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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We shall call the meeting to order. Today we'll be hearing from witnesses on Bill C-101, An Act to amend the Customs Tariff and the Canadian International Trade Tribunal Act.

We have a couple of witnesses by teleconference. From Bunch Welding Ltd, we have Chad Bunch in Calgary. We have David McHattie with Tenaris in Vancouver.

We have three groups of witnesses here in person as well. I want to thank each and every one of the witnesses who came today on extremely short notice for an extremely hasty bill. We really appreciate the effort you folks made, either to come or to appear via teleconference. There are a number of others who I know wanted to appear, and we weren't able to make the connection.

We'll start with the Canadian Automobile Dealers Association. We have Mr. White, President and CEO; and Mr. Dicko, Chief Economist.

Mr. John White (President and Chief Executive Officer, Canadian Automobile Dealers Association): Thank you very much.

My name is John White, President and CEO of the Canadian Automobile Dealers Association. You've already met my colleague Oumar, who is our Chief Economist.

[*Translation*]

I would like to say, on behalf of the Canadian Automobile Dealers Association, or CADA, that I am very pleased to appear before this distinguished committee today.

● (1540)

[*English*]

CADA represents over 3,200 active small and medium-sized businesses. Our members employ close to 160,000 Canadians around the country. Our members contribute over $115 billion a year to the Canadian economy.

I would first like to congratulate the government on the recent agreement reached by Canada, Mexico and the United States for the removal of the punitive section 232 steel and aluminum tariffs and the subsequent countermeasures that were applied. These tariffs have disrupted the integrated North American supply chain and they've added unnecessary costs for businesses and consumers. The automobile industry has been particularly affected, with steel and aluminum being major inputs into vehicle production.

A number of auto manufacturers have already been on record stating that these tariffs have increased their costs, and for the most part, they've absorbed them. However, some have stated publicly that they have been forced to pass on cost increases and price increases to consumers and to dealers. Needless to say, last month's agreement to lift these tariffs by the three countries is good for our highly integrated economies, consumers and dealers.

We appreciate the work of the Prime Minister, the Prime Minister's Office, Minister Freeland and Minister Bains in ensuring that Canada's auto sector would be protected and supported throughout the entire renegotiation process. I'd like to also thank them for initiating the steps to ratify CUSMA days after the steel and aluminum tariffs agreement was reached.

We also want to highlight the all-in Team Canada approach. We saw premiers, opposition MPs, former party leaders and prime ministers, along with members of the Canadian industry, reaching out to their American counterparts to reinforce the special trading relationship that we enjoy between Canada and the U.S. None of Canada's success over the last year would have been possible without everyone's collective efforts.

Today, we are here to offer our comments in support of Bill C-101. This legislation will provide the government with the necessary flexibility to quickly react in response to abnormal trade patterns. In the case of steel and aluminum, the government will be able to take steps to protect the industry against foreign dumping. Steel and aluminum surges in Canada and the U.S. could trigger a new set of devastating tariffs, adding additional burden on the auto industry and North American supply chain, which could, in effect, threaten the ratification of CUSMA, and potentially have negative consequences and fallout once it is ratified.

Our franchised dealers want to ensure Canada is shielded from these surges and that additional disruption in the auto sector is avoided.

With an international trade space that is evolving fast and the kind of unprecedented, or should I say, unpredictable leadership coming from the U.S. administration, Canadian trade legislation should be flexible enough to provide lawmakers with the tools to rapidly take safeguard measures to support Canadian industries and workers.

[*Translation*]

Ultimately, our goal is to have the agreement ratified as soon as possible and to remove any obstacles that could slow its ratification.

[*English*]

I'd also like to add that our focus is to ensure the smooth and continued integration of the North American auto sector and that includes strong steel and aluminum sectors in Canada. Any measures that threaten to undermine this stability and integration will be bad for workers and the economy on both sides of the border. While we support Bill C-101, we caution that Canada take a hard look at any unintended consequences that this may have beyond the issue at hand.

Members of the committee, I'd like to thank you again for the opportunity to provide the perspective of the franchised new car dealers across the country on this important issue.

Thank you.

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

I'll turn to Mr. Bunch in Calgary.

Mr. Bunch and Mr. McHattie, you folks are at a bit of a disadvantage and probably have never been in front of a parliamentary committee before. To give you a bit of the process, all the witnesses usually make a presentation about five minutes long or thereabouts. After we've heard from the witnesses, we will go to a rotation of members of Parliament who have questions for the witnesses.

With that bit of background, Mr. Bunch, the floor is yours. Welcome.

Mr. Chad Bunch (Vice-President, Operations, Bunch Welding Ltd): Thank you, Mr. Chair.

I appreciate this opportunity and thank the distinguished members for your time. My name is Chad Bunch and I'm a mechanical engineer by trade. I'm also the Vice-President, Operations, of our family-owned and operated business, Bunch Welding Ltd. We are located in Leslieville, Alberta, and have been operating since 1981.

We primarily service the energy sector by fabricating structural steel and pressure piping. We employ roughly 250 to 350 people directly, depending on the season, mostly tradespeople. Our payroll typically consists of around $20 million annually, with our third party expenses also being around $23 million annually and a growing proportion at each year to payroll, so we're spending more money on third party expenses than we would on payroll.

Every year we typically purchase around two million pounds of steel directly, and we handle double that in carbon steel piping on behalf of our clients. Year over year since 2017, we've seen steel prices increase upwards of 60% per year for some steel categories and, I would say, at least a minimum of 30% for all the other categories.

By my count, in the last year we've seen about eight competitors, running similar businesses with similar numbers, shut down due to increased expenses and lack of profitability in spite of there being sufficient work. We're hearing things like people saying it's just not worth it.

Although this increases market share for us, this has obviously been devastating for the local economy by shrinking the amount of money going into things like housing, restaurants and tertiary services like massage therapists, etc.

I heard testimony yesterday that used the words “flexibility” and “process”. I understand that flexibility is required to add and remove tariffs as required. However, in the private sector flexibility translates to volatility, and volatility leads to drastic price swings, which are terrible for planning. Currently, there are no good legal mechanisms for small businesses like our own to pass the costs of tariffs on to the end users, unless it is expressly stated in contracts, which isn't always the case.

We're also usually outmatched when it comes to legal teams that our clients have, and our contracts are structured to protect them and obviously not us.

Regardless, our clients require cost certainty to determine whether projects are viable and make sense to proceed. This is impossible to do with the volatility in steel pricing, and in my view it's a significant impediment to whether investors decide to proceed with projects that our economy so desperately needs.

As a former federal public servant who worked in a quasi-judicial organization, I deeply respect our government employees and the work they do, but I also fully realize that government process is not fast and it's not easy, and when governments say words like “flexible” and “process” it scares me.

Unfortunately, it's just not practical for small businesses like our own to participate in processes, as we are often consumed with day-to-day operations of business and don't have the time and resources to commit to things that might seemingly be simple. It's because of this that small businesses don't get a voice at the table and, in my view, share a disproportionate amount of the burden from these changes.

I appreciate the difficulty that we Canadians are experiencing in the volatile world, and I recognize how profound and difficult these decisions are that you are required to make on behalf of all Canadians. I only respectfully ask that you please keep in mind small businesses and communities and the drastic effects of this flexible decision-making when you do it.

I appreciate your time. Thank you.

● (1545)

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

We'll turn to the Canadian Steel Producers Association, Ms. Cobden, president. Welcome.

Ms. Catherine Cobden (President, Canadian Steel Producers Association): Good afternoon, Mr. Chair, members of the committee and fellow panellists. I appreciate the opportunity to be here.

My name is Catherine Cobden. I'm president of the Canadian Steel Producers Association. I'm here today representing our member companies, who are engaged in the manufacture of steel in five provinces across this country—Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Our members employ 23,000 people directly and support 100,000 jobs indirectly. I'm pleased to be joined today by David McHattie, a member of our association. He will be providing additional remarks that build off the comments I'm about to make on behalf of the sector.

