dhaliwal: I come from a constituency where the majority of businesses are small businesses, so I appreciate that. Would you agree with Mr. Fine that it will help these small businesses, and could you elaborate on how it would help small businesses in, for example, my riding of Surrey—Newton, or British Columbia?

Ms. Corinne Pohlmann: Absolutely. I would strongly agree with Mr. Fine's testimony. We hear exactly what he says many times over. E-commerce, for example, has been a boon for many smaller companies that have been able to access international markets in a much easier way than they could have 10 or 15 years ago. They are now serving customers around the world. Some of the biggest barriers they face are the cost, the duties, but also those non-tariff trade barriers, which is understanding what the rules are. It can be very complicated, and it can dissuade a lot of smaller companies from even bothering to grow that particular market once they start to dabble in it.

Finding ways to have an agreement that will lower those complexities, that will lower those costs, I think will encourage more firms to potentially dabble more and then potentially expand beyond dabbling and create new markets.

Mr. Sukh Dhaliwal: You also mentioned that almost 18% of those small businesses are not educated about CETA or these trade agreements. What do you think the government and organizations like yours should be doing to bring that awareness so those small businesses are able to take full advantage of free trade like CETA?

Ms. Corinne Pohlmann: I think part of that is not understanding what the advantages are of going into new markets. So it's helping them understand why agreements like this can make it easier to do business in new markets, especially those beyond the United States, because that tends to be the focus first for a lot of smaller companies. I think it's about education, it's about groups like ours getting out there and helping them explain. It's about government also being able to explain a bit more easily what that means in practical terms. They are not going to go through a big multiple-page agreement: what does it mean on the practical level?

I think things like the trade commissioner service become very important, because they can provide some of that simplicity when they have those questions. Even promoting the trade commissioner service to a much greater degree might be helpful, because I think a lot of small firms don't even realize that's a valuable service they can use. Many of them feel they are too small to use it, that it's something for bigger companies.

So it's about taking away some of that thought that they're too small to be important and nobody really cares, and making them feel more like they are important, it's more important that they think about those other markets, and there are resources out there to help them.

Mr. Sukh Dhaliwal: Thank you.

Mr. Littler and Mr. Leduc, when I listen to both of you, it confuses me.

Mr. Littler, could you comment on Mr. Leduc saying it's going to negatively affect the dairy sector when you are coming across as if it's going to positively help the dairy sector? Do you agree with Mr. Leduc, or is there anything you see that you did not cover?

Mr. Karl Littler: I guess I would say that with the exception of industrial purchasers, when it comes to cheese, consumers buy their goods almost overwhelmingly from retailers. There is the farm gate and some producer outlets and so on, but ultimately it is a decision made by a consumer at a retail level. We think the minimum amount of price-taking and the minimum amount of distortion in between the manufacturer and the retailer is probably best price-wise.

We understand the concern of Canadian dairy farmers about the potential for substitution, which is why our proposal specifically said that allocation should look at the combined domestic and imported sales, which would motivate our members to then go out and press for increased domestic sales in order to grow their own share of the allocation. That would require periodic recalibration, but we think that's a reasonable way of addressing...or a motivation to continue to push domestic product rather than simply defaulting into import quota.

● (1140)

Mr. Sukh Dhaliwal: Thank you.

Mr. Leduc, do you want to make any comments?

The Chair: It will have to be a short answer, if you can.

Mr. Yves Leduc: If I can, yes.

I'm not surprised to hear Mr. Littler say that 100% of the cheese quota should go to the retailer. That's been their position for a long time. We're obviously on different pages from that perspective.

I disagree with Mr. Littler that the farmers will benefit by allocating 100% to the retailer. We believe allocating the cheese quota to the cheese makers themselves is a win-win situation from our perspective now that these 17,000 tonnes of cheese will enter the Canadian market. Rest assured, they will be entering the Canadian market. There is no doubt from our perspective.

We should not forget the fact that year after year, the dairy farmers are investing the equivalent of $120 million in promoting the consumption not only of Canadian cheese but dairy products in this country. We think if we are facing some growth these days, it's largely in part because of the investment from the dairy farmers across the country into the Canadian marketplace.

From that perspective, we think we should target those who are better positioned to help the sector grow in the future by allocating that quota to the cheese makers, and we are of the view that this will indirectly benefit the farmers who will be able to continue to supply milk to the cheese makers.

The Chair: Thank you.

We'll have to move on, but before I do, I would just remind MPs that when you have a question that could have a long answer, try to get it up front instead of at the back end. That way I don't have to cut off the witnesses.

We're going to move over to the NDP.

Ms. Ramsey, you have the floor for five minutes. Go ahead.

Ms. Tracey Ramsey (Essex, NDP): Thank you, Mr. Chair.

Thank you to everyone for presenting today. There are a lot of familiar faces in the room today.

Mr. Sinclair, I would like to thank you for your comments. Unlike my colleague, something that I'm hearing continually is the concern for the cost of pharmaceutical drugs in Canada. Canadians overwhelmingly are suffering under the high cost of drugs. Twenty-five percent of Bill C-30 is patent changes. This will have an overarching cost impact on things like Canadians' retail purchasing power. It will be taken out of their hands, because they will have to pay higher costs for pharmaceuticals.

We've asked for an analysis from the lead negotiator, and we don't have one. The Liberals in previous Parliaments also pushed for a comprehensive analysis on the impacts to provinces and to Canadians for the loss.

Can you tell me if you know of any such analysis that exists at the government level, and then can you speak to the analysis that the CCPA has done on this issue?

Mr. Scott Sinclair: Thank you.

The analysis that was published by CCPA, and subsequently published in a peer-reviewed journal, was by two academics, Joel Lexchin and Marc-André Gagnon. The study was done in 2013. The $850-million-per-year figure that I just cited comes from the two changes that are in the final CETA text, the supplementary protection certificates, which can extend patents by up to two years, and a new right of appeal in patent linkage cases. Coincidentally, that figure actually cancels out the potential benefits from the elimination of all current tariffs on EU imports into Canada, which is about 600 million euros.

