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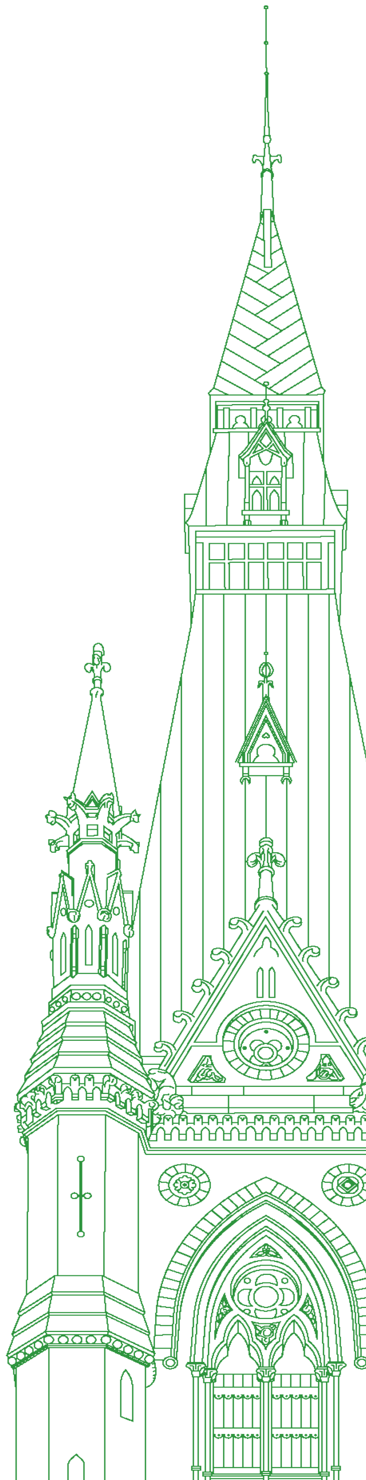

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Monday, February 24, 2020

● (1530)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling to order this meeting of the Standing Committee on International Trade. Pursuant to the order of reference of Thursday, February 6, 2020, we are studying Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

Welcome to all of our witnesses and to committee members.

We're about to start another week of consultations. If we can get another 20 hours of consultation.... I'm glad to see that all our members are still anxious to keep going. I'm glad you're all here.

As an individual, we have Wietze Dykstra. From the Canadian Federation of Agriculture, we have Mary Robinson, president, as well as Robert Friesen, trade policy analyst. From the Canadian Vehicle Manufacturers' Association, we have Mark Nantais, president. From the Dairy Farmers of Canada, we have Jacques Lefebvre, chief executive officer; Pierre Lampron, president; and Christopher Cochlin, international trade legal adviser at Cassidy Levy Kent.

We will start the opening remarks with you, Mr. Dykstra.

Mr. Wietze Dykstra (Dairy Farmer, As an Individual): Good afternoon.

I'm a dairy farmer. I was invited to speak here by way of our local MP, Mr. Bragdon, but more on that later.

I was born and raised in a city in Holland. You might have already guessed that by my name. My parents had no farm. For some reason I always wanted to become a dairy farmer. I knew I would never have enough money to buy any kind of farm in Holland. Because I wanted to become a farmer, I went to the agriculture school in the city where I was born.

ln my final year at school, which would have been when I was 19, I contemplated where to go to pursue my dream. At that time—this would have been the late 1980s—France and Australia were popular. Denmark was also a go-to place. I had heard in school that Canada was good to their dairy farmers, as they had some kind of system in place to ensure their dairy farmers were getting paid a fair price for the milk they produced. That was all I knew in 1986, but it was good enough for me to go on a big adventure. I bought my first plane ticket to go to Canada.

I arrived in Halifax, Nova Scotia, not really knowing much English, and ended up working on a farm in Nova Scotia. Of course, I was very homesick. I slowly started to find out that there was indeed a good system in place here, which I eventually learned was called supply management.

True to the Dutch stereotype, I was not much of a big spender, focusing instead on saving money towards my goal of buying a dairy farm. I managed to save $700 a month of the $900 a month I was earning working on the farm in Nova Scotia. At the age of 25, I began looking around and found this nice working dairy farm in beautiful northwest New Brunswick. I indeed had enough money saved up for a down payment for that farm, and bought it in 1991.

Not coming from a farming background, my attitude might differ from some other farmers. I feel I'm also a businessman. In my opinion, profit is not a bad word, including in a farm setting. Why would I want to work pretty much every day for long hours and not make any money doing it?

It's the same for my 23-year-old daughter, who hopes to take over the family farm someday. She now works full time on the farm and sees the political climate we are in. The trade concessions have gotten her very concerned. She feels that we, as dairy producers, have been picked on from all sides. Over the years I have been following the situations that have occurred in Holland in respect to the dismantling of the Dutch quota system and all the hardship that it caused. I still talk sometimes to my agriculture school buddies about what they have had to endure. In no means was it pretty or easy.

Canadian supply management, in my mind, consists of three pillars, like a three-legged milking stool: supply control, import control and a stable pricing system based on costs and markets. But the system only works if there is political will to safeguard the pillars. If any one pillar is taken away, like a stool, the stool will fall over.

This brings me before you today. All during the time the negotiations went on for CUSMA, when people asked me if I was concerned about the outcome, I would say, “No, I am not.” I always said I had full faith in our government to stand up and defend supply management.

Unfortunately, I was proven wrong. I think I and most other dairy farmers were very disappointed when the final details came out. We have a system here that ensures the primary producer, the farmer, gets a fair price for his product. By no means are we getting rich, but we're doing okay.

I believe that farmers in other countries recognize that our supply management system does work well and that we do get a fair price for our product. I know for a fact that a lot of dairy farmers in other countries envy us. Unfortunately, it seems that rather than working towards improving their own system in their own countries, they are trying to compromise or infringe upon our system. I just don't understand that way of thinking of the other farmers in other countries. All the magazines I read from south of the border put CUSMA as a great win for their dairy farmers. In my mind, that would mean we got the short end of the stick.

● (1535)

I have also read of farms south of the border that milk as many as 30,000 cows on one farm. That's equivalent to all the dairy farms in New Brunswick and Nova Scotia combined. Is that where we want to go? In my small community, I employ three people full time. One of them is my 23-year-old daughter. I also use land belonging to several of my neighbours, and at times even employ my neighbours as needed. I employ about six high school students to work shifts during milking, giving them experience in work ethic and some spending money.

If farming becomes too challenging due to these trade agreements, I and other dairy farmers might have to stop farming. Therefore, there would be essentially no economic activity left in our community. If Canadian dairy farmers are forced to abandon their livelihood, this would contribute to the ongoing decline of our rural communities. This might be why my local MP, Mr. Bragdon, asked me to appear before you. He is very aware of what will happen if farms keep disappearing from his riding. Remember that any kind of farming is, and has to be, a business.

Another side effect of this agreement is that we had a processor who was going to upgrade and expand a processing plant in New Brunswick. This processor now has indefinitely postponed this project due to uncertainty. We Maritimes producers are very concerned about keeping processing in our region.

I now want to touch on the compensation package promised, and partly delivered, for CETA and CPTPP. I haven't heard anything about the remaining years and how it will be paid out. That in itself concerns me. The compensation package is bittersweet. Most farmers, including me, received a payment in December of last year for those previous trade agreement concessions. As far as I am aware, no concrete timeline has been set for the next payments. We, as dairy farmers, have always prided ourselves on getting all our money from the marketplace. This is how the system is supposed to work. This is how it did work. The government trading away excess and then offering compensation is not what we want. Having the supply management system tampered with by government trade concessions to the point where we're now looking for compensation should tell you how bad these concessions are hurting us. To be honest, the words “no more concessions will be made” sound a bit hollow to me, as this was the line all along. Of course, we're now getting concerned by the possible trade talks that will happen sometime with the U.K.

I don't pretend to know all the precise details of the agreement. We as dairy farmers have DFC for that. You can probably stump me pretty easily with some in-depth questions. But one thing that stands out to me in CUSMA is the oversight and export cap clause that this government has granted the U.S. I just do not understand how one country, that being Canada, can allow another country, that being the U.S.A., to dictate where and how much it can export to a third country. It's even more frustrating as our domestic market is being given away.

In conclusion, if I could make any suggestion, it would be that compensation for all the agreements will help to maintain my farm and business and allow us to manage for my family's future. As my business model was based on producing milk, I now will need the compensation money to keep the farm viable and profitable for my daughter. Keep in mind that the last 10% to 15% of the milk produced on any farm is the cheapest milk for the farmer to produce, and the most profitable. Having that share of the milk market traded away means we will need compensation funding to continue to innovate and adapt to this new market reality.

Finally, anything you could do to prevent further concessions and limit the U.S.A.'s ability to oversee our system and limit exports would be positive for dairy farmers like me.

Thank you.

● (1540)

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

We will go to Ms. Robinson with the Canadian Federation of Agriculture.

Ms. Mary Robinson (President, Canadian Federation of Agriculture): Thank you for this opportunity to present today on a trade agreement that is important to the success of Canada's agriculture community and industry.

Agriculture is an essential part of the economic, political and social fabric of Canada and it is critical to the well-being of all Canadians. It plays a strategic role in and is the backbone of rural communities. Agriculture and agri-food make a significant contribution to the Canadian economy, directly providing one in eight jobs, employing 2.1 million people in rural and urban Canada and accounting for 6.7% of total GDP.

A significant part of Canadian agriculture and agri-food's growth and success is due to international trade agreements and subsequent export market development and sales. Canada's market is just too small to accommodate the growth potential of what has become a world-renowned, efficient and low-cost agriculture industry. Currently the industry relies on export markets for at least 60% of its output. Consequently, the industry is always on the lookout for additional profitable markets and easily awaits the outcome and potential opportunities of any and every bilateral or multilateral trade negotiation.

Having said that, it's equally important to recognize that our supply-managed sectors have built stable and viable industries without reliance on export markets, and it's important to ensure that they are not undermined and destabilized in any trade agreements Canada negotiates.

The North American Free Trade Agreement has underpinned growth in agriculture production and processing not only in Canada but also in the U.S. and Mexico. It creates a market of 449 million consumers and generates agri-food and seafood trade of $289 billion. The benefits of NAFTA are undisputed and have been since its implementation. Nearly 80% of Canada's total processed food exports go to the U.S. and Mexico. Canada is the number one supplier of agriculture goods to the U.S., and we have considerable potential to increase ag trade with Americans. With its growing middle class, the same goes for Mexico, where Canada is the second most important supplier of agriculture goods.

Furthermore, integration between Canada and the U.S. is such that our respective industries have grown to rely on open borders to strengthen and feed each other. A specific state example points us to the $2 billion Canadian in trade we do with Iowa. It exports close to $300 million in animal feed to Canada, imports around $170 million in live hogs from Canada, and then turns around and sends us $180 million in fresh and frozen pork. Trade and investment with Canada creates 100,000 jobs in Iowa.

CFA, from the beginning, maintained that NAFTA did not need renegotiation, that changes and improvements could well be made within the agreement already in place. The priority of course was to maintain the benefits that Canadian agriculture was already enjoying. In short, supply-managed sectors would not be undermined through market access concessions, achieve imported market access for our sugar beet producers, and advance regulatory alignment and domestic support equity.

In reviewing the new agreement, CUSMA, it is evident that the open borders and subsequent market benefits from NAFTA remain largely intact. In fact, some additional benefits were achieved, but they came with a price, and some may say, far too heavy a price. It is clear that the Alberta sugar beet producers came away with the biggest gain. Ever since the original CUSFTA, where the requirement to institutionalize TRQs at historic import levels was ignored by the U.S., our sugar industry has dealt with a very restrictive U.S. TRQ. In CUSMA, our access for sugar beets was more than doubled to a total of 20,000 tonnes.

Central to the success of any trade agreement is the ability to reduce no-tariff trade barriers. This includes a process for regulatory transparency, co-operation and alignment. CFA applauds the efforts made by our government to include the provisions set out in chapter 28 of the agreement, which calls for transparency and a process for communication and co-operation among North American regulatory authorities. The establishment of a committee on good regulatory practices composed of government representatives, including from central regulatory agencies, will enhance collaboration with a view to facilitating trade between the parties.

● (1545)

Canada tried hard to have the U.S. remove the requirement for Canadian meat imports to be reinspected when they cross the border, but to no avail. This issue should be one of the priorities on good regulatory practices to go before the committee.

Canadian agriculture has built and developed a successful export industry, but its success is contingent on operating within a robust rules-based trading system. An important component of such a system is an effective dispute settlement mechanism. For that reason, maintaining chapter 19 was critical and will be an important element in creating a level playing field.

American farmers have long had the ability to sell and ship wheat to Canadian terminals just across the border and have negotiated prices reflective of quality. However, even though the price may have reflected the grade quality, the documented designation did not reflect the grade. This agreement calls for the Canadian grade to be assigned to the imported product with appropriate documentation. CFA has been assured this will not compromise our system of variety registration.

Canada paid a very high price for the conclusion of CUSMA renegotiations by conceding significant dairy, turkey, chicken and table eggs market access to the U.S. It's another economic hit in the wake of CPTPP and CETA with the accumulation of access concessions devastating supply-managed industries. For example, by 2024 the combined market access concessions made by Canada under the WTO, CETA, CPTPP and CUSMA will represent 18% of our dairy market.

Supply-managed industries are anxiously waiting for government to fulfill its commitment to quickly and fully mitigate the impacts of these trade agreements. As well, every effort needs to be made to eliminate all forms of TRQ circumvention—circumventions that escalate the volume of imports far beyond the negotiated TRQs.

Two other issues in addition to market access concessions which cause alarm for the industry are the concessions Canada made with respect to policy development and export controls. Canada has agreed to consult with the U.S. before making changes to Canadian dairy policies. This is clearly a loss of sovereignty in Canadian policy development and one that should never have been surrendered.

Second, Canada agreed to cap dairy sector exports of milk protein concentrates, skim milk and infant formula to CUSMA and non-CUSMA countries with an applied export charge on exports over the cap. This is disturbing on several fronts. Canada has long argued against the use of export tariffs to regulate trade and it sets a dangerous precedent by allowing a regional trade agreement, and a party in that agreement, to control trade of another party to countries outside the agreement.

Finally, it's a precedent that may have implications for Canadian export reliant agricultural sectors. If Canada exports to other countries and out-competes U.S. products, the U.S. may try to use CUSMA or some other mechanism to manage and restrict Canadian trade to the rest of the world.

In conclusion, CFA applauds government for its part in consummating an agreement. The importance of profitable markets around the world for Canadian agriculture cannot be overstated. However, the CFA would implore government to negotiate successful trade agreements in agriculture without paying the heavy price we have in the past with access concessions in supply-managed domestic markets.

Thank you.

● (1550)

The Chair: Thank you very much.

We will move to Mr. Nantais with the Canadian Vehicle Manufacturers' Association.

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): Thank you very much, Madam Chair.

Good afternoon, honourable members.

I'm pleased to be here today representing Fiat Chrysler Automobiles Canada, Ford Motor Company of Canada and General Motors of Canada Company.

Our members operate four assembly plants, as well as engine and components plants. They invest many billions of dollars in the development of zero-emission technologies and advanced vehicle safety technologies. We have over 1,300 independent dealerships across Canada, and we contribute quality employment opportunities for over half a million Canadians.

The CVMA has been a primary advocate of CUSMA, and we recommend passage of Bill C-4 without delay. The passage of CUSMA is essential to provide certainty to North American automobile manufacturers. The automotive provisions, as well as the side letters that provide protection from the U.S. section 232 tariff actions, are indeed critical elements to support automotive manufacturing competitiveness within the North American trade bloc.

It's important to remember that, for the auto sector in Canada, the alternative to reaching this agreement was the cancellation of NAFTA, the reimposition of tariffs on finished vehicles and parts, and likely section 232 tariffs on input materials. So, if we are anxious to see ratification, that is indeed why.

We again want to say thank you to the Canadian negotiators for working so closely with us and ultimately ensuring that we maintain Canada's auto sector as a truly integrated part of the North American industry. This agreement was existential for Canada's largest manufacturing and export industry.

The agreement reinforces the long-established integration of the auto industry supply chain necessary for its competitiveness and, importantly, the ongoing need for continued regulatory alignment with the United States of vehicle technical regulations that are integral to trade and the environment while ensuring greater consumer product choice and affordability.

The auto portions of the new agreement, including the rules of origin, the labour value content provisions and the section 232 side agreements, are things that all our members support and can adjust to over a reasonable time period so that we will remain compliant, enabling us to continue to enjoy duty-free access to the largest and most beneficial auto market in the world.

Since the Auto Pact of 1965, Canada's automotive industry and its supply chains have become deeply integrated with the United States and, over time, with Mexico. Vehicles are built seamlessly on both sides of the border. The resulting deep integration has led to a more competitive Canadian auto industry, greater consumer choice at more affordable prices and a strong North American trade bloc.

When the original NAFTA came into force in 1994, it provided a foundation for a strongly global competitive trade bloc. The geographic proximity of the three NAFTA partner facilities, the multi-billion dollar sectors, the parts sector and the just-in-time supply chains are critical to vehicle assembly operations in North America. It also created inherent transportation and supply chain logistics cost advantages.

Today, automotive manufacturing represents the second-largest Canadian export sector, with $54 billion in trade in 2019. Ninety-two per cent of the total value of that was to the United States. The United States is our number one automotive trade partner, and it's absolutely critical that a trade agreement be in place to provide the foundation for Canadian automotive production and exports in the future.

We must always keep in mind that Canada is one-tenth of a complex, fully integrated long-lead industry. Multi-billion dollar product plans and manufacturing investment plans generally begin over five years in advance of the start of production. Planners require regulatory certainty to make their decisions. They especially need Canada to maintain fully harmonized safety, vehicle GHG, criteria emissions regulations with the United States.

This remains imperative if we are to continue to be part of this fully integrated, long-lead, high-capital-cost industry. Put simply, we did not work this hard to modernize integrated rules of trade in North America to then take our eye off the ball and drift away with unique or different regulations. That could actually put us back to square one and leave us on the sidelines.

Canada's officials must also maintain a high degree of engagement with their counterparts in the U.S. and Mexico. We cannot relax our efforts to ensure that Canada is sufficiently competitive to win future manufacturing investments that anchor much of the Canadian automotive supply chain. Canada must have competitive, in fact, more competitive, costs of auto operation in Canada, including investment incentives, carbon costs, competitive labour agreements, taxes that keep pace with the United States, competitive electricity prices and competitive regulatory regimes.

