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Chair

Mr. James Maloney

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● (1535)

[*English*]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): We'll call the meeting to order.

Gentlemen, thank you for joining us today.

Mr. Downing, this is our second attempt at connecting with you, so we're grateful that you were able to come back and that it worked this time. I appreciate that.

Mr. Lebel, thank you for joining us. Welcome back in your new capacity. You're a former MP for Lac-Saint-Jean. I'd also like to welcome our new MP for Lac-Saint-Jean, Mr. Hébert. He is a newly minted member of Parliament and this is his first committee meeting.

Thank you and welcome.

Mr. Lebel, you don't have to listen to this next part. You can turn off your earpiece because I'm going to explain how committee business works.

Mr. Downing, each witness is given up to 10 minutes to make a presentation. You can do so in either official language, or both. It's your choice. Then after both presentations, I will open the floor to questions from around the table.

Mr. Lebel, we'll start with you because you are familiar with the process.

Hon. Denis Lebel (Chief Executive Officer, Quebec Forest Industry Council): Thank you for invitation. *Merci beaucoup*. I will do my presentation in French as I think it will be much easier for the translators. I'm very happy and proud to be here.

[*Translation*]

I would like to congratulate the new MP for the riding of Lac-Saint-Jean, Mr. Hébert, who is here with us today, as I just heard you say, Mr. Chair.

I am here to speak to you today as the president of the Quebec Forest Industry Council. I am responding to your invitation to discuss the economic aspect, among others, of the Canadian forestry sector. Our topic is the supply of secondary supply chain products in the forestry sector, but it is impossible to discuss the secondary supply chain or secondary forest product processing without first talking about the primary function. Before we get to the second and third processing of wood products, we have to ensure that we can first harvest the wood. I want to say a few words about the challenge this represents.

This is a big challenge today throughout Canada. As you know, the importance of the forest industry varies in various regions of the country. Mr. Hébert knows very well that 75% to 80% of the economy of a riding like that of Lac-Saint-Jean depends on the forestry industry. That is the case for several other regions of Quebec. And so the predictability of the wood fibre supply is important, and that depends on the provinces.

In 2012, the Province of Quebec changed the way in which it awards forestry contracts. A part of the wood is now auctioned off. This is a very important aspect. At the time this was done to respond to American demand, among other things. The Quebec market is extremely dependent on the American market.

We know that 56% of Canadian wood exported to the United States comes from British Columbia, and approximately 20% comes from Quebec. However, 96% of Quebec's exports go to the United States, whereas Asia is an important market for British Columbia's wood exports. And so it is extremely important for the province of Quebec to remember the importance of wood processing, and to keep its markets open in the United States.

One of the major problems we face regarding wood supply is the workforce we need to harvest that wood. From the time the tree is cut down until the wood leaves the plant, you need workers. This is a very important issue at this time. I know that you are fully aware of the fact that there is currently a labour shortage throughout Canada. The regions of Quebec are not an exception. In Quebec, we often say that we are going to run out of workers to process the wood before we run out of wood. Consequently this is an extremely important aspect for us.

I am repeating things you already know, but with close to 1.3 million projects starting up every year, the Americans need to import at least 30% of their wood to meet the demand. Why is it so difficult to make them understand that they should choose to buy wood from their neighbour Canada, their biggest economic partner, rather than wood from other countries? We know that that is currently creating a large price increase for American consumers. The number of new projects continues to grow, but that raises the risk of cost increases in home construction.

When we signed this agreement in 2006, Canada's market share was set at a maximum of 34%. Historically we know that Canada's annual market share in providing wood to meet American needs has never been more than 32%. Here we are talking about negotiating 28%. According to the econometric figures we have in Quebec, the drop of this rate to 28% will lead to the closure of about a dozen plants in eastern Canada, several of them in Quebec. And so it is extremely important that we follow this issue very closely.

I want to talk about the forest itself. From an environmental point of view, the forest is seen as a very promising solution for the future. That is one of the main reasons I decided to work for the forest industry.

I commend the initiative of California and British Columbia, who recognize the forest industry as an important component in their plans to fight climate change. They have integrated the forest into their plans, and have set the contribution of the forest to reaching their greenhouse gas emission reduction targets at 30%.

It is extremely important to see the forest as a carbon sink. We have to be able to regenerate our forests to go further still.

Of course, we have to be able to face natural disasters like forest fires and insect infestations like the mountain pine beetle or the spruce budworm in Quebec.

It is also important that we continue to reforest and replant our wood to capture and store carbon. You all know that the trees in a forest that reach maturity become windthrow, and will be knocked over by high winds or destroyed by forest fires. Not only do we lose their economic value, but they also emit carbon dioxide. Environmentally speaking, that is less interesting for society as a whole. Conversely, a young growing forest provides more food for animals, contributes more life and is more promising for the future. It's extremely important that we see the big picture.

I would like to make an aside here on the famous issue of the woodland caribou. When I was minister, I worked in cooperation with all of the opposition parties and tried to avoid getting into personalities or partisanship. We concluded that more scientific research on the woodland caribou was needed. In parks like the ones in Jasper or Banff, the woodland caribou populations are declining, whereas they are increasing in Quebec regions where there is a lot of forestry.