To my knowledge, the government has looked very carefully at least at the patent term restoration aspect of CETA. There have been several news stories, and in another committee, I think, officials have referred to this analysis. So I would be very surprised if it doesn't exist, at least in terms of the supplementary protection certificates. I would hope that the government would table that before your committee.

Ms. Tracey Ramsey: I appreciate that. I think it was the health committee, and it was the assistant deputy health minister who admitted there would be costs. I don't know about the analysis, but we will look into it further.

The second piece I want to discuss is the ISDS. This is the other provision where we're seeing large push-back. This is essentially what nearly stopped the signing in Belgium; it was because of this provision. This is where we have this interpretive declaration, which we've been told at this committee, as of this week, doesn't hold legal weight, doesn't have the same legal weight as the text.

I wonder if you can speak to the inclusion of the ISDS and how you feel it will impact us here in Canada.

● (1145)

Mr. Scott Sinclair: I think it could have quite a serious negative impact in Canada—if it is eventually put fully into place...it won't be provisionally applied. There's still quite strong concern about it in Europe, and each member state has to ratify it.

Having said that, to expand the system under which we've been so attacked under NAFTA I think is quite unwise. European investors are very active users of ISDS. In fact, over half of all the cases that have ever been brought under ISDS provisions in all the treaties, including bilaterals, have been brought by European investors. Last year, of the top ten home countries for investors, seven were members of the European Union. If this system comes in place, we can expect to see an intensification of the kinds of lawsuits we've seen under NAFTA against non-discriminatory public interest regulation—like the environmental assessment in the Digby Neck quarry, or the moratorium on offshore wind farms in Ontario, the Windstream case, both of which we lost very recently.

The Chair: Thank you, sir.

The time is up for the NDP. We're going to move over to the Liberals.

Mr. Peterson, you have the floor for five minutes. Go ahead, sir.

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

Thank you, everyone, for being with us this morning. We have seen all of you before, except for Mr. Fine.

It's great that you are here, and what a fascinating story. I'm so happy to hear about the success story of the Manitobah Mukluks.

You mentioned that half of your business is done through e-commerce, and you must have the numbers for where that market is. Where is most of that e-commerce going? Is it local, or is it also exported?

Mr. Josh Fine: About 20% of that is exported, and about 80% is domestic. Within that export market, the vast majority is in the U.S., because we can offer the same value proposition we offer to our consumers here at home.

In Europe it's a really different value proposition. We're a hugely premium product because of all the barriers in between. I think we could see the same success in Europe. Certainly our traffic shows that there is the interest, but we just don't deliver that same value proposition because of the extra costs.

Mr. Kyle Peterson: That cost, of course, is the duty that you referred to in your opening statement.

This brings me to my next question. Do you see the European market perhaps becoming as big as the American market for you, should this deal come into effect?

Mr. Josh Fine: I don't think this deal will necessarily make that difference; it certainly won't in the short run. I think it increases our chances of developing more markets in Europe.

Mr. Kyle Peterson: Mr. Littler mentioned a little bit about free trade being not just about exporting goods without duties but also about Canadian manufacturers purchasing inputs that are duty free as well, which helps lower the costs for that reason.

Are any of your inputs purchased from foreign markets, or is everything...?

Mr. Josh Fine: Many of our inputs are—but not from Europe. More of the footwear components are in Asia, so we're purchasing from Asia. It's stuff that the TPP would help us with overall, or it would have helped us with.

Mr. Kyle Peterson: This is just fascinating. You mentioned the Storyboots, and I'd love to hear much more about that when we can maybe chat another time or something. It's a remarkable success story.

You mentioned that your company is indigenous-owned. You're one of the partners, I think you said.

Mr. Josh Fine: That's correct. I'm not indigenous myself. My partner Sean McCormick is indigenous. She's the founder of the company.

Mr. Kyle Peterson: That's excellent.

Mr. Josh Fine: I became a partner about eight years ago.

Mr. Kyle Peterson: How many employees do you guys have now?

Mr. Josh Fine: Depending on the season, we have 80 to 120 employees.

Mr. Kyle Peterson: Wow, and is everyone based in Manitoba?

Mr. Josh Fine: No, I'm actually based here in Gatineau. We have a showroom and sales office. Our sales marketing and e-commerce are done here, just outside of Ottawa, and then manufacturing, distribution, and finance are done in Winnipeg.

● (1150)

Mr. Kyle Peterson: I'll have to cross the bridge and come see you sometime. I didn't realize you were so close. That's excellent.

Mr. Josh Fine: That's great.

Mr. Kyle Peterson: Thank you for that, Mr. Fine.

Mr. Littler, I just want to follow up on some of your points. You mentioned, as I alluded to with Mr. Fine, that input prices and cost components would go down for Canadian manufacturers and retailers. Do you see the retailers passing those savings on to the consumer, or are they somehow going to be subsumed by a higher price?

Mr. Karl Littler: I do. There are two parts to that. We have to remember that the costs of goods themselves are but one input cost for a retailer; there's everything from labour through utilities to occupancy. Somebody at one point put together 73 drivers.

It would have an impact on only that part of it. Retail is a strongly competitive marketplace, and we believe that is going to drive most of those savings through.

To the extent that input costs are reduced, it isn't invariable that the savings are going to be passed on penny for penny, because there may be other decisions to make. There may be investment decisions. There may be wage rate changes. There may be hiring decisions made. But certainly there is a huge benefit both to consumers in terms of pricing and to the economy overall.

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

I have time for one more question, and I'm going to ask Ms. Pohlmann.

The Chair: It will have to be a short question and a short answer.

Mr. Kyle Peterson: You mentioned that 18% of your members don't take advantage or don't have enough information about trade deals generally. What can we do to help you? I know it's not just limited to your members. We hear this often. What should we as a government be doing to make sure that when we open these doors with trade deals, our companies and SMEs walk through these doors?

