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Chair

Mr. James Maloney

Standing Committee on Natural Resources

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• (1535)

[English]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): Good afternoon, everybody. Welcome. Thank you for joining us.

This is day one of a new study on secondary supply chain products in the forestry sector in Canada. In our first hour, we are joined by three guests from the Department of Natural Resources.

Thank you for coming. I don't have to explain the procedure to you, I'm assuming, because you have probably done this many times before. Is that right? Okay. So we'll leap right into it. I'll give you the floor, because we're running a little behind schedule already.

The floor is yours for up to 10 minutes.

Mr. Glenn Mason (Assistant Deputy Minister, Canadian Forest Service, Department of Natural Resources): Thank you, Mr. Chair.

Thank you for the opportunity to testify before the panel.

[Translation]

My main message for you today is that the forest sector is increasingly a source of solutions for the challenges society faces.

[English]

My main message for you today is that the forest sector is increasingly a source of solutions for the challenges society faces. Today Canada has a clear opportunity to leverage its global forest sector leadership into bioproducts, biochemicals, and bioenergy that will lower our greenhouse gas emissions and drive economic growth across Canada and in rural areas in particular.

Canada's biomass availability is virtually unmatched elsewhere in the world. Canada has 9% of the world's forest, which is 17 times more forest per capita than for the average person in the world. Canada also uniquely possesses a well-integrated forest supply chain and state-of-the-art science and technology leadership.

I have just come back from Sweden, where I was asked by both Finnish and Swedish people alike why they can't be more like Canada. They were referring to our innovation ecosystem and to FPInnovations in particular, a unique public-private R and D organization. This integrated network is the national bioeconomy.

My goal this afternoon is to convey to you the magnitude of the bioeconomy opportunity, but first I would like to set the stage for the

current state of affairs. The economic crisis, the U.S. housing crash, and the severe decline in paper demand severely affected the forest industry in the early 2000s. However, this crisis also spurred investments in innovation, a change in business models, and investment in market diversification, not just in terms of geographical destinations but also in terms of end uses for Canadian forest fibre.

Today the forest industry is much more efficient. It employs more than 213,000 Canadians and contributes more than \$23 billion a year to our GDP. It provides more jobs per dollar of value added and contributes more to the balance of trade than any other resource sector. The forest industry exports more than \$34 billion of forest products to 180 countries around the world.

Today forest products are strengthening composite car parts, making vehicles lighter, reducing emissions, and replacing plastics from non-renewable fossil fuels. A forestry worker is as likely to be wearing a white lab coat as a red plaid shirt. She might be a genomics researcher investigating ways to make trees more resistant to disease, or an economist working to optimize distribution. This is the bioeconomy: in broader terms, the secondary value chain products of the traditional forest sector.

Bioproducts, biochemical, and bioenergy can reduce demand for fossil-based and non-renewable materials such as cement and steel, substituting with renewable content. Anything you can make from a barrel of oil you can make from a tree. These products can deliver significant social and environmental benefits in particular when biomass is sourced from residual and waste streams. In this way, the bioeconomy can support high-carbon sectors in finding solutions to reduce their carbon footprint.

However, the bioeconomy is not just about greenhouse gas reductions. The bioeconomy provides other environmental benefits. It also creates employment and economic development opportunities for rural areas and indigenous communities, 70% of which are in or adjacent to forests. As such, the bioeconomy is a key element of a transition to a low-carbon economy.

The importance of the ongoing development of the bioeconomy to the forest sector cannot be overemphasized, given continued pressures facing the traditional industry ranging from softwood lumber and other trade disputes to market erosion of newsprint and other paper.

What is the scope of the secondary products sector? I would like to give you a precise idea of the contribution of the bioeconomy to Canada, but unfortunately I cannot. Only a portion of these products falls under the umbrella of the secondary forest sector manufacturing captured by Statistics Canada, which tallies their contribution to GDP at \$6.3 billion. This is over a third of the total GDP contribution to the total forest sector. According to their available data, these products have grown by more than 7% over the last year alone, but this metric does not include cabinet-making, for instance, which has been a successful industry in Canada.

Similarly, the secondary paper products that Statistics Canada measures do not account for some of the more successful products issued from secondary or tertiary forest sector manufacturing. These often fall under other economic activities, such as organic chemistry or automotive.

For the bioeconomy more broadly, and its expanded forest sector value chain, this lack of data forces us to rely on proxy statistics. For instance, where measured, advanced bioeconomy revenue has been shown to grow on average over 10% each year over the past decade, which is much faster than the rest of the economy. The associated employment growth has also been shown to be more rapid compared against not only the overall private sector but also other knowledge-driven, technology-based sectors such as finance and insurance, aerospace, and computer hardware.

Critically, many of these products are already commercialized. This is not pie-in-the-sky. In the context of meeting the greenhouse gas mitigation targets of the Paris agreement, bio-based products and energy therefore present a realistic alternative to fossil-based products and chemicals today. In fact, the OECD estimates that by 2030 advanced bioproducts could contribute up to 35% of the output of chemicals and other industrial products, and up to 80% of pharmaceuticals and diagnostic production. For Canada, this would represent 50,000 jobs and generate \$24 billion of revenue.

A specific example may be helpful. Forest biomass is one of the most promising options for reducing diesel dependency in remote communities. In the north, two-thirds of energy needs are for heating, which can be efficiently and environmentally provided by bioenergy. Research estimates that a remote community that relies on imported oil sees 90% of the energy revenue leave the community, but 75% of revenues from locally produced wood chips are reinvested in the community.

A final example is green construction. For instance, there is currently a global renaissance in building with wood. Origine, a tall wood building in the final stages of completion in Quebec City's Pointe-aux-Lièvres eco-district, is the tallest wood-constructed condominium in North America. Earlier this year the tallest modern wood building in the world officially opened—Brock Commons, a new student residence at the University of British Columbia. This magnificent building is not only an engineering and architectural showpiece, it is an environmental game-changer, storing close to

1,600 metric tons of carbon dioxide and saving more than 1,000 metric tons in greenhouse gas emissions. That's like taking 500 cars off the road for a year.

The pace of national and international developments of the bioeconomy has been accelerating. With the pan-Canadian framework for clean growth and climate change, the forest sector has been put in the spotlight as a source of solutions to transition to a low-carbon economy.

Budget 2017 marked the first time that programmatic funding was awarded to the Canadian Forest Service not specifically to support the forest industry but rather to leverage its benefits in other areas of the economy such as low-carbon construction, reducing diesel reliance in remote communities, and indigenous economic development. Governments understand that the economy of tomorrow will include the bioeconomy. In September the Canadian Council of Forest Ministers unanimously endorsed a forest bioeconomy framework for Canada aimed at making Canada a global leader in this space. That framework outlines a new vision for the future of the forest sector and the role for biomass in the transition to a low-carbon, sustainable economy.

Just a few weeks ago, the Department of Natural Resources hosted Generation Energy, the largest energy forum in our country's history. Biomass and bioenergy figured prominently in those discussions. The private sector is starting to get organized and rally around the bioeconomy.

Over 25 companies recently came together to submit a proposal to formally set up and fund a Canadian bioeconomy cluster, leveraging over \$400 million in private investments around two national strategic areas of focus. The first is sustainable living, which is aimed at building value chains that generate advanced biomaterials and biochemicals. The second is clean transportation and infrastructure, which is aimed at lowering the carbon intensity of industrial processing and transportation by accelerating the scale-up and deployment of biofuels.

● (1540)

In conclusion, 2017 has been a challenging year for the forest sector, including multiple trade disputes and serious consequences from climate change, such as wildfires and pest outbreaks. Deploying forest sector solutions while navigating these challenges will determine the speed at which the bioeconomy takes hold, because it is not a question of if, but when, and whether Canada will be a leader or a follower.

Today governments, indigenous communities, forest companies, and environmentalists are all working together to promote the bioeconomy. Never before has the opportunity for Canada's forest sector been so strong, not just to survive but to lead, both nationally and internationally.

Thank you.

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

We'll open the floor to questions. First up is Mr. Harvey.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): Thank you, Mr. Chair.

I'll start by touching on something that was on the front page of your comments, where you referenced Scandinavian countries and their desire to be more like Canada. I reference that because prior to being elected, I worked for a company that was putting a biomass project together, a co-generation project in the agrifood sector. We were using it to lower the cost of energy, which was the number one component to the product we were making. We actually looked at the Scandinavian models—for reclamation of excess biomass, binding tops—because they have some really progressive technologies that we're not utilizing here in North America. In fact, a large percentage of our biomass, especially tops and foliage, just gets left to waste in the forest after we're done. Of course, this varies, depending on which province you're in within the country, but I know from my experience that there is a substantial amount that's left, that's really a resource we should be capitalizing on.

Based on that, how do you feel that trade-off is between us and those Scandinavian countries? I for one would look to them for leadership on this file, especially around biomass and centralized heating programs. There are some really innovative things, which are actually not that innovative but are hundreds of years old, that they're still utilizing and we're not. Where do you think the opportunity lies there? Does Canada have an opportunity to capitalize on a substantial amount of biomass that we're not utilizing right now, and what are the best ways for us to get hold of that?