According to the Quebec forest industry, we have to know a lot more about the woodland caribou. Of course we want to protect ecosystems and ensure the sustainability of our forests, and the government of Quebec is helping us, but it is also important that we know more about the woodland caribou.

The vision we have of development, and of protecting our environment in connection with the use that is made of the forest, is extremely important. People say that we have to limit costs and reduce CO_2 emissions. The reduction of a ton of CO_2 emissions in public transit will cost between $400 and $500. Of course public transit is important; I am not saying that it is not important. All I am saying is that if we plant more trees and use more wood in residential construction, we will store even more carbon. Thanks to the savings that will generate, we can pay a part of the cost of public transit throughout Canada.

The future of the forestry industry and of the forest itself must be integral components of the federal government's environmental strategy.

Over the past few years, in its negotiations with the Americans, Quebec has always maintained its three-point position. First, we insist on the recognition of the new Quebec forestry regime, which includes auctions, which means that wood is sold at market value. Secondly, we try to hold on to the market share we have had, historically. Thirdly, we are counting on the recognition of border sawmills; 50% of their wood supply comes from the United States, mostly from Maine. These are aspects upon which we must continue to focus.

We must also see the forest as a source of energy for the future. In several regions of Quebec and Canada, there is progress in that area. Several forest biomass projects are ongoing, or completed, which provides good opportunities for the forest industry.

Of course this always leads to comparisons between the cost of new energy sources and the cost of other sources of energy. In Quebec the comparison is with hydroelectricity. In light of the lower cost of hydroelectricity, certain new energy projects may sometimes be less profitable, but I would rather see them as promising projects for the future.

The same thing applies to biofuels. In Quebec, several projects to create energy from resin or wood fibre are being pursued on the North Shore, in the Mauricie Region and elsewhere in the province. Soon we will be able to produce biofuel using wood fibre, which is clearly a promising avenue for the future.

Since my time is almost up, I will conclude by pointing out that we need to recognize the enormous environmental potential of the forestry industry and of the forest everywhere in Canada. The construction of houses, residences and multi-story buildings will be important to the future of the forestry industry in Quebec and the rest of Canada.

Thank you.

● (1545)

[*English*]

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

We can tell you're a veteran because you came in well under the time, and we're all grateful for that.

Mr. Downing, it's over to you.

Mr. William Downing (President, Structurlam Products LP): Thank you.

Good afternoon, everybody. My name is Bill Downing. I'm the president of Structurlam Products in Penticton, B.C.

I'm going to talk specifically about value-added and a specific product in value-added, and that's mass timber building elements, because that's what my company does. First, I'll give you a bit of history about Structurlam.

We manufacture two laminated wood products: glue-laminated beams, or glulam, and cross-laminated timber panels, or CLT. Our main business is taking those elements and prefabricating mass timber structures, mass timber packages, as we call them. The company has been in business for 55 years. We employ about 225 people in three plants in the south Okanagan. Over those 55 years, we've supplied some of the most iconic timber structures in the world, including the world's tallest wood building, which is UBC's Brock Commons student residence; the largest wood roof in North America, which is the Rocky Ridge Recreation Facility, in Calgary; and the most complex wood structure in North America, which is the facade of the Art Gallery of Ontario in Toronto. Those are flagship projects, and they've solidified our reputation as one of the best in the world. I'm proud of them, but they're not what gets me excited.

What gets me excited are the more mainstream buildings, because that's where the volume is. Here I'm talking about multi-family residential apartment buildings, office buildings, and the like. We have some examples. We provided two in Portland, Oregon: one is Carbon 12, an eight-storey building, and the other is the First Tech Federal Credit Union building, one of the biggest wood buildings. I thought I would bring a picture. I don't know if you can see it, but that's a picture of the First Tech Credit Union building going up. You can get a feel for the size and scope of that structure. That's what gets me excited. I know they're not the iconic structures, but they are very impressive and they use up a lot of volume.

Why would you build out of wood instead of concrete or steel? Mass timber buildings have three main advantages. They can be erected very quickly, so there are huge schedule savings. They're carbon neutral. They use renewable material right from Canadian lumber, which is cost-effective and plentiful.

You might be worried about wood buildings rotting or burning. I can tell you that if you don't design them and build them properly, that can happen. However, if we design mass timber structures properly, primarily keeping water and UV rays off the wood, they can last hundreds of years. CLTs have a two-year fire rating, even when fully exposed.

The good news is we've figured out how to design and build high-performance mass timber buildings, and I think that's going to change the way we construct our structures here in North America. Ten years from now, I envision a world where mass timber will be used extensively for buildings up to 30 floors high. I'm not saying that wood will completely replace concrete or steel; rather, wood will be on an equal footing with those other materials and will be considered with almost every construction project. Use the right material for the right application.

I believe that as wood use increases in taller and larger buildings, that will impact the supply chain in a very beneficial way. For example, most Canadian material is currently exported to the U.S., primarily to supply the single-family home market. This is going to change. In the future, I can see an increasing percentage of that fibre being processed by secondary manufacturers, like Structurlam. We will then prefabricate the structure to a much higher tolerance and quality compared to site-built. These prefabricated building elements will be used for construction in North America and overseas. Rather than exporting lumber, I can see us exporting prefabricated structures made here in Canada. That's happening already. Let me give you an example.