Thank you for the opportunity today to discuss Bill C-101 and the importance to the steel sector of its quick passage. It is critically important that this gets moved into Canadian law quickly. I think it's important context for your deliberations on the bill to understand that we are facing unprecedented global overcapacity of steel. Many countries, as you are probably aware, are taking trade actions that limit their domestic marketplace to the rest of the world. For example, you're aware of the section 232 measures in the United States. There are also safeguard measures in the EU, India, Egypt and Russia, to name a few. There are customs duties in Mexico, and the list goes on. As these actions have been put into place, the overall market is significantly exposed in Canada to high volumes and low-priced steel. For Canadian steel producers, this means that our domestic market continues to face grave risk. In the face of this context, our government must be ready to respond swiftly to the changes we're facing.

Thirty days ago or thereabouts, the federal government committed to taking strong action, using all legal avenues at its disposal to protect the steel industry and its workers from unfair trade practices. The CSPA welcomed this commitment. We intend to remain vigilant in ensuring that we act in response to these market changes. We believe Bill C-101 addresses a crucial gap in the existing legislation. It positions the government to act. By removing the two-year cooling-off period, the legislation is eliminating a significant barrier to responding and putting safeguards in place to address diversion in Canada. This tool, coupled with anticipated changes to enhance our overall trade remedy system, is necessary to continue to ensure a stable and robust Canadian steel market going forward.

The committee will be aware that safeguards stabilize the domestic marketplace and prevent surges of foreign imports. As we sit here today, the OECD estimates an overcapacity of around 540 million tonnes of steel. This is about 36 times the entire size of the Canadian market—36 times of overcapacity looking for a home. This is not fiction or fake news. This is the reality we face. We feel we need to have the tools—at your disposal—for implementation as soon as possible.

Our recent section 232 understanding between Canada and the U. S., which we're immensely grateful for, demonstrates the need for action and highlights that we see the world the same way as the U.S. —namely, that steel global overcapacity is a real and demonstrable threat and we must take steps to prevent surge and transshipment. While the U.S. section 232 tariffs were lifted on Canada, globally section 232 tariffs remain in place. There's a risk of millions of tonnes of offshore imports being diverted into our country. That risk continues to grow. By removing the waiting period, which is the intent of this legislation, this tool will be available to basically address this rapidly evolving circumstance.

I would like to address a few of the points we've heard in opposition to this bill before I cede my place on the floor. First, on the issue of western supply, I'd like to point out that Canadian steel producers are actively supplying western Canada. In the case of rebar, an example that is often cited, Canadian producers are on pace to account for a substantial amount of total market demand in B.C. this year. I would also like to point out that AltaSteel, Evraz, Gerdau and Tenaris, all members of CSPA, have steel plants in western Canada.

● (1550)

On the issue of regional exclusions, I direct your attention to the CITT consideration of these arguments in the past where they looked at this issue in great detail, and they determined it was not in the public interest to exempt regions from trade measures.

Finally, on the need for imports, Canadian producers have historically supplied 45% or thereabouts of the Canadian market, and we have substantial available capacity to supply more. The U.S. has historically supplied about 20% to 25% of the market, and imports have supplied the remainder. Safeguard measures, as you know, are meant to keep imports at historical levels, not prevent imports, but maintain them at a rational pace.

In closing the Canadian Steel Producers Association calls on all parties imperatively to support this bill and see it come into Canadian law as soon as possible. Our businesses, our workers and our communities are counting on it.

Thank you.

The Chair: Thank you, Ms. Cobden.

We will now turn to Tenaris, Mr. McHattie in Vancouver. The floor is yours, welcome.

Mr. David McHattie (Vice-President, Institutional Relations Canada, Tenaris): Thank you, and thank you for accommodating me by telephone.

As a short introduction, Tenaris is a global steel company. We are also committed to local manufacturing, so in Canada we have around 1,000 employees in normal times. We have operations in Calgary, Edmonton and Sault Ste. Marie. We are part of the supply chain serving Canada's energy sector.

We support Bill C-101, and we do that from the perspective of a user and a manufacturer of steel and a supplier to a Canadian market that understands and recognizes the global implications of overcapacity. We felt them here in Canada.

We are a manufacturer, and we believe that's an important value for the Canadian economy. Why do we support this well-thought-out bill? Our objective, and I think a sound objective, is for the Canadian steel sector to be free from distortions based on rapid changes in trade flows, be those rapid changes as a result of dumping or even undumped goods that are changes of flows due to government causes or others.

It's an important tool, and it's just a tool, to limit trade exposure to these changes in trade flows. It's also an important part of a broader policy commitment to defend Canadian jobs, and that broader commitment includes the April 26 announcement by the Minister of Finance of a working group, which we also support, and we would like to see the rapid implementation of those recommendations. It's also consistent with Canada's NAFTA position, with Canada, the United States and Mexico competing against the world.

Tenaris is a global company. We have operations in all three countries, and we believe it's important that NAFTA competes as an integrated economy.

Our view is that there's no downside to this legislation. It is a prospective tool to be put into the tool kit to be available to be used when warranted. This tool is there at the finance minister's discretion in case we again see rapid changes in trade flows.

In short, as a reminder, it is a safeguard in our view, only to limit distortions of trade flows. It limited increases from the level of a historical standard. It did not limit imports at all. Any changes in price that any subsectors would have felt were likely as attributable more to global implications as they were to specific actions in Canada.

For these reasons we support this legislation 100% and would like to commend the Canadian government for all its actions over the last five years—which includes more than one political party—that have been working towards having a Canadian market free from trade distortions.

Thank you.

● (1555)

The Chair: Thanks very much, Mr. McHattie.

To round out our panel with the United Steelworkers, we have Mr. Neumann and Mr. Logie. Welcome.

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

My name is Ken Neumann. I am the National Director for the United Steelworkers in Canada. With me is Craig Logie, our trade counsel.

Thank you, all, for allowing me, on behalf of our members in the steel and aluminum industry, to address this committee to discuss Bill C-101.

As you know, the steelworkers' union has been at the forefront in advocating for strengthened trade measures to protect the domestic steel industry. At least 23,000 workers in Canada are directly employed in the steel industry, with another 100,000 indirectly employed. The United Steelworkers is by far the largest union in the steel and aluminum sector.

We are especially concerned for our members working in industries that are threatened by import surges, particularly as much of the world closes or restricts its steel markets. We support Bill C-101, but would also like to see concrete measures in place to protect Canadian steel markets and their workers.

This last year has been particularly difficult for our members in the Canadian steel industry. Over the last eight months or so we have seen over 700 temporary and permanent layoffs in communities from Calgary to Sault Ste. Marie; Hawkesbury, Ontario; and Montreal.

Moreover, the uncertainty created by the current steel trade situation has severely curtailed the industry's willingness to invest in Canadian steel facilities.

As we speak today, our steel sector and workers are still at risk from predatory practices of foreign producers who flout fair trade rules and who are now shut out of other markets.

It is critical that the federal government impose measures to stabilize our market and defend our national interests. As it is, the Canadian steel industry is vulnerable. While the U.S., Mexico and Europe have taken strong actions to defend their steel industry, the steelworkers have worked tirelessly to ensure that the illegal U.S. tariffs on Canadian steel and aluminum products were removed and that they not be replaced with a quota. We are pleased that they have finally been removed.

However, the agreement to remove the tariffs included provisions stating that the U.S. has the ability to reimpose tariffs should there be a surge in imports into Canada. Amendments to the Customs Tariff that would allow Canada to protect its market from the threat of import surges must not by symbolic. It is important that amended power under Bill C-101 be used to impose concrete measures to protect Canadian steel markets and steelworkers.

In the period during the initial imposition of U.S. section 232 tariffs on much of the world, Canada experienced a surge in the imports from non-NAFTA countries requiring temporary safeguards on seven steel products.

Just as an example, overall imports of steel into Canada surged by more than 140% from some countries in the aftermath of the section 232 tariffs. The provisional safeguards imposed last October were working to stabilize the steel market during this turbulent time.

With our ability to participate in trade cases before the Canadian International Trade Tribunal, the steelworkers were heavily involved in this year's hearings related to permanent safeguards on seven steel products. Our members produce six of the seven products that were considered in those hearings: rebar, energy tubular, hot-rolled sheet, heavy plate, wire rod and pre-painted. We were disappointed with the recommendations of the CITT, with the Department of Finance's decision not to extend the safeguards on five of the products.

Our concern is that this decision puts our members at risk should there be a surge in imports from countries seeking to avoid tariffs in the United States, or that have met their quotas in European markets. The U.S. maintains its 25% tariff on most of the world. Earlier this year, in February, the European Union announced that its provisional safeguard measures, tariff rate quotas, on 26 steel products would become permanent and should remain in place for three years.