Ms. Corinne Pohlmann: As I said earlier, it's really about finding ways to make it clear to them that there are resources available that can help them deal with the complexities of trade, because trade is complex; there is no doubt about it. The Trade Commissioner Service is a great one, and there are other organizations out there that do that kind of work. It's really about making it clear to them that it's not as hard as they think and that there are resources that can help. That type of message would probably go a long way. The problem is that those messages are often much more complex, and that's when people get turned away.

Mr. Kyle Peterson: Thank you.

The Chair: Thank you. We're right on time. That's the first round. We're going to start the second round. The Liberals have the first slot here.

Madame Lapointe, you have the floor for five minutes. Go ahead.

[*Translation*]

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

I would like to welcome the witnesses appearing before us today. It will be a pleasure to ask them questions.

I will start with dairy products. It is interesting to note that there are two different ways of viewing the quotas of cheese makers.

Certainly, people in Quebec don't eat the same products as in the rest of Canada, and Europeans don't necessarily eat the same products as we do. For example, they eat cheeses made from raw milk, something that isn't produced in Canada.

My question is for you, Mr. Leduc.

With the way you are proposing we receive the quotas, how could Quebec have a positive trade balance with respect to these imported products?

Mr. Yves Leduc: First of all, it's important to acknowledge that these cheeses will be imported on the Canadian market. The agreement opens the door to an additional 17,700 tonnes of imported cheese. Among other reasons, there are market conditions that will result in a price advantage. European products made from milk benefit from substantial subsidies on the European market. However, in Europe, the price paid to the farm is not comparable to what farms are paid in Canada. So there is already a comparative advantage in the ingredients used in the manufacture of European products. We think this price advantage will ensure that these cheeses will be imported entirely into the Canadian market.

Ms. Linda Lapointe: The advantage for manufacturers, as you suggest—

Mr. Yves Leduc: Considering this fact and considering that we will face the importation of these cheeses, how can we ensure that the sector will be able to benefit from it or, at the very least, that it will be less affected negatively? A new approach was adopted where small and medium cheese makers made the decision to group together. They are new players in the market, and they could have access to at least 30% of the new quota. They could increase the products they offer by adding imported cheeses, which would give them access to a distribution network for their own products. It could be a win-win solution for Canada's smaller or medium cheese makers.

● (1155)

Ms. Linda Lapointe: Thank you.

Welcome, Mr. Littler. I have a question for you, also about cheese.

You suggested sending all the quotas directly to retailers. Are you suggesting sending them to Canadian businesses? Earlier, my colleague was talking mainly about American businesses. I must say that it was music to my ears since I used to be a grocer in Quebec.

Did you consider that in your proposals?

[*English*]

Mr. Karl Littler: I presume you're referring to the reference to Walmart and Costco earlier. Our members are transnational companies that invest here and hire here, and also domestic firms that invest here and hire here.

They are all robust entities, and there are obviously some specialized entities as well, but we wouldn't want to be in a world in which we were discriminating—I'm not even sure that it would be permissible under trade law—based on whether an entity is a transnational or a domestically headquartered company.

[*Translation*]

Ms. Linda Lapointe: Based on your proposal, these cheeses should be sold in Canadian networks.

[*English*]

Mr. Karl Littler: Our supposition is indeed that these cheeses are for importation and ultimately for consumption in Canada, whether they be the small portion that goes the industrial route or cheeses ultimately sold to consumers in our stores.

[*Translation*]

Ms. Linda Lapointe: Thank you.

Mr. Fine, my next question is for you.

As my colleague said a little earlier, your business is very interesting. You said that you employ between 80 and 120 people. Have you explored how CETA could increase your sales and create new jobs in your company?

[*English*]

Mr. Josh Fine: We think that growing our business will grow our employment and our impact overall in the community. Our vision as a company is to make a big impact in the aboriginal communities.

[*Translation*]

Ms. Linda Lapointe: Earlier, we mentioned that e-commerce is used mainly in the United States. What is the current percentage of e-commerce in the United States and Europe?

[*English*]

Mr. Josh Fine: About 95% of our exports would be to the United States, and only about 5% to the global markets.

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Chair: Thank you, Madame Lapointe.

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

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

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Thank you, ladies and gentlemen, for your presentations today.

A lot of things we're hearing again and again, but there are always some new twists to them.

Corinne, your surveys are always very well done, and you get a good response. This had 6,600-plus businesses responding, so that's as close to scientific as you're going to get.

I'd like to see a couple of things added to that particular survey. How many of those businesses take part in or are aware of global supply chains? That's very important. That's how you get your toe in the water and start moving forward and become part of a global supply chain. Also, how many of them are shipping raw goods, and how many of them are shipping remanufactured or finished goods? Adding those questions would be helpful too, the next time you do a survey to that extent, unless you have other data that would address that now.

Ms. Corinne Pohlmann: We do have some data about companies that sell to other companies that then export, so I can get you that. I don't have it in front of me. That would be on the first one.

Hon. Gerry Ritz: Okay, that's great.

I wanted to wade in on the discussion on cheese allocation between the Dairy Farmers of Canada and the Retail Council of Canada.

Yves, one of the things we recognized early on was that there had to be a mechanism so new entrants would get a definite percentage of the cheese coming in to fill the supply lines you're talking about, and also then look for the larger distributor. It's 30% and you just made that comment, Yves, that if we had at least 30%, we could.... You have it. It's in the document. I don't see any reason that it would ever be changed, so it's a matter of making those agreements and getting the distribution.

You're absolutely right that producing cheese and having access to that cheese will help you form your own distribution network. I know that at the last Paris show, a number of cheese manufacturers from Quebec and Atlantic Canada were winning awards and signing contracts. We have unlimited access back to Europe, and those kinds of awards in your hip pocket are a great way to start that distribution system over there with 500 million potential consumers.

I just wanted to point that out.