Structurlam just landed the largest mass timber building job in North America—it could be the largest CLT building in the world—to rebuild Microsoft's campus in Silicon Valley. We're purchasing the fibre from Canadian Forest Products, or Canfor. Last week, I issued them a purchase order for $4 million, which is a big purchase order even for a large multinational like Canfor. You can see the shift happening. Remember, our products go across the border duty-free.

What happens when the fibre is processed into value-added products in Canada instead of being exported to the U.S. as dimensional lumber? We literally triple the value of that fibre. In other words, we're extracting three times the value per board foot from our Canadian timber resource. In addition, the manufacturing process and Canadian labour is often in rural communities, as in Structurlam's case, where jobs are hard to come by. Finally, we're reducing greenhouse gas emissions by converting steel and concrete construction to wood. It's a pretty good story.

● (1550)

I know there is a private member's bill regarding using more wood in federally funded buildings, and I would encourage all of you to support this initiative. Remember that steel and concrete are well entrenched in the construction of large buildings, and all the players, from the architects to the engineers to the general contractors, are very comfortable with using the status quo. In fact, most structural engineers aren't even taught how to design in mass timber, and our carpenters aren't trained in how to erect a mass timber structure.

Without the help of things like a wood first initiative like we're considering, things will change very slowly and Canada will miss the opportunity to lead the world in mass timber design and construction.

Thank you.

The Chair: Thank you.

First up is Ms. Ng.

Ms. Mary Ng (Markham—Thornhill, Lib.): Thank you very much to both of you for coming today and for your efforts in preparing your remarks.

I'm going to start with Structurlam.

We've been hearing from other witnesses who essentially are sharing the same sentiments as you are on the opportunity for value-added product, the opportunity for prefab, and the opportunity, therefore, to create those kinds of advanced manufacturing jobs and companies here in Canada that then allow us the opportunity for a greater supply chain.

You started touching on what it is we could do to incent or help accelerate that as an industry and essentially overall help the forestry industry by doing that. Maybe you could talk to us a little bit about that.

Mr. William Downing: What happened was when Structurlam took the leap and decided to build a manufacturing plant that was going to produce this new product called CLTs or cross-laminated timber panels, there was no market. We were very fortunate in a couple of ways.

First of all, the federal government, NRCan at the time, had funded a demonstration project. There were actually three buildings we got to supply with the first panels we made. That was very helpful and it gave everybody a reference site where they could go to see this new technology and this new building system.

Another thing that happened was that in British Columbia they had just introduced—we're talking around 2010 here—a Wood First Act, which said that if there was provincial money in a building, then wood had to be considered. It didn't have to be wood; it just had to be considered. That was a wake-up call to the architects, the engineers, the designers, and even the general contractors in B.C. that they'd better take a look at this stuff.

I think it would be very helpful if that was happening outside of British Columbia, if it was happening more as a federal initiative, as I mentioned. That would be very good.

After that we have to help educational institutions to train their engineers in how to build in wood. We need to have courses for those because everything now, a prefabricated structure, is all done on CAD. It's a three-dimensional model. We build the building virtually and then we build it out of wood. Those operators that can handle and do those CAD drawings are few and far between, so Structurlam ends up having to bring them from Europe. I would love to hire Canadians instead of Europeans. I don't speak very good German or Swiss, so it would be a very nice thing to see that kind of training happening.

In general, there's just the support of the wood industry as a viable alternative. As I mentioned in my report here, we have to help this baby along because the steel and concrete industries are extremely effective lobbyists. Don't forget that they have the systems in place so they have driven the cost out of those buildings so much. We are just getting going. We're just starting to bring those costs down with the development of new systems, and we're also getting the industry to recognize the fact that if the building goes up much quicker, they are going to win on the schedule side.

Those are a couple of ideas anyway. I could continue.

● (1555)

Ms. Mary Ng: That's great.

The company has won awards and has had environmental certifications. You talked about it being carbon neutral. Can you talk to us about that?

Mr. William Downing: Basically, building in wood is generally carbon neutral to carbon positive. We've done a life cycle analysis on our material, and we have the scientific basis for saying that our material is carbon neutral. That's done through an organization called FPInnovations, a wood research organization here in Canada. They do that work for us. It's definitely carbon neutral. Then we make sure that our fibre supply comes from certified forests. Those forests are either FSC certified or SFI certified as sustainable material. We don't buy anything that's not. By the way, we buy all our product from manufacturers in B.C. and Alberta, and they are all certified.

Ms. Mary Ng: I have one last question. It's about external exports. It's interesting to learn that you are building the new building for Microsoft, but where are the opportunities, from your perspective, around our ability to access markets in the future?

Mr. William Downing: As I mentioned, Structurlam has been in business for 55 years, and during that time we have exported all around the world. There are two markets that are really key to us. Obviously, the U.S. market is huge, and it's just gaining momentum on building with mass timber. The other market is the Pacific Rim, which includes Japan, China, Taiwan, and Korea. We've exported quite a few buildings over to them. From my perspective sitting as the manufacturer out here in British Columbia, it's North America and those four Pacific Rim countries.

Ms. Mary Ng: You were talking about safety standards. Maybe there is a lack of knowledge or a need for greater knowledge, but people associate wood with fire. In your experience, what can we do to help people understand what new innovations might help us get over that understanding?

Mr. William Downing: That's a good question.