● (1545)

Mr. Glenn Mason: Starting with the middle of the three-part question, I would say, yes, Canada has a substantial amount of biomass that is not being used today. In my remarks I focused on waste and residues. That's where in particular we think there's an enormous amount of opportunity. We would still suggest that lumber is a higher use for a tree than biofuel, but the waste can be better used as biofuel than left rotting in the forest.

To your first point, absolutely, it's win-win with the Scandinavians in the sense that we're both highly advanced countries, and we have similar but different forests. They're similar in the sense that we both have Norway spruce and similar species of trees. We have quite different approaches to forestry in the sense that they have much more intensive forestry.

Mr. T.J. Harvey: Their system is very much a supply and demand system.

Mr. Glenn Mason: The forest in Sweden is mostly privately owned. Particularly in specific areas of technology, they absolutely are more advanced. In the area of bioheat, Scandinavians are advanced well beyond us. Most of the technologies that would be applied in Canada would probably come from either Scandinavian or Austria. Those are two parts of the world that are extremely advanced and have been using community heat for quite a long time.

More broadly, on the issues facing forestry, we have a lot to share and learn from each other. I was meeting with SweTree, for instance, which specializes in tree breeding and tree advancements. Earlier in the year, I asked a federal-provincial team to go over to Sweden, and folks from J.D. Irving were on that and were engaged in

conversations with SweTree. I think there are areas there around tree breeding where we can learn from them and perhaps they can learn from us.

I think one area where Sweden is particularly interested in what Canada is doing is in the space of "pilots". Programs like IFIT, which are very much about first commercialization of risky technology in the sector, helping innovations move through that valley of death, are something that the Swedes don't have. They look to us for some of those innovations.

Mr. T.J. Harvey: From my own perspective coming from Atlantic Canada, I have in my riding a dissolvable pulp mill, Aditya Birla—they will also appear before us here at some point—and they specialize in dissolvable pulp for textiles and fabric. I think some really innovative things are going on that we're not doing a good job of telling a story on. We are embracing those technologies here in Canada. We are at the forefront, I would say, of repurposing our forests and trying to rebrand ourselves, and being far more innovative than people give us credit for. Maybe we're doing a good job of telling that story outside the country, but I don't know that we're doing a really good job of telling it inside the country.

How do you think the federal government can do a better job of telling that story? What role do you think the Canadian Forest Service could play in that?

Mr. Glenn Mason: Well, I would want to work with my minister's office on that in terms of communications. We have a minister who is a great communicator. He has been out there, speaking at forestry events and so on.

If I have a concern with what we do, I think we're very good at talking to ourselves, and it's a little bit like what you said; we talk within the forest sector and we all understand each other, but what we don't do as well, or don't as good a job at, is talk to Canadians and to non-forestry people. I don't think there is a single simple solution to that. I think the CFS's main role is particularly in supporting the science. Our role is that of provision of science around sustainable forest management and the future of our forests.

● (1550)

Mr. T.J. Harvey: I'm going to run out of time, and I want to get this other question in.

Briefly, can you touch on the importance of the role that biofuels could play in helping our indigenous communities transition away from older technologies, such as diesel generation, helping them to be more energy independent, and helping them to perhaps utilize that new-found energy to grow industries pertinent to their communities and their locations?

Mr. Glenn Mason: I think it could play an enormous role. As I said, 70% of indigenous communities are in forested areas. To the extent that about 130 of the communities are off-grid and are using trucked-in diesel or diesel brought in by ship, and to the extent in particular that they're in forested areas, that can be replaced by biomass. The benefit that biomass brings is not just that it's an effective tool, but it brings jobs. If you buy that fuel from Montreal or Edmonton or wherever, that money leaves your community. In the case of biomass, you need jobs to harvest in a sustainable fashion, going forward, as well as the jobs for tending.

Mr. T.J. Harvey: Before I run out of time, I'll say that I agree with you, too, on the high-end usage for the majority of the fibre itself and utilizing the biomass for just what it is, but recognizing that those two can fit collaboratively together, especially in that situation.

The Chair: Thank you.

Mr. Falk.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chairman.

Thank you, Mr. Mason, and your colleagues, for presenting here at the committee. I'm looking forward to some of the other information you'll share with us beyond the presentation.

Canada produces about 1.5% of the world's CO2 emissions. Your report says that we have "9% of the world's forest". Do you know roughly what percentage of our CO2 emissions are absorbed by our forests?

Ms. Anne-Hélène Mathey (Acting Director, Economic Analysis Division, Trade, Economics and Industry Branch, Canadian Forest Service, Department of Natural Resources): We know it but it varies from year to year. We can come back to you with the actual number. I don't have the percentage in my head.

What is interesting is that our forests do both. They absorb a lot of carbon. Two years ago, which is how far we go back, it was about 26 megatonnes in terms of absorption. That's what I have in my head, but I would have to confirm that with you. The issue is where they also emit, when there is a fire.

Mr. Glenn Mason: More broadly, we would say that the forest sector in Canada absorbs about 27% of man-made emissions. Globally, the forest and agricultural sectors absorb about 37% of man-made emissions.

Mr. Ted Falk: So we're not doing so well here. Is that what you're saying?

Mr. Glenn Mason: No, we're actually doing very well.

Mr. Ted Falk: We're doing very well in that respect? Okay.

Some communities talk about putting bans on heating your home with wood fuel. That's different from the kind of biomass you've presented in terms of using it for energy in heating?

Mr. Glenn Mason: Yes. Modern furnaces, modern wood stoves, and modern boilers are extraordinarily efficient and very safe. In fact, we have a project up in Labrador that has improved the health of children in Labrador by replacing dirty wood-burning facilities with modern wood-burning stoves in houses.

Mr. Ted Falk: How's that going?

Mr. Glenn Mason: It's going very well. If we could replicate just that, it would make a huge difference.

Mr. Ted Falk: Okay.

Right now, in the absence of a NAFTA agreement or a softwood lumber agreement with the United States, who are our primary offshore customers for our wood products?

Mr. Glenn Mason: Obviously the United States, being our wealthy neighbour to the south, is our biggest market. Following that is China. The China story is well known, but it's been a huge success, starting from almost nothing in the early 2000s to about \$1.5 billion today.

In addition to that, the Japan market is a steady market at just under \$1 billion, and it has been a steady market for 40 years. The BC Council of Forest Industries celebrated 40 years in Japan about four years ago. They have been there for quite a while.

The other markets that we're developing in particular would be South Korea and some of the other Asian markets. We're working on India, which would be more of a medium-term market opportunity.

• (1555)

Mr. Ted Falk: What degree of processing do we complete here in Canada before we market it to these offshore markets? Are they taking the raw lumber, or do they take initial processed lumber?

Mr. Glenn Mason: Obviously, there are some logs that are shipped overseas, but mostly it would be lumber.

Mr. Ted Falk: The reason I ask that is that earlier in the year I was speaking with the ambassador from Guyana. She said that at one point the Chinese had made a deal with them to harvest their forests, because they have some very unique woods there, on the basis that they would contribute back to the economy. Instead what they did was that they pillaged their forests and just took the raw lumber over to China. They did all the value-adding in China, left them basically without the forests—the natural resource they had once had—and added no value to their economy.

I'm wondering whether that is a concern we need to have here in Canada.

Mr. Glenn Mason: I lived in Guyana for three years, and I'm relatively familiar with the Guyanese story. I can say that the issue of log exports is a very controversial one in British Columbia. It's the only place in Canada where we have controls on log exports. Those exports are in place in British Columbia because there is a view that it protects manufacturing jobs in Canada. Other than that, though, I would say that the forest sector has more secondary manufacturing than any other resource sector in Canada, within our borders. Most of what we harvest from the forest is processed in Canada. There are logs that go overseas, but it's not a huge amount.

Mr. Ted Falk: That's excellent. I didn't realize I was asking the person who would actually have the right answer.

Voices: Oh, oh!

Mr. Ted Falk: That's very interesting. Thank you for that.

Most of our resources are from crown-owned land that we have here in Canada, which is leased out to corporations. Currently do our leases mostly apply to Canadian-owned manufacturers or lumber companies, or do we have offshore countries like China starting to acquire leases in Canada?

Mr. Glenn Mason: I guess you would be referring to tenure, which is a system managed by provinces whereby they have long-term leases, in a sense, over forest tracts. These leases include forest management responsibilities in exchange for the ability to harvest wood. That would mostly be with Canadian-owned or North American-owned companies, like Weyerhaeuser, which is really an American company, or Domtar. These companies have tenure. To the extent that you have an operation or a company in Canada, you could have access to tenure.

Mr. Harvey mentioned Aditya Birla. I don't know if Aditya Birla has tenure, but having an operation in New Brunswick would probably give them a right to have tenure in New Brunswick.

Mr. Ted Falk: Good. Thank you very much.

The Chair: You saved 10 seconds.

Richard, over to you.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you all for being here today.