On the mukluks, that's a fantastic story, Josh. I've seen some of your product, and it's top-shelf. I think it's a tremendous opportunity to have the intergenerational transfer of culture and stories. You talked about the Storyboots; the beading on them is phenomenal. They're certainly worth $2,000 when you look at the time frame it takes to produce them.

There's a tremendous demand for that type of cultural, historical type of thing, in Germany especially. It's is a big part of their tourism when they come to Canada. Have you started to look at the potential of what that market would do for you?

● (1200)

Mr. Josh Fine: Yes, and we've worked with the Trade Commissioner Service. We've done trade shows in Germany in particular. It has one of the largest European footwear shows. Our brand does really resonate. Overall, yes, consumers like our goods. The challenges have been with the costs of opening those new markets.

Hon. Gerry Ritz: Right. There are the economies of scale.

Mr. Josh Fine: Yes, it's really a matter of scale, and that's where e-commerce is really changing that. Even the cost of entering the U. S. in a serious way on the retail front is something that we as a small business can't afford, but e-commerce has changed that, so it's a really successful piece for us.

I'd like to see CETA break down the tariff and non-tariff barriers with regard to consumer purchasing via e-commerce, and not just apply to big businesses.

Hon. Gerry Ritz: We'll see the Josh Fine site in Winnipeg going head to head with Jack Ma and Alibaba at some point That's something to shoot for.

There's a tremendous amount of potential throughout this agreement. Trade draws trade. It also draws investment from other countries, using Canada as a portal into the European market.

Karl, do you see any advantage, or do you see any products coming into Canada being further processed? You're talking retail, but you have access into the wholesale side too. Do you see the potential of retail going to Europe as well?

Mr. Karl Littler: Prospectively it could, if we were to gain enough scale, especially obviously in the online commerce space.

Hon. Gerry Ritz: That's on specific products.

Mr. Karl Littler: Yes, and that would require working quite closely with our manufacturers. Currently some are both manufacturers and vendors. Canada Goose is a case in point. There's more of a trend in that direction whereby manufacturers are leveraging their brand presence into a retail offering. It's moving up the scale, if you like.

The Chair: I don't think there's enough time. You have only 10 seconds.

Hon. Gerry Ritz: Thanks.

The Chair: Save your thought for Mr. Van Kesteren. Maybe he can ask the question. We're going to have to move over to the Liberals now.

Ms. Ludwig, you have the floor for five minutes. Go ahead.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Good morning, all of you. Thank you for your excellent presentations.

I'm going to be a little more focused than my colleagues were with Ms. Pohlmann and Mr. Fine, specifically on the area of trade preparation. I have quite a few questions.

Mr. Fine, after listening to Ms. Pohlmann's presentation—which was excellent—I'm wondering how you first found out about opportunities to buy and sell goods and services to the EU. Was it through business contacts? Was there a government contact?

Mr. Josh Fine: It was through business contacts. My background is actually working with Canada Goose, so it was really some of that experience and history that led me to pursue those markets.

Ms. Karen Ludwig: Thank you.

Listening to your presentations and your responses to the questions, I see that you clearly understand trade. Did you gain your training primarily through working at Canada Goose, or do you have a background that involved studying trade?

Mr. Josh Fine: No, my background was industrial relations through university, and then I've been in business my whole life with various businesses on the international export side. I'd say it's just business experience.

Ms. Karen Ludwig: From your business experience, what advice would you give to a first-time exporter?

Mr. Josh Fine: I think my advice would be to just start exporting. Find a customer and start selling. A lot of the government advice I've gotten when I've participated with EDC, BDC, or a trade commissioner has made me aware of all the complexities and maybe some of the ways to break down those complexities. When you hear about all those complexities, it's overwhelming. I think it's about breaking down the overwhelmingness of all of that and just saying, “Hey, it's not really that hard.”

I have a 13-year-old son. Most of his purchasing happens directly from a factory in China. Whether he's buying toys, drones, or other goods, he's shopping abroad; he's not shopping domestically. I think sellers are not there yet; they're not seeing that the new generation of consumers doesn't care where you're located. You're just one click away.

● (1205)

Ms. Karen Ludwig: On that, in terms of your experience, you've entered into 48 different countries. If you were working with the virtual trade commissioner of the Trade Commissioner Service, I'm sure they would have said to contact EDC. At any point, are you purchasing export insurance?

Mr. Josh Fine: Yes, we are.

Ms. Karen Ludwig: Is that consistent? Do you always purchase it?

Mr. Josh Fine: No, sometimes it's too expensive and doesn't make sense for our market.

Again, a lot of our export now is through e-commerce, so we're actually getting paid for the goods before we ship them. Foreign receivables aren't even an issue anymore.

Ms. Karen Ludwig: Thank you.

On the e-commerce part, have you integrated any part of the supply chain into your own business, such as on the shipping side or the trucking?

Mr. Josh Fine: Absolutely.

Ms. Karen Ludwig: Was it a strategic decision to be based in Ottawa for the marketing and sales versus being based in Manitoba?

Mr. Josh Fine: No, it's just because I'm from here and I brought that piece of the business to the partnership, and Sean is from Manitoba and built the manufacturing and operation end there. That's just how it ended up.

Ms. Karen Ludwig: That's great.

Right now you have 80 to 100 employees, and with the ratification of CETA, you're looking at some further opportunities for market expansion. Do you see those jobs being more in Manitoba or more in Ottawa?

Mr. Josh Fine: I see them on both sides of the business, for sure.

As our business grows, we've needed more people in marketing, we've needed more people in operations, and we've needed more people in finance, and just throughout.

Ms. Karen Ludwig: Thank you.

I'll read this quickly. This is to Mr. Sinclair.

The chief trade negotiator informed this committee on November 15 that, regarding drug costs that are being reported, it was:

> ...very difficult to conduct that kind of analysis, mainly because the types of changes we will see with the changes to the Patent Act, particularly for the additional two years of protection, are not likely to kick in until the agreement has been in place for probably eight years or so.

In your analysis, how did you take into consideration the ongoing efforts of Health Canada working with the provinces to modify or reform our domestic health care system?