It's important to remember that the auto sector is going through one of the most dramatic periods of change in its 100-year history for auto technology and mobility business models. We must work closely together with the Canadian industry and all levels of government to demonstrate that Canada is the best place anywhere to invest in the future of this important industry.

● (1555)

In closing, we fully respect the committee's need to hear Canadians and ask questions. We have worked with all parties over the last two years to discuss this very complex issue. We have been truly involved, and we appreciate your interest and open dialogue. We thank you for that, but we must ask you to ratify this agreement promptly.

I'd be pleased to answer any questions.

The Chair: Thank you very much.

We will move to the Dairy Farmers of Canada, and Jacques Lefebvre, Pierre Lampron and Christopher Cochlin.

Mr. Lampron.

[*Translation*]

Mr. Pierre Lampron (President, Dairy Farmers of Canada): Good afternoon. On behalf of the Dairy Farmers of Canada, I want to thank you for the opportunity to offer our perspectives on Bill C-4 concerning the Canada — United States — Mexico Agreement.

I'm accompanied by Jacques Lefebvre, our chief executive officer, and Chris Cochlin, our legal advisor from Cassidy Levy Kent LLP. Mr. Cochlin is an expert in international trade.

The vast majority of politicians in this country say that they support supply management. However, in the end, actions speak louder than words. Today, with CUSMA, supply management has never been more weakened. There's no doubt that Canadian dairy farmers have been hit by the three most recent trade agreements. This is something that even the Government of Canada recognizes.

When the imports already authorized under the WTO and the access previously granted under the Comprehensive Economic and Trade Agreement, or CETA, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, are added together, these total imports will be equivalent to 18% of Canadian milk production by 2024. CUSMA also gives the United States oversight over the management of our dairy system by requiring a consultation with them prior to any changes in its administration.

Is this not an abdication of the independence of Canadian decision-making and our sovereignty? Have we negotiated reciprocity with the United States, given the non-tariff barriers that our products must face in order to enter the American market?

The Prime Minister has repeatedly committed to full and fair compensation to the dairy sector for the cumulative impacts of CETA, CPTPP and CUSMA. In terms of the first two agreements, at the end of 2019, we received a first instalment representing a little more than 12% of the total promised compensation. We await guarantees that the sums still to come are locked in. Once again, actions speak louder than words.

This compensation doesn't include CUSMA. Some wonder why financial compensation is being offered instead of programs.

First, our recent experience with programs set up to mitigate agreements with Europe hasn't been conclusive. Of the $250 million granted, almost 10% was allocated to the administration of the program by the public service. This amounts to $22 million returned to state coffers for the administration of the program by federal public servants. The remaining sums benefited only a small number of producers.

Second, the compensation formula announced in August 2019 is consistent with the recommendations of the mitigation working group created by the federal government after the signing of CUSMA. However, beyond the numbers, realities on the ground affect some 11,000 families across the country.

My experience isn't unique, but it sheds light on why financial compensation is needed. When my brothers and I took over the family farm some 30 years ago, we knew that the market was equivalent to the potential of Canadian consumers. We made calculations and projections on this basis. We determined that we could make ends meet despite the significant costs associated with acquiring a farm.

The Canadian government will have ceded nearly one-fifth of our production to foreigners by 2024. We know now that our business plan didn't take into account the fact that our market would be conceded in this way. If we had known this, my brothers and I would have given serious thought to whether it was worth it to take over the family farm. This would be true of any business confronted by a loss of nearly 20% of its market.

However, since the concessions have been granted, we have a few recommendations.

We recommend that the Canadian government continue to give dairy farmers, in the form of direct payments, the remaining seven years of full and fair compensation to mitigate the impacts of CETA and CPTPP. We ask that the total amount be formally accounted for within the 2020 main estimates and that the government announce the amount of compensation for CUSMA prior to its entry into force.

On the other hand, CUSMA contains a provision that imposes export taxes, above a certain threshold, on skim milk powder, milk protein concentrate and infant formula.

● (1600)

This threshold is draconian. In the first year of the agreement, it represents about half our exports for 2018, and then it declines. This export tax undermines the competitiveness of our products in relation to the products of other global players, including the United States. This provision sets a dangerous precedent for any dairy product that may be exported.

In addition, if CUSMA enters into force before August 1, the beginning of the dairy year, the export thresholds will see a dramatic decline of nearly 35% after only a few months. For Canadian dairy producers, CUSMA presents a fourfold threat.

On the one hand, we've conceded more of our domestic milk production to foreign producers for products that will end up on our shelves. These products will be made from foreign milk whose production is directly and indirectly subsidized, which isn't the case here. This results in cheaper milk for foreign processors that export products here. This gives rise to the question of whether this unfair competition constitutes the dumping of foreign dairy products on our shelves.

At the same time, we face export barriers for dairy products made with milk from our own country. Add to that the fact that our border is porous and the government isn't in a position to test foreign dairy products coming into the country. It's important to note that these products aren't subject to the same production standards to which we adhere.

Given the impact on our industry and the dangerous precedent set by the export thresholds, we call on the government to take mitigating steps. We understand that this could be done through administrative measures after the ratification of CUSMA, on a voluntary basis, without reopening the agreement.

When it comes to controlling our borders, the government must commit to giving the Canada Border Services Agency the resources and training to enable officers to fully play their roles. After our discussions with the union management, we're convinced that the officers expect nothing less.

Canadian dairy producers are committed to the highest standards of sustainable production. This is done through the proAction program. These standards come with costs for farmers. For example, unlike American producers, our Canadian producers don't use artificial growth hormones to increase milk production at the expense of the health of the cows.

Instead of supporting our farmers so that they can maintain these rigorous production standards, the government has chosen to open its market to surpluses of foreign dairy products that don't meet our domestic standards.

In conclusion, the Dairy Farmers of Canada understand the importance of international trade to the Canadian economy in general. They aren't opposed to Canada exploring or entering into new trade agreements. However, let's be realistic. All countries have both offensive and defensive interests when it comes to trade negotiations. The United States, for example, has a long tradition of protecting their sugar, cotton and dairy sectors. Unlike in Canada, these industries receive production subsidies, directly or indirectly, from the American government.

The defence of supply management has never prevented Canada from entering into an international trade agreement. Trade negotiations don't seek to pit one Canadian industry against another. However, we firmly believe that access to the Canadian dairy market should no longer be the price of entry into these agreements. Despite the government's assurances, we remain concerned about what could be conceded in a free trade agreement with Great Britain. It's also important to consider that the impacts of recent trade agreements weren't limited to dairy farmers.

The Canadian government should also provide full and fair compensation to dairy processors, in addition to Canada's poultry and egg farmers. Lastly, the time may have come for a committee of the House of Commons or Senate, or even of both, to look into the possibility that foreign dairy products are being dumped in Canada. Your farmers aren't scared of international competition, provided that there's a level playing field.

I'll be pleased to answer your questions.

● (1605)

[*English*]

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

Mr. Dhaliwal, on a point of order.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you to the presenters.

Fellow members of Parliament, I am speaking against my own intent of last week. Last week, I moved a motion that no motion will be entertained this week. There was some miscommunication in the wording. I had discussions with the Conservatives, and I'm sure the Bloc and the NDP will be fine if I could move a motion to clearly indicate that there will be no motions this week.

Mr. Randy Hoback (Prince Albert, CPC): Wasn't that agreed?

The Chair: I think we already had that agreement that we would have no motions until we go into clause-by-clause—

Mr. Randy Hoback: Yes, to clause-by-clause.

The Chair: —and all members would be present.

Mr. Sukh Dhaliwal: That's fine. I just wanted to make sure that we put in the wording that there will be no motions by—

The Chair: There will be no motions by any members until we reach a point when we're ready to deal with clause-by-clause.

Mr. Randy Hoback: With clause-by-clause you have to; there's just no way around it.

The Chair: Exactly. Is everybody good with that?

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you, Mr. Dhaliwal, for clarifying that.

We will move to Mr. Berthold.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you, Madam Chair.

I want to thank the committee members for the opportunity to be here today to ask a few questions regarding an issue that has kept me busy in recent years.

In concrete terms, I've enjoyed working very passionately with the people in the Canadian agricultural sector.

I also want to thank you, Ms. Robinson. I was very pleased to work with you.

Obviously, one issue has been of greater concern to us than other issues in recent months, especially in Quebec. That issue is dairy production.

Although there has yet to be an announcement on compensation for the new free trade agreement with the United States, we expected the government to tell us its intentions before asking us to sign the agreement. We haven't heard any news. We still don't know what will happen to the remaining seven years of compensation for the other agreements previously announced. We're also concerned about this issue.

We expected that the dairy processors would receive compensation, but we've had no news on that front. There's still absolutely nothing for egg and poultry farmers.

You can appreciate why it's important for us, on the opposition side, to have the opportunity to ask you questions about this free trade agreement. That's why we want to thank you for being here to answer these questions.

Last week, I was particularly surprised to hear the presentation given by Chrystia Freeland, Deputy Prime Minister, who was here at the Standing Committee on International Trade.

I listened carefully to her presentation. In response to a question about the new export tariffs on milk proteins, such as skim milk powder or infant formula, Ms. Freeland said that the supply management sector was consulted extensively regarding the imposition of export tariffs on powdered milk.

● (1610)

I would translate that as “consulté intensément.” You're part of the supply management sector, because you were the representatives of the Dairy Farmers of Canada. Do you consider that you were “consulted extensively” on the Canadian government's new approach?

Mr. Jacques Lefebvre (Chief Executive Officer, Dairy Farmers of Canada): Thank you for your question, Mr. Berthold.

Throughout the negotiation, there were information sessions. There were also consultations on certain items. However, we weren't consulted regarding the magnitude of the export thresholds. These thresholds would apply beyond the signatory countries, along with the provision giving the United States oversight over the administration of the dairy system.

Mr. Luc Berthold: We're stunned. This is different from the statements made by Ms. Freeland here in the committee and in the House of Commons, when she urges the opposition to move quickly. She told us that all the consultations were done, and that extensive consultations on exports and tariffs were held.

I gather that the government didn't consult you on this issue. You've just made that quite clear.

Was there any discussion on this? Were you advised that this option would be put on the table? Did you learn this, as we did, after the end of the negotiations?

Mr. Jacques Lefebvre: The comment made be the Deputy Prime Minister concerned a fairly wide range of people. We're producers, but we aren't the only producers.

As for us, the Dairy Farmers of Canada, we weren't consulted on these measures.

Mr. Luc Berthold: Do you know whether other countries that have free trade agreements allow this type of agreement?

Have you ever seen a country with which we have a free trade agreement be allowed to decide that we can't sell milk powder to other countries that aren't part of the agreement?

Have you seen this in your field? Does this exist elsewhere in other agreements, or is this a first?

Mr. Pierre Lampron: I don't think that I've seen this. That's why I mentioned it in our brief. The sovereignty of the country is really under attack. Perhaps our expert, Mr. Cochlin, could tell us whether he has seen any cases of this nature.

Mr. Christopher Cochlin (International Trade Legal Advisor, Cassidy Levy Kent LLP, Dairy Farmers of Canada): As far as we know, there are no precedents. As we've already heard, this is a first. Other agreements are somewhat similar, but the idea of applying export tariffs to sales in third markets is really new.

Mr. Luc Berthold: Thank you.

[*English*]

The Chair: You can ask a very short question.

[*Translation*]

Mr. Luc Berthold: I don't have any more questions. You've answered my questions nicely.

Once again, I deplore the fact that we're being told one thing and that, unfortunately, when we talk to the people directly concerned, we don't get the same answers.

I would expect the minister to make clear and accurate statements when she appears before a committee and to tell us the truth.

Madam Chair, in my opinion, there's an unacceptable gap between “consulted extensively” and “did not consult.”

[*English*]

The Chair: Thank you, Mr. Berthold.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

Thank you to the presenters. I just want to make it very clear to you all that Americans were not concerned at all about supply management, but it is us as Canadians. Our government was able to preserve supply management within this agreement. Probably most of you agree but you did not necessarily get everything you wanted.

My first question is for you, Mr. Lefebvre, carrying on with the conversation. When you said that you were constantly in touch with the negotiation, were you in an engagement when the negotiations were going on?

● (1615)

Mr. Jacques Lefebvre: To address your first comment, we do react a little bit. We understand that U.S. Secretary of Agriculture Perdue indicated clearly that the Americans were not interested in supply management. They were interested in an innovation strategy that had been adopted in Canada.

With regard to your point as it relates to being informed, yes, as those in many sectors do, we travelled to Washington and to Mexico City, and officials would brief us on a regular basis after the meetings. These were briefings. They were not consultations per se, but we were kept abreast.

Mr. Sukh Dhaliwal: Ms. Robinson, you were here in 2018 and you have met many MPs as well. What is your experience when it comes to briefings and being in contact with...?

Mr. Robert Friesen (Trade Policy Analyst, Canadian Federation of Agriculture): I would have to agree with the comments that were already made. I attended the briefing meetings as well, and it's quite right that we were told what was taking place but were not consulted on whether or not something was a good idea.

Mr. Sukh Dhaliwal: Mr. Chris Cochlin, when it comes to export threshold on particularly the skim milk powder concentrate, there was a supplier who was concerned that if we ratified the CUSMA right away, it would affect them if it weren't done in August. Is there a way to mitigate that?

Mr. Christopher Cochlin: The agreement and the rights and obligations have been agreed to. That has been concluded, but of course anything is still possible at the administrative level after the agreement has been concluded. There is always a possibility for both sides to agree to further accommodations in terms of timing or enforcement.

In contrast to what we see, for example, in the intellectual property rights space, for certain provisions in the agreement itself, there are transition periods provided for two and a half years or four and a half years for certain changes. We don't have that in the dairy provisions on the export charges, but that doesn't necessarily mean those accommodations can't still be arrived at country to country at the political level between negotiators and the political decision-makers. I'm not saying that would be easy of course. None of the contexts of these negotiations, I imagine, were easy, but it is a possibility.

Mr. Sukh Dhaliwal: My question is for you, Ms. Robinson.

You mentioned that 18% supply management is affected by WTO, CETA, CPTPP and CUSMA. What, out of that 18%, is related to CUSMA?

Ms. Mary Robinson: I think our friends at Dairy Farmers would be better to answer that question. Sorry.

[*Translation*]

Mr. Pierre Lampron: That's fine.

[*English*]

For CUSMA, it's only 3.9% of dairy products.

Mr. Sukh Dhaliwal: You say it's 3.9%. On the overall scheme of things, Mr. Lefebvre mentioned earlier that the U.S. was not concerned about supply management at all. By protecting or preserving supply management, do you still think that government has done its role to help the supply management sector?

● (1620)

[*Translation*]

Mr. Pierre Lampron: Yes, supply management has been protected, but as I said, it has been undermined. In terms of the 3.9%, that's fine in itself, but the problem is that there was already the CPTPP and CETA, and there was already the WTO. It's that buildup that's the problem. We are really weakened. That's why we don't want any more concessions. It has hurt producers, and as you've heard in testimony, while supply management has been preserved, it has also been weakened. That's the state of affairs.

[*English*]

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

We will move to Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Good morning, everyone. Thank you for being here and sharing your experiences and those of your respective groups.

My colleague asked a question earlier about what the Deputy Prime Minister said. When she came to the committee, I asked her a question about the concessions being asked of the dairy sector and she said that producers understood the situation.

However, your presentation shows that there is a lot of disappointment and irritation. As you said, every time, they promise that there will be no breach; then, once an agreement is reached, they tell us that it's only a small breach; and when the breaches of all the agreements add up, you end up with a pretty big crater. Not only do you need compensation, but you also need to make sure there's never another breach. In fact, we, in the Bloc Québécois, introduced a bill earlier to ensure that there will never be another breach of the system. Let us hope that our colleagues will hear this appeal.

Do you think supply management was well defended in the negotiations?

Mr. Jacques Lefebvre: Thank you for your question, Mr. Savard-Tremblay.

A lot of people say a lot of good things about supply management, but the reality is that when you concede almost one-fifth of your milk production to foreign producers and at the same time—exports being one of the tools that compensate and mitigate that loss—you are told that you will not be able to export beyond draconian thresholds, you find yourself in a vise. So we're stuck, both by the concessions on our production, and by our ability to export that could have mitigated the impact.

Actually, as our president has said, supply management is as weakened as it has ever been in its history.

Mr. Simon-Pierre Savard-Tremblay: Thank you for that very clear answer.

Beyond supply management, there is also, as you rightly said, the issue of export controls. As far as this aspect is concerned, we know that, for you, the Dairy Farmers of Canada, the effective date changes everything. In fact, after the vote and ratification, it will come into effect within three months, and, for you, the dairy year begins on August 1. So the effective date changes everything.

In this context, what would be the ideal date for ratification?

Mr. Pierre Lampron: We're talking about ratification on May 1 for entry into force on August 1, the beginning of the dairy year, as you said. Since the ceiling is 50 tonnes in the first year, we start the second year right away—

Mr. Simon-Pierre Savard-Tremblay: That would leave you only the summer to get through it all, which would be unthinkable.

Mr. Pierre Lampron: That's it. We must already adapt and see how we will manage this. At least the industry would have more time to adapt.

Mr. Simon-Pierre Savard-Tremblay: In your opinion, it would be ideal to hold off on ratification until May 1?

Mr. Pierre Lampron: It would be very important.

Mr. Simon-Pierre Savard-Tremblay: Perfect. Thank you, Mr. Lampron.

How much time do I have left, Madam Chair?

[*English*]

The Chair: You still have two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: We still have plenty of time. We're going to have fun.

Given the planned elimination of what is called class 7 in the agreement, do you have a strategy to try to compensate for that or deal with that?

Mr. Pierre Lampron: In 2017, we found an innovative strategy to address dairy production issues with the government and dairy processors, our partners. Now we need to change our model. We have made proposals, but the solutions will have to come from the government. It is up to the government to respond to the abolition of class 7.

Mr. Simon-Pierre Savard-Tremblay: You talked mostly about exports and supply management. Could you tell us a little bit more about the implications of that?

● (1625)

Mr. Pierre Lampron: As you know, American production is 15% higher than demand, and their objective is to sell their products on the foreign market. On our side, with supply management, our production is limited to the Canadian market. In the CUSMA, we are responding to the Americans' strategy. They want to have access to other markets and we have allowed them to sell their surplus production in Canada. That is what hurts. For our part, we are focused on Canadian production.