First, you mentioned the green construction piece. As you may know, I have a private member's bill coming forward on green construction through wood. The government has a program in next year's budget, \$40 million over four years, on green construction.

I just wondered if you could expand on that to let me know where that money is being spent, what you hope to accomplish, and whether there are any plans to move forward in a broader way with that through government procurement on wood buildings.

Mr. Glenn Mason: That particular program, GCWood, was announced in the previous budget as part of the pan-Canadian framework on climate change. Its purpose is to contribute to reduction of GHGs through carbon sequestration of building with wood. That program was just launched by the minister in the last few weeks. That will be made available on a competitive basis for projects.

If you go back to our history on this, we had a tall wood building competition that resulted in the end in two buildings being built, the Origine building in Quebec City and Brock Commons at UBC. There was a third building that almost got built here on Sparks Street, and, in the end, the local condo market turned against the economics of that. We would see doing more of that, competitive ways to promote building with wood.

Again, our interest here is to promote things that can be economically sustainable, so it's not to subsidize a building to build a building, but rather to show that there are building systems that are available that can meet carbon sequestration benefits but also be competitive. Where that money has gone is not to subsidize the purchase of wood, but to pay, for instance, for fire testing.

In North America, we build 90%, 95%, or 98% of our houses out of wood, so there's not a lot of expansion in the domestic housing market, but buildings like this, malls, hospitals, and schools, can all be built out of mass timber, in particular, and we would love to see more expansion in that space. That's what we see promoting, also, and in particular—I think Quebec is a leader in this space—building bridges. There are quite a few timber bridges going up in northern Quebec, and that type of thing can be expanded. The non-traditional, non-residential is where we would hope to see more in that fashion.

•(1600)

Mr. Robert Jones (Acting Director General, Trade, Economics and Industry Branch, Canadian Forest Service, Department of Natural Resources): Perhaps I could add to that.

That's going to be the main part, demonstration buildings showing how wood could be used in construction, but also a part of the program is designed to provide resources to do the testing that the national building code needs to expand and go taller with wood. Currently six storeys are allowed under the building code, so with research and testing, we're looking at moving the yardsticks taller so that perhaps up to 12 storeys of massive heavy timber, cross-laminated timber, and glulam could be accepted in the building code.

The third element is to develop tools, life-cycle analysis tools, which will give builders and architects the design tools they need to make an informed choice on the type of building material they use in construction.

Mr. Richard Cannings: I wasn't going to go into raw logs, but since you mentioned it, I thought I would go there, because it is a big issue in British Columbia. I've been told that there is a federal role in regulating the export of raw logs, especially when they're harvested from private lands rather than from provincial crown lands in British Columbia, for instance.

I just wondered if you could tell me about that.

Mr. Glenn Mason: There's something in notice 102, which is a federal regulation, that essentially mirrors the provincial regulation. It's an agreement between the Government of Canada through Foreign Affairs and the Government of British Columbia to require permits for the export of logs from the west coast. It's strictly a coastal issue in British Columbia. As you pointed out, it's extremely political locally. It's very touchy. There are people who disagree with it and there are people who agree with it. The economics of how it works are murky and complex, but it exists for historical reasons, which have been to protect industry jobs in manufacturing in British Columbia.

I would just imagine that, going forward, as in the past, the Government of Canada would not move on that without consulting the Government of British Columbia.

Mr. Richard Cannings: Okay.

You mentioned fires. We had a lot of fires in British Columbia this year, and there were fires in Alberta previously. It's happening more and more. It's a real concern in British Columbia as we get these hotter, drier summers. In interface areas such as where I live, people are very concerned about the safety.

One thing that the Filmon report said back in 2004 was that a good program of thinning forests around interface areas would provide jobs and provide materials for the forest industry but also make cities safer. The provincial government has not been very good at funding this. I'm just wondering if there's any role the federal government might play in the future in terms of public safety mixing with helping the forest industry. We talked about waste products, small timbers that could be used by pulp or whatever, so that we could get jobs as well as safer communities.

• (1605)

Mr. Glenn Mason: If you go back to the Filmon report and then the Canadian wildland fire strategy of 2005, which embodied those recommendations in it—it was a Canadian Council of Forest Ministers strategy and just renewed in 2016, so re-endorsed—everybody agrees that “firesmarting” communities is one of the best investments we can make. Frankly, everybody has under-invested in that in the past 10 years. To be fair, immediately following that was the global recession and the financial collapse. Folks didn't have as much money as they did when that strategy was made.

We're doing a lot of work on fire modelling and fire prediction at the Canadian Forest Service. It's one of our very important research areas, providing data and tools for decision-makers on the ground, and increasingly collaboration with the defence industry to access some of their technology in the sky for improving our ability to watch fires as they burn. Increasing the security around communities is absolutely one thing that need to be done. I can say that there are discussions going on and that they're probably the provincial governments' top priorities. I would hope to see some opportunity there.

The Chair: Thank you.

Mr. Serré.

Mr. Marc Serré (Nickel Belt, Lib.): Thank you, Mr. Chair.

[Translation]

I would like to thank the witnesses for their presentations.

In your brief, you state that there are 50,000 employees in the bioproducts sector, which generates revenues of approximately \$24 billion.

Do you have any figures on the participation of women in this sector? Would you have any recommendations to increase their participation in this field?

[English]

Ms. Anne-Hélène Mathey: The information we have is dated. In a few weeks I think we'll have a bit more information from the last census. The last one that was undertaken didn't show a huge proportion of the workforce being female.

It's growing; I guess that's the historical trend, but it's very small. It's a bit higher in secondary manufacturing.

[Translation]

Mr. Marc Serré: Earlier you said that, in budget 2017, significant funding was allocated to this sector for the first time.

Can you elaborate on the benefits of this investment?

[English]

Mr. Glenn Mason: I think there were a number of things in the budget. I should mention the softwood lumber action plan, which was approved two months after the budget, which was about \$867 million in off-cycle funding. Put together with the funds in the federal budget this year, I would say this is one of the biggest years, if not the biggest year ever, that the federal government has invested in the forest sector. Certainly it would parallel the PPGTP, the pulp and paper green transformation program of a few years ago, at around a billion dollars.

The funds in particular this year were the monies mentioned for the GCWood, so through the pan-Canadian framework on climate change; funding of around \$40 million was provided. In addition, there are monies in the clean-tech piece. Between \$40 million and \$50 million will go to the forest sector for clean tech. In addition to that, there is about \$55 million for off-grid diesel, so getting remote communities in particular off of diesel.

I think that's a good summary of the budget. They're well distributed, so between that and the softwood lumber action plan, which renewed all of our export market programming and our innovation programming, you're more or less at a billion dollars this year.

•(1610)

Mr. Marc Serré: That leads me to my next question. When you look at the bioproducts, biochemicals, and bioenergy, can you give us a sense of the potential to increase the export market? What can we do as a federal government to work with the private sector to see how we can expand? What potential do we have to expand on the export side?

Mr. Glenn Mason: Do you want to answer, Anne-Hélène?

Ms. Anne-Hélène Mathey: *Oui.*

It's good potential, I would say. Some of the most recent changes, I think, and some noticeable developments have been in either construction—I'll let you guys talk about China, maybe—or the energy front. We were talking about Canadians being quite good in terms of advanced technology for biofuels, for instance. Those are being sold quite successfully south of the border.

In terms of what would be useful, a lot of these new products in the secondary manufacturing or the advanced, for innovative products in general, what they need in order to be traded or exported are quality control specs and environmental assessments. This is where we are investing some efforts—again, I'll turn to Bob on that—or working with ISO to delineate some of these new products.

This is where we're putting a lot of effort, I would say, not only at the governmental level but also at the private level, because as soon as you have proper quality control and quality standards in place, you can trade.

Mr. Marc Serré: You mentioned Generation Energy, and indicated that 25 companies got together. You talked about the cluster. I just wanted to get a bit more of a sense about the location aspect. When you look at R and D and academia, when you look at the whole supply chain and the whole valley of death and trying to get products to commercialization, what have you done in that area to support the cluster, and what can we do to expand the cluster?

Mr. Glenn Mason: I mentioned the cluster to indicate how far industry has come and that we're not talking about just kind of pie-in-the-sky ideas from analysts in government. This was industry that came together, with \$400 million of funds that they're prepared to invest.

Now, they are not finalists in the competition, right? They're down to nine and then they're bringing that down to five. My personal mission is to figure out how to help them stay alive because of the momentum that will bring. It's everything from Canfor investing in new bioenergy facilities in Prince George to some other opportunities in the Ontario space, particularly around chemicals. There's the Thunder Bay to Samia “maritime highway”, if you will, of turning some of the waste products in the Thunder Bay area into chemicals that could be used—sugars, lignins, and things like that—in the chemical industry in the Samia area.

So we have one cluster around Ontario, and then I would say the other core cluster would be around British Columbia. Then it would be hard not to mention the cluster around Montreal and Quebec City.

Mr. Marc Serré: You indicated \$1.5 billion in China. How many jobs does that represent?