Sorry, that's a big question.

Mr. Scott Sinclair: I think it's true that it's very difficult to estimate the future costs. You should ask Joel Lexchin and Marc-André Gagnon these questions. They picked a representative sample of current drugs and estimated how many days the entry of generics would be delayed based on those two changes that I referred to previously. You should ask Industry Canada and Health Canada for their analysis of those changes as well.

Ms. Karen Ludwig: Okay. Thank you.

The Chair: We're going to move over to Mr. Van Kesteren.

You have the floor for five minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you, Chair.

Thank you all for being here.

Thank you, Mr. Sinclair, way across the ocean, for spending some time with us as well.

I was watching a program on TV the other night. It was actually an old movie about this photographer who was moving through Quebec. My mind just started to go with how we've progressed and how things have changed, and I think that at the very bottom of that lies trade. There have been other reasons as well, but trade has been the avenue that has allowed us to expand our world. I know there are differences of opinion and, as Mr. Ritz said, we talk to so many groups and we basically hear the same lines.

I'm going to go to you, Mr. Sinclair. I just want to ask you this question, because I've done this in every one of my committees. Can you point us to another jurisdiction, another part of the world, where trade has had a very negative effect? If there are reasons for that, do they mirror this trade deal? I don't know, personally, if there is such a jurisdiction.

● (1210)

Mr. Scott Sinclair: Thank you for the question. I think it should be clear from my remarks that you have to make a distinction between international trade and trade deals. Trade deals, increasingly, encroach upon matters that are only peripherally related to trade. Most of the low-hanging fruit of trade liberalization has already been harvested. Both Canada and Europe have very low average tariffs. There are tariff peaks and you've heard about them today. Yes, of course, I wish our exporters every success. I think trade is vital to the Canadian economy, but I'm very concerned that under the rubric of trade agreements we have inserted these very harmful provisions like investor-state dispute settlement and patent term extensions, which, I think you would have to agree, are actually the exact opposite of free trade. They restrict competition and they increase costs to consumers.

Mr. Dave Van Kesteren: I understand what you're saying. I think it should be noted that the low-hanging fruit you're speaking of with trade is in goods. Most of the trade deals have dealt with goods, but now we're starting to deal with insurance, banking, services, and those types of thing. Is there an example? We are evolving and as a civilization, we are changing and we're moving more towards globalization. Although there are risks, there have always been risks, but don't the benefits just so far outweigh those risks and haven't we done a good job or at least aren't we listening to some of those concerns of many of the people who are opposed to this movement? Don't you think those things are being addressed?

Mr. Scott Sinclair: Again, I actually do appreciate the question. I think that if governments do not listen to constructive criticism of trade agreements, say of the type that was heard from Wallonia and their First Minister, Paul Magnette, there is a risk that you will get the demagogic criticisms that we saw surface and lead to a path of victory south of the border. I think that risk actually represents a larger threat to the openness of the global economy than does actually sitting down and seriously addressing principled criticisms about trade deals having interfered too much with regulatory autonomy and democratic decision-making, or at least having a sober discussion about it instead of simply going to the barricades and saying any type of criticism is anti-trade, which it is not.

Mr. Dave Van Kesteren: I wish we could have a further discussion. I think it would be interesting, but we might bore a lot of people. I'm running out of time. I appreciate your comments.

The Chair: Thank you, Mr. Van Kesteren.

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

Mr. Fonseca, you have the floor.

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

I'm going to continue my questioning with Mr. Sinclair and talk about drugs. Ten years ago, there was a lot of discussion that drug costs were going to bankrupt our health care system in Canada and something needed to be done. Well, something was done. A number of provinces have come together. Also different provinces took different steps in terms of their bulk buying or their procurement practices in terms of bringing forward best practices, and those drug costs have actually dropped significantly. Especially with brand-name drugs, they've dropped significantly here in Canada. We've also come to know that many brand-name drugs in Europe are actually less expensive than they are here in Canada.

Do you not foresee also a number of opportunities in terms of continuing to use steps like those used 10 years ago to lower our drug costs, with this agreement with Europe?

● (1215)

Mr. Scott Sinclair: I don't think the agreement provides any opportunities. I think it provides obstacles. I do agree that there are many opportunities to lower Canadian drug costs, which are about the third highest in the world.

We have a very generous system of intellectual property protection for brand-name drugs already. For example, if you want to point to one distinction between Canada and Europe, Europe does not have a patent-linkage system and I actually find it a little galling that the European Union has used the CETA to force us to change our patent-linkage system when it is not permitted within Europe itself. I see that there are European models that Canada could emulate to control drug costs, but I don't think the CETA would further that; I think it would impair it.

Mr. Peter Fonseca: What I'm saying is that it's very difficult to project out. If we had projected out 10 years ago, we would have seen a system that was going to go bankrupt. That didn't happen. So projecting out the way you're doing on this trade agreement—which would be a decade out—I think it's very difficult to come up with a number, like the numbers that have been thrown around, to say what our drug costs would be down the road.

Mr. Scott Sinclair: I think that the number that was published by CCPA and peer-reviewed is a credible estimate. I would like to see, as I said, the internal official estimates and, again, I think you should ask for them.

I'll just point out that a lot of the savings that you've referred to, over the last 10 years, depended upon the availability of cheaper generic substitutes for more expensive brand-name drugs, and that will be impaired by the changes in CETA.

Mr. Peter Fonseca: Thank you, Mr. Sinclair.

To the other witnesses, first, it's been great just to see how trade is interwoven among all of you.

I do want to speak directly to dairy and to the cheese issue. I've heard from many of the small-business owners in my riding. My riding is made up of many Europeans—Polish, Portuguese, German, and Italian—and they've come to my office asking if CETA will make it a lot easier for them to import some of the cheeses that many of the consumers in my community want. They go over to their countries to visit their relatives, they taste the cheese, and they'd like to bring it back. The issue touches really Mr. Leduc, Mr. Littler, and Ms. Pohlmann.