Mr. Simon-Pierre Savard-Tremblay: It's an issue that has been going on for many years. In the beginning it was about diafiltered milk proteins, and the creation of class 7 was a bit of an answer to that. It was a way of dealing with that, because at the beginning, it was said that diafiltered milk was not real milk and therefore the law didn't apply. The creation of class 7 was a kind of compromise

Mr. Pierre Lampron: It was a way for dairy producers and processors to negotiate with the government to find a solution to the problems of product classification.

Mr. Lefebvre, is there anything you'd like to add on this subject?

Mr. Jacques Lefebvre: Yes. Thank you, Mr. Chair.

We created an innovation strategy with dairy processors, and the government was well aware of the creation of this strategy. In fact, we were encouraged to do so. However, that strategy was conceded in the agreement with the United States and Mexico, which leaves us in the lurch today. What is certain is that our room to manoeuvre has been reduced enormously and we will have to abide by the concessions that have been made by the government.

[*English*]

The Chair: Mr. Blaikie.

[*Translation*]

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

We have heard a few times in committee and even in the House of Commons that Canadians are paying more for their milk because of supply management. I think those were comments made by Mr. Arya. I was a little surprised, because the research says otherwise.

I wanted to give you an opportunity to talk to us about dairy price competitiveness in Canada.

Mr. Pierre Lampron: Thank you very much for your question.

The price of milk, if we take the same standards, that is, milk without somatotropin, is equivalent in Canada and the United States. In fact, over the past five or six years, the price of dairy products has increased by 2%, while the price of the grocery basket has increased more. Countries such as New Zealand have seen a $0.20 increase in recent years, which we have not seen in Canada. I don't know what you've heard, but by any standard, we're very competitive in terms of retail prices.

Mr. Daniel Blaikie: Thank you very much.

[*English*]

We understand it's going to take a little while longer for this deal to go through committee and the House. After that, it has to go through the Senate. By the time it clears Parliament, it won't be that long before the May 1 deadline. It's our view the government should wait in order to make sure the dairy producers aren't needlessly affected.

If the implementation occurs prior to May 1, do you believe that government ought to account for that in the compensation package it creates for CUSMA?

Mr. Jacques Lefebvre: Yes, absolutely. Our hope is that the government.... We presume that CUSMA will be ratified. Assuming it is ratified, our expectation would be that compensation would be announced at that time and would include the impact of the caps on the exports.

Mr. Daniel Blaikie: In terms of other administrative measures that might be taken to try to minimize the damage that is going to be done to Canada's dairy sector as a result of this deal, we understand that it matters whether the quota is allocated to retailers or to processors. I've spoken to folks from the dairy industry about how that's playing out under CETA, and I'm wondering if you guys have similar concerns and suggestions for how the quota under CUSMA ought to be allocated.

● (1630)

[*Translation*]

Mr. Pierre Lampron: Once again, thank you for raising this issue.

The position of our transformer colleagues is simple: it is the same as ours. If all the tariff quotas are to go to the processors to prevent the destruction of the market, they are the ones on the market.

There's a lot at stake. For example, when will these quotas apply during the year? We must not destroy the entire market, our products must be complementary to those already entering. Everything has to go to the processors.

[*English*]

Mr. Daniel Blaikie: Do you guys have a sense of how much should be allocated to processors over retailers, or do you think it's not really constructed to have that quota allocated to retailers at all?

[*Translation*]

Mr. Pierre Lampron: I believe 100% is to be allocated to the processors, people who are affected and who are in the marketplace. Our position is that these quotas really must go entirely to the processors.

[*English*]

Mr. Daniel Blaikie: When we talk about the compensation package I have a further question. We've heard about compensation for producers and for processors. We've heard testimony at the committee that suggests that, as part of the package, there should also be some compensation for workers who are affected, whether it's pension bridging or training dollars to help them transition into other industries.

I'm wondering if the Dairy Farmers of Canada has a position on whether those interests ought to be included in the compensation package.

[*Translation*]

Mr. Pierre Lampron: Of course we have no objection if people feel affected by such a situation. At the moment, we do not have a firm position on this.

Mr. Daniel Blaikie: Thank you very much.

Mr. Pierre Lampron: If people are being affected, we can't object.

[*English*]

Mr. Daniel Blaikie: Thank you.

The Chair: Thank you very much.

We will move to Mr. Carrie.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair.

My first question is for Mr. Nantais.

We get it. The agreement does provide certainty and protection against 232s. The whole idea of these agreements is so we can get costs down and align regulations and things like that so we can be more competitive as a North American bloc.

I worry about the rules of origin. In some ways they are good, but, in other ways, the costs.... We know that manufacturers aren't afraid of importing cars into North America. Where's that tipping point if the costs are too high here, if somebody just built that car in China and just shipped the whole vehicle over here? That's a worry I have since I come from Oshawa, where we just lost our assembly plant for whatever reasons. Manufacturers say it's like death by a thousand cuts, and that's what I'd like to talk to you about.

The agreement here, the new CUSMA, is supposed to work on alignment and making us more competitive, but since I come from a government that was working on harmonizing regulations across the sector, the current government is putting in all kinds of unique Canadian costs and regulations.

We could talk about environmental considerations and costs such as the carbon tax. You mentioned the high cost of electricity. I hear that over and over again. You mentioned in your opening statement that we almost have to be more competitive here in Canada.

As the guy who represents Oshawa, where we just lost our assembly plant, I'd like you to comment. Is there anything specific in this agreement that would favour Canadian investment versus an investment in the United States? If I'm General Motors, Ford or Fiat Chrysler, why would I pick Canada versus the United States based on this agreement?

Mr. Mark Nantais: That's an excellent question, Mr. Carrie, and all of those things you have said are absolutely true. These are considerations that have to be given due analysis and consideration.

We do operate in a high-cost jurisdiction. We have signed other trade agreements where we don't have full reciprocal access to those markets. Certainly during the course of negotiations, we had discussions around what would happen if the cost of compliance and so forth exceeded the advantages.

It is true that all the multinationals that I represent under other trade agreements could, in fact, go abroad to manufacture their vehicles and simply ship them in, like all these other countries do, to Canada duty-free under those other trade agreements. These are all very serious considerations and risks, if you will. Absolutely.

We do believe, though, that with the agreement as it stands, yes, there's probably additional complexity and some costs. The question becomes whether we can manage those costs. All the companies now are giving consideration to those costs and complexities, how they report, and ultimately how they will factor that into their pricing and their production costs.

We think they're manageable at this point in time, as they stand. We are adding more content, if you will, by virtue of this agreement, more regional content. Parts makers have said that's probably an advantage for them.

Yes, we agree with that, but I will add the caveat that there are no guarantees. This agreement does not provide guarantees.

● (1635)

Mr. Colin Carrie: That's why I worry if we're diverging now and having all these uniquely Canadian costs. I think time will tell, but I can keep my fingers crossed on that.

My next question is for the Dairy Farmers.

Monsieur Lampron, you said something like “had we known”. We realize that these are families. These are small businesses. This sector is being negatively affected. One of the things we want to do at this committee is our due diligence.

We've been asking the government for impact assessment studies that have been done. The Americans finished theirs last April, and they gave their lawmakers material about three inches thick to go through ahead of ratification. We were not given the same courtesy here, even though my colleague Mr. Hoback wanted to do those studies last spring. At the time the Liberals had the majority and we weren't able to do that.

I'm worried. On Friday the C.D. Howe Institute gave its impact assessment for the agreement. Sadly, this looks as if it's going to be a $10-billion hit on our economy going through with this agreement. One of the things we've heard is that the only thing worse is not having an agreement. It's going to be even worse than that. We're in a catch-22 situation here.

I was wondering if you could comment on the openness and transparency of the government going through this process. The minister, rightfully, was here. She said that they consulted extensively. We've heard from the dairy industry, and pharmaceuticals of course, that they don't agree with that. She said that she was in front of committee 12 times. I think it was four times. Before the election, she said that this agreement was going to be a victory for Canada and a win-win-win.

Do you agree with that assessment? How would you rank the government on its openness and transparency on the way it managed this deal?

[*Translation*]

Mr. Pierre Lampron: In fact, on my farm, my brothers and I felt that it didn't fit the model that we had before with supply management, the Canadian market and investing in promotion to grow the Canadian market, and so on.

As far as transparency is concerned, I'm going to give the floor to Mr. Lefebvre, who can tell you how we feel as an organization.

[*English*]

The Chair: I suggest that Mr. Carrie has run out of time. He was on a five-minute cycle, and we're at 5:50 at the moment.

[*Translation*]

Mr. Colin Carrie: That's too bad.

[*English*]

The Chair: You can get Mr. Carrie's information in later on.

Mr. Arya, you have five minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

My first question is for Mr. Lampron.

You said in your statement that the dairy farmers have been hit. What percentage of your 11,000 dairy farmers will go bankrupt due to this agreement?

Mr. Jacques Lefebvre: Mr. Arya, if that is the measure for any agreement, then I'm quite concerned.

Mr. Chandra Arya: I've been in industry. I know what it means when somebody says that the industry is going to be hit. I had a publication. We closed down. I couldn't stand the competition. Then I was in high technology. We see hundreds of high-technology companies going bankrupt.

We use this term “the industry has been hit”. Every other sector faces complications. This is why they become strengthened, and they go and capture the market.

Ms. Robinson, last year you tweeted that the U.S. sees a 24% increase in farm bankruptcies. You went on to ask what do you think is going to happen to Canadian agriculture.

How hard is the agriculture sector going to be hit with this agreement?

Ms. Mary Robinson: In terms of bankruptcy, agriculture is unique as an industry. It's important to take into account that we're talking about the entire fabric of rural Canada. We do more than just bring amazing GDP contributions from agriculture. We also—

Mr. Chandra Arya: Absolutely, I agree; Canadian agriculture is really a great success. I see that you export to worldwide markets. It's not just limited to the North American markets. You compete with other global producers.

When I see this tweet, I just want to understand whether this agreement is bad for Canadian agriculture.

● (1640)

Ms. Mary Robinson: Canadian agriculture is so diverse and broad that I don't think you can give a blanket answer to that question. If you're a sugar beet farmer, you're probably pleased with this agreement. If you're a supply-managed farmer, you're probably not pleased with it. If you're the neighbour of a supply-managed farmer, you're probably not happy with it, because we are so intertwined that it's important that each of us be profitable. What we do in Canadian agriculture, to our best ability, is collaborate and make sure that we're all profitable and able to move forward.

Mr. Chandra Arya: Thank you, madam.

On the vehicle manufacturing issue, Mr. Carrie asked whether this agreement will increase investments in Canada vis-à-vis those in the U.S. My question is the same. When I say “investment”, I also use the word “capacity”. Will this agreement allow for an increase in installed capacity in vehicle manufacturing in Canada?

Mr. Mark Nantais: As I said, Mr. Arya, there are no guarantees. We operate in a high-cost environment. We have to ensure that we are not as competitive as other jurisdictions; we have to be better than other jurisdictions.

The question becomes: What if we didn't have this? The downside is far greater. It's almost as though if we don't have this, which is really just the price of admission.... We need all of these other factors to be considered, both federally and provincially, to make sure that we get our local costs down, to make sure that we can capitalize on the capacities, as we say, in our universities and the other partnerships and the new part of the business, which is in artificial intelligence and software and connectivity and so forth. All of these are moving forward in Canada now, given our expertise in those areas and the partnerships that OEM companies have struck with these universities and companies.

Mr. Chandra Arya: I'm glad you brought up artificial intelligence. In Ottawa we are promoting autonomous vehicles, we are promoting the software that is used in the new generation of vehicles. We are investing heavily in artificial intelligence, although I sense that future investment will be more towards the R and D that can be done in Canada in these advanced technologies.

Mr. Mark Nantais: Well, the answer to part of that question is yes. Again, it comes back to what it takes to produce profitably in Canada, given all the high costs we have to face.

Mr. Chandra Arya: Let me ask you a blunt question.

The Chair: Make it very short, Mr. Arya.

Mr. Chandra Arya: It's very short.

Quickly, is hard product manufacturing a sunset industry today?

Mr. Mark Nantais: I would say not if we address many of these issues that I've identified.

The Chair: Thank you very much.

We move to Mr. Lewis.

Mr. Chris Lewis (Essex, CPC): Thank you, Madam Chair.

Thank you to all of the witnesses for coming here today. I'm going to start my questioning, please, with Mr. Nantais.

As you are obviously very much aware now, the Canadian government has not yet provided Parliament with an economic impact statement, despite being asked to provide one weeks in advance of these deliberations. That being said, the focus of my questioning is not on whether to ratify, but rather on the implementation side of it. I am hearing concerns expressed by businesses that there's a very short 90-day window between ratification and implementation.

The committee was advised that one of the most complicated elements of this agreement is the stringent rules of origin that must be met for products to qualify for duty-free market access under CUSMA, with significant impact on the auto sector.

As a first question, sir, do you have any concerns about the short timeline between ratification and implementation? Are you aware of any proposals to negotiate a longer transition period, even up to January 2021?

Mr. Mark Nantais: Starting with the latter, I'm not aware of any direct negotiations that fall into that category. At the same time, we've said that one needs a reasonable time to make sure that all of these systems and processes are in place. I think governments in all three countries need to take that into consideration.

Mr. Chris Lewis: Thank you.

Here is a follow-up question. As Mr. Carrie said, the C.D. Howe Institute did release an economic impact study. They say that the “negative elements outweigh the positives” and that Canada's real GDP will shrink by 0.4%. They have also expressed concerns about a potential thickening at the border.

Do you share their concerns about the overall benefits and the potential for a backlog at the border?

Mr. Mark Nantais: Is that question addressed to me, Mr. Lewis?

Mr. Chris Lewis: Yes, sir.

Mr. Mark Nantais: Again, our industry has been deeply integrated for many years. We've worked exceptionally closely with the Canada Border Services Agency. Following 9/11 for instance, we instituted FAST-related programs, so we address security.

Customs and the border are an extension of our just-in-time delivery system so we have made many developments over time. We are in pretty fair shape. Canada has responded quite favourably in that respect, but if we do see a thickening, then that will have some very severe consequences not just in our industry, but in many other sectors as well.

● (1645)

Mr. Chris Lewis: Thank you very much.

How much time is left, Madam Chair?

The Chair: You have two minutes.

Mr. Chris Lewis: Thank you.

Thank you for your comments, Mr. Nantais.

I'm going to move to the dairy industry.

I'm reading here from the same economic impact statement from the C. D. Howe Institute. Data from pages 12 and 13 and tables 8 and 9 show the impact on dairy from the CUSMA. Page 12 shows Canadian figures. Canada's dairy will lose 2.62% of sector and $699 million U.S. in its domestic market to the U.S.

Wow. Given the negotiating dynamic and the tough spot Canada was in, what's left to do other than concede on these export caps? Are administrative measures really feasible?

Mr. Jacques Lefebvre: The administrative measures are feasible. They are to mitigate the impact of the caps.

I think it's important to understand, just to build on something that was said earlier, that the U.S. overproduces 15% in dairy, and their strategy—and they're very open about it—is to position themselves on the world market. What they've been able to achieve through this agreement is to eliminate competition coming from Canada.

The impact of that is major, and the time frames to adjust to that are very short. The minimum would be at least having year one apply starting August 1, to coincide with the dairy year, but when it comes to intellectual property, we see that the negotiations were granted some transition time, between 2.5 and 4.5 years. We look at that in dairy and say if we had to concede, it would have been nice to be able to transition over a longer period.

The Chair: Thank you very much.

Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much.

Thank you for coming to testify today.

My question is for Mr. Nantais.

[*English*]

In your statement, you said that the new NAFTA, Bill C-4, should be ratified expeditiously, and I believe you also noted the importance of obtaining certainty.

Is that certainty something that your members in the auto industry and the approximately half-million Canadians who work in the auto industry are asking for?

Mr. Mark Nantais: Absolutely. Certainty enables decision-makers to make decisions about investments not just in Canada but in the U.S. and Mexico. Our Canadian manufacturers are now entering another cycle of new investment. If they don't have that certainty, these decisions will be postponed and that's simply a lost opportunity. If we don't get these investments this cycle, for instance, they probably won't come forward in the foreseeable future. That is the downside that I referenced in my remarks. Some would even suggest that if we don't make these investments now, they will never come to Canada again, unless we address this broad spectrum of the high costs of operating in Canada.

Ms. Rachel Bendayan: Thank you.

We also heard you mention that the auto sector represents approximately $54 billion in trade. Earlier in the committee's work last week, we heard the mayor of Windsor say that he saw potential for growth in the industry, particularly for auto parts suppliers and other smaller businesses in the value and supply chains.

Do you see potential for investment in those areas in Canada?

Mr. Mark Nantais: We can see scenarios where there would be potential expansion, if you will, or opportunities, but as I also said in my remarks earlier, CUSMA is simply the basis to move forward. It's the entrance fee, if you will, to continue doing what we're doing, but it does not provide that guarantee in the future unless many of these other things that I've mentioned, these other parameters, these other issues, get addressed as well.

So yes, we agree with that, but if one is walking away here thinking it's guaranteed, we cannot say that.

● (1650)

Ms. Rachel Bendayan: I understand.

Perhaps with the time remaining we could touch on the importance of your members investing in zero-emission technology and where you see that going. Could you give us a short update on cars of the future?

Mr. Mark Nantais: How much time do we have? A short response is....

Well, to begin with, let's start with zero-emission vehicles. Basically, they're electric vehicles or fuel cell vehicles, absolutely, and they're already in the market now at a pace that is unprecedented. There are many more new models and many more sales. I think that's a given, particularly when you look at the GHG emission standards that we have to meet. We can't meet them without electrifying the fleet.

When we start getting into connected vehicles, and ultimately autonomous vehicles further down the line, obviously, we start getting into the shared economy. Autonomous vehicles and so forth and shared transportation services again are very much of the future, but a little farther out. There are many things we have to satisfactorily address, I might say. We have in Canada this little problem called winter, and some of our sensors don't work that well when they're covered with snow and so forth, just as a practical matter.

Even just on zero-emission vehicle technologies, I would say that literally hundreds of billions of dollars are being invested. Companies are definitely committed to seeing a return on their investment in that regard. They are very much our immediate to mid-term future.

Ms. Rachel Bendayan: You referred to billions of dollars in investments, including in Canada?

Mr. Mark Nantais: Yes. Some of these other partnerships that I mentioned earlier in terms of software and sensors are very much a part of those vehicles. In other words, that's a component of the design cycle, or the design that goes into these vehicles, which is shared across these companies.

Ms. Rachel Bendayan: Thank you.

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'm speaking to Mr. Nantais of the Canadian Vehicle Manufacturers' Association.