The Chair: I'm going to have to stop you there, Mr. Serré. Sorry about that.

Mr. Marc Serré: That's okay.

The Chair: It's not easy being me, some days.

Voices: Oh, oh!

The Chair: Ms. Stubbs, you have five minutes.

Mrs. Shannon Stubbs (Lakeland, CPC): In a show of friendliness, Mr. Mason, I'd welcome you to answer my colleague's question.

Mr. Glenn Mason: There's not a simple answer, but I can tell you that then minister Pat Bell from British Columbia in about 2011 had sent an email to staff saying there were 22 mills in British Columbia that were operating because of the China market. Whether or not that number is precise, there's no question that at least 10 mills are basically just sending their product to China.

China has served a number of purposes. One, let's be clear, they have taken a lot of low-grade beetle-killed wood out of North America, which otherwise would have depressed prices. That then allowed other parts of Canada to have more access to the United States just because of the volume that had to come off the land. But the Chinese market is changing, and it's not just concrete forming. There are a lot of interesting things happening in China with the focus on green building in particular. The Government of China knows it needs to clean up its cities, and that's an area where wood has an opportunity.

When I was over there with Minister Carr in June, he opened the Sino-Canadian eco-city in Tianjin, which is a new growth area about two hours outside of Beijing where there are a whole lot of townhouses and other buildings being built out of wood. I tweeted a picture of some OSB made in Maniwaki that was in a building there.

There's a lot of opportunity. It's not single-family homes. Let's be clear that really the future in China is the multi-storey and the multiple buildings. We see an enormous opportunity for infill walls being made out of wood, because when you buy a condo in China, you don't buy a finished apartment like you do here. You buy a square cement block, and then you send in the decorators, and you finish it. That's why there's a lot of jackhammering going on after buildings are completed in China. But there's enormous opportunity.

•(1615)

Mrs. Shannon Stubbs: Thanks, Mr. Mason; I'm going to run out of time. But I appreciate your comprehensive answer.

I'm sure you know that when the Minister of Natural Resources appeared at this committee last, he said, “It is my job, as Canada's Minister of Natural Resources, to respond to any countervail in order to protect workers, communities, and producers.” And I think that's a sentiment with which we all agree.

A colleague of ours, Todd Doherty, asked the minister when he was in that committee whether or not Canadian remanufacturers would be included. The minister, just unfortunately at that meeting, was unable to answer the question. The minister said it apparently had “flummoxed an entire department”. To that end, has the department an update on any assistance that is being offered for remanufacturers? What is your assessment as a department of the opportunities, the threats, and the risk facing remanufacturers in Canada?

Mr. Glenn Mason: The remanufacturing industry is very important. It employs thousands of Canadians. There is no question that it's an important industry. The duties that are unfair for the entire sector are at the moment doubly unfair for them, to be clear. My staff were meeting with the remanufacturers this morning, so we're very familiar with their concerns. Their concerns are real.

In terms of going forward, I can't say a lot more than that, because we're in a situation where we don't know what the U.S. Department of Commerce is going to do. We expect them to bring forward their announcement imminently, and we will find out a number of things at that time. Will there be maritimes exemptions? Will there be more border mill exemptions? Will there be remanufacturers exemptions, or treatment like the last time, which was more or less net fair? Will there be treatment for high-value producers like the cedar folks on the west coast? We just don't know at this time.

I would simply say that we're well aware. We're not flummoxed. We're well aware of the issues facing the sector. They are real, and at the moment they are deeply unfair.

Mrs. Shannon Stubbs: I appreciate your answer. To that end, has the department or another government department done an economic impact analysis on the state of remanufacturing in Canada right now, and is there any estimate on the potential job losses—as we have said, thousands of Canadians do depend on the industry for their livelihood—in the scenario of continuing countervailing duties, just to be prepared?

Mr. Glenn Mason: On that very specific question, I would defer and get back to you on that.

Mrs. Shannon Stubbs: Okay. That would be great.

How much time do I have, Mr. Chair?

The Chair: You have 30 seconds.

Mrs. Shannon Stubbs: Okay.

I was going to invite you to share any other notable examples regarding Canada's track record of world-leading natural resource development right across the board, to see if there were any specific examples you wanted to share about responsible achievements in the secondary supply sector of forestry. But maybe you'll have to do that with some other colleagues.

•(1620)

The Chair: I think he will, unfortunately.

Mr. Tan, over to you.

Mr. Geng Tan (Don Valley North, Lib.): Thank you, Chair.

I want to follow up with a question about this big Chinese market for our wood products industry. Last year, while I was on a

parliamentary trip in China, I visited an international fair in Beijing. That fair included a Canadian pavilion set up by our wood council and a couple of Canadian wood product companies. They were there trying to promote their wood products to the Chinese housing market. They told me that for some years the government didn't do a good enough job to help them to carve out this big market in China. As a result, they have had to rely on themselves to get into that market. Right now, it's become more and more difficult. This is quite similar to what happened to our nuclear industry, our CANDU technology.

Can you tell me what changes you or your colleagues or your department have made to foster a new global market—for example, the Asian or Chinese market? In your opinion, what is needed the most to best help the industry? Should we provide a better policy or more incentives or more advocacy? What kind of help can we provide to the industry that can achieve the best results?

Mr. Glenn Mason: Just for clarification, those were Canadian companies saying that?

Mr. Geng Tan: Yes.

Mr. Glenn Mason: Do you want to go ahead on that?

Mr. Robert Jones: Sure.

As you know and you probably referred to, we've had a program for a number of years called Canada Wood. This program is meant to bring wood products associations from across the country who represent many companies, and then they can promote wood products in a given market. China happens to be the main thrust of our activities for this current year. The federal government is putting about \$2.5 million into market development in China, and this amount of money is cost-shared with the forest industry and the provinces, so our \$2.5 million leverages probably another \$2.5 million.

Quite a wide array of activities are being conducted in China, ranging from supporting associations at trade shows to promote Canadian wood products, to working with government officials to change codes to be more amenable to wood, to having construction specialists on site who will help the Chinese builders and developers build with wood. Building houses out of wood is a fairly recent phenomenon in China, so we've spent a lot of time educating builders on how to safely construct a house out of wood while conforming to the building code.

You asked what the biggest challenges are. China being a huge country, first I think the biggest challenge is to educate consumers that wood is a viable product and a very liveable product for housing. Second, and I mentioned this earlier, is training builders on how to build safely out of wood. Third, with the new softwood lumber action plan money, we have increased resources to fund demonstration buildings. You can build these buildings and people can see that, yes, they are constructed safely. They are very friendly.

I was there just last week, and I was amazed at the number of people I talked to who said, yes, they just love being in a wooden house; you can see the wood panelling, the wood flooring. We need to be portraying that message and getting to the Chinese consumer, because as you probably realize, with the growing middle class, more and more people in China are going to be wanting, and be able to buy, houses, and not necessarily single-family. We're looking at multi-storey houses.

We have had a program. Mr. Mason mentioned some of the successes of that program. When we ask the industry where the next market is that they think we should be developing wood products for, they just say, "China: more China". We focused a lot on the eastern side, and now we're looking more in the interior of the country.

•(1625)

Mr. Geng Tan: I have no time left, Mr. Chair? Zero?

The Chair: I can't change the clock, unfortunately. Sorry, but that's all the time we have.

Thank you very much for joining us today and getting us off to a good start on this new study. We appreciate your being here.

We will suspend for a couple of minutes. Then we'll start the second hour.

•(1625)

(Pause)

•(1630)

The Chair: Let's resume now and get going. We have to stop a tad early to do about five minutes or less of committee business.

We are joined this hour in person by the Association of Lumber Remanufacturers of Ontario—thank you, gentlemen, for being here—and by video conference two representatives from J.D. Irving, Limited; we thank you for making yourselves available by video conference and accommodating our schedule.

The process is that each group will be given up to 10 minutes to make a presentation in either or both official language. You should have translation devices available to you, and hopefully you do in New Brunswick as well, following which we'll open the floor to questions.

Gentlemen, you're here, so why don't we start with you?

Mr. Rick Ekstein (Founder, Chief Executive Officer of Weston Forest, Association of Lumber Remanufacturers of Ontario): Excellent.

Mr. Chairman, I'd like open my remarks by thanking you and your committee members for inviting us here today. We appreciate it very much.

My name is Rick Ekstein. I'm one of the founders of ALRO, the Association of Lumber Remanufacturers of Ontario. With me is Steven Rustja, the current president.

We have two other directors in the audience, Morgan Wellens and Marty Simhoni, who helped me start this a long time ago—when he had hair.

I'm in trouble now.

Voices: Oh, oh!

Mr. Rick Ekstein: Just quickly, we're going to try to do five things today: we're going to tell you who we are, tell you what we do, tell you why we really, really need you to care about us, tell you what we need you to do for us today to keep us in business, and then, of course, answer any questions you may have about us or our sector.