I'd like to know, Ms. Pohlmann, whether CFIB represents some of those small retailers that would sell this kind of specialty cheese. How does all that work out? What can I tell them? They're really small retailers. Are they going to be able to import the cheeses that their consumers—Canadians—want in my community?

Go ahead, Mr. Littler.

The Chair: Give short answers, please.

Mr. Karl Littler: I think the answer to that question is yes, and obviously any regime needs to contemplate smaller operators and specialized operators and, in some cases, those who cater to particular ethnocultural food groups and so on. Absolutely, we see that.

We're worried that, if the quota is allocated to the intermediaries who now exist, people who then turn around and rent quota, if it's allocated to the manufacturer side, which gives them another kind of hold on the pricing balance and so on, that ultimately some of that will come in, but it will be subject to some distortions and probably subject to higher prices.

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

Mr. Peter Fonseca: Ms. Pohlmann, do you want to say anything about your members?

The Chair: We're out of time. There's going to be some more time for the Liberals, if they want to get another question in there, but we have to move over to the NDP now.

Ms. Ramsey, you have three minutes.

Ms. Tracey Ramsey: Thank you. I'd like to direct my questions to the dairy farmers. We've talked about the amount of loss. You're saying you're going to see a loss of $116 million per year. You're going to have $50 million approximately to apply through this new package from the government. It's my understanding the $250 million goes over a five-year period. Therefore, you're seeing a $66-million loss.

I wonder if you could tell me how that translates into losses of family farms?

● (1220)

Mr. Yves Leduc: The $116 million is the value of the milk that enters into the production of 17,700 tonnes of cheese. These losses would be once the agreement has been fully implemented, so it would be the value of the milk going into the 17,700 tonnes of cheese that would not be produced in Canada, and that would be on a perpetual basis. So it would be in five years, six years, seven years, 10 years, perpetually. Under the current system, had there not been an agreement with the Europeans, those cheeses would not have been imported into Canada.

We do recognize that there's been an effort on the part of the federal government to help the sector better position itself in the face of greater competition from imported cheese, through the package that was announced on November 10; however, this is a transition program whereby the farmers and the processors will be able to apply for some of those funds with a view to investing in their own businesses. This is not to compensate for the loss of income.

Ms. Tracey Ramsey: It was $4.3 billion that was promised under the previous Conservative government, and now we see this amount coming forward that, from our perspective, is a drop in the bucket, no pun intended. What would you like to have seen, or what are you pursuing now, from the federal government on top off this package?

Mr. Yves Leduc: As I said in my opening remarks, we've publicly stated that we thought that was a good step and a step in the right direction. However, we would have liked to see an announcement with respect to some of the border measures that we have brought before not only the Liberal government but the previous government as well.

We would have liked to see an announcement with respect to how the new cheese TRQs will be administered, so there are a number of issues that have still not been addressed as part of that announcement.

Ms. Tracey Ramsey: If that quota goes to retailers versus staying with the cheese producers, what will that mean then?

Mr. Yves Leduc: That means that some of the profits, or the proceeds generated from the importation of that cheese will go into the hands of the retailers only, as opposed to being potentially used by some of the smaller or medium-sized cheese makers.

I'll go back to the alliance that I talked about earlier. The alliance has agreed to put in place a market development fund not only to help position the cheese that they might be able to import but also to help position and grow the Canadian cheese market at the end of the day.

The Chair: Thank you.

I think we have enough time for one more round of five minutes for each party, so maybe we'll start off with the Conservatives.

Mr. Hoback, you have the floor.

Mr. Randy Hoback: Thank you, Mr. Chair.

It was very interesting to see Angela Merkel on the news yesterday talking about TPP and the multilateral state and concerns about how some people are saying that we should go back to just bilateral agreements and the dangers in that.

That's one thing. We look at CETA and TPP and look at the multilateral aspect, and we also look at the fact that there is commerce involved, for sure. One thing we never really talk about in committee is the other things that are involved. There is the cultural exchange of people, the security exchange, and the understanding of being part of a global supply chain.

I think Kyle touched a little on being involved in supply chains and getting people involved in those supply chains. Then because they have parts from Germany and parts from Ontario going together, they can compete with parts from China.

I'm just kind of curious. The retail association must be really interested in seeing exactly what that's going to look like in new consumer goods and new products. Will it mean a drastic change in the flow of goods coming from other parts of the world into Canada instead of coming from Asia? Will we see more products coming out of Canada and coming out of Europe, or a combination of both?

Mr. Karl Littler: I'll try to field that.

It's pretty speculative. We certainly looked at the implications of the loss of the TPP, because we are now presuming that it is a loss, and the gains on CETA. We looked at the kinds of goods that were being brought in, and there is quite a differentiation between them.

Roughly speaking, we have TPP, at least on consumer goods, as being about twice the size of CETA, frankly, but the CETA impact is hugely significant in the grocery space and in the apparel and footwear space, and a few other fairly specialized places, whereas the TPP was somewhat more diffuse.

Do we envisage a world in which goods with a more sophisticated supply chain mix might compete for other sources? I think that's probably a bit beyond the retailers' brief but we'd certainly like to see that.

● (1225)

Mr. Randy Hoback: Again, it comes back to the history of NAFTA and what has happened there. You have three countries taking the strength of three countries and building products within the three countries, using resources that are strengths in each of the three countries, and competing against the Brazilians, the Chinese, people from India, and people from Europe.

Now I look at the strength that Europe would bring to that portfolio and the quality of manufacturing products. When I see the robotics and the manufacturing concepts, I think this must be exciting for what can be developed and built with these types of expertise coming together.

Corinne, you've done some polling and stuff like that. Of course for anything to really happen, we have to be competitive. Our companies have to have the same competitive playing field to locate those facilities here in Canada versus in other parts of the world. Are they concerned about things such as carbon tax and high power rates? Is that coming up in your surveys? Are they very concerned about the fact that they would be paying fees on things that definitely don't add value to their product line, at least not a value that you can charge for in the marketplace? It might have good value in making you feel better, and it might reduce the global consumption of carbon, for example, but the reality is that they're going to pay a lot of money. What are they telling you, and what are the concerns there?