You federate all vehicle manufacturers of vehicles such as individual vehicles, but also manufacturers of other types of vehicles, isn't that right?

[*English*]

Mr. Mark Nantais: When you say larger vehicles, I'm not sure what you mean by that. I represent Fiat Chrysler, Ford and General Motors. These are some of the largest traditional vehicle manufacturers in Canada and in North America in multinationals.

Many of the things I've addressed today are things that all vehicle manufacturers, in many respects, support in Canada. I'm not going to speak for those others, but we have had discussions on a regular basis. Many of these issues are the same ones, and some of the solutions to these concerns are also the same ones that they support.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: So you're talking about efforts that are being made to reduce emissions. You're talking about efforts that are being made to, ideally, meet emission reduction targets, so the environmental concerns that the vehicle industry would have.

In your opinion, would it have been desirable for the agreement to have contained stronger environmental standards?

[*English*]

Mr. Mark Nantais: I would say no for this reason. When we talk about smog-related emission standards for instance, we've aligned with the United States. It is the most stringent national standard in the world. When we talk about GHG standards, it's also a very aggressive year-over-year improvement. Now, they may change—there's a very complicated issue unfolding in the United States—but we would continue to say that we must continue to align our regulations. That also applies to vehicle safety and technologies, where we are moving to a higher common denominator by aligning with the national standards of the United States.

In many respects, you really can't get better than that. There may be some examples in other jurisdictions, but when we talk about the integrated North American market, the need for scale and the integration of our market, these are things that.... Basically, if we develop technology that people can't afford, these technologies will not make it into the marketplace. That means we don't get the safety or environmental benefits.

We need the scale to make sure that prices of these technologies are affordable for consumers, and that those consumers can have maximum choice. If we don't have this, then, for one, many of these products may not come to Canada, and consumers, for affordability reasons, may not buy them either. Either way, we don't get the safety benefit and we don't get the environmental benefit.

● (1655)

The Chair: Mr. Blaikie.

Mr. Daniel Blaikie: Those were along the line I wanted to go in terms of talking about some of the implementation on the auto side, and the question of regulations between Canada and the United States.

I'm also curious, because no one yet has talked about what was agreed to in the TPP with respect to auto. Is there any tension or friction between that and what was agreed to in CUSMA? How will that interact in the Canadian market?

Do you have reflections that you would like to share on that?

Mr. Mark Nantais: The CPTPP, which is what it ended being, is an agreement we didn't support. We didn't support it on the basis of having full reciprocal access to markets in the countries that are part of that agreement. Some of those countries, even while the negotiation was under way, were introducing more constraints and restricting access, such as Vietnam.

When we negotiate these international agreements, we should be looking at it through the lens of what is good for our domestic industry. That's what these countries are doing. If we can't gain full reciprocal access, which we have unsatisfactorily addressed to date, because of non-tariff barriers which they've introduced and continue to introduce, that is not helpful to our domestic industry. Ultimately, this could be very harmful to us.

In the United States, that's exactly what the Americans are doing. They're negotiating these international agreements through the lens of what is helpful to the long-term viability of their domestic industry. That's what we need to keep in mind when we're negotiating these other agreements.

Mr. Daniel Blaikie: Indeed. If the Canadian government isn't bargaining on behalf of the Canadian economy, I don't know—

Mr. Mark Nantais: CETA was an improvement.

Mr. Daniel Blaikie: —who we are bargaining for.

Mr. Mark Nantais: If we didn't have CUSMA, and we couldn't operate as a fully integrated industry, we would not be competitive, globally speaking. It's very critical.

Mr. Daniel Blaikie: Thank you for your comments.

The Chair: Thank you to all of our witnesses for that very valuable information.

We will now suspend for approximately two minutes before we convene the next session.

● (1655)

_____________________(Pause)_____________________

● (1700)

The Chair: I'm calling the meeting back to order.

We will continue our study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

Welcome to all of our witnesses for our second week of hearings.

From the Canadian Electricity Association, we have Michael Powell. From the Canadian Federation of Independent Business, we have Corinne Pohlmann and Jasmin Guénette. From the Chemistry Industry Association of Canada, we have Isabelle Des Chênes and David Cherniak. From the Retail Council of Canada, we have Jason McLinton.

Mr. McLinton, we'll start with you.

[*Translation*]

Mr. Jason McLinton (Vice-President, Grocery Division and Regulatory Affairs, Retail Council of Canada): Thank you, Madam Chair and members of the committee for the opportunity to come and discuss with you Bill C-4, An Act to implement the Agreement between Canada, the United States of America and the United Mexican States .

RCC, the Retail Council of Canada, strongly supports Bill C-4

I will briefly introduce the RCC.

The retail trade is the largest private employer in Canada. More than 2.2 million Canadians work in our industry. Recognized as the voice of retailers in Canada, RCC represents more than 45,000 businesses of all types, including department stores, grocery, specialty, discount, independent and online stores.

The grocery members of the RCC are proud to be an integral part of the Canadian food system. They constitute the final and direct link with consumers, offering Canadians the wide variety of foods they eat every day.

● (1705)

[*English*]

RCC is highly supportive of Bill C-4.

Canada is a trading nation. Free trade is essential to a modern economy, allowing Canada access to world markets for its exports and allowing retailers and consumers in Canada to access a variety of goods at competitive prices.

The renegotiated NAFTA, otherwise known as the Canada-United States-Mexico agreement, or CUSMA, preserves key elements of the previous free trade agreement and incorporates new and updated provisions that seek to address 21st century issues.

Let me be clear. CUSMA is good for retailers and CUSMA is good for Canadian consumers.

Specifically, I'd like to make comments on two points within CUSMA.

The first one is the de minimis threshold. Retailers in this country are pleased that the Canadian negotiating team delivered a deal that protected Canadian retailers from the most unreasonable demands made by the U.S. side. With U.S.-based online merchants and couriers pushing hard for an increase of the de minimis level to $800 U.S., it could have been devastating for retail merchants in Canada and to the over 2.1 million Canadians working in the retail sector.

This level would have created a tax and duty advantage for foreign shippers over Canadian retailers, essentially incentivizing Canadians to shop anywhere but in Canada, at the expense of those who actually invest and employ in Canada. Clothes, books, shoes, toys, sporting goods, consumer electronics and housewares would have been particularly hard hit, and these tend to be the areas in which small and medium-sized retailers specialize.

We're very pleased to say that the Canadian negotiating team did not cave in to these demands, and I would personally like to thank the Prime Minister, Minister Freeland and the Canadian negotiating team for the work they did in this area.

The second area that I'd like to comment on is the tariff rate quotas for supply-managed goods. Through negotiation of CUSMA and other new trade agreements, such as the CPTPP and CETA, Canada has increased its TRQ commitments for supply-managed goods nearly threefold, and the landscape of Canadian industry and consumer demand has changed significantly.

RCC is supportive of the government's decision to conduct this comprehensive review of its TRQs for existing and new trade agreements, such as CUSMA.

That said, if the purpose of these trade agreements is to bring competitive pricing for Canadian consumers, retailers must be given their fair share of duty-free quota under Global Affairs Canada's review, to maximize consumer choice and bring these better prices.

In particular, quota on products meant for final retail sale to the consumer should be allocated directly to retailers, rather than slicing the pie so thinly that each piece of the pie would be of negligible value, or allocating the bulk of ready-for-sale goods such as fluid milk, cheese and poultry up the line.

Having fewer price takers along the supply chain will ultimately lead to more competitive prices for Canadians.

While quota cannot be allocated directly to consumers, it can be allocated to the people who are closest to consumers, and that is retailers, if Canadians are to see the full benefits of this deal.

[*Translation*]

In conclusion, thank you once again for the opportunity to present the perspective of food retailers and other retailers on Bill C-4.

I'll be pleased to answer your questions.

[*English*]

The Chair: Thank you very much.

Next is the Chemistry Industry Association of Canada.

[*Translation*]

Ms. Isabelle Des Chênes (Executive Vice-President, Chemistry Industry Association of Canada): Thank you, Madam Chair.

It's an honour to appear before the committee today.

[*English*]

The trading relationship that Canada has with the United States and Mexico is a key pillar of our economy. The Canada, U.S. and Mexico trade agreement represents a step forward in that relationship and the Chemistry Industry Association of Canada and its members support its ratification with the passage of Bill C-4.

Canada's chemistry industry is a vital component of our economy and is the fourth-largest manufacturing sector, at just over $58 billion in annual shipments. Ours is also a very highly skilled industry. More than 38% of our nearly 90,000 employees are university graduates, second only to the IT sector. These highly skilled employees are well paid with an annual average salary of $80,000. The chemistry industry also supports an additional 525,000 Canadians in indirect jobs. While few people give thought to the role of chemistry in the economy, more than 95% of all manufactured goods are directly touched by the business of chemistry. This includes key sectors of the Canadian economy, such as transportation, agri-food, natural resources and, of course, the municipal entities through water and sewage treatment.

In my brief time with you today, I want to share a few key points on behalf of Canada's chemistry sector. First, free trade has been an unquestionable benefit for our chemistry sector and nowhere is that more prevalent than here in North America. Canada's chemistry sector is highly integrated into international trade flows. Our industry exports nearly $40 billion of chemical products each year, second only to transportation equipment providers in the manufacturing space. On the other hand, we import just under $60 billion from other nations. Taken together, the chemistry sector trades around 100 billion dollars' worth of products each year.

With respect to our North American neighbours, approximately 76% of our exports and 58% of our imported chemical products come from the United States and Mexico, equating to over 65 billion dollars' worth of trade annually. Our members have offices and production facilities across Canada, including in B.C., Alberta, Saskatchewan, Manitoba, Ontario, Quebec and New Brunswick. Every single day these facilities trade hundreds of millions of dollars of products with our American and Mexican neighbours. Every day they send hundreds of train cars from Fort Saskatchewan, Sarnia and Bécancour to facilities in Texas, Illinois, Ohio, Coahuila, Chihuahua and Mexico City. In return, these U.S. and Mexican companies send hundreds of cars back, picking up new products in Guadalajara, Louisiana, New Jersey and Washington along the way, and sending them to manufacturers in Red Deer, Toronto and Montreal. Thousands of trucks and train cars cross our three borders each day in a highly efficient and integrated manner. All of this has been possible through free trade.

My second point is that once it became clear that a renegotiation of NAFTA was imminent, CIAC wasted no time in articulating clear and concise priorities that would preserve and modernize North American trade. While it was important for us to maintain tariff-free access for chemical products into the U.S. and Mexico, we wanted to use this once-in-a-generation opportunity to modernize key aspects of the North American trade framework. Addressing non-tariff issues through free trade negotiations is a constructive way to ensure a common approach among trade partners, vital to a knowledge-based economy. This means finding new ways to strengthen government-to-government co-operation, avoiding duplication and enhancing regulatory cohesion among trade partners. Just as important as enhancing the free flow and security of goods, the flow of ideas and information helps to strengthen our supply trains, improve our businesses and improve business certainty. Modern trade agreements go far beyond tariffs and it is crucial that these agreements evolve with the economy.

In a unique step, we collaborated with our sister associations in the United States and Mexico to offer tripartite recommendations to our respective negotiating teams on modernizations to the areas of rules of origin and regulatory co-operation. These two areas are uniquely critical for the trade of chemical products.

CUSMA preserves and enhances the trilateral trade of chemistry products in North America. It prevents new tariffs from being applied to chemical products, modernizes rules of origin by offering companies a clear menu of options for documenting the origin of their products, enhances regulatory co-operation with a sectoral annex intended to facilitate cross-border information and burden sharing to protect human health and environmental health, and strengthens Canada's world-leading risk management approach to chemicals management. Finally, it facilitates digital trade by ensuring that industry data can flow freely and securely across borders.

The chemistry sector has evolved significantly since the original NAFTA was adopted. Today, tens of billions of dollars' worth of chemical products are traded across our borders. CUSMA will provide for tariff-free trade of chemical products. It modernizes key areas vital to a knowledge-based 21st century economy and it strengthens Canada's risk-based approach to chemicals management.

Finally, we'd like to thank the Prime Minister and Minister Freeland for their extensive engagement on the file. We can't say enough about Canada's negotiating team at Global Affairs Canada. They proved that despite the tense rhetoric, you can achieve win-win-win outcomes. I'd also like to note the high degree of participation from the provinces as well.

In the interest of time, I will leave it at that and welcome your questions.

● (1715)

The Chair: Thank you very much.

We will go to the Canadian Federation of Independent Business, with Ms. Pohlmann.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): Thank you for the opportunity to be here today to share the perspectives of small and medium-sized companies on the trade agreement between Canada, the United States and Mexico.

I'll be sharing my time with Jasmin Guénette, my colleague. He'll be starting off, and I will be ending the presentation.

[*Translation*]

Mr. Jasmin Guénette (Vice-President, National Affairs, Canadian Federation of Independent Business): Thank you, Ms. Pohlmann.

The Canadian Federation of Independent Business, or CFIB for short, is an independent and non-partisan non-profit organization representing 110,000 small and medium-size independent businesses across the country in every sector of the economy.

Our last survey on international trade dates back to 2017. We received 4,400 responses, and we used the data to publish a report containing many of our members' comments as well as real-life examples of issues they face when they engage in international trade. We have a few copies of the report with us, so if anyone would like a copy, I can provide you with one after the presentation. We can also send it to you by email.

It's important to note that more than 90% of Canadian exporters are considered small businesses. What's more, 31% of survey respondents said they had some experience with exporting, and 71% reported having experience with importing. Some engage in international trade only occasionally, whereas for others, it's a regular, if not daily, practice. What matters, however, is that they be able to trade with others as smoothly and as swiftly as possible, regardless of how often.

In addition, 63% of respondents import products or services from the United States, while 28% export to the U.S. Clearly, the figures aren't as high when it comes to trade with Mexico, but the country remains a major trading partner for Canadian businesses, and that trade is growing. These figures show just how important our trading relationship with the U.S. is, while highlighting the need for clear rules and a predictable trading environment to make it easier to trade with our partners.

We asked our membership what motivated them to engage in more international trade. It may be greater demand for a product or service, a desire to grow their business or a business opportunity. More than a third of members indicated that good trade deals influenced their plans to export products or services.

In 2018, we asked our members whether a new agreement between Canada, the U.S. and Mexico should include provisions specific to small and medium-size businesses, so we are pleased to see an entire chapter devoted to them in the new agreement, recognizing their important role in the economy. As one of our top recommendations in connection with the negotiations, this is a positive step forward, one we hope will make it easier for small and medium-size businesses to engage in more international trade.

I will now turn the floor over to my colleague, Ms. Pohlmann.

[*English*]

Ms. Corinne Pohlmann: Thank you, Jasmin.

We'll get into our priorities and recommendations. I want to say, first and foremost, that we encourage the government to move forward on ratifying this agreement as soon as possible. We have experienced a lot of uncertainty in international trade over the past few years, and this would help bring some needed stability with Canada's largest trading partner.

In addition, we're very pleased to see a small business chapter, as Jasmin pointed out, included in this agreement, which recognizes the particular challenges small businesses face when it comes to trade. If we want to see more small business engage in trade, we would encourage the government to move quickly on many of the ideas and principles found in the small business chapter and throughout the agreement.

While eliminating and/or lowering duties is important, almost more important to smaller businesses is to focus on making border processes easier. This includes improving how quickly trucks can cross the border but also finding ways to clarify and simplify customs processes and paperwork. In particular, things like the rules of origin can be a real challenge for smaller firms who may not have the expertise or resources to address issues that may arise in that area.

Also important, though, is to review things like trade facilitation programs such as FAST, C-TPAT and PIP and to make sure that they consider the needs of small and medium-sized companies when they're being designed, and making sure they're easy to access for smaller firms, as well. Too often they're really focused on the large firms and not on the small firms.

I want to touch on a couple of small things. While we'd like to see this agreement move forward as soon as possible, we also know there are a couple of areas of concern. We recognize that certain sectors may be hurt by some aspects of the agreement, and action must be taken to address those issues. For example, we know the dairy industry will see U.S. competitors gain greater access to the Canadian market. To deal with this, the government should provide a detailed transition plan, provide clarity on what compensation will be offered and provide assurances that these measures will work for smaller producers, as well.

As an aside, I should mention that our members in the grain and livestock industries are also struggling due to trade issues with places like China and India, so we would certainly welcome efforts to resolve those issues, as well.

We're also concerned with the higher de minimis. While we agree with the Retail Council, we were pleased to see that the government sort of stuck to the ground and didn't go to the $800 that was being pushed by the Americans. We are still concerned that it is doubling the cost from $20 to $40 for tax purposes and up to $150 for duties.

Small Canadian retail businesses are already facing intense competition from online and international businesses, and we feel that some of these changes will actually make it worse. At the very least, we ask that government direct stronger enforcement of the rules by Canada Post and CBSA. The issue here is that the rules are in place but they're not being applied. We need to see stronger rules enforced and make sure that the rules that are in place are being properly enforced by Canada Post and the CBSA.

We would also encourage the government to look at ways that we could potentially offer other relief should this become an issue for smaller retailers on the ground here in Canada.

These are the issues we hope to address today. We'd like to thank you for the opportunity, and we look forward to your questions.

● (1720)

The Chair: Thank you very much.

We'll go to Mr. Powell from the Canadian Electricity Association.

Mr. Michael Powell (Director, Government Relations, Canadian Electricity Association): Madam Chair, thank you for the opportunity to speak in support of Bill C-4 and CUSMA and how it helps Canada in the North American integrated electricity grid.

CEA is the national voice of electricity. Our members operate in every province and territory in Canada and include generation, transmission and distribution companies, as well as technology and service providers from across the country.

Our electricity sector employs 81,000 Canadians and contributes $30 billion to Canada's GDP. Indirectly, our sector supports essentially every job in Canada, as electricity is the foundation of the modern economy.

Electricity is at the heart of Canada's transition to a low-carbon economy. More than 80% of Canada's generation is already non-emitting, making it one of the cleanest grids in the world. In fact, the Canadian electricity sector has already reduced GHG emissions by 30% since 2005.

Electricity will play an essential role as Canada transitions to a low-carbon economy.

The Chair: Excuse me, Mr. Powell. Translation is asking you to slow down a little. I appreciate the speed, but the translators can't keep up.

Mr. Michael Powell: The sector is uniquely positioned to help advance Canada's clean energy future and provide, as the throne speech aspires to, clean, affordable power in every Canadian community.

Canadians and Americans share a highly integrated electricity grid, connected by more than 35 high-voltage cross-border transmission lines. Our members also engage in bidirectional electricity trade with the United States and work with American counterparts to keep the grid reliable and secure.