As I have stated, it is our view that Canada cannot continue to be one of the few countries in the world that allows foreign steel to flood into its markets. The federal government must protect producers and workers; it's as simple as that.

Bill C-101 is a good first step, and we urge Parliament and the Senate to pass this legislation as quickly as possible, but we also add that the government's action must go further to ensure the stability of the Canadian steel market.

● (1600)

Further steps must be taken, including the reimposition of safeguard measures on five products that had been subject to the safeguard measures before April.

Thank you again for this opportunity to address the committee. I look forward to any questions you may have.

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

We'll go now to seven-minute rounds. We'll start with Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for appearing, especially on short notice. We have admittedly a very unique situation and a unique bill to address that situation.

Ms. Cobden, I want to begin by asking you about just that. How abnormal is this situation with these trade practices that have developed in recent years? Can you compare it with a previous time in the past, or is this really quite unique?

Ms. Catherine Cobden: I think we would describe these times as rather unprecedented. This is the feeling of the CSPA membership. It's why we are so seized with the tool box getting expanded. Frankly, flexibility does not in our case mean uncertainty, as a previous witness had identified. For us it actually means certainty, because we know that we have the tool at our disposal with these imports surging—and they will surge.

To Ken's point, I'd like to add that we must be prepared to use them. I'm glad to point out that these are very uncertain times, so be ready.

The Chair: Can I just interrupt for a second, Peter?

I can see the other witnesses here—they can put up a hand if they want to add anything—but I can't see you, Mr. Bunch or Mr. McHattie. If you have something you want to add in the discussion at any point, you'll just have to interrupt.

Mr. Fragiskatos.

Mr. Peter Fragiskatos: No problem.

Thank you very much, Ms. Cobden. I was quite interested in the point you made about western Canada, and I'm wondering if you could go over that once again. As well, can you tell us more about the CITT finding when it comes to exemptions for particular regions? I think that's an important point.

Ms. Catherine Cobden: The first point I was trying to make was that we have suppliers who serve the west. The Canadian steel producers, all of them, are prepared, and have been serving the west, but there are also some specific facilities that are based in the west. Sometimes I worry that we think of the steel sector as Hamilton when in fact it's right across—as I described it, from Alberta to Quebec.

● (1605)

Mr. Peter Fragiskatos: Yes. It's not just the Soo and Hamilton, as you said.

Ms. Catherine Cobden: Yes, right, the Soo as well; sorry, Dave.

Mr. David McHattie: Perhaps I could interrupt there.

We are a consumer when it comes to inputs as part of our manufacturing process in Calgary. The steel we use in Calgary is manufactured in Hamilton and in Sault Ste. Marie. It's further evidence that steel producers are reaching out across the country with their products.

Ms. Catherine Cobden: To further elaborate on my answer, Canada and the U.S. can serve this market in the western part of our country, as previously mentioned. In fact, I'm really pleased to report that with regard to the Canadian market share, I can give you an example on a topic that keeps getting brought up, which is rebar in the west. I'm really pleased to report that our market share in terms of our shipments of rebar—I think this is a B.C. figure in particular—grew by 13% over last year.

That's just one example, but it's a proof point that we are serving the west and we're growing our business in the west.

Mr. Peter Fragiskatos: It's encouraging. Thank you for restating that. I think it's very important for the record to reflect that we hear different narratives. You're from the sector working on these issues, so thank you for bringing the evidence to the table today.

Mr. White, thank you very much for your presentation. You talked about the importance of the integration of the auto sector. You also talked about unintended consequences if we don't keep our eye on that, on the importance of an integrated auto sector. Can you go into some specifics on which unintended consequences you fear and on which unintended consequences you're worried about that we should know about specifically and keep in mind as a committee?

Mr. John White: There are two things. First of all, if this bill does not pass, what could happen is that it would be one other reason for our friends in the south to not ratify the agreement. What we've seen is that the Americans have not been shy in terms of imposing tariffs and doing things rather quickly. From there, with the countermeasures that we have adopted, or that we adopted in the past, there were also indications that this could further lead, if the dispute continued, to the imposition of tariffs on cars and trucks in addition. You have a trickle-down effect.

Now, it's our understanding, from reading some of the material from the presentations from the various parties, that concerns were stated—again, I'm not an expert on the manufacturing part—about the fact that there could be repercussions elsewhere in the country. I think you've gone down that path with the west, and I think some statements were made to that effect by various political parties to be careful for that.

We're not experts in terms of drilling down into the manufacturing sector and into the sector of how steel is produced around the country and the effects on B.C. versus Alberta versus the east. We're simply saying that as you go forward and move this, you need to be careful, in whatever it is you do, that there are not consequences that could harm those businesses locally. I think I've heard you go down that path, and I think I've heard that this has been appeased to a certain perspective.

Mr. Peter Fragiskatos: I appreciate that. While political parties will certainly have differences between them, I think, or I would hope, we are united in our support for the steel sector; certainly on this side we are. I extend to my colleagues the wish that we work together expeditiously in a non-partisan way to pass legislation that responds to the need for flexibility that you pointed out, Mr. White, at the outset of the presentation you gave.

With that, Mr. Chair, thank you very much.

● (1610)

The Chair: We'll turn to Mr. Allison.

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

To our witnesses, I'll reiterate what the chair said. Thank you for coming on such, such short notice.

Mr. Neumann, perhaps I'll start with you just in terms of the thought process here. Why do you think CITT didn't support all the other requests that were made—only two? I'd be curious to hear your thoughts or those of anyone else who wants to answer. Was it a timing issue? As I said, they came back and said, listen, two for sure we need to deal with, but as for the other five, no. Why was that? Was it a timing issue? I know that sometimes in the cycle that might be one of the issues.

To hitchhike on that question, Mr. Neumann, you talked about meaningful surges and stuff. I just want to make sure I understand; it seems we've sort of lost our ability to slap back any kind of duties on this in case there's an issue. Because the U.S. can put the duties on, I think what I was hearing you say was let's make sure we don't give them a reason to slap additional duties on. Does that concern you guys around investment and certainty here in Canada if the U.S. can say, hey, listen...? I'm not sure what a meaningful surge would be and who would determine that; maybe the U.S. We're not always sure, when Mr. Trump does what he does, that we understand why or how, etc. I would maybe just get your thoughts around that.

I have more questions, but I'll probably have to ask them in my second round. Perhaps we could start with those two questions initially.

Mr. Ken Neumann: Your first question was with regard to why they didn't.... I mean, it's really all about timing. There's no doubt about it.

Mr. Dean Allison: Okay. That's what I heard.

Mr. Ken Neumann: I think it's as simple as that. The fact is that by the time the government did impose, I think it in October, it was just.... To me, that is the simplest answer with regard to why they didn't find harm on the other five. Craig could probably add to that.

I'm not sure what your second question was. You went on there for some time.

Mr. Dean Allison: Yes, I know. That is a problem with politicians, for sure.

You talked about meaningful surges. My concern is that the U.S. can unilaterally impose tariffs if they see a meaningful surge. In your comments, you mentioned being concerned about that.

Are you concerned with the fact that the U.S. can snap tariffs back on?

Mr. Ken Neumann: I am, very much so. I think you said yourself that nobody can predict what's going to come out on Twitter tomorrow from President Trump, so of course that's a concern of ours.

I think we've witnessed it. We're still getting over the shell shock of how they could impose section 232 tariffs on the best neighbour one could ever envisage. The fact is that we've had the integrated market. To see what's happened in the meantime, a lot of damage has been done to the country. A lot of our members and communities have suffered dearly because of this situation. It's taken work by all of us—politicians, and working with the producers—to move in that particular direction to have them removed.

We're pleased in that sense, but our work is far from completed. The fact is that it's a very volatile situation. When you have 540 million tonnes of excess capacity, and they're basically shut out from the majority of the world because they've taken actions to it—Canada hasn't, even though we've tried to convince them that that's what they should do—I think we're very much at risk. That's why the monitoring committee they've put together—which many of us have members on—is an important step.

If we're going to protect the Canadian steel industry.... I maybe come from a different angle. The fact is that we no longer have a Canadian steel company. They are all foreign-owned. I fully appreciate that fact. We work every day and we work very hard to make sure we have the protection for our members and the communities in which they operate, so they won't unfairly be in a situation where countries can come in and dump the steel.