Ms. Corinne Pohlmann: Certainly you need to be competitive in order to expand and grow your business; there is no doubt about it. I think some recent initiatives have certainly worried a lot of small business owners.

Just this morning we released our monthly business barometer, and one of the most startling things we've been seeing just in the last couple of months is a bit of a reversal in hiring intentions. We're now seeing more planning to lay off than to hire, which is sort of unusual, and it's been two months in a row now across Canada.

Mr. Randy Hoback: Is that because of changes to CPP?

Ms. Corinne Pohlmann: It's deeper in some parts of the country than in others.

What's that?

Mr. Randy Hoback: Is that because of changes to CPP or just lack of confidence in the Canadian economy now?

Ms. Corinne Pohlmann: I think it's a combination of factors. It's confidence in the economy; it's measures being taken, not just federally but provincially as well, across the country that I think have caused a little bit of cautiousness among small-business owners.

We're still monitoring it closely and trying to understand why we're seeing this higher number. I think about 20% are planning to decrease, and about 10% are planning to increase, which is worse than we've seen in a while, and it's something we're starting to worry about.

For now we'd just like to try to maintain the jobs we have right now. I think that's important. The small-business sector has always kept that stability in the marketplace. They're the ones who are the first to hire and the last to fire, so if they're starting to look at ways to reduce some of those costs, then I think that's a bit of a canary in a coal mine type of thing that we have to watch closely.

The Chair: Sorry, Mr. Hoback, you're out of time.

We're going to move over to the Liberals.

Ms. Ludwig, you have the floor. Go ahead.

Ms. Karen Ludwig: Thank you.

Ms. Pohlmann, your slide about the level of support for international free trade agreement looks as though it's about all free trade agreements. Are you able to tell us about the support for CETA on its own and also about any regional differences in the support of CETA?

Ms. Corinne Pohlmann: The question wasn't specifically about CETA. As you can see, it gave CETA and TPP as the examples, because at the time we did the survey, TPP was still very much in play, so I don't have numbers specific to CETA. I can, however, certainly give you the regional breakdown of this particular chart, so you can see it by region of the country and even by sector of the economy.

Ms. Karen Ludwig: That would be great. Thank you.

I'm honoured to represent the riding of New Brunswick Southwest. We are very overwhelmingly supportive of CETA. It's really felt that, in the Atlantic region, we are strategically located as a linchpin between the U.S. and Europe.

How do you think we can best explain that message and not only help on the export side but also help domestic businesses benefit to see what value opportunities are there?

Ms. Corinne Pohlmann: I think there were some comments earlier about looking at those global value chains. I think that's an important piece and a lot of smaller firms don't quite understand how those work and how they can seek those out. That's where I think we can also help grow some domestic firms that may not want to go straight into trade yet but that could potentially feed into companies that are doing that international type of trade.

I think there are ways we can probably do a better job of explaining what those opportunities look like domestically and how those feed into some of these opportunities that come from CETA with new markets—

● (1230)

Ms. Karen Ludwig: I have one final question, because I'm actually sharing my time. What is your recommendation regarding the best way to share that information with the micro businesses? More than 50% of businesses in the Atlantic region have one to four employees. It would be very difficult for the person who is operating the business to take time out to understand trade. So, how do we get that group of businesses to benefit from these trade agreements?

Ms. Corinne Pohlmann: That's a very good question, and it is always going to be, I think, a difficult one to answer. I do think e-commerce is where a lot of those smaller businesses go first. I have to agree with Josh Fine that they just have to try it. They have to experiment with a client in another country and then see where that takes them. I think just taking that plunge is really, really important.

In fact, I do want to mention, in response to your previous round of questioning, that there aren't a lot of small exporters that have not had to find out the hard way how to do it. Every single one of them has run into some issues, whether shipping issues or fines by the government for filling out a form wrong. The problem is that not all of them will continue that process if those things keep happening.

So it's about making sure they continue to move forward and continue to try, because it does get easier as they understand the process.

Ms. Karen Ludwig: Thank you very much.

Go ahead, Peter.

Mr. Peter Fonseca: What I have heard about the CETA agreement and why it is such a terrific agreement is that our values are so aligned with those of our European friends and there's a level playing field.

The European countries that are part of this agreement have signed on to the Paris agreement; they have robust social services, and they have universal health care in their countries. We've heard that because there are those similarities to Canada, this progressive agreement can move forward and can be a win-win for both parties, the EU member countries and Canada.

Ms. Pohlmann, I just want to go back really quickly to you and your members. I'm thinking about that small retailer of cheese that has 0.001% and sells cheese, but it wants to bring in some more cheese from some of its customers' countries of origin.

Ms. Corinne Pohlmann: Certainly, we have some of those among our membership, and having the opportunity to do that would be, I think, an important element.

However, I also need to point out that we also have dairy producers as members, so I think we really need to make sure we're balancing. I don't take a position either way.

Mr. Peter Fonseca: Mr. Littler, would they get part of this quota? Would you see those small retailers also getting part of that quota, at whatever percentage they would have?

Mr. Karl Littler: Yes, I would. Absolutely. We've supposed that it is based on prior years'...but you'd have to have some aperture for new entrants; otherwise, it would perpetually be sealed among a group of established players. There would always need to be enough flexibility to allow that.

But beyond that, it wouldn't be size-driven. It would just be, “What is your share of the market?”

So, absolutely, I would see there being an allocation for small vendors.

The Chair: Thank you.

We're going to move over to the NDP and—

Oh, sorry, Mr. Leduc. Go ahead, sir.

Mr. Yves Leduc: I just wanted to intervene on that question.

We think what we're proposing by allocating the cheese quota to cheese makers will also allow for opportunities for the cheese makers importing cheese into Canada to establish long-term relationships with the retailers and to import the type of cheese the retailers need to fulfill those ethnic markets, at the end of the day.