Trade integration forms the backbone of a highly positive and mutually beneficial cross-border electricity relationship, which provides economic, environmental, resiliency and security benefits to Canadians and Americans and contributes to affordable and increasingly clean energy for customers on both sides of the border. Overall, the binational integrated electricity system exemplifies the advantages of partnership and collaboration and benefits both countries.

In recognition of these mutual benefits, CEA and its U.S. counterpart, the Edison Electric Institute, submitted joint comments to negotiators on both sides of the border during the renegotiations. These joint comments highlighted our shared view that the existing cross-border trade relationship works well and the importance of preserving it. For more than 25 years, NAFTA has provided stability and predictability to our shared interconnected grid. Its value is underpinned by NAFTA's guarantee of tariff-free electricity trade, and it is positive that the Canada-United States-Mexico free trade agreement maintains this integral guarantee.

CEA also supports the greater integration and interdependence of North American energy systems and was pleased to see the inclusion of a CUSMA Canada-U.S. energy side letter on regulatory measures and regulatory transparency.

Over 70 terawatt hours of electricity flowed across the border in 2018, representing an electricity trade relationship of over $3 billion. Approximately 30 states engage in electricity trade with Canada each year, with Canadian exports to northern border states being particularly robust. This two-way exchange enables electric supply to meet demand in the most efficient manner, increases resilience, boosts affordability for customers and helps regions meet policy and business goals. Many Canadian and U.S. electricity companies own assets in both countries.

Canadian export volumes are high relative to import volumes, as Canadian generating capacity generally exceeds requirements. In 2018, net exports were 48.2 terawatt hours, which represented a net value of $2.4 billion Canadian. We have additional surplus supply as well as rich resource development opportunities.

From a Canadian perspective, electricity trade provides system reliability and resilience and economic and affordability benefits. While exports represent a valued source of revenue for many Canadian electricity companies, that is only half of the story.

From the American perspective, particularly for northern border states, our electricity is an affordable, reliable, safe, secure, clean supply option that contributes to national energy security, environmental goals and economic success. Given our abundant clean electricity profile and rich clean resource development opportunities, Canadian electricity imports contribute to the shrinking of the U.S. carbon footprint and can also serve as backstop energy to support the development of U.S. variable renewable resources such as solar and wind.

This relationship is more than powering homes and businesses. National energy security has also been a major Canadian preoccupation throughout the negotiation of the agreement. The interconnected nature of the North American grid means that its reliable and safe operation is a shared responsibility. Canada and the U.S. have worked together to develop effective institutions in support of a safe, secure, reliable electricity system to the benefit of both Canadian and U.S. businesses and communities.

The Canadian electricity sector is an active participant in cross-border institutions and programs that aim to secure the grid, such as the Electricity Subsector Coordinating Council, which enjoys participation of senior government officials in the sector and electricity industry CEOs from both countries. The electricity sector and the government also participate in major cross-border security incident response exercises like GridEx, which was held this past November across Canada and the U.S.

To this end, Canada and the U.S. work very closely on the protection of critical infrastructure. Cybersecurity and physical security are top of mind for industry and government alike. While there is good collaboration between our governments and industries, there is always opportunity to strengthen cyber protocols.

All things considered, there are further opportunities to leverage the positive electricity partnership between Canada and the U.S. The ratification of CUSMA will help provide the stability and predictability to our shared interconnected electricity system to help forward this valuable partnership.

● (1725)

We'll keep working to make North America the world's leading energy region by promoting energy security and affordability, strengthening energy and infrastructure protections and achieving environmental goals.

Thanks for your time.

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

We'll now move to the members and will start with Mr. Hoback.

Mr. Randy Hoback: Thank you, Chair.

Thank you, witnesses, for being here this afternoon. I appreciate it.

I'm sure you're aware that we're doing extended sittings all this week. We're doing as much as we can to give the 200 people who want to appear in front of the committee a chance to talk about the impact of CUSMA, the new NAFTA.

The concern we have is not the deal; we're going to approve the deal. The bill should go into clause-by-clause study hopefully on Thursday or Friday, and then it will be out of here. Now with regard to the Senate, that's a different story. The Prime Minister will have to deal with them; that's his baby. However, as far as the House of Commons is concerned, we should get it through, which I think everybody wants to see.

There are some concerns I want to bring in.

I'll start with the CFIB.

A lot of people will say to get it done, yet when you start telling them what's in the deal, they say, “Oh, I didn't know that.”

You used a good example. You talked about the de minimis. It goes from $20 to $40, and then the duty is to $150.

Do you realize that Canada Post doesn't qualify? It is only a courier outside of Canada Post that would qualify for those types of situations.

● (1730)

Ms. Corinne Pohlmann: Yes, and that's part of the reason we're a bit worried about the impact this is going to have. Canada Post is the one that's the real problem. It has never been the couriers. I think that the couriers have always done a fairly good job of collecting duties and taxes, even under the current rules. Canada Post never did, and now they're being exempted.

I would suggest—and perhaps the Retail Council knows better than I do—that most shipments are coming through Canada Post.

Mr. Randy Hoback: Yes, so the reality is that it's going to be $20 if you go through Canada Post, but if you go with another courier—pick one—then you go to the new rule.

The weirdness in all of this is, why exempt Canada Post? The only profitable part of their corporation is the courier side of it. If you go to most of the business community, they think it's everybody. If you ship with Canada Post, you don't get it, and they go, “Oh, wait a minute, what else is in here?”

That goes to why we need to have a little more time to go through this to the nth degree. Hopefully in the implementation, maybe we can change that somewhere down the road.

However, the Retail Council may not want to see it changed.

You may want to leave it the way it is. Was that part of your strategy when you were doing the consultations, to—?

Mr. Jason McLinton: Yes, we participated in the consultations extensively, as you know.

Our members would like to have seen the de minimis threshold moved to zero. As you mentioned, in the renegotiated NAFTA or CUSMA, with any purchase you're making under that $40 limit for taxation and $150 for duties, you're essentially incentivizing those purchases to be made anywhere but in Canada. We would like to have seen that remain the same, or even lowered to zero.

That being said, there are the very practical realities of having to administer this thing at the border, as well as the pressure that the Canadian negotiating team was getting from the U.S. government.

All in all, it's not something our members are ecstatic about, but they are very, very pleased to see where we did land on it compared to what had been the pressure that the negotiating teams were under.

Mr. Randy Hoback: Yes, I know that the $800 would have had a devastating effect.

Actually, if you look again at the cost of doing business in Canada versus the cost of doing business in other jurisdictions around the world, with carbon tax and everything else, it's quite a bit more to do business here. As you said, you take the de minimis and you increase it and the tax to $150, and all of a sudden you're competing against that American across the line who is selling something even in that $60—

Mr. Jason McLinton: Ultimately, I think our members would have been fine with that if that same $800 tax break were given to Canadian retailers and consumers would have....

I can't comment on what that would have done to government revenue, but if you're going to give a tax break to retailers outside of Canada, you'd have to give that same tax break to retailers who are investing in this country.

Mr. Randy Hoback: Okay.

Michael, you talked about cybersecurity in the network. That's something that's really concerning right now as you go into the 5G networks.

Whenever I've been down in the United States, it's funny that when you sit down with members of the House or the Senate, the first thing they bring up is Huawei and 5G and cybersecurity. In fact, I remember that three years ago at the governors conference, all they talked about was cybersecurity, without even talking about Huawei.

Does this agreement give us the flexibility to pick whatever service provider we want for our 5G network, yet still keep that security where we need it to be?

Mr. Michael Powell: Well, I'm familiar with the opinions of our friends to the south.

The key thing that Canada is going to have to decide is that with the way we operate our electricity system—we move lightning through wires at the speed of light across North America—the equipment we have has to be as secure and reliable as possible.

You can read in the newspaper and in public documents on a regular basis about some of the challenges that the supply chain offers, not just for regular things, but for some of the industrial control systems that are in place. I think the key thing is that we need to make sure we're working collaboratively, not just here and in the United States, not just big companies, but also recognize that there are small operators as well that have to have access to technologies to make sure there is no weak part of the grid. The weakest part of the chain is where it's going to break.

Mr. Randy Hoback: We met with the Japanese car producers today at their facilities here in Canada. They said that one of the hurdles they see right now in setting up a new plant for electrical vehicles or hybrids is that there's no battery manufacturer in Canada, in fact, in North America.

Do you think we have the infrastructure in place, and that it will be in place? Do the rules under the new USMCA allow that infrastructure to be placed for electric vehicles, with the charging stations, the capacity and the hybrids? Do you see that becoming standard?

Mr. Michael Powell: While we're concerned about the expansion of things like electricity infrastructure for EVs, it's less about trade relationships and more about some of Canada's policies internally. Things like the laws around electricity meters haven't been updated in decades, which makes it very difficult to install new electricity meters, both in homes and in businesses. We need to update those rules to make sure they're there and that we're able to do that.

That's where we'll see the real opportunity for innovative companies to come in, as well as in places like condos and apartment buildings. I think it's beyond the scope of where CUSMA is. How many are made in the United States I'm not sure, but there's a lot that Canada can do here with its own policies that will make it easier to roll out EV infrastructure for people and businesses.

● (1735)

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

We will go to Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for your presentations. There were a lot of things for us to think about in your presentations.

I'll go to the Canadian Federation of Independent Business first.

You referenced the chapter in particular related to small and medium-sized firms and the associated opportunities. I have a two-part question.

First, how aware are small and medium-sized businesses that there is such a chapter and opportunities? Second, what actions can the Canadian government take to increase awareness?

Ms. Corinne Pohlmann: It's unlikely they're aware that there's a small business chapter; however, we're doing what we can in surveys to make them aware of the fact that there is a small business chapter and, more importantly, what that actually means. That's the key. It doesn't really matter if there are a bunch of words as long as there's action taking place.

I think that what the Canadian government can do is actually prove through their actions that they are serious about recognizing that some of the things that small businesses need when it comes to international trade are different from what larger businesses need.

They could be a bit more proactive in terms of getting feedback on how they could change custom processes to help them instead of, for example, creating portals whereby it's easier for them to access other government departments. Those kinds of things are going to be the best way to really communicate that to the small businesses, actually doing the things that need to get done in order for them to realize that opportunities are out there. That's not going to be as difficult as they originally thought it was going to be.

Mr. Terry Sheehan: I used to work for the local economic development corporation developing small businesses. It's a very similar story throughout time. It makes sense. I had my own small business, and as opposed to, say, Algoma Steel in my riding, which does a lot of trade and has a whole department related to exporting and importing and whatnot, your small and medium-sized businesses sometimes have just one person or a couple of people. They're so busy doing their business that a lot of times they don't have those opportunities.

I also have the opportunity to be the parliamentary secretary for Minister Joly on the regional economic development agencies. One of the things that I'm trying to wrap my head around is how we can develop and use Export Development Canada, or places like FedNor, or FedDev—I'm not going to name off all the other regional economic development agencies across this country—to play more of a substantive role in inbound and outbound trade missions, in particular with the United States.

What are your thoughts on that?

Ms. Corinne Pohlmann: Organizations like EDC and the trade commissioner service for that matter are not well known either among small companies. In fact, when they do learn about them, they often feel like they're not really meant for them and that they're meant for bigger companies. We're constantly educating them ourselves to say, “No, actually, they're meant for you.”

Again, I think it goes back to finding ways to make it easier. I'll give you an example. When you go to the Government of Canada website it's very difficult to find anything specific to small businesses. It's very much focused on Canadians, which makes sense, but it's something that allows them to understand that there's a piece where they can go to get information that they need. It's not easy to navigate. That's where it starts.

There are things that CBSA can do that are a little bit more focused on the information the businesses need to import or export. Even though they're more involved in the importing side, that's where small businesses go to get information. They go to the border folks. They need to also be able to have a more consistent message around what you need to do in order to export effectively.

Ultimately, they've talked about a single window for years. It is the idea that as a small business that wants to get involved in trade, you go to one place and you get all the information you need from all the different government departments. That still doesn't exist. Businesses have to figure out whether they have to talk to CFIA or the USDA or....

That's where these types of agreements can start working together,. It's not only figuring things out on the Canadian side, but it's linking those to the American side, so you can deal with all of those other government departments in one spot instead of having to figure out which ones you have to deal with.

That's what is really going to help small businesses get more involved in trade.

Mr. Terry Sheehan: It's twofold. More education and training and outreach as well.

Ms. Corinne Pohlmann: Yes, and simplifying the processes.

Mr. Terry Sheehan: On simplifying the processes, the fact is that one of the things Minister Freeland noted was that the paperwork that needs to be done by all businesses in terms of crossing the border is significantly reduced with the new agreement. Hopefully, that will spur more activity as well.

● (1740)

Ms. Corinne Pohlmann: That would be good.

Mr. Terry Sheehan: It's said, depending on what stat you look at, that 75% to 90% of Canadians live within about 160 kilometres of the United States. It's not surprising, looking at your stats, that the United States is the number one place for imports and exports for this country.

I have a question for the retail folks as well.

What exactly can the government do to help support the retail industry? It's sort of the same question but more drilled down in particulars. I think about where the dollar is now. It's such a great opportunity for our American cousins to shop for various things, whether it is physically coming across into border towns like Sault Ste. Marie and into Canada or doing it online. What advice would you have for us?

Mr. Jason McLinton: Have a visitor rebate program. Canada is the only OECD country that does not have a visitor rebate program. Essentially, think about Europe and the VAT program and other countries. Japan has a really good model that we're looking closely at where consumers can go, shop and get their taxes refunded directly at point of sale.

I think Canada absolutely needs a visitor rebate program in order to encourage more people to visit Canada, exactly as you've suggested. It wouldn't just benefit retailers. It would benefit others when people need somewhere to stay and something to eat when they're here. Canada absolutely needs a visitor rebate program.

If I may touch on your other question, small and medium-sized retailers come to the Retail Council of Canada for information. They trust us. We represent over 45,000 storefronts across the country and even some retailers that people might think are—quote, unquote—large retailers. Depending on the business model and in the case of franchise models, which happens all the time, these are all small businesses across the country. As I said, we represent 45,000 storefronts. They come to the Retail Council for this kind of information because, number one, they trust us and, number two, we can put it in language that is meaningful to that sector, to retailers.

My thinking, if I were to advise government on how to get the word the word out, is to work with industry associations such as the Retail Council of Canada.

Mr. Terry Sheehan: Okay. Very good.

How much time do I have left?

The Chair: You have 30 seconds.

Mr. Terry Sheehan: Okay.

You don't have much time to answer this, but I am fully aware that the supply chains affected by this, particularly the small and medium-sized enterprises, will be benefiting once we get down to full tariff-free free trade. I think we're at about 99%. We're striving to get that 1% figured out over the next little bit of time. Hopefully, now that we have some rules of engagement going forward on dispute resolution—I'm making more of a statement here, but I'm seeing a lot of nodding heads—we can get to 100%.

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

Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you all for being here and telling us about the issues facing you and the groups you represent.

My first question is for the Retail Council of Canada representative.

We know that one of the biggest challenges for retailers these days—and please correct me if I'm wrong—seems to be digital trade. Not only is it a major challenge in and of itself, but it also poses a significant problem for retail, at least retail in its traditional form, as we knew it in the 1990s and 2000s.

I'm not sure whether you examined that part of the agreement. We heard from people in digital trade who told us that the sector would be more liberalized and that, at the end of the day, the digital giants may have an easier ride than they do now.

Do you see that as a risk or, at the very least, a challenge?

[*English*]

Mr. Jason McLinton: You'll have to forgive me, Monsieur Savard-Tremblay.

[*Translation*]

By "digital trade", you mean "e-commerce", right?

Mr. Simon-Pierre Savard-Tremblay: Yes.

[*English*]

Mr. Jason McLinton: Our members are highly competitive in the online space. Retailers in Canada are very good in that space, and the ones who are particularly good are those who understand the intersection between the bricks and mortar operations and those online. You will have Canadian consumers come in, look for a product, touch and feel it, and then go online to buy it, or they'll do the opposite. They'll go online and then come into the store to look and touch and feel and then make that purchase.

I don't want my comments about de minimis, then, in any way to confuse that point, that our members are highly competitive in that space. What I'm talking about, when I talk about de minimis, is overseas online operators having a tax advantage and a duty advantage that a similar Canadian retailer would not have. That is why we're very supportive of the way the negotiating team landed, in terms of the de minimis threshold. Our members are highly competitive in the online space.

● (1745)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

My next question is for the Canadian Federation of Independent Business representatives.

Clearly, access for small and medium-size businesses was a big promise of NAFTA, the outgoing agreement, if you will.

It was also one of its big successes. I remember hearing Mr. Parizeau and Mr. Landry go on about what a coup it was for small and medium-size businesses, in Quebec at least, to have gained access to the U.S. market.

You mentioned the separate chapter, but what the agreement essentially does is recognize the importance of small and medium-size businesses, something that is undeniable. You also had a good few recommendations to go along with the ratification of the agreement.

Is there anything really novel or innovative in the agreement, other than the fact that it contains a distinct chapter recognizing the importance of small and medium-size businesses?

[*English*]

Ms. Corinne Pohlmann: Yes. The small business chapter in this agreement is very important. It's only the second or third agreement now. The small business chapter first appeared in the Trans-Pacific Partnership agreement, and this one has adopted it at this scale. The reason it's important is that it recognizes the differences small businesses have in international trade.

When you look at the details, you see that it's non-binding. It's only looking at how to better communicate and share information. It's the principle behind it that's really important. Recognizing that small businesses are important in the international trade sphere, that, I think, is key.

I'd love to see innovation, or I guess some additions, happen, not just in that chapter, but throughout the agreement, in areas that are important for small businesses and which I mentioned earlier.

Dealing with trade facilitation is really the biggest issue. It's the way you deal with the regulations, with customs processes. These are the areas that are the most important for smaller companies.

Duties are important, and everybody wants to make...but at least you can understand them. It's the unexpected what we call non-tariff trade barriers that make the biggest difference in a small business. Making sure, when we're looking at ways to reduce customs processes and reduce regulations, that we're thinking about the impacts upon the small companies—they are different from those upon large companies—is the area in which I hope this will go further.

By including this chapter, I hope that when we're discussing how to address the regulatory barriers and how to make trade easier, we're thinking about the issues in the context of small companies, because their challenges are very different.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: That's an area that will need to be explored at length.

Will I get another turn, Madam Chair? If so, I better wait.

[*English*]

The Chair: You have 30 seconds and that's for the question and the answer.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Will I have an opportunity to speak later?

[*English*]

The Chair: Yes, if we keep moving.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Very well.