To us, it's incumbent upon the government to stand up for those industries and stand up for the workers.

The other thing is with regard to investment. You have the new Stelco, which has now come out of its bankruptcy, basically saying that it has $500 million to invest, but it's not going to invest that money when it knows it has the potential of tariffs hanging over it. You have the businessman who is prepared to create 500 jobs in Steeltown. I was recently up in Alma, which is owned by Rio Tinto. They had an expansion of over $400 million in regard to a billet plant. They've put that on hold simply because of the uncertainty.

There is a lot at stake here. To me, it's very—

• (1615)

Mr. Dean Allison: Does this reduce the uncertainty in your mind or does it still leave some gaps?

Mr. Ken Neumann: I think BillC-101 sends a message that the government is prepared to stand up and basically defend. We support that.

As I've said in my submission, our view is that they should also continue with the five products that they haven't imposed. To me, this is a bigger picture. We'd better be cognizant of the fact that we have international companies that operate around the world. If we don't pretend to look after their interests to make sure that they're not being unfairly...by people who are not playing by the rules and come in and dump, that's not going to help anybody.

Therefore, it's very important that we make sure our industry is protected. That's a job the government has to do and this is a step in the right direction.

The Chair: Ms. Cobden wanted in as well.

Ms. Catherine Cobden: I wondered if I could build on the point about the U.S. I think it's really important for all of us—all the political parties in Canada and all the stakeholders—to remember that the U.S. is watching our every move. We have to demonstrate that we have the tools and we will use them.

One of the points Ken raised was that the last time we did safeguards there were surges in products. That's the type of thing we're very nervous about and that's why we talk to the government about preparation to use. If those surges happen, we know the risks are even greater than the domestic market, but it's the domestic market and the U.S. market now. We absolutely have to be in ready mode to react to a surge situation, which we think is inevitable. We saw it last time.

Mr. Dean Allison: I have quick question; I'm almost out of time.

Do you think we would have had 232s if we had put on safeguards ahead of time? The U.S. was asking for them years in advance.

Ms. Catherine Cobden: Honestly, I think that safeguards were a very helpful tool. It was a different political situation in the U.S. around their interest on section 232. As you know, they applied them globally—not just to Canada. We were caught up in that unfairly and egregiously and what have you. We were caught up in a broader move.

When the provisional safeguard measures came in place, we saw measurable improvement. They weren't perfect, but they sure as heck did a lot better job than not having any safeguards, for the record.

The Chair: I would like to weigh in on this point.

I happen to chair the Canada-United States Inter-Parliamentary Group, and it's a grouping of all parties, with co-chairs on the American side as well. We've been down to Washington and other areas quite a number of times. I think Senator Grassley was a huge help to us. He's a good friend of ours. We also met with a number of other congressional representatives. We've probably met 150 or 160 in the last year and a half.

One of the things that I'm concerned about is that I think sometimes in North America we navel-gaze in terms of our own country. We have to find a way through our supply chains in Mexico, Canada and the U.S. to realize that we're competing against the rest of the world. We have to establish our policies in such a way that we, as a region, can work together and compete against the rest of the world instead of playing these games amongst ourselves, making us less competitive while China and others expand geopolitically around the world.

I do find in dealing with the political establishment—not necessarily the White House, but Congress—that this argument works somewhat effectively. We have to get there.

We'll go to Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

My first question concerns the five of the seven categories of steel products that no longer benefit from safeguard measures. First, I would like to hear the witnesses' opinion on the need, as soon as this bill is passed, to reimpose safeguard measures as soon as possible.

Mr. Neumann or Ms. Cobden, what do you think?

• (1620)

[*English*]

Ms. Catherine Cobden: Sure.

[*Translation*]

Thank you for your question, Mr. Dusseault. I will answer you in English.

Mr. Pierre-Luc Dusseault: That's no problem at all, Ms. Cobden.

[*English*]

Ms. Catherine Cobden: Five of the seven, yes.

As Mr. Neumann stated, I really do believe that this had to do with timing: the period of investigation and the timing of the initiation of the process. Our sense is that, without safeguards, we will have surges. We have been asking fairly consistently in the provisional period, as well as post, that safeguards need to be in place for all of those products. I actually worry about additional products. We must put these in place. We need to be ready.

To go back to the main point of the discussion here today, this is why we need this legislation to pass into law as quickly as possible: so that we have it at our disposal to respond to what we believe are going to be inevitable surges into our marketplace.

Mr. Ken Neumann: I think that Catherine covers the point.

As I said earlier, the fact is that it's all about timing. When the government imposed the sanctions, it stabilized the industry. By the time the hearings were held.... Really, it's all about timing. I think that it's for that reason that somehow the CITT didn't see what was necessary at that particular point.

[*Translation*]

Mr. Pierre-Luc Dusseault: You all tell us that the bill seems good. However, we know that the legislation, once it receives royal assent, will only be in force for two years. Do you think that this two-year period is sufficient? Will there not be risks that there will still be uncertainty in the markets, that we will find ourselves in the same situation in two years' time and that we will still have to adopt similar legislation?

Mr. John White: Of course, a longer-term solution must be found. I do not have any to propose to you right now, but this bill gives us some respite. By 2020-2021, the political situation in the United States could change and things may stabilize.

That being said, we see that Congress is divided. The problem is that if we don't find a longer-term solution, we could go back to the same point.

My colleagues have made it clear that this is a first step, a first measure. Once this bill has been passed, it will certainly be necessary to think of the longer term, see if there is legal flexibility and look for other possibilities.

Mr. Pierre-Luc Dusseault: Mr. Neumann, do you share this view? Do you have anything to add?

[*English*]

Mr. Ken Neumann: Look, be it two years or three years—and we probably have not talked about it—this dumping problem didn't start last year or the year before. This has been a problem for many years. Unfortunately, we haven't had the mechanism, to a large degree, in Canada, to deal with it as quickly or as efficiently as we possibly could.

If anything, this has, hopefully, opened the eyes of all politicians. The fact is that we can become very vulnerable. No one ever anticipated we'd have this section 232. Never in my wildest dreams did I think Canada would be seen as a national security threat, but it is what it is. We suffered for eleven and a half months. We're now starting to tighten and bring in some legislation to put the right things in order.

One of the biggest complaints the U.S. had, during the OECD meetings we attended in Paris, was that Canada was not protecting its industry. There's some truth to that. If you look at Mexico, the European Union and all this other stuff, that's an issue. That's one of the reasons they were a bit reluctant to get to where we're finally at.

The bigger picture is—if you look at the 540 million tonnes of overcapacity—it's not just Canada, Mexico and the United States. You have to get your global partnerships, be it the European Union.... Some of the people who play by the rules have to find a mechanism for how to deal. You can't say, “We're going to shut down trade.” Of course, trade's important in every economy. The fact is, it has to be fairer trade. Until such time as governments of all stripes take that issue in hand, and try to come up with some mechanism to get rid of the dumping.... The dumping didn't just start this last year; the dumping's been there for a while.

● (1625)

Ms. Catherine Cobden: Mr. Chair, if you don't mind, I have just one more thing to add that I think is quite crucial for all of you to hear, going forward.

What we feel is an important lesson learned from what we just lived through is that we have to look very closely at Canada's trade remedy system. We have to be willing to—the word I have in my head is “modernize”, but that's not quite the right word. We have to address today's modern circumstances, which are very uncertain, and very unpredictable.

It's been alluded to a couple of times, but I want to put a pin in it. We have established a working group on trade remedy strengthening. We absolutely have to, over the next two years—and this is my answer to your two-year question—put those recommendations put into place, not stand still and continue to do more.

I just wanted to make the point on why we are comfortable enough with the two years. It's because we expect that those additional steps will be taking place in parallel.

The Chair: We can come back to you again in another round, Pierre.

We are turning to Ms. Rudd.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you very much.

Thank you for coming today, and to those of you on the phone. Catherine, it's good to see you again.

One of the things you have said, and that has been reiterated by others, is that we really are in exceptional circumstances. This is not something—to your point, Ken—that we envisioned would ever happen. As a government, one of the things that is our responsibility is ensuring that we do have the tools in the tool box, as someone said, to be able to respond to those exceptional circumstances, when they arise.