There is an organization in Canada called the Canadian Wood Council, and a subset of that, the Wood Works initiative is doing a lot of that great work. The research is being done with FPInnovations and various universities across Canada on the fire side, as well as acoustics and durability issues. That message is being distributed to the specifiers. Let's not forget that nothing ever happens until an architect says, “Build that out of wood.” You have to get to that audience, along with the general contractors and engineers, with that message.

I don't know what you can do to assist and continue those programs, because they are massively important and have had a great impact.

Ms. Mary Ng: What about building codes? We heard from others that building codes need to be modified. What's your perspective on what needs to happen in that realm to help facilitate this?

Mr. William Downing: That's another good question. I'm sorry I missed that, because I live and die in the building code world.

We have a system in Canada where you can go for an alternative solution. If the engineer says, “I believe that's going to work and I'm willing to stamp it”, I can go outside the building code and build buildings. Many of our wood buildings have been outside the code but have been signed off as an alternative solution.

What you are talking about is changing the mainstream building code, the national building code, to be able to build up to six storeys, or even higher, in wood. Those initiatives are on the way. They will be out there, presented and evaluated. I can see in the not-too-distant future up to 12 storeys in wood being inside the building code, if the support is there.

● (1600)

The Chair: Thank you.

Ms. Boucher, go ahead.

[*Translation*]

Mrs. Sylvie Boucher (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, CPC): Thank you, Mr. Chair.

Good afternoon, Mr. Lebel.

Hon. Denis Lebel: Good afternoon, madam.

Mrs. Sylvie Boucher: I am very happy to be here today and to see you here in your new capacity. I miss you a great deal.

Hon. Denis Lebel: I miss you too.

Mrs. Sylvie Boucher: I too represent a riding where forestry is very important. We've talked a lot about secondary forest products. Since you have worked on these dossiers for a very long time, I would like you to tell us about the current and future challenges and opportunities in the secondary wood products sector in the provinces, and for Canada as a whole.

I would also like you to tell us how the federal government and the provinces can take advantage of Canada's competitive advantages to further trade and economic development in the secondary wood products sector.

Hon. Denis Lebel: First of all, thank you for the question.

Of course, I do miss you and life on Parliament Hill, but I have been in my new position for a month and a half, and I am still learning every day.

It is important to remember that in order to be able to do secondary processing, you have to make sure that you can harvest the wood first, as I was saying earlier. The important thing is to keep our markets open.

Of course, the future belongs in part to wood processing. There is an organization in Quebec that is related to the Forest Industry Council called Cecobois. The organizations that promote the use of wood in Canada and Quebec are working very hard to develop markets and increase the number of wood buildings. As we were saying earlier, it's important that building codes allow for this, while respecting all security standards. So you need that first processing level.

Secondly, we must continue to work on facilitating access to various markets. For all sorts of geographic reasons, British Columbia is much closer to Asian markets than Quebec. As we heard earlier, the United States is still the most important market for British Columbia, followed by Asia, which is easier to access from British Columbia than from Quebec. We want to continue to work with the industry in British Columbia, as it is essential for us that the forestry sector throughout Canada does well.

And so we need to continue to promote the culture of wood. My colleague was right to say that in educational institutions, in universities, cegeps and high schools, we need more stakeholders from the sector, whether they be architects, engineers, technicians, carpenters or cabinet makers, who can promote the value of wood, so that people are aware of the value added by using wood in construction.

Our governments could highlight the environmental value of the different products. Of course, you can build using steel and cement, and that is a choice that is up to the consumer. However, if the environmental value of the product used in construction were recognized, this would allow the forest industry to sell more wood. I believe this is a promising avenue for the future. The forest is a promising solution for the environment in Canada, and must be seen as such.

At the same time, we must continue to keep our markets open. Our workforce is extremely important, and we have to facilitate the entry of the workers we need in several areas of the country. I know that there is a shortage of labour in your riding, Mrs. Boucher, for forestry enterprises. The same thing applies to the Saguenay—Lac-Saint-Jean region for forestry work in the summer, and when reforestation needs to be done. Who is doing that work at this time? Workers from Africa. We are lucky to have them. We have to open our hearts, our minds and our doors to immigration; it's a necessity. It's not necessarily easy, but a lot of things can be accomplished.

That is my answer, in part.

Mrs. Sylvie Boucher: Thank you, Mr. Lebel.

I am going to yield the rest of my time to Mr. Schmale.

[*English*]

I have no questions for now.

Mr. Jamie Schmale (Haliburton—Kawartha Lakes—Brock, CPC): Thank you very much. It's great to hear the comments from both of you. They're greatly appreciated.

Mr. Lebel, it's nice to see you again. I hope all is well.

● (1605)

Hon. Denis Lebel: Thank you, Mr. Schmale.

Mr. Jamie Schmale: Maybe we can continue on the comments we were hearing regarding the benefits of using wood in construction. We all talked about how we might be seeing 30 storeys at some point, if a few things get changed and moved along, which I think has some advantages.

What are some of the environmental benefits we are seeing with wood over steel and concrete? Would either of you two gentlemen like to expand on that?

Hon. Denis Lebel: I can speak about that.

As I said in French, it's very important to see the forests as a whole, and the future for the environment, and consider the ability to stop carbon with wood construction.