I'll wait until I have more time for my next question.

[*English*]

The Chair: Okay, thank you.

Mr. Blaikie.

Mr. Daniel Blaikie: Mr. McLinton, I want to follow up on the question of TRQs and their allocation, because it's something I know dairy producers and processors are paying close attention to.

There has been some question about how they have been working with respect to CETA. Do retailers acknowledge the pressure and the challenge that these trade agreements and the expansion of foreign market access have meant to Canadian producers?

Mr. Jason McLinton: Thank you for your question, Mr. Blaikie.

Canadian retailers in this space, when we're talking about supply-managed goods in particular, are grocery members who are highly supportive of Canadian producers and Canadian farmers. They sell, and consumers ultimately demand, Canadian-made farm products because they are world class. Our members are very, very supportive of that. What we're talking about here with regard to the government's review of tariff rate quotas of supply management goods under deals such as CUSMA is making sure that Canadian consumers benefit from this as well.

If the purpose behind these trade agreements is to get better prices for Canadian consumers, you can't allocate duty-free quota directly to consumers, but you can allocate it to the next best thing, or the ones closest to consumers, and that's retailers. We're not saying anything other than make sure that retail gets its fair share. Historically, retail had been ignored as part of getting access to duty-free quota.

● (1750)

Mr. Daniel Blaikie: Would you agree that, beyond price, consumers also see choice as a virtue, and that we might interpret some of the market access provisions not just as...? Actually, they're about producers in other countries expanding their markets. They have very little to do with Canadian consumers. Would you agree that we might also interpret this as a way of trying to provide a little more choice to consumers as opposed to uniquely lowering the price of dairy products in Canada?

Mr. Jason McLinton: Absolutely. Canadian consumers demand choice. Quite frankly, we live in Canada, so in certain seasons it is more challenging to produce certain types of products, in particular, fresh fruits and vegetables and that sort of thing. Canadian consumers have come to expect the freshest produce and the freshest other types of food to be available to them year-round.

It absolutely is about getting the most competitive prices to consumers and increasing consumer choice. That is why retailers need to have their fair share of quota under the review that Global Affairs Canada is conducting right now.

Mr. Daniel Blaikie: Is there openness on the part of retailers to administering their TRQ under conditions so as not to compete with Canadian products that are on the market today?

Mr. Jason McLinton: That's something that would be really interesting. I think that one would warrant further discussion.

Mr. Daniel Blaikie: Thank you. I look forward to some of that discussion.

Mr. Powell, I listened with great interest to your presentation. I'm a construction electrician by trade. I'm quite interested in the industry for that reason. What I'm hearing here is that the advantage from your organization's point of view is that it largely maintains the status quo for your industry. Is that a fair assessment?

Mr. Michael Powell: First of all, thank you, of course, for your ongoing support for line workers across Canada.

The most important thing for us was to maintain the status quo, but I think there are opportunities here for it to provide certainty, as we move forward, for more more opportunities for relationships in the future. There is a market in the United States. As we said, there are benefits to both sides. That's not just in terms of providing electricity but also enabling variable renewables like wind.

Take Manitoba as an example. The new Manitoba-Minnesota transmission line will allow Minnesota to have more wind and use Manitoba Hydro to be basically a battery to backstop that. That's a cool opportunity. We all live in the same space. That speaks to the value of an interconnected grid.

Mr. Daniel Blaikie: Beyond ongoing certainty in the relationship, is there anything in particular in this agreement that we should be looking to in terms of creating the type of strategic opportunity that wasn't there in the old agreement?

Mr. Michael Powell: The energy side letter speaks to that more forward-looking part. The biggest thing for us was continuing the relationship. To everyone's credit, that has been continued.

Mr. Daniel Blaikie: Thank you very much.

I'll turn to the Canadian Federation of Independent Business.

When you talk about smoothing border flow, which I think is in everybody's interest, essentially that means hiring more people to do the work. I take it that's something you would be supportive of, despite the fact that it is an increased public expenditure. What other measures do you think ought to be taken in order help with that?

Ms. Corinne Pohlmann: In terms of border flow as well as the whole process you have to go through in order to get a product across the border, I think we could look at ways to be more efficient around that. Right now you have things like HS classifications. If you continually import the same thing all the time, why do you always have to put down every single classification every time? Things like that are small but they can have big impacts if we can find ways to streamline that kind of paperwork for smaller companies, and larger companies, for that matter, although they often have better access to the folks who can help them with that kind of thing.

Those are the kinds of things we're talking about. It's not just about the physical border. That's definitely there, but it is also about the paperwork and the processes you have to go through to get your products to that border. That's an important aspect of it as well.

● (1755)

Mr. Daniel Blaikie: Better processes and more public servants, I'm glad to hear it.

Ms. Corinne Pohlmann: I didn't say that.

The Chair: Thank you, Mr. Blaikie.

Mr. Kram, you have five minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much.

Mr. Powell, I was meeting recently with representatives from the auto sector, and they raised the concern about higher electricity rates in Ontario. Apparently, in Ontario, the rates are approximately 25% higher compared to Ohio and Michigan, and almost 75% higher compared to Texas.

Why are electricity rates higher in Canada compared to the United States?

Mr. Michael Powell: It's worth remembering that Canada is not just one electricity market. There are 13 different markets. If you were in a province that has a different source of fuel mix, more hydro, then you might see lower rates than in other places. In other places, the rates might be higher than in Ontario as the case may be. Each province has made policy choices over the course of the last number of decades about how it wants to roll out its grid, and how it wants to provide electricity now and into the future.

We encourage government to look at those areas, not just now but into the future, that will reduce barriers to our members operating, and providing as low a price as possible to consumers. That looks at things like reducing regulatory barriers and cumulative impact.

Mr. Michael Kram: You said that Canada is a net exporter of electricity to the United States. What can be done to increase cross-border electricity trade to reduce those prices for consumers across the country?

Mr. Michael Powell: So—

Mr. Michael Kram: I'm sorry, I mean interprovincial trade.

Mr. Michael Powell: I understand. It really depends on two dance partners.

What you will see moving forward is that in a number of jurisdictions in Canada, you will see more transmissions. Manitoba and Saskatchewan have signed a MOU to look at some of these things going forward. There are conversations going on in Atlantic Canada right now where it seems to be working toward more transmission moving into Atlantic Canada. The opportunities in Ontario and Quebec would be a conversation that would have to happen between those two governments.

It's more complicated than two provinces being next to each other on a map, unfortunately. It comes down to choices about how individual provinces and companies generate, where the best source is and ultimately, how they can provide the best deal to customers.

Mr. Michael Kram: If electricity rates are typically lower in the United States, would we expect to see pressure for the lower cost of electricity to be purchased on this side of the border?

Mr. Michael Powell: By and large, Canada is an exporter of electricity. There's an app on your phone called Gridwatch that will let you see real time in Ontario the locations of the different interconnections. It's exceptionally nerdy to follow.

You can see even in Ontario we might be exporting near Niagara Falls. We might be importing near Sault Ste. Marie. British Columbia by and large buys the most power into Canada. Again, Canada is still an exporter. It just happens that there is more hydro available at any given time in Washington state, and it flows into Canada. Electrons flow where they need to go.

Mr. Michael Kram: Ms. Pohlmann, you talked a little bit about the small business chapter in CUSMA.

What elements of that chapter would you like to see expanded into future trade agreements with other countries that would be beneficial for small businesses in Canada?

Ms. Corinne Pohlmann: Including a chapter is a big start, because that never was the case before, and expanding what's already in that chapter. Right now, actually nothing is binding in that particular chapter. Maybe making parts of it more binding as there is an obligation on the countries that are signatories to the agreement to come together and create common websites that provide services or programs, share information that combines everybody's approach to trade, and how they are going to deal with small businesses. That's the piece that would be important.

There's also a commitment to create a committee to look at this. The committee is only focused on government folks who then potentially involve stakeholders once a year. Maybe if that grouping was a bit broader than just government folks, but included actual industry folks, they could provide input into the system directly to each of the governments and demonstrate how they could improve services to small business.

● (1800)

The Chair: Mr. Sarai.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you all for coming. It's been pretty insightful for us to find out how various industries are affected differently, everything from electrons to retail goods going across our border.

My first question is for Ms. Pohlmann.

On the new paperless regime that is to be implemented under the new CUSMA in terms of goods going back and forth, do you think that will help and have some cost savings for our retail sector or our business sector, specifically for smaller and mid-size companies?

Ms. Corinne Pohlmann: I hope so, I think is the answer.

Certainly going paperless can often be an advantage, but it can also not necessarily change much. If you're just transferring what was on paper onto a screen, and you're still having to pull the data, and you still have to figure out how to get that information, it doesn't necessarily change anything, but if they are making things more efficient, if you can track where your shipments are going, that does make a huge difference.

A lot of small businesses don't mind the rules or the processes. It's understanding how they are supposed to abide by them that's the problem. When they don't get that information, or if they don't have information coming back to them that allows them to track where their shipments are, for example, it becomes very stressful. If that allows that sort of communication to happen more in real time, yes, it would definitely be an improvement.

Mr. Randeep Sarai: This is not specific to CUSMA, but it's CUSMA, CETA, CPTPP. How do we get our independent businesses to know more about what the options are? I went through the deck as well, and there still seems to be a gap in awareness, particularly with procurement, where they can export. I know EDC does some sort of a job on that.

How can we do a better job so our small, medium-size and larger corporations get it really quickly? How do they get the resources to know they can export?

Ms. Corinne Pohlmann: I am asked that question a lot, and there's not an easy answer because they are so disparate across the country. They are all focused on different things. When you're running your business, you're really just focused on running your business.

Similar to what I think my colleague at RCC said, it is working with organizations like ours because they trust us. We do provide that information back to them. We try to encourage them to think about trade, to work with the various organizations out there designed to help them. That's a key piece of this as well.

As I said earlier, it's also about making sure when you do make improvements to the trade system it is well communicated to small businesses so they can see something behind what you're saying. They can feel on the ground that they don't have to fill out that form anymore, or now they can track where their shipment's going.

That will do more than any of us talking to them because then they start talking to each other, and that's where things start to snowball.

Mr. Randeep Sarai: Mr. McLinton, you talked a lot about duties and going across the border. I have met with people in the duty-free business. One of the problems they have said, and I want to know if this is true, is that it's the enforcement on our side on things like cigarettes. You're allowed to export a maximum amount, bring into the U.S. and vice versa come in here.

They say our enforcement is weak. We get more imports than are allowable because a CBSA officer won't want to enforce it even though it's declared.

Is that a problem you see that has large-scale ramifications? If so, how do you see it best being improved?

Mr. Jason McLinton: Yes, we would definitely like to see better enforcement of the rules that exist. That being said, we understand the challenges associated with that. We are a trading nation, and that's a good thing.

To your earlier question about online, anything that facilitates goods going both ways, and in the case of retailers and consumers, anything that facilitates goods coming into this country is a good thing.

We understand the volume of things. We definitely would like to see better enforcement, but ultimately at the end of the day, as I said, I think the Canadian negotiating team did a good job with the limits they established.

I did want to touch on that point about online and facilitating trade. Retailers support that. The single biggest barrier, though, and one of the single biggest challenges to all our retailers, including small and medium-size retailers, is government over-regulation.

What you talked about I think will facilitate things, but what we would like to see is more regulatory co-operation between Canada and the U.S. and even within Canada, because the number of examples we have—children's toys, strollers, child car seats—where there are slightly different requirements in Canada from the United States, where if we could all agree that we would like to afford the same highest level of protection possible to all citizens, that sort of thing would have a significant impact on making sure Canadians are able to have as much choice as possible and keep prices low.

● (1805)

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

Next is Mr. Lewis.

Mr. Chris Lewis: My question is for the CFIB, please. It's not that we're picking on you; we just have lots of questions. Thank you so much for appearing before the committee.

Prior to being elected to Parliament, I, too, like many of us, was a small business owner—multiple businesses—so I understand to a great extent the challenges and opportunities that face us.

I note that you were among the five signatories to the May 29, 2019, letter to Prime Minister Trudeau in which you offer support for the new NAFTA deal. In that letter, you enthused that CUSMA will "generate significant new benefits for the Canadian economy, spurring new investments while encouraging the creation of new high-value jobs". As well, you refer to opportunities even before ratification "to enhance North American competitiveness and good regulatory practices". You propose to achieve this by establishing committees in each area to promote economic growth and regulatory co-operation.

Some industry leaders, however, have described CUSMA in less than glowing terms. They basically say that this deal is better than no deal at all. Does that surprise you, or is that the level of enthusiasm for this agreement, which differs from sector to sector?

Ms. Corinne Pohlmann: I think it's partly from sector to sector. Obviously, as an organization that is multisectoral—we represent businesses of all different types—as I tried to point out, there are elements of CUSMA that also have concerns for us in regard to some of the sectors, and there are others as well. Overall, we believe it's an important move, and we need to move forward.

NAFTA was getting stale. It didn't include things that had changed over the last 25 years, so it was important to move forward. There was a lot of instability in the trade world, and there still is, so certainty was becoming an issue as well. Moving forward with certainty is hugely important for all businesses, not just small businesses. That was a big reason why we were pushing for that particular movement at that particular time.

Mr. Chris Lewis: Thank you.

Can you describe in more detail what your association sees as significant benefits for the Canadian economy specific to the association?

Ms. Corinne Pohlmann: Overall, again, it's opportunity. Obviously, as mentioned in the presentation that we made, the United States is the most important country to trade with. When we looked at the feedback from our members as we went through the NAFTA negotiation process in terms of the things that they would like to see, again it came back to that certainty, knowing and understanding what the rules and duties were, not changing things too much but feeling like there was a revived interest in making sure that the trade was going to continue to happen.

I think it's really the overall picture that we're looking at here. Because we're so diverse in terms of our membership, it's hard for me to pinpoint specifics. It's that overall certainty that's important, and the ability to continue to trade freely into the United States.

Mr. Chris Lewis: Does the short 90-day window from ratification to implementation concern the members at all? Does it concern the association at all, that short period of learning curve?

Ms. Corinne Pohlmann: No, I don't think so. Again, I think they're vaguely aware that this is coming, and the sooner it happens, the better.

Mr. Chris Lewis: Madam Chair, may I give my last minute to my colleague, Mr. Carrie?

The Chair: Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Mr. Lewis.

I have a question for the Chemistry Industy Association.

Out of curiosity, what percentage of your members or your business is petrochemicals?

Ms. Isabelle Des Chênes: Actually a significant portion is. We have a few in Quebec that do organic chemicals, but certainly about 85% are petrochemical.

Mr. Colin Carrie: It's 85%. We all agree that it's important that we have an agreement because we have rules back and forth. The auto sector was here earlier. They said that the whole idea of these agreements is that we have harmonization of regulations and rules.

The current government is actually putting in a lot of unique Canadian costs such as environmental costs, carbon taxes and high electrical costs in Ontario. We always hear from manufacturers how it's really getting hard, kind of like a death by a thousand cuts type of thing.

If the government puts in policies that make it difficult for the petroleum industry to do business in Canada, what's the incentive for your businesses to stay in Canada if the supply is going to be coming from the United States?

● (1810)

Ms. Isabelle Des Chênes: It's a great question.

Certainly our members look at a variety of factors before making that investment decision. That does include the regulatory climate, things like climate change regulation and so on.

We work with the government to try to ensure there are systems in place that will allow emission-intensive trade-exposed groups such as ourselves to have slightly...so that they pay attention to the fact that we are trade exposed, and really understand the need for regulation that is fair. Things like transportation and the availability of feedstock also play an important part in terms of deciding on those investments.

The Chair: Thank you very much.

Ms. Isabelle Des Chênes: It went by so quickly.

The Chair: Maybe we will have some time after.

Mr. Arya, you have five minutes.

Mr. Chandra Arya: Thank you, Madam Chair.

Once again, I have a question for the Chemistry Industry Association.

I should say that the chemistry industry has the most positive outlook in terms of investment and in terms of growth potential. If I'm not wrong, your industry talks about overall North American investment of around $250 billion, with a potential of about $25 billion in Canada. In fact, for a few years, I worked in the oil-rich Middle Eastern countries, and I've seen the new petrochemical complexes coming up. Almost all the manufacturing of basic polymers has ended here, but I understand that NOVA Chemicals is setting up a polyethylene plant here in Canada.

Ms. Isabelle Des Chênes: NOVA Chemicals, yes. In Sarnia it has a $2.2-billion investment and—

Mr. Chandra Arya: With regard to the potential $25-billion investment that you foresee as possible in the next two, three or four years, which segment of this chemistry industry does that fit into?

Ms. Isabelle Des Chênes: What we're seeing now is $10 billion in investment, or announced, in the last 18 months in the plastics industry. That's plastic resin produced from propane: polypropylene. These companies would be the first to manufacture these types of products here in Canada. Certainly, there is potential for additional investment in sustainable plastics. Frankly, Canada has the lowest carbon grid on the planet because of electrification—

Mr. Chandra Arya: With a lot of major North American companies being taken over or working in partnership with very big GCC chemical companies, is that affecting investment in North American markets? Is investment going more towards the Middle Eastern countries?

Ms. Isabelle Des Chênes: What we're seeing with major companies is that, obviously, they're international. They compete internally for those investment dollars, so they'll look to Canada, Chile or the U.S. gulf coast in order to make those investments. In the end, regulatory policies are what really impact those investments.

Mr. Chandra Arya: Adding value to oil and gas, of course, through the petrochemical industries, one other segment is fertilizer. I don't think there's any potential in Canada or North America for fertilizer plants.

Ms. Isabelle Des Chênes: We don't represent the fertilizer industry, but certainly they should be invited to speak about their opportunity here.

Mr. Chandra Arya: Okay. How is the chemistry industry's potential for export outside of the North American market?

Mr. David Cherniak (Senior Policy Analyst, Business and Economics, Chemistry Industry Association of Canada): We don't have specific numbers, but the demand for chemistry products in developed markets closely tracks GDP growth levels. That's a completely different—

Mr. Chandra Arya: I ask that because your sister industries, such as aluminum producers and steel producers, basically have given up looking at the markets outside of North America. The aluminum producers have not invested in a single new smelter in the last 15 years, and they don't have any plans to do so. They're content with the North American market.

Is the chemistry industry in Canada also looking to export outside the North American market?

● (1815)

Mr. David Cherniak: Yes.

Mr. Chandra Arya: Okay. Are the free trade agreements we have with the European and Asia-Pacific countries helping the industry grow?

Ms. Isabelle Des Chênes: Yes.