I don't think anyone thinks there's a magic bullet here, or that we're going to be able to just have something that's going to address this. We have to be nimble. The panel group brought together to look at these things is a key element of this. This is one element of a very large global trade agenda. Being proactive and at the forefront of some of these things is key to us being successful on those global markets. A number of folks have come out to support this, and the comments here, including the mayor of Sault Ste. Marie, who has been very active in his support, as well as others.

One of the things that happened over however long the tariffs were in place—a couple of years, I guess—is that the SMEs were caught in this whole process. I'm going to go to you, Mr. Bunch. You can't see me, but I hope you're still there.

Mr. Chad Bunch: Yes, I'm still here.

Ms. Kim Rudd: Great. Thank you for your patience—I know it's not easy to be outside the room and listening to this without being able to see us all.

I'm going to ask you a question around SMEs' options—or optionality, maybe—to apply for exceptions and relief, within tariffs imposed over this past period of time. I know that in my riding of Northumberland—Peterborough South, I had one particular SME whose only product used in manufacturing was available only in the United States. He was able to go through that process and obtain that relief.

Can you talk a bit about whether or not you think that's an important tool within this process, especially for SMEs?

Mr. Chad Bunch: Yes. I guess from our perspective we're a small player in that scheme. Processes like that are unfortunately cost prohibitive. We would have to hire somebody to go through that process. We're kind of a smaller player. To be able to get an exemption, you would have to basically go about reading the laws, reading the process and then putting somebody forward to actually to do it, just to even be aware of it. I don't know that this processes would work for smaller players like ourselves. They might work for some of the mid-sized and up—you know, the bigger players type of thing.

It's certainly welcome to see that there is some relief out there. If there were a quick way of being able to get relief, we would certainly take it.

I know there was a comment earlier about the uncertainty. From our perspective, the biggest thing is the volatility. If we knew what it cost and could be certain about the cost, that would help a lot in planning because at least we could price it in and know that it's certain.

● (1630)

Ms. Kim Rudd: Well, if it gives you any comfort, Chad, the SME in my riding that was able to get the exemption has 17 employees.

Mr. Chad Bunch: That does help.

Ms. Kim Rudd: The process, in fact, was streamlined to respond to exactly your comment. You've just highlighted for us that we need to do a better job of letting SMEs and other folks who rightly.... I can certainly see how the assumption is that it's an intimidating process. I'm not saying it's a walk in the park, but it is accessible, so thank you for that. That's good information to have.

I want to talk about the jobs, the 23,000 direct jobs and 100,000 indirect jobs that are related to the steel producers.

We talked about the breadth of the country and where those jobs are. I guess it's also about the opportunity for those companies and those jobs to grow. We talk about numbers as they are static right now, but this is a global opportunity in terms of market, and our ability to access that global market has the potential to grow those businesses. Do you have a sense of what the industry is feeling about how Bill C-101 is impacting their plans or thought processes, not just about being able to hold on but actually being able to access more international markets?

Mr. Ken Neumann: I can answer that.

On the jobs situation, as I said earlier, I think that a lot of the employers were very concerned in regards to what was coming down the pipe. You know, the deal finally came together fairly quickly. It was kind of a thing where all of a sudden we got up, and within hours we got the thing to come together. As I said earlier, there are companies here that also have to have some assurances that the industry is going to be protected if they are going to invest and expand.

From the labour side, where we represent workers and their various communities, I always say that at one time we had the luxury of decisions of investment or training, whatever the circumstances were, whether they were made in the Soo, made in Regina or made in Quebec.

In the decisions for investment money today, we're competing with some big multinational corporations that are stationed around the world, so to us it's prevalent. The fact is that we want to assure, working with our partners, that they are going to have a fair system that's going to give them opportunity to operate. That's why it's very important that we have a government that says it has our backs.

One of the things that may not have been said here is that if you look at the production of Canadian steel in 2012, we were at 16.6 million tonnes. I think the figure in 2016 or 2017 is down to 13.3 tonnes, so we have lost over three million tonnes of capacity.

You heard me say earlier that you have the new Stelco that is prepared to come back online. If you recall, we had the fiasco with United States Steel coming and not being good neighbours or good employers and basically creating a lot of difficulty.

There should be that opportunity to bring it back, but we're now dealing with foreign ownership. The fact is that if you don't give them any assurances that they can operate without having the things that just recently passed, it's going to be much tougher for us and the communities.

Ms. Catherine Cobden: I would love to add to that. Thank you very much.

It's very nice to see you again, as well.

The first point I wanted to make was—maybe officially, because I've been doing this almost every day since 232 was resolved and lifted...but perhaps I should do that here at this committee—to express, on behalf of the Canadian Steel Producers, our gratitude and sense of relief of the 232 being lifted.

Why that's relevant to the question is, of course, because it gives us access again, without tariff, to our largest trading partner. There's a first big step.

To put it into context, we have two really important markets. About half of what we produce goes to the U.S. and half is for Canada. We've not solved—because we know there's lots of work to be done around the 232 agreement too—but we got some free trade back with the U.S.

In the Canadian market sense, that's what Bill C-101 addresses. It gives you the tool to act if that domestic market becomes destabilized by foreign imports pouring in. It's sort of a simple... we've done some great stuff together here, but we cannot forget here because it's 50% of our market. To add to Ken's point, there are certainly capacity and growth opportunities. We have substantial available capacity. I'll refer to my earlier comment on the growth in B.C. as an example. That was really facilitated by the safeguard.... In most of that period, the provisional safeguard was in place.

● (1635)

The Chair: Okay. I thank you all.

We'll go to Mr. Allison. We are on five-minute rounds.

Mr. Dean Allison: Thank you very much, Mr. Chair.

Mr. Bunch, I know you talked about uncertainty and flexibility and all those great words. Given the fact that you're a fabricator out there in western Canada, are you concerned about safeguards? Those have been, I think, some of the issues that we heard. I did round tables last summer and I was out west. I talked to over 150 individuals. This includes small businesses, stakeholders and chambers of commerce. We were talking about steel and aluminum tariffs in general. I wasn't talking about safeguards then.

What's your thought process on safeguards and any concerns that you may have?

Mr. Chad Bunch: I'm strongly in favour of supporting Canadian industry and Canadian business wherever possible. I agree with everyone on that front.

On the other fronts, we want to make sure we have price certainty wherever possible. Given the talk of tariffs, it seems to have an upward pressure on price. If somebody mentions a 25% tariff, it seems that—instantly—the price goes up 25% regardless. That's just trade and things like that. From my perspective, when I hear the word “tariff”, it does scare me a lot. It seems that the minute it's mentioned, the price goes up. We always worry about trying to find ways to keep our prices a little bit more consistent, and that's kind of what we looked at. When I say “volatility”.... It's not so much the uncertainty, it's the volatility. The price goes up, the price goes down. From a small business perspective, it would be nice to have something more consistent that you could hang your hat on.

Mr. Dean Allison: That was the one thing I heard everywhere I went. It was that piece. How do you give a price for 30 or 60 days when the price of steel was changing almost daily?

Where do you get your steel from? Does it come from the western U.S.?

Mr. Chad Bunch: Typically we would go to the distributor and they would source the steel wherever they could find it. Of course, they're probably going to go to Canadian suppliers. They're also going to source it overseas. I think that, anecdotally, quite a bit of it is coming from Korea and those sorts of places. We do get some from the U.S. A good portion of it comes from Canada, wherever possible.

Mr. Dean Allison: Okay. Have you seen—I'm assuming but I don't want to put words in your mouth—some price stability since tariffs were lifted from the U.S.?

Mr. Chad Bunch: Yes. It's certainly improved since that announcement was made. I think our prices have stabilized this year. Of course, a year ago, that's where they saw quite a significant jump. The other thing is that the availability seems to be back. Back in the fall, we were having a hard time sourcing things like wide flange beams. We'd get an order and all of a sudden we'd need to start tomorrow. We'd pick up the phone and they would not have it. You needed to somehow figure out how you're going to start a job. We were delayed by a month on a job that they wanted to get going tomorrow, just because it took us a little bit of time to source that material.

Mr. Dean Allison: As I talked, even, to manufacturers in my area of southwestern Ontario—in the Hamilton area, for example—that was always their concern as well. They were just trying to figure out and source....This was a huge period of uncertainty, the last year.

Now that things have stabilized—you mentioned we did lose some colleagues or some businesses as a result of what happened with tariffs—do you see that you've got some more predictability as you move forward? What I heard was that people couldn't plan. Forget about a year out or two years out, they couldn't plan for six months.