Mr. Peter Fonseca: Excellent.

The Chair: Thank you.

We're going to go to the NDP now.

Ms. Ramsey, you have five minutes, I believe.

Ms. Tracey Ramsey: I couldn't agree more with my colleague across the way, that we share so much in common with Europe. One of the things that a lot of Canadians share with our European counterparts is the concern around the ICS, the proposed court system.

Mr. Sinclair, I wonder if you could speak about the court system changes that have taken place over the last year, the resistance in Europe, and also the fact that CETA doesn't safeguard against the precautionary principle when we're looking at these cases.

Mr. Scott Sinclair: Thank you for the question.

The investment court system, I think most experts who've looked at it would agree, is not actually a court. It is another form of investor-state dispute settlement.

It does, as I mentioned earlier, make some procedural improvements around issues such as having a fixed roster and trying to deal with the issue of conflict of interest, but it doesn't deal with it completely, as you will hear in future testimony. There's still a built-in incentive to find in favour of investors at least some of the time, because it's still a pay-as-you-go system. The arbitrators are not salaried nor are they denied the ability to, in future, work for litigants in investor-state dispute-settlement cases.

So there are some procedural improvements, but on the substantive side, it's very much like the traditional investment-protection agreements like NAFTA, which Canada hasn't been sued under. In certain circumstances, for example, on the fair and equitable treatment provision, there is language in CETA that, I would argue, even goes beyond the minimum standards protection provisions of NAFTA, which have been among the most abused provisions. They can be used to challenge, as I said, non-discriminatory regulation like an environmental assessment or like a moratorium on wind farms.

CETA has language that allows arbitrators to take into account, when they're interpreting these absolute standards of protection, things such as whether a government policy is manifestly arbitrary or whether the government, through a specific representation, has created a legitimate expectation that was subsequently frustrated. That line of argumentation is one that has been exploited and abused by investors both under NAFTA and in other agreements. It's quite a concern.

● (1235)

Ms. Tracey Ramsey: The other thing I'd like to ask you to speak about is CETA's impact on public services.

Mr. Scott Sinclair: As I mentioned before, there are some protections for public services, but these are limited. Probably the most important way in which they're limited is that there are no “reservations”, as they're called, country-specific exceptions, allowed against this fair and equitable treatment provision or the expropriation provisions of CETA in section D.

There's nothing in CETA that forces a government to privatize, but let's say they privatize waste-management services and a European investor becomes established. If a new government comes in and reverses that in a way that displaces that European investor, it would have the right to bring a claim against Canada through the investment court system, even if we had a reservation in that area, which we don't. There are no reservations allowed against these fundamental investor rights.

Ms. Tracey Ramsey: Since you're coming to us from Europe today, as I asked earlier, where does this sit in Europe? It has to go back, and this morning we were hearing reports that this won't actually pass through the EU Parliament until early next year, but then it's going to go out to the member states.

Can you speak a little bit about that process and what you see—

The Chair: I'm sorry, but you have only 15 seconds. I don't know if there's time for a question and an answer.

If you want to make a short comment, Mr. Sinclair, go ahead.

Mr. Scott Sinclair: I would.

I'm quite astonished that there's been no contingency planning for the prospect of a European member state failing to ratify. Canada is making permanent changes to its patent law based on an agreement that may not be fully ratified. There is a lot of concern here about the investment court system.

The Chair: Thank you, sir.

We have a few minutes left for the Liberals, and I think Madam Lapointe wants to take that.

Go ahead. You have the floor.

[*Translation*]

Ms. Linda Lapointe: Thank you very much, Mr. Chair.

Mr. Leduc and Mr. Littler, I would like to talk about cheese again.

If I understand how it currently works, the new cheese import quotas would be reserved for existing producers.

● (1240)

Mr. Yves Leduc: No, because there hasn't been a decision yet about how to allocate the new quota.

Ms. Linda Lapointe: I'm talking about your proposal.

How could a new small cheese producer who wants to have access to the markets take advantage of the import quotas?

Mr. Yves Leduc: In the statement in the Canada-EU agreement, some provisions state that 10% of the quota will be allocated year after year to new players. So it seems that there are already provisions in the agreement that would enable new players to take advantage of part of the accessible quota in the future.

Ms. Linda Lapointe: Mr. Littler, you said that there was room in your proposal for new businesses and that there was a way for them to keep these quotas.

[*English*]

Mr. Karl Littler: We would envisage there always having to be a reserve for new entrants, because we wouldn't want an ossified system.

Let's understand that this is European-produced cheese to be consumed by Canadians at the end of the day. Presumably they're not buying it directly, which means they're buying it from a retailer. That's a relatively simple chain. What's being proposed by the Dairy Farmers of Canada is to take a non-Canadian-produced product and attach it as a quota higher up the chain, where there will be another price-taker along the way and it becomes an economic cross-subsidy, if you like. We hugely value what the dairy farmers bring to the table, but we do see the imposition of intermediaries, whether they're giving quota to Canadian producers or quota to distributors, as an unnecessary and frankly a cost-added part of the chain that ultimately is the Canadian consumer.

[*Translation*]

Ms. Linda Lapointe: Thank you.

Mr. Leduc, would you like to add anything?

Mr. Yves Leduc: In the same way, small businesses that are not importers will ultimately have to have access to an import network. Small retailers that would like to benefit from a share of the quota will not necessarily be exempted from the costs that Mr. Littler is referring to.

Ms. Linda Lapointe: Thank you.

That clarifies things.

[*English*]

The Chair: Thank you, Madame Lapointe.

For the record, you can see I'm drinking milk up here. We should all drink more of it.

That ends today's meeting on CETA. It was a very good meeting. We had very good witnesses, a lot of information on very different topics and different sectors, and good questions and dialogue with the MPs.

Thank you again for coming today. We might need to draw on you for some other trade agreements down the road. You never know.

The meeting is adjourned.