In Quebec we have many organizations working on that. We have Cecobois, which is one of the companies that is working very hard to have more wood in construction. For sure, that is the key for the future of the environment in Canada.

Mr. Jamie Schmale: Did you want to chime in as well?

Mr. William Downing: Yes, sure.

Was the question specifically wood versus steel or concrete?

Mr. Jamie Schmale: Yes. What other benefits are there that you may not have touched on? Is there anything you want to expand on?

Mr. William Downing: I think we need to get recognized.

The number one advantage of building out of wood is the speed of installation. There's a huge advantage from the scheduling component, and time is money, but quite often, we don't get the benefit of that. In other words, a general contractor, someone who's building, decides to build out of wood or has a job to do out of that, but doesn't really discount the value of that saved time. They'll look at the cost of steel versus concrete versus wood, and they will just look at the material costs. They don't look at those scheduling costs, and that's the number one thing.

I don't know if you heard but that building at UBC, 16 floors of wood, was erected in nine weeks. You couldn't build it out of steel anyway. You can't do that with concrete. I think if we can just get those benefits out there and recognized, you'll see a lot more uptick in building out of wood.

Mr. Jamie Schmale: How much of that building you mentioned was prefab?

Mr. William Downing: Everything.

Mr. Jamie Schmale: Everything, the whole thing.

Mr. William Downing: Yes, every stick and every panel that went into that building was prefabricated at our plant in the Okanagan down to plus or minus 1.5 millimetres in accuracy. That's where your time.... It's incredibly accurate. The material is perfect when it arrives, and as long as everything is ready to be installed, it can be taken.... This is what happened at UBC. They took it right off the truck and installed it and the truck was gone. There were two trucks a day.

Steel and concrete don't have the same tolerances and they're nowhere near as accurate, so that's where we really win. We just have to get those benefits of saving that time across to the construction community.

I think if we saw the federal government use a little more wood in their buildings that would send a message.

The Chair: Thank you.

Mr. Cannings.

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

I'm going to start with Mr. Downing.

Hello, Bill.

Mr. William Downing: Richard, how are you?

Mr. Richard Cannings: I'm good, and thanks for mentioning my bill. I hope everybody on the committee heard that message and will pass it on to their colleagues about my private member's bill that promotes the use of wood in federal government buildings.

Obviously, I want to talk about that and ask you how you feel more government procurement like this across the country would help Structurlam and also other possible manufacturers across Canada. I think there might be only one other plant right now. There are very few that I know of in the United States.

I want to talk about the possibility for future expansion in Canada, and also guarding against future competition from the United States. We heard from Michael Green about new projects happening just across the border. Could you expand on that?

Mr. William Downing: I'll start with the competition side. I don't really worry about it too much because I think that as long as the pie is continuing to grow, other members can come in and we can all do quite well. I'm not particularly worried about the material coming in from the U.S. market. What worries me the most is our competitors in the European arena because right at this point in time they have an advantage in fibre. Their fibre is less expensive. Also, their plants are extremely automated and they're very well capitalized over there.

Remember that the plants doing it here in British Columbia are still relatively small companies. They have a big advantage. If they wanted to, they could sell their product over here at cost, or whatever, because this is just an additional market for them. I really am concerned about the European competition heating up, but less so from the United States.

I can just tell you that your bill, Richard.... What happened in British Columbia is if we hadn't had that Wood First Act here, then I don't think Structurlam would have had a market for our products when we first came out of the gate. You're trying to get something new going and you just need the additional help to do that. Plants and other companies, as they pop up across Canada, will require the same kind of assistance.

I don't see any logical reason why we wouldn't build those federal buildings out of wood. It makes 100% sense. We grow the material here. It's a sustainable material, a renewable material, a carbon neutral material, so why aren't we using it in our federal buildings? It's very rare to see.

Richard, we saw that they added on to the Penticton airport. That would have been nice to see in wood. I see buildings all the time built out of steel and concrete right here in Penticton and it drives me crazy. I just think we need that help.

● (1610)

Mr. Richard Cannings: Okay, thanks.

You mentioned the building codes. I read last week that there was a new fire test in the United States of a two-storey wood building that was basically built out of mass timber and they set it on fire and the furniture burned and nothing else.

Can you comment on that? How are your buildings constructed in terms of fire codes? How do you get the fire chiefs to sign off on that?

Mr. William Downing: Again, it's through an alternative process, if it's not inside the building code now. We've made great strides in that. You have to remember that there are two different scenarios we're talking about.

What you're talking about is a fully exposed wood wall or a wood roof. In that situation we rely on mass timber's innate ability to charcoal, basically, to burn slowly through the outside. Typically, once it runs out of fuel, the fire will actually go out. We're not talking about a two-by-four building, or if you could imagine kindling versus logs. They would burn very slowly and eventually the fire would typically go out, that is, if it's exposed.

We don't really see that as the major market. We want people to treat our mass timber elements as just another building element, and if you want to cover them up, like they did at the UBC building, then cover them up. We can still compete. The problem comes in when people like Michael Green—and of course, bless him, he's been great for the wood industry—and all the architects always seem to want to expose that wood and I don't think there is any real reason to. You can expose some of it, maybe a feature wall or two.

As soon as you get into encapsulated wood, now it's behind a couple of layers of drywall and you can get three-hour or better fire ratings quite easily. There are two paths we can go by here. I'm perfectly fine with covering the wood up.