Mr. Chad Bunch: Yes.

From our perspective, we've made sure that the minute they start talking tariffs.... We go through every contract to make sure that's covered through the contract, so we would just flow that through, whenever possible. That de-risks it at this point. Then that would flow through, of course, to our end-users, so they would have to take that into consideration.

With regard to the price volatility, now that the price is where it is, there doesn't seem to be a huge swing for the type of stuff we're doing.

● (1640)

Mr. Dean Allison: That's really good to hear.

Wayne, I have a minute, but I'll do it in the next round.

The Chair: Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to the presenters here today.

I don't have any steel producers in my riding, so the issue of steel and the production of steel is really something I'm quickly learning about. I'm glad that we're all on the same page on this bill, because it makes it easier for me.

My questions are probably going to be fairly basic for you. As you were doing your presentations, I had a million questions in my head. As you will see, on certain things I will ask why, or what does that mean?

This is for anyone here who wants to talk about it. A couple of people talked about overcapacity and mentioned that it was a real threat, and somebody said there was a "global overcapacity". What does that mean? Can you tell me, in terms that I can understand, what that really means and why it is such a threat?

Ms. Catherine Cobden: It means that there are 540 million—which is a very large number when you think that we're a 13-million-tonne market in Canada— tonnes of steel more than the market. So that's overcapacity, or that has the ability to produce overcapacity. That's 36 times our market size.

Mr. Michael McLeod: Where is all that ending up?

Ms. Catherine Cobden: That's the point. It used to be distributed, and it used to be flowing in, at reasonable levels, to different places all over the world, but as other countries—I described a number of them, but there's a much longer list—have taken measures to manage imports coming into their country, that has put more pressure on countries, such as Canada, that haven't. That's where the threat comes in.

Mr. Michael McLeod: Could you tell me whether the problem is that the demand for steel has gone down or that the production has gone up so significantly?

Ms. Catherine Cobden: It's China.

Mr. Michael McLeod: Why isn't there a balance of supply and demand?

Ms. Catherine Cobden: Some producing nations continue to add capacity, so there's a growth in their capacity, yet there's not the equivalent growth in the demand at a global level.

Do you want to add more?

Mr. Ken Neumann: I always use this example. You have China, which produces 1.2 billion tonnes of steel. It consumes roughly 800 million tonnes. I always tell people that if anybody thinks they're going to take that excess capacity of 300 million tonnes and put it in their boneyard for the next order, it ain't going to happen.

I had the opportunity as a youngster to work at a steel mill in my first job off the farm, so I know a bit about the steel industry. I toured a facility in China. It was called Baosteel. Baosteel at one facility produced more steel than all of Canada did, more steel than all of Canada put together did. I go back five or six—

Mr. Michael McLeod: How many producers do they have there?

Mr. Ken Neumann: China has a lot of producers. They're all subsidized and they don't play by the rules. That's the issue. The fact is that they want to get rid of their steel in order to get some currency. That's the difficulty.

As I said earlier, this has been a global problem for some time. This is where the major players—the United States, Mexico, Canada, the European Union and all those folks that play by the rules—need to come together. We're having the same problem with the fluctuation of dumped aluminum. It's hurting the Rio Tintos and the other companies there, as well.

It's the cheaters that you have to deal with. That's why mechanisms such as this are important, to send a message. The fact is we're not going to put up with it anymore. If you're going to play by the rules, play by the rules.

Mr. Michael McLeod: It was mentioned here that Bill C-101 is the first step. When I come back in two years, I'm going to be dealing with further steps. Could you explain again what the expectation there is? I didn't really understand that.

Ms. Catherine Cobden: If I may, Bill C-101 removes a barrier to implementing safeguards right away, not in two years but immediately. What the bill says, before this amendment is put in place, is that you must wait two years before you can do safeguards again for the same product. What this amendment does is to give the government the flexibility to not have to wait that two-year period. By then, the industry will be gone if this stuff is flooding in like this.

We as an industry need more responsiveness, and we're glad that you as a government are putting a tool in place to be responsible.

● (1645)

Mr. Michael McLeod: That will be when I come back in two years.

Voices: Oh, oh!

Ms. Catherine Cobden: No, we'll be ready to use it much sooner than that. We're going to need it soon.

Mr. Michael McLeod: Is there any chance of this bill violating Canada's obligations under the WTO's agreement on safeguards?

Ms. Catherine Cobden: This legislation does not violate the WTO rules. It's a change to Canadian legislation.

Mr. Michael McLeod: That's it.

The Chair: Michael, I will give you an on-the-ground example of the volatility that Mr. Bunch was talking about.

I have a couple of steel fabrication plants in my riding in Prince Edward Island that do a lot of steel framing in the U.S., but this relates to a company that brings in rolls of roofing steel. They press those rolls into flat roofing sheet steel. This example is for a dairy barn.

From the time a dairy barn was priced a year ago April until the steel went on the roof about September, the additional cost to that producer—and they had to negotiate a settlement—was $250,000. That was the volatility in the market. That's not a huge farm operation.

Somebody has to eat that cost, either the person who's doing the building, the contractor, the farmer or the guy who brought in the steel and pressed it into sheets. That's what it means on the ground, even for producers, so it's not just at your end where we see the problem. It's at the end-user level as well.

Mr. David McHattie: I wanted to share another volatility. We are producing products for energy tubulars. A nine-month period of time followed the investigation in the United States on section 232 where we had a 71% increase in non-mapped imports of energy tubulars. That was an increase from more than 20 countries.

These were countries like Austria—or pick a country that no longer had the same access to the United States—and instead of producing less at home and probably putting some people unemployed at home, they decided to continue to export to Canada. That put pressure on us in the Canadian market where we had to have layoffs.

This volatility has negative impacts on jobs at home as well, never mind the price impacts. I think it's important that we understand that having this tool makes sure that if there's another surge like that, the finance minister has a tool available to defend Canadian jobs so we aren't laying off people in Canada to protect the jobs of those foreign producers who are not willing to shrink to market size if they are going to continue to export.

The Chair: Thank you very much for that, Mr. McHattie.

Mr. Allison.

Mr. Dean Allison: Mr. White, obviously one of the threats was a 25% auto tariff that was the nuclear option there. We never saw it. I'm assuming you guys are feeling much better about that right now.

My question is around supply chain. Obviously, while the tariffs were on steel and aluminum, this was a concern because it was adding prices to already fixed contracts and a whole bunch of stuff. I had a chance to tour the Chrysler plant last summer in Windsor.

Obviously, those aren't safeguards. It's different. Talk to me about your supply chain as it relates to dealers, and what's going on in pricing and components and all that. I'm assuming most of it has been worked out; it's been a very volatile 12 months

● (1650)

Mr. John White: Sure.

That's a great question.

First of all, we're extremely grateful that we were able to dodge the bullet on auto tariffs because, yes, for sure, that was the nuclear option. That would have been devastating. It was the number one preoccupation for our dealers.

In terms of the supply chain itself, our supply chain of automobiles and trucks has not been disrupted.

I want to talk about the cars, and then I want to talk about our facilities. We're fortunate on one hand that cars aren't spot priced. We have fluctuations in currency. There are the fluctuations that the manufacturers have with their raw materials. Fortunately, from that perspective, we're not subject to immediate impact. What happens with regard to the prices is that the cost pressure builds, and eventually your OEM has two choices: eat the price or pass it on.

One of the things that our members are faced with today is that it's an expensive business to be a car dealer. Your inventory is a high cost. It's your number one cost to carry that inventory. The inventory does not belong to the manufacturer. It belongs to the dealership.

So, we did not see a disruption in those chains. There are some manufacturers that did increase their prices; therefore, those prices are passed on to the consumer. However, if your inventory price goes up, your floor planning costs go up, etc.

The other effect on our members is from a facilities perspective. We were listening to Mr. Easter talk about the cost of a roof and a price increase of $250,000. Last year, one of our members sat with me—really, where Oumar is sitting today—and he was investing, in Oshawa and in Clarington, $30 million in his new Audi facility and his RV facility.

Do you remember him?

Mr. Dean Allison: You were here with the committee. I remember that.

Mr. John White: I was here for the committee. Mr. Verwey was beside me. They could not predict the price of his steel. He was getting fluctuations in price and in cost. At the end of the day, he faced, at one point, a 35% cost increase on his prices because of the volatility that was out there.