First, who are we? We were formed as a direct result of the softwood lumber dispute between Canada and the United States. As many of you may be aware, this dispute has been festering since the late 1800s. The most modern versions of this started again in 1982, which was called Lumber I. The dispute we're in right now is called Lumber V. I'm getting way too old to be doing this kind of stuff, and I really do not want to do Lumber VI.

During Lumber III, in 1991, our federal government was trying to make a quota deal to ensure access for Canadian softwood lumber into the U.S. marketplace for Canada's sawmill sector. What our government didn't consider, and didn't really know at the time, was that in addition to having a very vibrant sawmill sector, we also had a vibrant and thriving secondary or value-added sector. I was very pleased to hear the witness before talk a little bit about that and how important we are.

To make the point to the government at that time, and to educate them, we founded ALRO, the Association of Lumber Remanufacturers of Ontario. We are independently owned, which means we're not owned by any of the sawmills; we're not subsidiaries of anybody. Most of us are small to mid-sized family businesses, and as I said, we have no common ownership with the sawmills. Today we represent about 4,400 jobs in Ontario alone; and 20 years ago it was probably double that amount but through lumber disputes I through IV, that number has been slashed in half.

Next, what do we do? We do not go into the forest, cut down round trees from crown land, and saw them into square lumber. That is what the sawmills do. What remanufacturers do is purchase lumber at arm's length from these sawmills, usually their lowest-quality products, we bring them into our plants, and we process them into value-added products. When sawmills cut up a log, they try to manufacture the highest-quality lumber possible for the construction market. Because each tree is uniquely different, some yield excellent volumes of high-grade lumber and some yield very poor lumber. Every stick of that "poor" lumber, for want of a better term, has to be remanufactured into something. There's no use for it as is.

Very quickly—perhaps I could ask my partners there to bring out a few samples—with poor lumber like this you can see there's what we call "wane" on the edges. You could not sell this in a Home Depot or to a job site. We bring it through our saws and we cut it into a bunch of different sizes. We didn't want to bring a 20-foot-long piece in here, but we can cut it this way or cut it that way. You can see that some of the pieces in the middle here are beautiful high-value products. That way we add value to these products. Some of those products are being circulated as I speak.

Fourth, why should you care? You should care for a very simple reason: we create lots of jobs, as you can imagine, making all these little pieces of wood. Mills are, as somebody described them to me earlier today, spaghetti mills to a large degree. They're very automated, they're very quick, and they can ramp up production virtually without adding people today because they've invested so much in technology, which is great. We, on the other hand, touch every single piece, and the more pieces we produce, the more people we have to hire. There's a direct relationship between our volume going up and our payroll going up. We create stable jobs, in our case in southern Ontario very near the border, and, as I said, we offer very well-paying, stable jobs.

● (1635)

We're very environmentally friendly. Rather than ship this waste thousands of miles to be remanufactured somewhere else, we remanufacture it in Ontario, thereby reducing Ontario's carbon footprint while still creating jobs. We have zero waste. Whatever we can't use for these better pieces we cut into smaller pieces for industrial applications, creating boxes, pallets, and other articles. Everything else we chop up into mulch or chips, which is used for horse bedding and ends up sooner or later as garden fertilizer. We make garden mulch and all sorts of different things. We have huge potential for growth. We have huge potential to create more jobs and to add technology to get even better yields from each piece of wood.

However, ladies and gentlemen, we have a problem. It's less with the U.S. government, and more with the Canadian government. During the past 20 years of the softwood lumber dispute, the regulation of who can ship into the States or not has been heavily influenced by the provincial and federal natural resources departments. The natural resources departments, the people provincially who own the trees, work very closely with the Canfors, the West Frasers, the Tembecs—the large publicly traded mills, the Irvings, etc.—who harvest the trees. These are their constituents, and they work very closely with them. They have huge influence with them that we don't.

As a result, as remanufacturers we've gone through periods when we can ship into the United States and we've gone through periods when we literally cannot ship into the United States. Just try to keep your customers happy when government regulation will all of a sudden cause you to not be able to ship. We've gone through periods when due to Canadian government policy the sawmills, our suppliers, were actually incented to sell their products to U.S. remanufacturers at lower prices rather than sell to us, effectively exporting jobs.

We've gone through periods, such as from April 28 to August 26 of this year, when taxes by various companies were anywhere from 10% to 30%, and Ontario remanufacturers were paying over 50% duties. The gentleman who spoke before me mentioned that we get hit doubly, and he was absolutely right. Our duties were over 50%. This effectively closed the border to independent remanufacturers, while the sawmills continued to ship as prices rose. It's been fun.

I was in a meeting last Friday with the Minister of Foreign Affairs, Minister Freeland. She called a meeting of 10 or 12 of Canada's largest sawmills, and I was the only pure remanufacturer in the room. According to the minister, she's trying very hard to put together a

deal, possibly as soon as this week. That's why this meeting today is critical, and why we welcome the opportunity to speak to you.

Minister Freeland told us that there were two potential outcomes: a quota deal, or a prolonged legal dispute that could take up to five years to resolve. In the event of a legal dispute, under the same rules we were experiencing earlier this year, we would be stuck with duties of 50% or higher, depending on what numbers they come out with. The bottom line is that we would close our plants. Some of us would retire, and some of us would move our plants to the United States. Each option ends in one way for Canadian jobs, and that's badly.

The only way we could stay open, if there is again a duty environment, and if again the circumstances are such that we're paying 50%-plus duties, is if the Minister of Natural Resources, on your good advice, paid our duties and somehow helped us out to stay in business, period. Without that help, we shut our doors.

Minister Freeland has told us that in the event of a quota deal, it will be up to Minister Carr and his department—advised by all of you, I hope you know—to be in charge of allocating quota. That's why it's so important that we're here today to talk to you, the people who may be holding the future of our companies in your hands.

In the event of a quota deal, as we understand it by our best intelligence so far, it will be a deal where Canada can only ship a finite amount of lumber into the States. There will be no provisions, as there may have been in the past, where you could pay a duty to ship more. It will be a finite amount of wood. We need your help to make sure that we keep our plants open, grow them, grow our jobs, and invest in our people and machinery.

● (1640)

Here's what we need you to do. If you believe that adding value to our natural resources is important, we need you to help us advise Minister Carr of the following. In the event of a quota deal, we have a national pool of quota. Unlike sawmills who buy trees from a specific geographic area—you can only truck those trees so far—we purchase lumber from every province in Canada and we bring it into our plants in Ontario. We need the Minister of Natural Resources to allocate a percentage of the pool—I am not suggesting a number here, but I'll just pick 15% as an example—or two billion feet of wood that can be shipped into the U.S. by remanufacturers. Something like this, and again that's just a number for illustrative purposes only, would keep thousands and thousands of remanufacturing jobs in Canada, keep the waste in Canada, and also mean that Canada can use its quota most efficiently. Most importantly, it would allow us to know that we can't ship this month, you can ship next month, you might not be able to again in six months: you let us know that we have the ability to have a runway where we can ship, and we'll invest and show you value-added jobs coming out like you can't imagine.

We also recommend that the minister calculate this pool as a percentage rather than as a fixed number. Again, the intelligence we have is that we're going to be given a quota of the U.S. market. The number that happens to be thrown around is 28%. In other words, as the U.S. housing market grows, we'll be able to ship more because it will be 28% of a growing market. We need to know that we also are part of a growing market.

The third thing is that this pool be for certified independent lumber remanufacturers only. The definition of certified independent remanufacturers was clearly defined in the last agreement. The Americans have no problem with it. We propose no changes to it because we don't want to stir them up.

The overriding reason for these three asks is to keep jobs in Canada. If you take one thing away from this meeting, and one thing only, I hope it's that all low-grade lumber like this, that comes out of a sawmill, has to be turned into something. Do you want to export crude oil for refining, or would you rather add the value and have the value-added jobs in Canada? Do you want to export the logs that we were talking about, or do you want to export value-added products? Do you want to ship tomatoes or ketchup? In our case, would you rather export this or high-grade value-added lumber?

My colleagues and I have brought a notebook, a binder, for all of you with all sorts of documentation, because I couldn't get through it all in 10 minutes.

• (1645)

The Chair: We can distribute that later. I'm going to have to stop you there.

Mr. Rick Ekstein: Okay.

We also have another piece of remanufactured product to hand out to you. If you want, we can wait until the end.

The Chair: Fine. You can distribute that while we're hearing the next presentation, if that works for you.

Mr. Rick Ekstein: Do you want to ask questions now?

The Chair: We'll hear from our other witnesses, then we'll have questions for the two groups together.

Mr. Rick Ekstein: Would you like our colleagues to hand these out now?

The Chair: Sure. If they can do it while we're listening to the other evidence, without disturbing them, that would be great.

Mr. Rick Ekstein: Thank you very much for your time, ladies and gentlemen.

The Chair: Thank you.

Gentlemen, over to you.

Mr. Jerome Pelletier (Vice-President, Sawmills, J.D. Irving, Limited): Thank you.

My name is Jerome Pelletier. I'm vice-president of the sawmills division with J.D. Irving, Limited. With me today is Mark Mosher, who is the vice-president of our pulp and paper division.