Mr. Richard Cannings: Where this material does not apply to softwood lumber agreements, you could ship as much as you wanted to into the United States. Also, if we built up that market in Canada, it would provide markets within Canada that we wouldn't have to worry about. Could you comment on that aspect?

Mr. William Downing: Yes. Obviously, the fact that it crosses the border with no duties is an advantage for us when shipping south of the border, for example, for that Microsoft job. The real concern for us right now is, frankly, the price of lumber itself. The price of lumber has doubled this year. If you can imagine, we are in a business where 60% of the cost of the CLT is the fibre that goes into it. A spike of 100% on the lumber side is a difficult thing to pass on to customers, especially considering that we quote a building, say, that isn't going to be built for six months. Then we'd have to go back to our lumber suppliers, like Canfor, for example, and they did this in the Microsoft building. They agreed to hold their price for six months. That's very unusual in the wood business. Most lumber providers will give you a quote that's good for two weeks.

Unlike the concrete and steel industry, which has this huge advantage because you can get a quote for concrete or steel and they'll be able to hold their numbers for a long time, lumber is really tough. It's another challenge we face, especially in a market where lumber is spiking.

Mr. Richard Cannings: Monsieur Lebel, could I get a quick comment from you about developing both the domestic and U.S. markets by using mass timber, getting around the softwood lumber agreement, and how federal procurement might be able to stimulate that?

● (1615)

Hon. Denis Lebel: Yes, as my partner said before, we have to open the market. You talked about fire. I attended a presentation about that by the American Wood Council last week. I know exactly what you are talking about, and those are facts, but we have to continue to push. Canada for sure has to let the market open. It's very important to do that. I know we now have a way to defend our rights, and I totally agree with that, but we have to all work together.

Mr. Richard Cannings: Thank you very much.

The Chair: Mr. Harvey.

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

Bill, I want to touch on something really quickly. You talked about federal procurement. I completely agree with you that we should be doing more to encourage the use of not even wood-frame buildings but these laminated wood-beam buildings. One of the earlier presenters we had was Chantiers Chibougamau. Part of their presentation was around the fact that it is more expensive to build because of proximity to a location where the building is going to be built. There were some concerns that it automatically pushes them out of the marketplace for federal procurement because of the price point.

What's your experience with that? How do you think we should address it?

Mr. William Downing: I touched on that a little earlier. When people want to compare building a mass timber building or a wood building with steel or concrete, they will focus on the cost of the material. At the end of the day, as long as the general contractor or the owner's rep or however that building is being subbed out, the construction team understands that they're going to save considerable time building in mass timber. I think we can compete head to head.

We're getting better and better at pulling costs out of the building. The systems, the wood-to-wood connections, are getting better. The building designs are better now. We're at a point now, I believe, that on a mass timber basis we could compete with concrete just about anywhere.

Mr. T.J. Harvey: Thank you.

Monsieur Lebel, I want to offer the same question to you. You talked about biofuels and the opportunities around biofuels, especially in Quebec. We recognize a huge opportunity there. Through the use of cogeneration and lowering energy costs, are there other ways that companies like Chantiers Chibougamau can increase their competitiveness even with the price point where it is?

Hon. Denis Lebel: I want to champion Chantiers Chibougamau. Like my partner today, they are delivering structures all across America. They're a very good company. They continue to work on research and development to continue to help us. They're in the north. That's not very close, as you said. They're in Chibougamau, which is around 650 kilometres from Montreal. No matter, they're working all across America and they're doing a very good job of that. They will continue to develop this market too.

Bioenergy is very important in the region too, but we are often far from the markets. That's one of our problems. It's very important to have the right infrastructure to export too. Because of Quebec's small population of eight million, we can't get all the market we have. We have to export some of it. That's why ports are very important to develop.

[*Translation*]

We have to continue to try to promote this. I think we also need a government strategy that recognizes that.

[*English*]

If for transit we accept to pay $400 to $500 to not produce a tonne of GHG, we have to respect the fact that in the forest industry, that will cost a lot less if we use the forest products. I'm not telling you that transit is not important. There are two things we have to do. We compare numbers to not produce GHG. For me it's easier to see that we can have results in the forest industry to help to pay for the rest. That's two different things.

[*Translation*]

The comparative cost of avoiding the emission of a ton of greenhouse gas to the cost of capturing and storing carbon is a very important question. In my opinion, using forest products while accomplishing necessary public transit projects is a promising solution.

[*English*]

Mr. T.J. Harvey: I want to give the rest of my time to Richard.

[*Translation*]

Mr. Richard Hébert (Lac-Saint-Jean, Lib.): Thank you.

Good afternoon, Mr. Lebel. It's a pleasure to see you again. It's strange to see you playing a different role.

I know the forest well, as you know since I worked by your side at the Dolbeau-Mistassini city hall.

I'l like you to tell us about the issues related to the wood chips generated by the forest industry.

● (1620)

Hon. Denis Lebel: Mr. Hébert, I would first like to wish you a long and fruitful career in Ottawa. I am very happy that you are now the person representing the most beautiful riding in Canada, the riding of Lac-Saint-Jean. Now I can say that.

We are talking today about secondary processing, and it is extremely important. Earlier I was highlighting the importance of the first level of processing. We have to remember that in order to get to secondary processing, we first have to have that first processing.