Mr. Chandra Arya: Is there any particular segment of your industry where you see this potential, or is it within every segment of your sector?

Ms. Isabelle Des Chênes: It's across all segments in terms of plastic resin production, organic chemistries, the chemistries that go into alternative energy sources, or the chemistries that go into keeping food and water safe, so it really depends.

Mr. Chandra Arya: Did you want to add something?

Mr. David Cherniak: Yes. With regard to basic chemical production, the good thing about our industry is that we consider ourselves serial upscalers. Our basic products can go into so many different products and we don't like to confine ourselves to speaking about one or two specific things.

When we get members like a couple in Alberta that have joint venture partners from the Middle East actually investing in Canada versus the other way around, they'll do what's best for them. They will add facilities into their internal clusters to make those facilities the most competitive.

It's across a broad range of things, but it's just important to know that those basic chemicals are driven mainly by economic growth. Therefore, the highest-growth regions in the world are the ones where we see definite export potential for our products.

The Chair: Thank you very much.

We'll go to Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

I want to pick up where we left off earlier. You were saying that we needed to go further to address non-tariff trade barriers.

Would you mind elaborating on that, please?

[*English*]

Ms. Corinne Pohlmann: In order to address issues for smaller companies, that's the more important area to tackle. That can be anything like standards that are imposed by certain sectors or certain governments. It can also include—and this is what doesn't get included in this agreement—the subnational levels of government. There are rules and regulations by province or by state, and that can also make a real barrier to smaller companies. That's where those regulatory co-operation agreements really have to focus. It can't just be at the national level; it has to come down to that subnational level because that's often where smaller companies find themselves stuck. I think that's an important element of it.

Then there are other rules. I would take, for example, the rules of origin. Those are very complex rules. There are ways, if you're a larger company, to figure out how to best address those rules for your products. For a smaller company, once a decision has been made, it's very hard to appeal that decision. Finding ways to address those things that can be difficult for smaller companies to really fix or deal with quickly is going to be an important part of making this effective for small companies.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Now I'm turning to you, Mr. Powell.

As you know, in Quebec, we have Hydro-Québec, which supplies electricity at some of the most competitive rates around. Against that backdrop, do you think the agreement will have any positive or negative effects specific to Quebec?

[*English*]

Mr. Michael Powell: I think yes, but also it's all parts of Canada. I think that the northeastern United States is a major market for electricity exports from Canada. I think you'll see more of that as things go forward, we hope. Indeed, in the last year we have data for, prices and volumes have increased. Those are both positive signs. With the certainty that comes from CUSMA, we'll see that continue to move forward.

The Chair: We'll go to Mr. Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

This is for the Chemistry Industry Association of Canada.

When we talk about the petrochemical industry, what is the extent to which the primary products are sourced from Canada for your members? Would they tend to import oil from elsewhere in order to upgrade it, or do they tend to be customers of Canadian oil companies?

Ms. Isabelle Des Chênes: Some of our members are integrated. As a member we'll have Imperial Oil chemical, but they're integrated with the upstream oil and gas. Most of the chemistries we do produce come from natural gas liquids. The reason we we have our clusters in Alberta, Ontario and Quebec is that we're close to that feedstock. You'll find a number of companies, like Dow, NOVA, Inter Pipeline, that are based in this chemistry cluster in Alberta, and they're pulling from the natural gas feedstock available.

The companies are so deeply integrated in terms of Canada-U.S. that those chemical products will cross the border several times before they're finalized and prepared for that next step in terms of downstream products. There is a lot of back and forth, which demonstrates the high numbers in terms of the export-import trade.

● (1820)

Mr. Daniel Blaikie: Often when we talk about Canada's oil and gas sector, you'd think that it was only an export industry and that the only way to create demand for the product is by increasing access to export markets. What I'm hearing is that there is an industry that is looking forward to continued investment and growth here in Canada that would help drive demand for Canadian oil and gas products.

Ms. Isabelle Des Chênes: It's a very vibrant industry. Chemistry is foundational to all of our products. When we're thinking about moving to a low-carbon economy, that drives alternative energy, and it drives a lot of the light-weighting of our vehicles in terms of reducing our greenhouse gas emissions. There's a really interesting story there for chemistry and chemistry products.

Mr. Daniel Blaikie: Would you have a sense, in terms of jobs per unit of oil and gas, of how effective your industry is compared with the simple export of oil and gas out of Canada?

Ms. Isabelle Des Chênes: That's a great question.

The Chair: —and just as your time is more than up. Thank you.

I want to say thank you to our witnesses. You were a very informative panel. We appreciated all of that.

I will suspend.

The bells are going to start ringing in a few minutes. We will come back for our next panel at seven o'clock.

● (1820)

_____________________(Pause)_____________________

● (1900)

The Chair: I call the meeting back to order.

Pursuant to the order of reference of Thursday, February 6, we are examining Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States. This week, we are continuing to hear witnesses and get comments on how important this is and whether there's anything more that needs to be added as we move forward.

I'll introduce the witnesses.

By video conference, we have from the Canadian Canola Growers Association, Rick White, president and chief executive officer. Welcome. We appreciate having you here. We understand that we have the video conference system only until eight o'clock, so we'll make sure to get questions to you before that.

From Gay Lea Foods Co-operative Limited, we have Rosemary MacLellan, vice-president, strategy and industry affairs.

From the National Cattle Feeders' Association, we have Janice Tranberg, president and chief executive officer, and Michel Daigle, chair.

Welcome to all of you.

We'll start with you, Mr. White, if you'd like to give some opening comments.

Mr. Rick White (President and Chief Executive Officer, Canadian Canola Growers Association): Thank you very much.

How's my video coming in?

The Chair: It's good.

You have Mr. Carey here as well.

Mr. Rick White: Yes, that's excellent.

Thank you for the invitation to appear before the committee on your study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States, also known as CUSMA.

It is a pleasure to appear today on behalf of Canada's 43,000 canola farmers. My name, of course, is Rick White, and I am the president and CEO of the Canadian Canola Growers Association.

Thank you for accommodating my presentation through teleconference from Winnipeg, where CCGA's head office is located. I am also joined in your room by Dave Carey. He's our vice-president of government and industry relations based in Ottawa.

Canola farmers support CUSMA and encourage the government to complete the parliamentary process quickly. Canada's ratification will provide a strong signal to our trading partners of the importance of this agreement and reinstate predictability and certainty in the North American marketplace for Canadian farmers.

CCGA represents canola farmers from Ontario to British Columbia on national and international issues, policies and programs that impact their farms' success. Developed in Canada, canola is a staple of Canadian agriculture as well as Canadian science and innovation. Today it is Canada's most widely seeded crop and is the largest farm cash receipt of any agricultural commodity, earning Canadian farmers over $9.3 billion in 2018. Annually, the canola sector provides $26.7 billion to the Canadian economy and provides for 250,000 jobs.

With 90% of canola exported as seed, oil or meal, free trade and access to international markets are key success factors for our farmers' continued prosperity. Free trade agreements such as CUSMA preserve and provide predictable markets and rules of trade in which to sell and grow our sector. In an environment of growing protectionism, it is even more important for Canada to support open markets and enable trade.

The North American Free Trade Agreement has served canola farmers well. Since its implementation 26 years ago, canola sales to our southern neighbours have grown significantly and have directly contributed to the growth and development of the canola sector here in Canada. Today the U.S. is our number one market, and Mexico is our fourth. In 2019, Canada sold 3.5 billion dollars' worth of canola products to the United States, which represents 5.6 million tonnes of seed, oil and meal. Ten years ago, our sales were $1.6 billion, so canola has more than doubled in value over the last decade.

Importantly, the U.S. is a critical market for canola value-added products. The U.S. purchases over 50% of our oil exports and 75% of our meal exports. The economic activity generated from processing seed in Canada and exporting oil and meal is an integral part of canola's contribution to the Canadian economy. Furthermore, many of these processors are in rural Canada, close to canola production. The value-added activity supports local communities, sustains rural employment and provides sales opportunities for canola producers outside the traditional elevator system.

CUSMA builds on and strengthens the NAFTA. CCGA advanced three priorities prior to and throughout the negotiations that are largely met with CUSMA.

Our primary objective was to preserve NAFTA concessions and maintain market access into the United States and Mexico. Under NAFTA and continued under CUSMA, exports of canola seed, oil and meal remain duty-free and will continue to face little in the way of trade barriers. This provides long-term predictability and restores certainty to our trade and business relationships.

Our second objective was to streamline and align regulatory practices between NAFTA partners. CUSMA adds a new section on agricultural biotechnology, including the new generation of plant breeding techniques, recognizing the importance of innovation for North American agriculture. It confirms existing procedures and builds on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, covering trade facilitation measures, instances of low-level presence and the creation of a working group for co-operation on agricultural biotechnology.

● (1905)

Our third objective was to seek improvements for further processed canola products, such as margarine and shortening. CUSMA modernizes the rules of origin, improving access for margarine products of which canola or soy are primary ingredients. Making the vegetable oil market more competitive should generate additional value-added activities here in Canada and capture more economic activity domestically. It is unfortunate that we did not achieve the same outcome for shortening as the market is significantly larger.

While I appreciate today's testimony is focused on Bill C-4, the last year has been a challenging one for farmers. The loss of the China market for canola seed, various rail challenges, adverse weather and geopolitical and macro forces out of farmers' control have created significant uncertainty and risk at the farm level. Farmers are again making 2020 production decisions with limited certainty and knowledge of demand, price and available sales opportunities.

While CUSMA restores certainty in North America, reopening the China market to canola seed, meaningful changes to government business risk management programs, and biofuel market diversification are also required to assist farmers to manage the current and any future trade disruption. The current risk management programs, most notably agri-stability, falls short in addressing farm financial losses, and significant enhancements are required to make it work for farmers. Additionally, a clear requirement in the clean fuel standard that all diesel fuel consumed in Canada contain a minimum 5% renewable content would create greenhouse gas reductions and increase domestic demand for canola seed by an additional 1.3 million tonnes to 2.3 million tonnes.

In conclusion, NAFTA was critical to the development and success of the Canadian canola industry, and its modernization through CUSMA provides a platform to further stimulate growth in our sector and in the larger economy. As such, I have one parting comment. CCGA respectfully urges parliamentarians from both Houses to complete the necessary review and swiftly pass Bill C-4 into law.

I look forward to your questions.

Thank you very much.

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

We'll move to Rosemary MacLellan from Gay Lea Foods Co-operative Ltd.

Ms. Rosemary MacLellan (Vice-President, Strategy and Industry Affairs, Gay Lea Foods Co-operative Ltd.): Thank you.

Gay Lea Foods is a proud Canadian co-operative with members on more than 1,400 farms across Ontario and Manitoba. Our membership in Ontario represents roughly 40% of the bovine milk production in the province. We ourselves process approximately 24% of Ontario's milk in 11 facilities, making everything from milk proteins and ingredients to cottage cheese, butter, whipped cream, soft and hard cheese, sour cream and fluid milk. We also broker 45% of Ontario's goat milk, have a cheese facility in Alberta and are partners in a joint venture in Manitoba.

Recognizing the external threats from global trade agreements as well as the rapidly changing marketplace, Gay Lea Foods has been steadily strengthening our co-operative through investments in our existing operations. These have enabled us to increase sales from $560 million in 2013 to just over $872 million in 2019 as a wholly owned and operated Canadian business.

Gay Lea Foods has been committed not only to our members, our employees and the communities we touch, but to the Canadian dairy industry as well. The basis of our co-operative's investment in a drying facility in 2003 was to support the management of solids non-fat, SNF, as a responsible dairy sector. That is also why Gay Lea Foods was an active partner in the development of classes 6 and 7 in the national ingredients strategy as an industry-led solution to address the growing structural surplus of SNF as a consequence of satisfying the growing domestic demand for butterfat.

It needs to be emphasized that this industry-led, market-driven policy was a significant step for Canadian dairy and ignited investment throughout the sector, including more than $1 billion of publicly reported projects by Canadian dairy processors that included new facilities, modernization of existing capacity and capabilities, as well as expansion.

To that end, in 2016 Gay Lea Foods embarked on a plan to create a new dairy ingredients hub in Ontario, with a $72-million investment in the construction of a nutraceutical-grade dairy ingredients facility in Teeswater. This is the only nutraceutical-grade dairy ingredients facility in Canada.

We also brokered a non-conventional joint venture in Winnipeg, Manitoba, to construct a new MPC, milk protein concentrates, and butter facility with Vitalus Nutrition Inc. The latter was in support of chronic underproduction in western Canada, providing much-needed processing capacity to support dairy farmers in the western part of the country.

Both of these investments were committed, with shovels in the ground, prior to the NAFTA negotiations, and they are both now in operation.

I must add that the $72-million investment was all made from aluminum and steel that was specially fabricated in the United States.

Over the last four years, Gay Lea Foods has invested an additional $180 million in the business, with plans for a further investment of $100 million by 2023. These financial decisions by a dairy co-operative owned by dairy farmers were not made without risk, but they were made with the understanding that both industry and government shared a commitment to the growth of a thriving, innovative and uniquely Canadian dairy sector.

The impact of CUSMA on Canadian dairy needs to be placed in the context of the multiple pressures, opportunities and changes the dairy sector has encountered over the last six years.

The global marketplace and consumer demands on food are shifting. Canadian dairy has lost domestic market share under CETA, CPTPP and now CUSMA. We also have the WTO deadline for the elimination of export subsidies coming into effect later this year.

That was part of the rationale for creating classes 6 and 7: to address our issues of structural surplus while also dealing with the increasing demand for butterfat. This included our looking at how we would utilize and sell skim milk powder, which is globally recognized as some of the best skim milk powder you can find.

ln 2019 we have started to see the real impact of imported cheese in the Canadian marketplace. While the volumes are incremental, the effect on pricing is necessitating changes for Canadian cheese in order to remain competitive. As more imports come into Canada, the industry will need to adjust further to maintain market share.

CUSMA will force the industry to make changes to our milk class pricing and has designated a formula for the pricing of three specific dairy goods: skim milk powder, MPC and infant formula. It will also place thresholds on global exports of these three specific dairy goods, based on our dairy year. This will have a direct impact on the industry's ability to balance the demand for butterfat while providing value to the SNF associated with that milk volume.

As the committee has heard from previous testimony, the timing of the coming into force could add additional challenges to our sector, as these provisions are based on a dairy year starting on August 1.

The agreement also includes provisions on the disclosure of certain information and on obligations to notify and consult with the other party on changes to milk class. It should be noted these provisions apply to both parties to the annex, both Canada and the United States. It is hoped that government will work with industry and ensure that both parties to that annex fulfill their obligations in relation to those provisions.

● (1910)

As a sector, we need to have a good dialogue on the future we want for the Canadian dairy industry. We need to solidify a common vision and chart the plan for the next three, five and 10 years. We will need to know that the government has our back as we move through the unprecedented, most difficult and most significant next three years with these trade agreements, the cumulative effect of which will be a significant impact on all of our businesses and decisions going forward.

We need to work on restoring the stability and predictability that have been eroded in our sector in order to effectively manage milk supply to meet market demands for various milk components. Government will need to play a role as we work on how to position this sector to remain viable with growth, sustainability and innovation at the core. The dairy industry still has so much potential, and we all need to get behind it.

The government needs to move ahead with the implementation of a dairy processing investment program as compensation for both CPTPP and CUSMA. The government has repeatedly committed that this compensation will be full and fair. I would only add that it also needs to be retroactive to the signing of the trans-Pacific agreement in March 2018. The reason for this is simple. We have not waited for the impact of these trade agreements to be felt in our marketplace as we have developed and put investment into mitigation strategies. That was with the understanding that government would be there to support our investments in our operations that are negatively impacted by the trade agreements.

Global Affairs Canada should allocate the TRQs for the market access conceded under CUSMA to dairy processors. Simply put, we are the best placed to identify what is required to fill domestic needs. I will note that contrary to CETA, the market access conceded under CPTPP and CUSMA is market access of opportunity. Canada's not obliged to 100% fill it or even to fill it. It should be brought in only if there are domestic needs to be fulfilled.

Related to the administration of TRQs by Global Affairs Canada, government needs to ensure that the department has the resources to administer the new obligations under these trade agreements to ensure they are timely and business-friendly. They currently administer 38 TRQs for supply-managed commodities. We will see that number increase to 54 with CUSMA. They need to provide for both the resources and the training for the staff, as we look forward to how this administration will be done in a timely and business-oriented way.

While there are many challenges ahead of us, Gay Lea Foods remains committed to working with industry partners and all orders of government on a plan for the sector and our future as a dairy co-operative in what we hope will be a thriving and growing dairy sector in Canada.

Thank you.

● (1915)

The Chair: Thank you very much, Ms. MacLellan.

We go now to the National Cattle Feeders' Association with Ms. Tranberg and Mr. Daigle.

Mr. Michel Daigle (Chair, National Cattle Feeders' Association): On behalf of the National Cattle Feeders' Association, we thank the committee for the opportunity to speak to Bill C-4.

To begin, the National Cattle Feeders' Association supports the swift ratification of the Canada-United States-Mexico agreement, and calls upon all MPs to ensure the quick passage of Bill C-4.

My name is Michel Daigle and I am the chairman of the National Cattle Feeders' Association. I've lived and farmed in Sainte-Hélène-de-Bagot, Quebec for 43 years now. Sainte-Hélène is a small community near Saint-Hyacinthe. I'm in a partnership with my two sons, and we seed and harvest over 3,000 acres. We operate a feedlot of 2,300 cattle one-time capacity and market 4,000 fed cattle every year. On the farm my older son operates a cow-calf operation of 100 head, so I know what I'm talking about to you tonight.

Ms. Janice Tranberg (President and Chief Executive Officer, National Cattle Feeders' Association): My name is Janice Tranberg, and I'm the president and CEO of the National Cattle Feeders' Association. I've worked in the agriculture industry now for over 20 years, and I've worked in areas from industry to government and now the cattle-feeding sector.

Mr. Michel Daigle: NCFA represents Canadian cattle feeders on national issues and

[*Translation*]

Les Producteurs de bovins du Québec also belongs to the association.

[*English*]

NCFA works in collaboration with stakeholders and government to strengthen and improve the cattle feeding sector. Through NCFA, Canada's cattle feeders speak with a unified voice. NCFA is a business-oriented organization focused on growth and sustainability, competitiveness and industry leadership. We work to create a business and trade environment that is conducive to the growth and sustainability of cattle feeding, focusing on enhanced access to existing export markets and the opening of new markets.