We have a presentation today. We'd like to cover three main items. We'd like to explain who we are, J.D. Irving, and we'd like to talk about the integrated forest product value chain. Finally, we'd like to

propose some strategies to expand the forest products sector in Canada.

J.D. Irving was founded in 1882 in New Brunswick. Our head office is located in Saint John, New Brunswick. We currently employ 15,000 people. We are very diverse. We have operations in agriculture, construction, and equipment. We have large operations in consumer products producing facial tissue, hygiene paper, and diaper manufacturing in eastern Canada.

We are also very active in the food sector, producing frozen vegetables and french fries. Of course we have operations in forestry and forestry products. In retail and distribution, we operate 50 hardware box stores in the Maritimes, similar to Home Depot, under the Kent banner. We also have shipbuilding operations, transportation, and logistics. We're the fifth-largest trucking company in Canada, and we have our own rail line and offshore supply vessels as well.

Focusing on forestry now, we're in the top five of the largest landowners in North America, with 3.2 million acres of freehold land. We own about 2 million acres in Canada, and 1.2 million acres in the state of Maine. We've planted 960 million trees since 1957—that's a national record—that we own here at J.D. Irving. We have SFI and SFC certification, and we also have internationally recognized research and patents around our tree improvement program.

In terms of economic impact, J.D. Irving creates around 9,400 jobs overall in Canada in the forestry sector. That's direct and indirect, and they contribute \$620 million in direct and indirect Canadian wages annually. Over the last five years, we've invested \$664 million in different capital projects, pulp and paper, and sawmills, and annually we purchase \$700 million from different Canadian industries.

These are all the different products that we manufacture. We will go into a little more detail in a second in terms of how it's all integrated together.

In our lumber operation, we have 10 sawmills in operation with 1,600 employees. Our sawmill division is divided into four different subdivisions, specialized in transforming or manufacturing specific species. We have an eastern white pine division. We have a hardwood lumber division. We have a cedar division as well as our spruce division. Overall we're producing just over one billion board feet, and in 2016, by increasing bioenergy, we were able to reduce greenhouse gas emissions by 17%. Currently 17% of our energy is renewable energy.

In terms of value added, we've been more and more active in decor programs. We have the live edge hardwood slabs that we have developed. We also developed a pine barnboard decor program. We're active in kitchen cabinet components, and we are also manufacturing cedar fencing here in New Brunswick.

•(1650)

Now I'll turn it over to Mark.

Mr. Mark Mosher (Vice-President, Pulp and Paper Division, J.D. Irving, Limited): Thanks.

I look after the pulp and paper division. We have four large operations in New Brunswick producing just over 1.2 million tonnes of total product, all the way from primary residual use of our chips from our kraft pulp mill through to specialty paper. We have the most modern specialty paper mill in Canada today. We're just over 25% of the U.S. market of number of grades of paper. We make corrugated medium that we follow through to our sister company, which manufactures corrugated boxes and specialty boxes for pieces, tissue, and all different grades, all the way through to one of our highest value-added products, primary consumer tissue, at-home tissue grades. We produce about 220,000 tonnes, equally split between Canada and the U.S., about 50% both manufactured and sold in Canada and the U.S.

On the environmental side, through a number of programs over the last number of years, through Efficiency New Brunswick as well as some of the climate change programs that were offered through the federal government, predominantly the green transformation program, as well as some of the other programs, we've invested just shy of \$120 million in our operations, and we've cut our greenhouse gases by over 50%. As a matter of fact, we've met what we believe would be the climate change targets for at least 2030 in our operations today. We've done that through energy efficiency, fuel switching, internal energy reductions, and so forth.

We actually had it announced that our pulp mill has been one of the largest investments in a pulp and paper operation in North America since 1993. It was a \$550-million investment that we put our pulp mill through. We're about halfway through that modernization today, predominantly a productivity efficiency but also an energy efficiency. Today our mill is fuelled by about 90% biomass, internally supplied. Actually, we can go to 100% self-supply and completely disconnect from any external supplies of energy, if required.

When we talk about value added, J.D. Irving today is the most integrated forest products company in North America. A number of years ago, most of the forest products companies started to divest and focus on individual and very specific sectors. At J.D. Irving we go all the way from the seedling. We have our seedling nursery. We grow our seedlings, all our own harvesting operations, out to our woodlands. Our transportation companies take it to our primary manufacturing, which Jerome talked about; there's primary saw milling and primary use transportation, through to our secondary level of manufacturing, which is our pulp and paper and packaging operations, then all the way through our tissue operations, which continues to use the residuals as you go down the line.

Through that operation is where we generate all the...or we start with a seedling in the forest. We utilize about 9,500, almost 10,000, employees. For every one dollar in wood value on a standing tree, by the time we get it through to our tissue manufacturing, we've added about 35 times the value of that wood through the entire process, most of that within the province of New Brunswick. In terms of adding value, we certainly have believed that what Canada needs to

do is continue to invest and get back into more of the secondary and tertiary value-added products. Tissue, box manufacturing, and most of that has migrated to the U.S. Our belief is that to really create value from the standing forest, you need to keep all those jobs in Canada and go through the entire value chain.

•(1655)

Mr. Jerome Pelletier: In terms of business opportunities to grow the forest products sector, the first one we'd like to present here today is the cross-laminated timber product, which was developed mainly in Europe over the last 15 years. For those who may not be familiar with that product, you can see a picture on the bottom right-hand side of the slide. Cross-laminated timber allows you to take smaller pieces of lumber, like two-by-fours or two-by-sixes, and laminate them or glue them together under pressure and create panels that are structurally very strong. It allows you to build a building like you can see here on the slide. It's an 18-storey building. That's an example of a building built in Vancouver last year.

It allows us to use more wood in tall buildings and reduce the use of concrete and steel. It would allow us also, from an environmental point of view, to increase the carbon sequestration. If you look at this example in particular, it required eight times less carbon to build this building here in Vancouver versus using steel or concrete.

The other thing is that, if we could replicate that project in Canada, it would also reduce our dependence on the U.S. market for conventional dimension lumber. We see that product as an interesting place to invest time and research in order to increase the lumber consumption in the home market in Canada.

The Chair: Gentlemen, I'm going to have to ask you to wrap up in about 30 seconds.

Mr. Mark Mosher: The last thing is district heating in Europe. Just about every pulp mill supplies predominantly all of the heating energy for municipalities that are around them. That has not taken hold in Canada. That would require a lot of federal intervention, because it's a very costly infrastructure program. That's an opportunity that we believe would really add value to the primary manufacturers and then certainly add value down through the stream, the value chain.

Mr. Jerome Pelletier: Quickly, I'll turn to the last two opportunities we see here. One is the growth in the wood pellets market. The demand for industrial and residential wood pellets has been growing 2% to 5% a year for the last five years. We see that as an opportunity. Also using more automation in hardwood components for kitchen cabinets would be a sector that could grow significantly here in Canada.

•(1700)

The Chair: Thank you very much.

Mr. Harvey, you're up first.

Mr. T.J. Harvey: Thank you, Mr. Chair.

I want to thank both Jerome and Mark for being with us here today. I appreciate your time, and we're glad to have you here with us.

Starting off, you spoke quite a bit during your remarks about the diversity of the secondary manufactured products that you have within your suite, which really speaks to the formation of your company, the vertical integration that J.D. Irving has.

Recognizing that right now the current state of affairs leaves New Brunswick in a position where the majority of our wood exports go to the United States, where do you see the future opportunities for secondary manufactured products coming from New Brunswick, whether that's continuation to the States or offshore markets or within our own domestic market here?

Mr. Jerome Pelletier: In terms of growth outside of the United States, because we're operating in eastern Canada, we're limited on where we can go. When we look at B.C. and Alberta, we've seen a lot of growth in the China and Japan market over the last five years. We've explored that market. We look at it every year, but unfortunately, because of our geographic location, it's a little bit more difficult.

Europe is still an option, but the Scandinavian countries, over the years, were able to grow their forest products sector, so Europe is very competitive. For that reason, naturally we still believe that the United States is still our best market because of our proximity.

Mr. T.J. Harvey: Do you feel that cross-laminated timber products, like you've shown us here, are something that we're going to see as a growth opportunity within the U.S. housing market?

Mr. Jerome Pelletier: I do, yes. I believe it has started. There are already examples in different areas, especially more on the west coast. If you go to Oregon or Washington state, you'll see some examples similar to what I've shown here for Vancouver. I think that's a trend that will increase over the next five to 10 years. I hope to see the same trend in Canada as well.

Mr. T.J. Harvey: You spoke about the overall reduction of GHG emissions that JDI undertook over the last number of years. How do you feel this contributes to your competitive advantage as a secondary producer, being able to value-add but also being able to go to retailers and other industry stakeholders and saying this is what we're doing, but we're doing it in a way that recognizes the opportunity from an overall reduction in greenhouse gas emissions?

Mr. Jerome Pelletier: That's a question that is being asked more and more by our customers. We have a long-term partnership with Home Depot USA. We've been sharing our sustainability report with them every year. They like to see that information, because they like to be a partner with companies that are environmentally responsible.