Your question was about wood chips. In the case of softwood lumber, when the wood is cut, the remaining products are extremely important for the value chain of enterprises. Of course, the drop in the consumption of newsprint over the past years has reduced the demand for chips accordingly, and that is why it is important to work on other products. We still produce newsprint and cardboard, which is increasingly used for e-commerce deliveries. However, it is important to find other uses for chips, for instance to produce biomass or other biofuels.

We are not going to change the needs of the clientele. The clients and the market will always decide. However, we can work on enhancing the use of these chips. As you know, this was an important issue, and it still is. It makes it possible to make sawmills profitable.

For our part, we are going to continue to work on developing new products. Canada probably has the best forestry workers in the world. The use of these products will allow us to go further.

Mr. Richard Hébert: Thank you very much.

[*English*]

The Chair: You have 50 seconds.

Mr. T.J. Harvey: I'm going to take the rest of my time back.

Mr. Lebel, you mentioned spruce bud worm. I want to touch on that really quickly. Spruce bud worm in the Eastern Townships, the Lac-Saint-Jean region, and northern New Brunswick is a huge issue right now. I know that in Quebec it's been ongoing for some years. What are your thoughts on that? How do you think the federal government should approach that?

Hon. Denis Lebel: We already have set up some programs in the past to support the community and the forest industry and the Quebec government to spread the stuff needed to protect the forest, but we have to be ready to do what we have to do. What happened with the pine beetle in British Columbia was that they had to harvest the wood before it lost all its capacity. I think it's important to be ready for that and to have support programs when it happens. For sure, we have to continue to be in front of the problems with some programs and some research, but we have to be ready to do what has to be done. For sure, that has to be done in partnership with the provinces that control the land, the forests that will be the source of the wood. It's very important to be at the front on that because we will have some wood to harvest very soon.

Mr. T.J. Harvey: *Merci beaucoup*.

The Chair: Thanks.

Mr. Falk for five minutes.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chairman, and thank you to our guests for presenting at committee today.

I want to start off by asking Mr. Lebel some questions.

I would reiterate the comments of my colleagues here. I sure miss you in caucus and I miss sitting behind you in the benches and listening to your wisdom. I know you're always a team player. You emphasize the strength of the team and that we needed to be the team, and I'm sure you're carrying on that perspective in your current role as well.

As we look at team Canada when it comes to the forestry industry, I know you've addressed the whole topic of primary processing in most of your comments there. I'd like to look at some of the opportunities in the secondary processing, which is what the study is about. Whether our forest products are used in building or manufacturing furniture, or paper, or tissue, or cardboard, Mr. Lebel, where do you see opportunities that Canada is missing, where we don't have to ship our raw products outside of the country but for which we should perhaps be investing in opportunities locally to add value to those products right here in Canada?

Hon. Denis Lebel: Thank you for your comment. It's always an honour to be with you. I will continue to work like a team player. Everywhere in my life, that's important for me. That's my way of living.

We have to understand that Canada is a large country with different realities. As I said before, when I had the honour to be a minister of our country, I went to the Vancouver port and I saw many boats waiting for wood to take to Asia, when we can't send any from Quebec. We have to respect that this is a different reality. I'm very happy that we can export some wood from B.C., Alberta, and Manitoba to Asia. That's very important to continue. However, in Quebec, it's more difficult to export other than to the U.S.A., because of where we are geographically. We have to understand that. We can send some stuff to Europe and we will continue to work with that, but the dimension of the wood is different.... As my friend said, we already have a lot of competition in second transformation in Europe, in Austria, Finland, Germany, and many other countries that are very good.

We have to continue to give education and information to our people, to our guys, to be better and to continue to open the market. We will always have some way to do it. In pallets now we are doing it well in Quebec. We can export more. We will have to continue to transform our work to export into the U.S.A. There are companies like Chantiers Chibougamau and many other companies like Nordic —I'm not talking about hockey, but its name sounds the same as the former hockey team in Quebec—Nordic Structures. It's very good to export, too. We have to continue to transform the wood in building houses and find a different way to do it. We have to transform more. That's for sure.

● (1625)

Mr. Ted Falk: Thank you very much, and thank you for joining us here today.

Mr. Downing, I have some questions for you as well.

One of the concerns that has been expressed here at committee several times today is the whole issue of wood structures and fire. I think both you and Mr. Lebel addressed that. However, in the actual construction I know there's cost saving and time. For a residential home, do you have any comparisons on what the difference would be between concrete and wood structures?

Mr. William Downing: Are you talking about multi-family? Our single family homes are pretty much exclusively wood, anyway.

Mr. Ted Falk: Correct.

Mr. William Downing: Typically, from the mass timber side you'd be talking about multi-family homes. Multi-family homes can now be built up to six storeys in British Columbia, and I think Ontario is looking at that as well. I think they may have passed it. They're what we call “stick frames”. That's the typical two-by-sixes with joists and things like that. That's a very cost-effective way to build, and I think that's a particular market that we own already here, and I think there's a huge opportunity to take more of that market share in the U.S.