Multiply that out by renovations that are being made in the small communities. One instance is right in Charlottetown with the new Mitsubishi store. You're seeing them happen in Peterborough and in Cochrane, Alberta, where you're from—you're familiar with our Mr. Baum out there—and that's a real problem.

In summary, we've dodged the bullet. We don't want to face it again. We need certainty. We need price certainty. We need cost certainty. The price of cars and consumers.... It's very elastic. The price goes up; volume goes down. That's Economics 101. It is a concern to our members.

Again, we thank you for having helped us dodge that bullet. Hopefully, this bill will enable us to do it again.

Mr. Dean Allison: Whatever happened to that dealer? Did he ever make the investment?

Mr. John White: Absolutely, he did, yes. He has since opened both at a much greater cost than he had anticipated. If any of you are driving down the 401 in the Whitby area and Clarington area, you will see two huge facilities, $30 million of investment from what, once upon a time, was a small ma-and-pa operator.

Mr. Dean Allison: Good.

I have a question about the price of steel these days. I know that with tariffs it was up 25%. Even if there wasn't a tariff effect, just because of where it.... I've talked to some fabricators.

Mr. Bunch, maybe this is for you and also for Ms. Cobden.

I understand that the price has started to come back down again. It's probably still up slightly, but it's not at the 25% level that it was. It seems to be that things are starting to get regulated off and to find some stability.

Can you confirm for me where we're at in terms of the price of steel?

Go ahead, Mr. Bunch.

● (1655)

Mr. Chad Bunch: It has stabilized more. From 2017 to 2018, we were seeing price increases for plates of, I don't know, 54% to 60%, that sort of thing. For angle, channel or flat bar grating, it would be more in that 30% range. From this year, 2018 to 2019, it has kind of stabilized, so I haven't seen those kinds of jumps.

Mr. Dean Allison: Have you seen prices come back as well?

Mr. Chad Bunch: They have been lower in some cases, yes.

Mr. Dean Allison: Ms. Cobden.

Ms. Catherine Cobden: Yes, I would say that the trend has been downwards on all products, most products.

Dave, do you want to make a comment from your product category?

Mr. David McHattie: I won't make a comment from my product category necessarily, but just to give you an idea, for a benchmark hot rolled coil that is either in China or in the United States, those costs go up and down, and to give you an idea, they are lower today than they were. I look at about $750 U.S. for a short ton in the U.S., according to Steel Business Briefing, today or at the end of April. Last April, it was $967 a ton.

Unfortunately, that's the volatility that we see as result of global forces, and I don't think we should try to point fingers at the safeguard-caused volatility in Canada or the retaliation that was necessary from the 232-caused volatility or more volatility in Canada.

As a result of overcapacity, there's a lot of up and down and, if we had had more market forces and fewer distortions, I think we would see more stability overall.

The Chair: Okay, thank you all.

We'll turn to Mr. Fonseca.

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

What we've heard is that the 232s, these very unfair and unjust tariffs, brought some very dark and difficult days for many companies. The only silver lining I see in any of this is that it did bring labour, employers, stakeholders and government together. I could tell you that I sit on the international trade committee, and my experience down in Washington, along with MP Allison and the others, the Conservatives, NDP and Liberal members down there, was that we were a unified team, and that's what I'm finding here, what I'm hearing from all of you, and that's not always the case.

From these learnings in terms of this experience that we're still going through, what would you say are the big takeaways of what we should continue to do now that we can't take our eye off the ball? What do we need to do to continue to have this robust team and this approach to ensure that our American friends and others understand the importance of fair trade so that we don't see these unfair tariffs come back?

I'll open that up, and we can start with Mr. Neumann.

Mr. Ken Neumann: Other than the U.S. steel and some of those things, we got off to a rocky start. When it comes to maintaining the jobs and investment, I think that we go hand in hand with the employers to make sure we have a vibrant industry, and the fact is that communities basically depend on that.

This was a shock to all of us. As I said earlier, I'm more concerned about the bigger picture. I think the government needs to take a significant role, because dumping didn't just start last year. This is a problem that has been ongoing for some time, so we have to tighten the mechanisms to make sure we have the right folks and the right legislation to protect us at the border.

We've made some baby steps with regard to the last budget where they've given the unions access to have standing at hearings such as those held at CITT. I personally don't think that that's going far enough, because our colleagues in the U.S.... Our union is an international union, and we have filed 89 trade cases on a variety of products.

From the workers' perspective, if you look at the most recent hearings, like the one in 2015, the rebar case, we testified. The fact is that we can bring a lot to the table to give the workers' perspective, so that's our next thing. I think that we learned that workers should have a say, because it's their jobs as much as the employers' in those communities. We want them to be vibrant; we want them to expand. We've got some work to do, and I'm confident that we'll get there.

● (1700)

Mr. Peter Fonseca: Catherine.

Ms. Catherine Cobden: I would just like to be reflective for a moment and say how important and impressive it was to have the Team Canada approach. I think what happened was that no matter what party and political stripe we were from, what community we were from, what side of the business ledger we were from, etc., we understood that the real challenge was outside of Canadian borders and that we needed to link arms, stand together and combat that challenge.

I think the most important message going forward, though, is that we're not done, and we've been mapping the overcapacity issues out pretty clearly today. They're still there, and they do continue to threaten us. We still need to link arms and do these additional things.

Mr. Peter Fonseca: One of the approaches we took when we went down stateside to Washington was to explain that this was actually helping China, which has increased its market share from section 232. Section 232 actually helped China increase its market share by 6.6%. They have been doing quite well with section 232. That was pretty impactful, but through stakeholders like yourselves we were able to get that type of information and deliver it to decision-makers down there.

Is that something you think we have to continue?

Maybe we haven't always been on top of things in terms of what we're doing at the border, as Mr. Neumann was saying. Is there something we could do immediately or in the mid-term that would also help to not only get the message across, but also stop any of these surges, so that we could be vigilant?

Ms. Catherine Cobden: I personally have already made this point, and I would like to double down on it in the sense that there's been a working group that's looking at strengthening our trade remedy system. It sounds “techie”, but it's really important. We must strengthen our borders and our mechanisms to combat the challenge we're facing in 2019 of a very different world.

In addition to the next step that this legislation represents, that is a very important thing. That's not medium term. That's also now. I understand that it must feel like it just doesn't end—I know I feel that way—but it isn't going to end. We have to put these things in place and we have to keep going.

Mr. David McHattie: If I can jump on top of what Catherine is saying, over the last 10 years, we've been discussing the challenges and how exporters are willing to use whatever trick they can to gain more market in stable industrial markets like Canada. Canada's trade remedy system needs to continue to improve. We have very good, very knowledgeable government officials who understand this. The working group of the last 30 days has come up with some great recommendations and they're in the stakeholder engagement process. I've spoken to some stakeholders and they are very supportive of it.

If we go back 10 years, two different governments have agreed that this is a challenge. They hear it at the OECD. They hear it at all global forums and have committed to continue to make improvements, so that Canadian businesses can compete, invest, employ, strengthen and stabilize. This is an objective that is multi-party in commitment. A committee like this.... If we can obtain a multi-party commitment to continue on this progress, it is very helpful and sends a strong signal that Canada will continue to look at these things and will continue to make sure this a healthy place to invest.

The Chair: Thank you.

Next is Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

My first question is for you, Mr. Neumann.

You made a proposal about union participation in the Canadian International Trade Tribunal. Can you give us more details on this proposal? You propose that the law formally recognize the role of unions with respect to the tribunal. You want them to participate in the hearings and be able to file complaints or cases with the tribunal. Can you give us an idea of what this might look like?

My second question is for anyone who can give us more information on the role of the Canada Border Services Agency at our borders, mainly in preventing and detecting dumping.

What do you think about the effectiveness of the agency's work in this regard? Does it have the necessary resources to do this work?

Mr. Neumann can answer first, and then we could hear from the others.

● (1705)

[*English*]

Mr. Ken Neumann: Thank you for the question. I alluded to it a bit. The fact is, we have lobbied quite extensively the government of the day to try to make some amendments so that we would have the same access as our union. As they know, we're an international union. We participate and work with the steel industry, the aluminum industry, the rubber tire industry, whichever. The fact is, we should have the right to file complaints.