That's part of our strategy. I think if we want to keep growing long-term partnerships with key companies, we have to do that.

Mr. T.J. Harvey: I've always been fascinated by district heating and the fact that we've made a move away from district heating in North America at a time when European countries continue to invest in central heating and continue to move in that direction. What role do you think the federal and provincial governments could play in helping to facilitate that conversation and helping to see us recognize

that opportunity? You're absolutely right, it is an immense opportunity, especially in regions that have a large pulp and paper facility that already has the excess steam.

Mr. Mark Mosher: A number of years ago we started down a path with the City of Saint John. A pulp mill the size of our pulp mill has enough waste heat to power virtually every building in the city core, both residential and commercial. Every Scandinavian community that has a pulp mill has very well-developed district heating concepts. The problem is that they are extremely capital intensive to get up and running and that generally requires some kind of independent intermediary between their pulp manufacturer and the distributor. Generally that's how they run.

Whenever we sat down with a local city to look at the opportunity, capital became the issue. It's one of those things that once the capital is in the ground, they have very long-term paybacks. If the federal government really wanted to get that, they're going to have to start to put a strategy in place and there's going to have to be some infrastructure money to help municipalities go in that direction.

• (1705)

Mr. T.J. Harvey: Thank you.

My last question is around the diversity of the secondary manufactured products that you produce, everything from diapers to corrugated paper to cedar fencing to stud wood to kitchen cabinets. You have a very diverse portfolio. If you're recognizing that North America is your largest opportunity, where within the suite of products that you produce do you feel is the largest growth opportunity?

Mr. Mark Mosher: I can talk about certainly, in the pulp and paper sector, obviously, graphic paper is one that is not growing, but the whole demand for pulp is growing at 3% to 5% per year. Global packaging—I call it the “Amazon effect”—is growing at 4% to 5% per year. It is very good. Packaging for the majority of the growth has been through recycling, but any time there's recycling you need good virgin fibre and the northern forest tends to be the most suitable fibre for those grades. So packaging is growing and continues to grow at very healthy rates; and tissue products are growing. The consumption rates of all the developing economies from the Middle East to Asia are less than one-tenth of what North America typically is, and disposable incomes have risen in those areas. That's a huge untapped opportunity there.

I truly believe that packaging, pulp, and tissue, three of the primary rates we're in, have very, very healthy futures.

The Chair: Thank you.

Ms. Stubbs, we'll move over to you.

Mrs. Shannon Stubbs: Thank you, Mr. Chair.

Thank you to all the witnesses for spending your time with us today.

Rick, given that part of the study we're undertaking is to examine the employment and economic impacts of the secondary supply chain products, and given the very alarming outcomes that you alluded to for your member companies and their employees in the context of the softwood lumber agreement negotiations, I want to clarify. You did mention meeting with the Minister of Foreign Affairs. I wonder if you can give us any context for that meeting. Do you know if you were brought together as representatives of the industry because there was a deal on the table or because she expected one coming up and was looking for your feedback? Is there any information you could share with us about that?

Mr. Rick Ekstein: Yes. I don't think it's private, because we've heard it from several people outside of that room. There was a deal offered by Wilbur Ross of the United States to Minister Freeland, and she was calling the 10 or 12 of us in that room together to ask for our advice on whether Canada should take that deal. According to her, there was a deal or an offer on the table.

Mrs. Shannon Stubbs: Given the department's acknowledgement earlier of the double duty taxation on your part of the sector and what would be, as you indicated, the consequences for jobs in your sector, I wonder if you can expand on the impacts on jobs and on your economic opportunities because of the double duties. Can you outline for us what would happen to your member companies and to your employees in that scenario?

Mr. Rick Ekstein: Unfortunately, it's a very short answer. At double duties we shut down. There is no alternative to that. Quite frequently people say, "But not all your business is in the States. You still have your Canadian business." We bring our lumber in and cut it up; we slice it and dice it into many different factors and different parts. Some of it stays in Canada; some of it goes into the States. If we lose the States part, we lose the ability to sell the Canadian part as well. It's not like we'll just lose part of our business; we'll lose the vast, vast majority of our business.

It's a little emotional for me, but I can't impress enough on you how serious it will be if we get hit with double duties to our companies. Some of our companies are a little more diverse and do a few different things. Some of them are literally mom and dad with 20 or 30 employees out back. That's their sole business, cutting up this stuff into products for the United States. They'll have to shut down—end of discussion.

• (1710)

Mrs. Shannon Stubbs: I find that very concerning, so I anticipate that it will become a high priority for all the members on our committee. You'll note that I asked the department whether they had done an economic analysis on the potential scale of job losses in the remanufacturing sector, and they reported that they would get back to us on that. I'm sure that we will hold them to that.

Just to help us understand remanufacturing in the context of the secondary supply chain for forest products, can you give us more examples about job creation in your sector and the proportion of jobs compared to other streams of forestry in Canada? I invite you to expand on that.

Mr. Rick Ekstein: It's a good question. As I said, the mills are highly automated. They've spent a lot of money. Irving has acknowledged that they are one of the top ones in terms of what they've been able to do, and what they've been able to do is great. It

has produced a lot of lumber with very few people. If you go to some of the most modern sawmills out there today, you might see seven people working there. It's all computerized. At ours, every piece gets touched by somebody's hand, so there is a direct correlation between our volumes and our people.

I don't know if there is a precise number. The number that you hear tossed around is on a volumetric basis. We have about seven jobs to every one the sawmill has. We can argue whether it's seven or six, but it's something like that. In other words, a truckload of lumber on an annual basis might take one person at the sawmill; it would take about seven people at a remanufacturing facility.

Mrs. Shannon Stubbs: Thank you for that information.

From your perspective, if the federal government is able to negotiate a new softwood lumber agreement, do you have a recommendation on behalf of your member companies, or any ideas about how that quota should be divided fairly through the industry? You mentioned that in your opening comments.

Mr. Rick Ekstein: Yes, I did mention that. I think it all comes down to.... If there is a finite pool, if that turns out to be the way the deal is—and, you know, we just don't know for sure—I think the government should be very cognizant of distributing it based on the greatest economic impact, the jobs that are created, etc.

There have been all kinds of historical ways of allocating quotas. In a case like this, I think they need to be thrown out and we need to look very carefully at who is creating all the jobs. If any company, whether it's ours or it's Irving, can justify that they are creating the most jobs, then they should have the largest chunk of that quota for allocation.

Mrs. Shannon Stubbs: Can you walk the committee members through any other context you'd like to provide about the key competitiveness challenges in Canada for your sector, including international competitors and key markets for your market access?

Also, you mentioned the importance of policy and fiscal frameworks to your operations. If there are any regulatory or policy items that government could address, I would invite you to provide some specific examples.

Mr. Rick Ekstein: It's a very good question. Remanufacturers are probably the most entrepreneurial members of the forest products community. We're always buying somebody's waste and trying to turn it into something. That changes all the time. You give us a level playing field and we can be very innovative, very creative, and we can compete.

The problem over the last 20 years, due to the softwood lumber dispute, is that there is all sorts of interference from factors that are not normal. You get the problem of months when you can ship and months when you can't, or you get a government-crafted deal where a sawmill is encouraged to ship more to the States than to Canada. We've been through periods of that. That is what is very difficult. If you get out of our way and just tell us what the rules are for the next 10 years and take out any non-natural trade barriers, we'll be just fine. We're very creative and we'll create an awful lot of jobs.

Mrs. Shannon Stubbs: Thank you.

The Chair: Thank you.

Mr. Cannings.

Mr. Richard Cannings: Thank you all for appearing before us here today. It's been very interesting.

Mr. Pelletier, I think it was you who brought up cross-laminated timber. It's close to my interests, because I have in my hometown of Penticton a company, Structurlam, that does a lot of CLT work and glulam beams. They were very involved in the Brock Commons building that you showed as an example. I'm just wondering what Irving's plans are in that regard and how we can expand that part of the industry in Canada. I assume you're using SPF-type timber in those cross-laminated timber panels. Are you doing that, or are you into glulam beams? If so, what do you use there?

• (1715)

Mr. Jerome Pelletier: At the present time, we're not producing any cross-laminated timber as part of the J.D. Irving operations. We see that as a way to increase Canadian lumber consumption and be less dependent on the U.S. market in the long term. We are studying different technologies to manufacture cross-laminated timber. I think the Europeans are world leaders in that market. We've been visiting plants to see what is the best technology to produce cross-laminated timber using Canadian eastern species.

We're not in production. We're looking at it very seriously. We think it's a great market opportunity for the softwood lumber producers in Canada.

Mr. Richard Cannings: Do you know what the activity is with other companies in eastern Canada in terms of that technology?

Mr. Jerome Pelletier: Yes, there are a few producers. I think one well-known producer is Nordic in northern Quebec. They have been producing laminated beams. I don't think they have been producing cross-laminated timber, but it's a similar product. That's probably the largest producer of that type of product in eastern Canada.