Once you go past six storeys, you're in the world of mass timber. There are only a handful of buildings that are taller than six storeys built recently in North America out of wood. There's so much that we need to understand. We need to have a market for it. We need to be able to have the testing done for it on the fire side, which you indicated. Acoustics are a huge problem through the walls or as people walk across the floors. Research studies are ongoing and they are being supported, but then we have to take all that information and we have to commercialize it and convince people to start to use it. These are such early days in the growth curve now on the mass timber side for multi-family homes above six storeys. Any help we can get would be excellent.

The Chair: Thank you very much.

Go ahead, Mr. Lefebvre. I think when you have finished, that will bring us to a conclusion.

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Chair.

I'd like to continue on Mr. Falk's question with respect to this movement and the support that the federal government can continue for the industry. Maybe you could elaborate on that.

The federal government has done some things in the past, but what can it do to support the mass timber structure industry that you talked about? I think there's a lot of opportunities, as you raised. This is an emerging technology. What can the federal government do to incentivize businesses that want to get into that market? There's this valley, as they're starting off creating this technology and then bringing it to market to make sure it's commercially accessible to the general public. What are your suggestions? This committee will be providing a report to Parliament. What are some of the recommendations you'd like to see?

Mr. William Downing: Obviously, we've talked about the market side of it. That market can be within the buildings that are being actually constructed by the federal government. That's one obvious place where you could help. Generally speaking, I think that Natural Resources Canada, through a group called Canada Wood, does a lot of work in assisting companies marketing their product outside of Canada. That Canada Wood program is very important. One issue I have with it is that it's very focused on lumber. It's all about the market for lumber in China or the market for lumber in Mexico, or wherever it happens to be. What I'd like to see, of course, is more help on the market for our secondary wood products. So that—

● (1630)

Mr. Paul Lefebvre: Sorry, but I have only a little bit of time. That was going to be second question: on the export side, what are the challenges you're facing right now? It is an emerging sector, so what are the challenges you're facing on the export side?

Mr. William Downing: The biggest one is code issues, frankly. All our countries now are looking at whether we can really build these big buildings out of wood. Everybody has the same concerns, especially around fire, and so everybody needs the same help on the building code side. We're so much more advanced in the timber codes here in Canada, North America, and Europe than they are in Asia. The part that Canada Wood is doing over there is on the code side. That's hugely important to continue.

Mr. Paul Lefebvre: Perfect. Thank you.

[*Translation*]

Mr. Lebel, thank you for being here today.

I am from the small town of Kapuskasing, where the Spruce Falls plant of the Tembec company is located. My father was a welder at the pulp mill. My grandfather worked there as a labourer. All of my uncles worked there as well. The company has faced challenges, but it was recently purchased by an American company.

I would like you to tell us about the transformation the Canadian forestry industry is undergoing. Among other things, multinational companies are settling here. Do you see that as an advantage? How do you see the industry developing over the next few years or decades?

Hon. Denis Lebel: Good afternoon, Mr. Lefebvre.

As you know, I had the honour of working with the mayor of Kapuskasing on important forestry sector files. Of course, we can't go back. We have to turn toward the future. Given that Matériaux innovants Rayonier is a chemical products company rather than a forestry enterprise, clearly this will pose some challenges. What will these people do with their sawmills and all the rest? We are not going to make any assumptions about the future, but we are resolutely turned toward the future. We are trying to use the products in different ways. We are focusing on research and development, such as in the area of bioproducts. What is interesting is that there is a future in that. The purchase of the plants by that company will open the door to the products of the future.

Moreover, I'd like to add that most of the fires that broke out in wood homes occurred at the construction phase, for various reasons, and not after the houses were built.

Mr. Paul Lefebvre: That's interesting.

Hon. Denis Lebel: We didn't talk about it earlier, so I wanted to point that out.

Mr. Paul Lefebvre: Thank you.

Hon. Denis Lebel: So we are talking here about promising projects, and a great deal of diversification in chemical-based products.

Mr. Paul Lefebvre: Very well.

Earlier you mentioned the woodland caribou. If you spoke to the mayor of Kapuskasing, you will know that this is currently an important issue in northern Ontario and northern Quebec.

I would like you to tell us a bit about it and about the effect it might have on the forest industry in northern Ontario and northern Quebec.

Hon. Denis Lebel: Of course, we have to defend the various animal species and care for the animal world, but on the basis of scientific data. As I said earlier, I have been working for several years on forestry issues, and my impression is that there has not been enough scientific research done on the woodland caribou.

Before making decisions that could have repercussions on tens of thousands of jobs in all regions of Canada including the north of Ontario and northern Quebec, we need to do research and acquire more knowledge. Of course, we have to protect animal species like the woodland caribou, but this has to be based on scientific data rather than on simple perceptions. In my opinion, and according to the Quebec forest industry and our council, we do not have enough knowledge. We have to encourage the public servants at Environment Canada and Natural Resources Canada to do more research and gather more data. If need be, we can make some science-based decisions in the future.

Mr. Paul Lefebvre: Thank you very much.

[*English*]

The Chair: Thank you, Mr. Lefebvre.

That wraps up this part of the meeting.

Thank you, gentlemen, for joining us today. We're grateful to both of you for taking the time to join us and provide us with your input on this important study.

Mr. Lebel, I don't know if it made you happy to come back or just reinforced your decision. Either way, we're grateful to you for being here.

We're going to suspend for two minutes and then go in camera very briefly for committee business.

[*Proceedings continue in camera*]