In this last budget, the government came and gave us basically standing, and for that reason, Craig and many of our people were full participants. They had the right to bring evidence and to cross-examine. That's a step in the right direction, but I truly do not think it's going far enough. We truly have to have the ability to file trade dispute complaints on behalf of the communities and our members. That's something we're going to continue to strive towards, and hopefully the government can see fit....

I can also share this with you. I did some testimony here earlier in regard to the 2015 rebar case in British Columbia, where the B.C. government at the time was asking for exemption. I personally testified, along with some of our other people, because the argument there was that they couldn't supply the west coast because that had to do with the Site C dam. Basically the CITT ruled against them, and they also talked about the importance of the union members being part and parcel of that evidence. More recently, we've seen that the chair of the CITT talks about the importance of having workers. So, we're not going to give up on that. We're going to be very persistent.

The fact is, it's an industry that we care about. It's an industry that we want to make sure is going to be vibrant, because there's no successful economy around the world if you don't have an efficient steel industry. We want to become part of that and make sure that we don't lose that sight.

Mr. Pierre-Luc Dusseault: On the CBSA, anyone?

Ms. Catherine Cobden: I actually was giving a pause because I don't know, Dave, if you're still there, but Dave was the chairman of one of the working group subcommittees on CBSA, so he's very well versed.

Dave, did you want to come on?

Mr. David McHattie: Yes. Sure.

We had weekly meetings with CBSA officials and industry, and participation also from the union. We identified some areas of, I wouldn't call them deficiency, but areas where the system was maybe not as transparent and where there were tools that were available, used by other jurisdictions, that we weren't maybe using to the same extent. We understood why they weren't being used and what was needed. A series of recommendations has been made, and we're hopeful that they will be adopted, especially since they were done with the participation of the government officials who work in this every day.

If I go to what's black and white, the CBSA calculate these normal values and these margins of dumping. If they don't have the breadth of tools available to calculate those normal values when they have imperfect information, then those normal values won't be reflective of reality. These tools help get them the most information they can and the ability to calculate those normal values as well as possible.

I'd like to point out one particular area where the exporting community has a responsibility, when their cost and prices change in their home market, to notify the CBSA so that their normal values can be updated. Historically they've never done that, because they don't have an incentive to have the normal value increase. Then they would not be able to undercut the Canadian industry, even if they're under our funding. So, there has been no tool that the CBSA could use to go backwards in time for when those costs and prices changed and retroactively reassess them duties. That was one of the areas we identified. If we can implement this retroactivity, that will then incent the exporting community to notify the CBSA when their costs and prices change so their normal values will more accurately reflect the conditions.

There were nine to 11 different areas where we saw improvements, but I'm highlighting that one. Catherine used the word “techie” earlier, so I don't want to go through all the different tools, but we're available to come back and meet with anyone individually and share the value of them. It was serious work done by both governments and industry. We believe that they can all be implemented between now—some are immediate—and the end of the summer, and that will make a difference.

● (1710)

The Chair: Catherine.

Ms. Catherine Cobden: Mr. Chair, if I may jump in, I'll just point out that there was an allocation of new resources in the last budget. That was certainly a step in the right direction but—as Dave is alluding to—there are other things that can be done that industry and government agree should be done.

Therefore, we'll remain vigilant on those recommendations. We'll be sure to communicate with folks, once these things are considered by the government, to ensure they are delivered.

The Chair: Thank you. That's good information.

Mr. May has the last series of questions.

Mr. Bryan May (Cambridge, Lib.): Thank you, Mr. Chair.

I was very pleased to be asked to join this committee. I am not a usual member of this committee, but I jumped at the opportunity.

As the member of Parliament for Cambridge, I'm very proud of the work that's done at Gerdau and the many different steel and manufacturing businesses in my community that have had a real struggle over the last 11 months or so in dealing with the uncertainty.

Through you, Mr. Chair, I want to thank all of the companies affected by this for their patience and for standing with us. I talked to many different folks in the industry who felt it was their patriotic duty to stand with us and be vigilant, because it became not about steel and aluminum but really about sovereignty and allowing Canada to make the decisions for itself on how we govern our own industries.

One of the problems with going last is that a lot of the questions have already been asked. Pierre, I thought I had a good one, and you just stole it from me.

I will ask a technical question, however. It's just my ignorance in the process. I guess I was surprised, Mr. Neumann, when you were talking about how it requires the industry to file a complaint in order to get these things moving. I would like to hope that we can get to a point—as Ms. Cobden mentioned—of modernizing the process so that these things can be caught prior to requiring industry or unions to be making these complaints moving forward.

When that happens, how quickly does the process work? Is it a fairly large range, or is it fairly quick in terms of how these things get done if there's an obvious case or a spike in dumping? How quickly can we respond to these things, prior to, of course, the legislation and tool we're going to have—hopefully—in front of us soon?

Mr. Ken Neumann: First of all, we don't have the right to actually file. We just now have the right to have standing. Therefore, once the employer decides to file a complaint, we then get notification in regard to what the product...and all this other stuff. We really don't participate from the beginning. However, once the complaint is filed, we then have standing and we work no differently from how we did in these last seven products. That's the issue.

I think the best person to answer the question of the timing on it is Catherine.

I think once they find that they've been injured and there's some damage coming, they go ahead and file the complaint and go through a process.

Ms. Catherine Cobden: Right. From the CITT's perspective, it's talking about the decision-making process to go from provisionals to final, which I don't think this legislation changes. This legislation really just removes the barrier to revisiting safeguards so that you no longer have to wait two years.

I don't know, but I am expecting the process part will be similar. It's about 175 days of CITT deliberations, but that's with provisionals in place. It's designed this way. You can put them in place, and then the CITT calls the witnesses, gets the data, gets the information and then deliberates internally on that information and comes up with its independent ruling. It's 175 days, even though the provisionals are in place for 200 days, because then of course the minister needs to have his or her period of time to deliberate on the recommendations that come forward.

● (1715)

Mr. Bryan May: Ms. Cobden, you've talked a lot about the modernization of the process. Is there an opportunity, or would you have any recommendations with regard to maybe modernizing or strengthening the relationship we have with our friends to the south in terms of working together, so that we're not necessarily doubling up on efforts to try to combat this issue?

Ms. Catherine Cobden: Yes, thank you very much for that comment. I had that thought earlier, to talk about the sense and the understanding with the U.S. that gives us the certainty that they see the world the same way we do; that there's overcapacity. These risks are significant, and we all need to act. We can all do that in our domestic context, but there's also the opportunity to work with our NAFTA partners collectively to look at things we can do to strengthen our NAFTA zone going forward.

The Chair: Mr. White wants in.

Mr. Bryan May: I was going to say as chair of the Liberal auto caucus I have to make sure that Mr. White can get in. It looks as if he has a question or an answer.

Mr. John White: Thank you very much.

I guess we're on the same wave length. On that matter we worked very collaboratively with NADA, the National Automobile Dealers Association in the U.S. with regard to steel and aluminum tariffs when the prospect of auto tariffs was out there.

They were aware of our position. They were aware of some of our activities and vice versa. Our Ottawa office was also in touch with some of the folks in the U.S. We worked quite closely. There was a good exchange of information, and our association is also part of an international group of other like-minded associations around the world where we have the opportunity to discuss these things.

Yes, for sure we're very pleased with the support we got from our friends in the U.S., and they appreciated working with us.

The Chair: I have a suggestion. I believe, Catherine, you mentioned the importance of strengthening our trade remedy system. Ken, you mentioned the need for concrete measures in place to protect steelworkers.

The finance committee holds pre-budget hearings every fall. This year is different. An election is coming up in the fall we're told, but the committee will be putting out a call for submissions. Those submissions will be turned over to a future finance committee. I would suggest you look at the press release that comes out from the Standing Committee on Finance. You don't necessarily have to appear, but certainly put your key points in a submission that a future committee can look at.

The finance committee has been relatively successful in getting quite a number of recommendations considered, even though some of us in this town figure Finance runs a little too much, but in any event it's a good pressure point to put your points to.

With that, committee members we'll go to clause-by-clause at 3:30 tomorrow afternoon.

To witnesses, Mr. McHattie in Vancouver and Mr. Bunch in Calgary and those appearing here, thank you very much. Again, as many of us have said, your appearance on very short notice is really helpful to all of us at the committee.

The meeting is adjourned.