Mr. Richard Cannings: Okay.

Mr. Mosher, you made some comments about the health of the paper industry, at least in your operations. I'm wondering if you could expand on that for the pulp and paper industry in Canada as a whole. There seem to have been tough times in the last couple of decades. Could you comment on those who are doing well and those who aren't? It seems to me a very important part of that value chain; the pulp mill in my riding uses a lot of the materials that the sawmills create and don't have any other markets for.

Mr. Mark Mosher: Well, that is a problem. Paper mills today generally consume a huge portion of the residuals from different sawmills or chip plantations. The paper industry is in a significant

decline. North American paper consumption peaked in 1999 or 2000 and it's been on a precipitous decline since. Today it's probably less than 45% or 50% of the demand we had in 2000. Some markets, like standard newsprint, are seeing less than a quarter of their previous consumption, and people have had to figure out other ways.

J.D. Irving is looking at conversions to other grades that are growing. I think the reality is that it's just a matter of time before significantly more of the paper companies in Canada are going to be faced with the same challenge of either repurposing or shutting down. There are a number of growth markets, however. Tissue is growing, so the assets can also be repurposed as that, or as packaging, which seems to be in a significant growth cycle right now. These are some of the opportunities we are looking at.

Mr. Richard Cannings: There are opportunities for tissue; you mentioned Asia. Are there worries about competition from the tropical parts of Asia, where fibre grows very quickly and there seems to be more pulp and paper activity?

Mr. Mark Mosher: No doubt. I mean, certainly, what our company is focused on is that in any grade of tissue today, probably about 60% of the fibre supply is hardwood. That would be from those areas: Indonesia and areas of China. Brazil is probably the predominant supplier today. Nobody in Canada is ever going to be able to compete with that. A tree grows to 60 feet tall in six years there, versus 60 years here. We've basically said leave that, but most tissue today—to give it strength so that it doesn't blow apart if you use it—requires strong northern fibres. That is about 40% of that tissue consumption that's growing at 5% to 7% per year. I still believe that, with the right assets, there will be a significant demand for Scandinavian and northern Canadian fibre.

• (1720)

Mr. Richard Cannings: Okay.

Mr. Ekstein, can you just explain to me this business of the double duty and the challenges you're facing? I'm just a bit confused. If you could, please do it in a minute.

Mr. Rick Ekstein: Yes, I'll do it in a minute. I'll try to do it very quickly and simply.

The sawmills pay the duty, the tax, on their lumber when they ship it across. We bring that lumber in at—just to pick a number—let's say \$300. We add \$200 of labour to it, we add waste, we add profit, etc. Then we have to pay the tax as it crosses the border.

So instead of paying the duty on \$300, as we have in previous deals, we're now paying the duty on \$600, the value as it crosses the border, which effectively is double the duty on the lumber. That's what's killing us right now.

Mr. Richard Cannings: Were your products included in the previous SLAs?

Mr. Rick Ekstein: In the previous deal, we had something that was...the tax was on what was called "first mill", so we only had to pay the tax on the \$300 that we paid for the lumber as it entered our plant.

The Chair: Thank you.

Ms. Ng, you're next....

Yes.

Mr. T.J. Harvey: I have a question, just quickly.

On that last comment, you said under the "deal", but there is no deal. Do you mean in the absence of a deal as it is today? And you're referring to wood product that you're bringing in to remanufacture from which jurisdictions?

Mr. Rick Ekstein: We're bringing in wood from all over Canada into our plants in Ontario. Under this scenario, in the absence of a deal there is going to be a duty. Then we're going to have to fight it. If the duty is the same—

Mr. T.J. Harvey: Is there a duty imposed today?

Mr. Rick Ekstein: There is a duty today, which is less than the duty was four months ago. Four months ago it was the equivalent of about 50% for us; today it's the equivalent of about 14% for us. They keep changing things. Depending on the announcement that comes out of the States today, we're anticipating—it's all we can do is anticipate—that it's going to go back up again. In previous iterations it was on that first mill basis.

Mr. T.J. Harvey: Right. I understand. Thank you.

Jerome, just quickly, if there were one single thing that we could do as the federal government, or that the provincial government could do, to lend assistance to remanufacturers and to the industry as a whole, not only in New Brunswick but in Atlantic Canada, what would that be? You have operations in Nova Scotia as well, I understand. What would be the single biggest thing that the federal or provincial government could do, or work collectively on, to try to help the industry?

Mr. Jerome Pelletier: I think the biggest threat to our industry today, other than the SLA, is the spruce budworm. When you look at the volume of the acreage destroyed in the province of Quebec, it's unreal. We're looking at it very seriously for New Brunswick. We've been proactive, spraying in certain areas to stop the pest, but we need to spend more time, energy, and money to keep fighting the spruce budworm. Otherwise, we could see our resource being destroyed in a very short period of time.

Mr. T.J. Harvey: Is this joint approach to the spruce budworm a public-private approach or is it a whole-of-government approach?

Mr. Jerome Pelletier: The private sector has been involved with both the federal and provincial governments. I know there was a petition circulated a few weeks ago to ask the federal government to

participate more actively in the initiative. We haven't heard back yet, but that's very important to us.

• (1725)

Mr. T.J. Harvey: Okay.

Thank you.

Ms. Mary Ng (Markham—Thornhill, Lib.): Thank you, everyone, for coming and giving us your testimony today.

I just want to ask some basic questions around jobs training and that sort of thing.

To the folks at Irving, can you help me understand how jobs in secondary remanufacturing compare with those in primary?

Mr. Mark Mosher: From a pay-scale perspective?

Ms. Mary Ng: Well, from a numbers perspective. I've been reading that there is a greater number of jobs in the secondary manufacturing market versus the primary. I just want to get a sense of that, and then I'll ask about jobs training in a second.

Mr. Jerome Pelletier: Maybe I can speak for sawmills. In our sawmill division, we operate sawmills, but we also have two value-added facilities. When we compare wages, they're very similar. Most of our plants are unionized. Wages for a labourer, an operator, or a loader operator are basically the same, whether they work in the sawmill industry, primary transformation, or secondary transformation.

In terms of jobs created, yes, it's true that the second manufacturing tends to be more labour intense. It's a good thing short term. My humble opinion here is that, long term, if we want to be competitive in the forest product second manufacturing sector, we need to automatize our remanufacturing plants so we can keep producing with a higher yield and also be cost-competitive in that business. Otherwise, it'll become very difficult to export our products because the labour costs to produce the product will be too high.

Ms. Mary Ng: Right.

I have a different kind of question for you. I was looking at some of the work that Irving does around Pathways to Shipbuilding. I thought it was really interesting, because it's such a really great program that collaborates with partners in the first nations, in the industry, and in government. I wonder whether or not you have something on the forestry side that actually helps with those young people and particularly with the indigenous community. I think that it's a great thing you've done, and maybe you can talk to us about whether or not you're doing something like that in forestry as well.

Mr. Jerome Pelletier: In forestry we're looking at, for example—we've been very active here—the foreign recruitment side. We've been working with different provincial and international organizations to see how we can recruit skilled operators to work in our forest operations in our woodlands division.

Ms. Mary Ng: I'll ask a similar question to ALRO. Thank you for your testimony. With regard to skill development and so forth, do you do anything of that sort as well around the suite of companies that you represent?

Mr. Rick Ekstein: Yes. I'll talk particularly about our company. We believe very heavily in investing in our people. We have full-time trainers on staff. We believe in promoting internally. The current president of our company started off 30 years ago piling lumber in our remanufacturing plant, and that's quite the testimony of what can happen. That's very important to us.

I would like to just comment on one thing that the gentleman from Irving said. They are probably the greatest integrated company in Canada from top to bottom in terms of value added, and they deserve a lot of credit for that. But there are still certain products—like this—that we buy from Irving as well...that it comes to a point where they have to move it on. They are the “poster child”, if I can use that term, for fully integrated and value added in the system.

If I could just have two seconds, I have one other final thing. Years ago I was talking to the president of the parent organization in the States for the sawmill industry, and he equated us, being the remanufacturers, to innocent victims of a drive-by shooting. He said,

“Rick, you're not our targets. The sawmills are our targets. You're the inadvertent collateral damage.”

You've heard me being very impassioned about jobs today. But if Minister Carr is truly going to call on the people around this table to help decide what to do in the event of a quota agreement or anything else, please help us not become that innocent victim again.

● (1730)

Ms. Mary Ng: I think what the committee wants to do is actually understand what the opportunities are in this secondary value-add industry, so that we can actually think about—

Mr. Rick Ekstein: Lots.

Ms. Mary Ng: —how we could be of assistance there.

I've run out of time.

The Chair: We're out of time, unfortunately. We're going to have to stop there.

Gentlemen in both groups, thank you very much for joining us today. We appreciate your input.

We'll suspend to let the witnesses go, then we can take a couple of minutes to discuss some committee business. We are suspended.

● (1730)

_____ (Pause) _____

● (1730)

The Chair: Colleagues, there has been a change of plans.

The meeting is adjourned.

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