We support a regulatory system that better positions our industry for future growth and prosperity. The National Cattle Feeders' Association is a member of the Canadian Agri-Food Trade Alliance and has a strong partnership with the Canadian Cattlemen's Association, both of which appeared before this committee last week on Bill C-4.

Agriculture and agri-food in Canada is a $100-billion industry that employs over two million Canadians. Both the Barton report and the agri-food economic strategy table identify agriculture and agri-food as a high-growth economic sector with significant potential to increase its contribution to the Canadian economy. However, to do so, we need to proactively harness opportunities such as CUSMA.

Canada produces some of the most affordable, nutritious and safest beef in the world. The Canadian beef industry represents farm cash receipts totalling $9.4 billion annually, contributing $18 billion to the GDP annually. The Canadian beef industry generates an estimated 228,000 jobs in Canada, with every job in the sector yielding another 3.56 jobs elsewhere in the economy.

In Canada, there are approximately 82,665 Canadian farms, ranches and feedlots.

● (1920)

Ms. Janice Tranberg: Trade in beef and live cattle between the U.S. and Canada has created a highly integrated North American market that benefits the beef sector on both sides of the border. For all practical purposes, Canadian and U.S. beef industries operate within a single North American market where processed beef and live cattle move across the border in a relatively unimpeded and tariff-free manner.

Cattle feeding is the most valuable production component within the Canadian and U.S. beef value chain and both countries enjoy a tremendous benefit from a very high level of integration.

Even though the Canadian beef industry is approximately one-tenth the size of the U.S. industry, there is still a tremendous amount of reciprocal trade that occurs between the two countries in terms of processed beef, and even more with respect to live cattle.

The U.S. is Canada's largest export customer and Canada is the single-largest import supplier. Canada consumes about one-tenth of the U.S. exports and satisfies one-fifth of the U.S. required imports.

Each year, Canada processes three million head of cattle and yields about one million tonnes of beef. Canada exports 45% of all beef production annually, and about 75% to 80% of these exports are destined for the U.S.

The NCFA supports a swift ratification of this agreement and calls upon all MPs to ensure the quick passage of Bill C-4.

Our sector is not in a position to sustain any further trade disruptions with any of our trading partners, and the U.S. in particular. There is no room for reopening or amending the CUSMA at this stage if agriculture is to have any hope of growth and sustainability.

The FTA that occurred in 1988 and then NAFTA in the 1990s show beef as a good example of how free trade has strengthened industries on both sides of the border. These agreements inject a high degree of competition in the industry and have made North American industry a truly integrated market. Competition drove down input costs and increased productivity. This has allowed the North American beef industry to compete globally.

Going into CUSMA negotiations, the Canadian cattle feeders had four priorities: first, do no harm; second, improve market access where possible; third, include a specific commitment on regulatory co-operation; and fourth, no return of country-of-origin labelling, or COOL, in any form.

CUSMA builds on the success of NAFTA and restores long-term predictability to the North American supply chain. This is exceedingly important during this time of ongoing unpredictability in global markets.

Key benefits to CUSMA for the cattle feeders include no new tariffs or trade-restricting measures, meaningful progress on regulatory alignment and co-operation, and modernizing elements that will help bring NAFTA into the digital age.

CUSMA preserves and secures duty-free access upon which the North American beef cattle sector has been built over the past quarter of a century.

Producers appreciate that there is nothing in the agreement on mandatory U.S. country-of-origin labelling for meat or livestock, and that there is ongoing interest to address regulatory matters affecting cattle and beef trade, and to continuously improve the competitiveness of the North American beef sector.

In conclusion, our message is simple. We call on members from all parties to facilitate the timely ratification of CUSMA. Please pass Bill C-4 and bring CUSMA into force so that cattle feeders can capture the economic and competitive benefits as soon as possible

Thank you.

● (1925)

The Chair: Thank you very much.

We will go to Mr. Hoback.

We will do five-minute rounds rather than six for the completion of this evening. Is that okay?

Mr. Randy Hoback: That's fine. Thank you, Chair.

Thank you to all the witnesses for coming this evening.

It's interesting that we hear from the different groups and associations that they want this passed right away. We agree with you. We've been saying that since April 2019. We said that we should do a pre-study, that we should get the pre-study done so that we could move forward right away. We brought this forward again this past fall. We said to bring the House back and let's get this done and out of our hair.

All the times we brought forward suggestions on how to speed this up, it was always declined, until now, all of a sudden. But we're saying that we still need time to do our due diligence. That's what we would have done in those previous studies. Now they're saying to hurry up and do it. It's frustrating.

For example, we heard from the dairy producers today. Dairy farmers are basically saying that if we hurry up and push this through, they lose a benefit of a year if it goes through too fast. If we wait until after May 1, then that benefit kicks out a year.

Well, we have the NDP doing a backroom deal to make sure it goes through relatively quickly, where we would have said we should work during the break week and then at least move forward. I find it frustrating when people say that we have to move forward really fast on this, when that's exactly what we've been doing. I'm not sure what the minister is saying to you folks, but the reality is that they're the ones, not us, who haven't managed this file. That frustration is kicking through on this side, because we've been pushing it and pushing it and pushing it to make sure that situations like the ones Rosemary brought forward are properly addressed.

There's a classic example in this deal. If we'd done TPP, the replacement to NAFTA, I think everybody in this room would have said it would have been a good deal. The benefit to the Canadian economy was about $4.3 billion. Obama wanted to do it. Trudeau did not want to do it. It didn't happen. Now we do NAFTA. We do a TPP without NAFTA, so we get 3.5% under TPP with TRQ and another 3.5% under NAFTA with TRQ, so the dairy is getting hit twice now. The net benefit here is a $10-billion loss to the Canadian GDP based on C.D. Howe. We're still waiting for the economic factors to come from this government.

What I'm finding is that as we dig into this deal that's supposedly a win-win-win for everybody, there are a lot of losers here who need to be heard from. Dairy is a good example. I know Rick and Janice. I've been on WTO talks with Rick. We have a history together. We're all pro-traders; there's no question about that. In the same breath, I'm looking at this wondering where's the compensation and where's the mitigation for the losses here. We're not seeing it. I just look at the limitations on the ability to export in the dairy sector. Basically, you're going to allow more product in, but on your powdered milk, for example, you're restricted on what you can ship, not only in North America but globally.

Rosemary, you were talking about going through the consultation process with the minister. When they said they were going to put a restriction on the amount of powdered milk, for example, that you can export, what were those discussions about? Did you agree to do a global ban or a global TRQ on the amount you can export?

Ms. Rosemary MacLellan: I don't think any business would ever agree to restrictions on its future growth and potential. Prior to the negotiations starting, as well as during the negotiations and immediately following, Gay Lea Foods, both directly and via the trade associations, was in frequent contact with predominantly the trade officials. In part, it was to make sure they really understood the vital, significant impact that class 6 and class 7 of the national ingredient strategy had.

Mr. Randy Hoback: Exactly.

Ms. Rosemary MacLellan: In part, it was an industry-led solution to an industry issue, but it also was repositioning us for the future. I think they needed to understand that in the context of investments—

Mr. Randy Hoback: Okay.

Ms. Rosemary MacLellan: —that had been made that were too far to go back on.

Mr. Randy Hoback: I'm sorry, but I only get five minutes.

With regard to compensation for TPP and then compensation for NAFTA, Rick, we had a whole pile of canola markets shut down because of this government's comments or actions. What kind of compensation do you think the canola growers should get in light of what the dairy producers are getting? I hear a lot of times on the doorsteps right now, “Dairy is getting compensation; they're giving out market access. I've lost markets in Saudi Arabia; I've lost markets in China because of this government.”

What should their compensation be?

● (1930)

Mr. Rick White: Mr. Hoback, in my presentation I talked about improvements to agri-stability. That's where we have consensus in the grains and oilseeds sector in terms of how to manage and help our farmers through this very difficult time, especially with China. We would like to see the agri-stability reference margins raised to 85%. That will take money, but it will provide adequate, or at least better, coverage for farmers to weather these kinds of storms. That's where consensus has arisen. There are other ideas for getting compensation out there, but it's loud and clear that agri-stability needs to be fixed. It's not fixed yet.

Mr. Randy Hoback: Okay.

The Chair: Thank you very much.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

Thank you to the presenters.

My first question is for you, Ms. MacLellan.

I hear your concerns. You mentioned that you have a three-year, five-year and 10-year plan if the government has your back. I can certainly tell you that government has your back. That's why we were able to preserve supply management. Earlier, when I talked to the other group, the Dairy Farmers of Canada said that about 3.9% of the dairy market is affected by CUSMA.

What is your three-year plan? What is your vision when it comes to three years and 10 years?

Ms. Rosemary MacLellan: It's three years, because the next three years are where we're going to see the greatest impact as these free trade agreements come together, as well as the changes with the WTO. Frankly, I think we need to get through that. We are only just now seeing the impact of CETA. We need to get through the next three years. We need to start to have discussions with government as well as with the industry.

What are we prepared to do? What do we see are the opportunities for milk and dairy going forward? What is that going to take to then see if it's really where Canada's commitment is? That's going to have an impact on the confidence for future investment.

Mr. Sukh Dhaliwal: I want to know what you think. What exactly is it that will make sure that the 3.9% we lost through the CUSMA...will we be able to help the dairy farmers?

Ms. Rosemary MacLellan: I have a strong passion for dairy. I see tremendous opportunity for dairy.

The thing that will hold it back is money and the risk that processors will continue to be willing to make investments, as we did in Canada, that already have the goalpost changed before we even commissioned the facilities.

These are long paybacks. These are very difficult decisions. The opportunities on the protein side, the opportunities on...frankly even how I mix it with some of Dave's products, and we do fat-filled.

There are so many different facets with the global marketplace changing that dairy could play a vital role, as it does today, and in ways we haven't even quite developed yet. That's going to take some serious commitment and some serious investment.

We need to know if Canada's the right place.

Mr. Sukh Dhaliwal: If the government does that, then are you pretty sure in your mind that you will be able to provide Canadians with quality products and possibly expand in the coming years?

Ms. Rosemary MacLellan: We absolutely have the best milk in the world. We have dedicated dairy farmers and we have some of the best processors.

We need confidence from government that if we make high-risk investment decisions that the government will have our back.

Mr. Sukh Dhaliwal: Thank you.

Mr. White you mentioned 250,000 jobs in the canola industry. Are they all in western Canada? Can you elaborate, please?

Mr. Rick White: They're basically jobs in Quebec and Ontario. The farming jobs are predominantly in western Canada, but there are processors in Quebec and Ontario as well. The entire value chain of 250,000 are pretty much spread across the country, not so much in eastern Canada though, not the extreme eastern Canada.

Mr. Sukh Dhaliwal: Will CUSMA help the businesses in Quebec?

Mr. Rick White: Yes, there's pressure there and CUSMA will help not only canola but soybean growers too. Soybean and canola are very closely related to the same market. Our soybean farmers will certainly benefit as well.

I won't speak on their behalf; but, yes, it'll help the entire industry. It provides stability, predictability and that is worth a lot these days in the international market.

● (1935)

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you, Mr. Dhaliwal.

Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Good afternoon. Thank you all for coming here to share your views and talk about the issues facing you.

I'm delighted to see someone from the beautiful municipality of Sainte-Hélène-de-Bagot, in my riding. I'm pleased to represent you in the House. If you're interested and you have the time, I'd also be glad to visit your facilities in the near future.

I think my first question should go to you.

As far as the cattle industry is concerned, let's do a comparison with the Canada-EU agreement. All kinds of promises were made, but, in the end, they amounted to little. For a long time, the selling point that was trotted out was that the cheese sector was sacrificed to benefit the cattle sector. When all was said and done, though, it became clear that the pitfalls were huge. The European market we were promised wasn't quite so accessible.

You seem to be much more optimistic about the American market. Is it simply that you already had access under NAFTA and that access will continue with the new agreement, or is there really something new in CUSMA?

Mr. Michel Daigle: As you mentioned, it's an altogether different agreement from the one with the EU. We are talking about a market that's already highly integrated.

Market-wise, as Ms. Tranberg indicated, Canada exports 45% of all its beef production, with 75% to 80% of those exports going to the U.S. Keep in mind that the base price is set in the U.S., so the free trade agreement is important to us.

It needs to be ratified quickly and, if possible, unanimously by every member in the House. Given that the agreement will go a long way towards creating jobs and adding value to the economy, it's very important.

I realize that beef production in Quebec doesn't account for nearly as much, representing 10% of Canada's production. Similarly, Canada's beef production represents 10% of North American beef production, if we compare it with that of the U.S. The agreement is extremely important, both for cattle farmers and for the industry. It's an established market and trading relationship.

Mr. Simon-Pierre Savard-Tremblay: Indeed, it's established. Is there anything novel in the new agreement, or does it simply keep the trade lines open, just as they are, but under a renewed agreement?

Mr. Michel Daigle: The trade lines already exist; the new agreement makes them stronger. The really important thing about the new agreement is that it doesn't add any costs. When country of origin labelling came in, it cost the Canadian cattle industry billions of dollars. A few years ago, a lot of money was spent to do away with the change, which was essentially a barrier to imports. We are very pleased that the new agreement makes no mention of country of origin labelling. That's a major advancement for us.

Mr. Simon-Pierre Savard-Tremblay: For everyone's benefit, could you tell us a little more about country of origin labelling?

Mr. Michel Daigle: A group of cattle farmers in the U.S. decided to ask the American government to introduce country of origin labelling for meat products. You'll understand, then, that when an organization in a free-trade zone slaughters Canadian animals in a slaughterhouse, it must slaughter the animals in segregation and identify them at the counter. Many slaughterhouses simply decided not to purchase Canadian cattle. There was true segregation, and that's why it was so costly for cattle farmers.

After a number of years, working hard alongside the Canadian Cattlemen's Association, we successfully challenged the measure under the agreement.

As you can imagine, it's much easier to do business when segregation isn't an issue.

Mr. Simon-Pierre Savard-Tremblay: When you say identify them at the counter, do you mean the meat counter where consumers buy the product?

Mr. Michel Daigle: Yes. When the retailer requires country of origin labelling and demands only U.S. beef, it's discrimination against all Canadian beef products.

The economy is so entwined that live cattle are also imported and exported. Currently, the level of U.S. cattle imported for feeding in Canada is higher than the level of Canadian cattle exported to the U.S. for feeding.

As such, it's important that products not be discriminated against at the meat counter.

● (1940)

Mr. Simon-Pierre Savard-Tremblay: I'm already out of time.

[*English*]

The Chair: Thank you very much.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much.

Ms. MacLellan, I wanted to start by saying—and I've said it earlier, but I'll say it again—that to the extent the parliamentary process does wrap up prior to May 1, we're completely in support of the government exercising its prerogative to delay ratification until May 1, which it can certainly do. That's a prerogative of the Crown, the terms of when it gets implemented.

In the event that the government chooses not to take that road, we're asking folks from the dairy sector if they would like to see extra compensation negotiated for that other year and the accelerated implementation of the caps.

Ms. Rosemary MacLellan: The dilemma is simply where the dairy year falls into the calendar year. What I would put it as is that it comes back to signals from government that it sees a future for dairy in Canada, a future that is expansion, innovation and sustainability through growth and new products as well as a very strong processing sector.

I think it will be more important for the government right now to show us that this is a sector it sees as a winning sector in Canada. We certainly think it is. We need to know that government is there with us on that commitment. I would leave it to government, be it under the administrative measures that are available in the agreement or through other means, to make that decision.

Mr. Daniel Blaikie: What would some of those signals look like? What would you take as a positive signal by government that it has your back?

Ms. Rosemary MacLellan: Certainly moving ahead, finally. We're now two years past. In terms of when CPTPP also came into effect, we basically had year one and year two within a day of each other because they happened December 30 and basically January 1. We're still waiting on that compensation for that commitment, and so moving ahead immediately on the processor investment compensation for CPTPP, as we start to figure it out through CUSMA, is one first step.

I think the second part of it is looking at some of these other means and measures and clarifying them right now. They're going through the second round of consultations on review of how they've been administrating the TRQs. I think the industry would say that there is room for improvement there.

I would differentiate again. CETA is different from CPTPP and CUSMA, where we are not obligated to be bringing in those imports. It should only be getting filled if we have a domestic market need for it.

I would also add to this that the department is going from 20 in CPTPP that was added to 16 in WTO. That's a significant increase in resources. They need to really be good and timely on the administration.

I have two industry colleagues here who would not want funds taken away from trade facilitation and removing some of the barriers they're encountering to support us with domestic administration.

I think, in terms of some of those processes, we need to make sure now, to the point of the impact statement, that the government also has the resources to live up to some of the obligations Canada has taken on.

Mr. Daniel Blaikie: When we talk about the allocation of those TRQs and not having to fill it unless there is domestic demand, who is in the best position to assess domestic demand and whether there's a need to bring product in from the United States?

Ms. Rosemary MacLellan: Processors work very closely with dairy farmers and that's a part of our milk supply management system. With that we have the appropriate signals and recognize what is coming in and where and how it needs to go but, with that, then working with producers to ensure that does not displace domestic milk when we actually can be filling some of those markets domestically.

Mr. Daniel Blaikie: Right on.

There has been talk at this table with a few different witnesses about the impact on people who work in dairy processing as well and whether they should be included in the compensation package in terms of pension bridging or retraining for younger workers who may end up shifted out of the industry as a result or the agreement.

Are you supportive of including some kind of meaningful package for people working in the industry, in addition to what would be there for producers and processors?

Ms. Rosemary MacLellan: I'm hopeful that we won't see job losses in Canada. I'm hopeful that we can figure out a plan, as industry and government, that we actually expand this industry and we don't see contraction. If closures and other things that do need to be part of business decisions occur, then absolutely, employees should be considered.

I would put on my other hat, though, in that we are projecting a shortfall of 65,000 full-time employees by 2025 in the food and beverage manufacturing sector in Canada. I would hope that, if we were to see job losses within the dairy sector, certainly government would be working with other parts of industry to actually be filling some of those vacancies that we know are occurring across all sectors today.

● (1945)

Mr. Daniel Blaikie: In the event that government—

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

We'll go to Mr. Kram.

Mr. Michael Kram: Thank you very much to all the witnesses for joining us today.

Ms. MacLellan, when were you first made aware of these new dairy export tariffs that apply not just to Canadian exports to the U.S. and Mexico but indeed to the rest of the world as well?

Ms. Rosemary MacLellan: Government, as it started to look toward the landing zone, probably a month out, started to float some of the options it was considering, and certainly those were privileged conversations, without prejudice. It was not definitive to what they were going ahead with, but certainly we were trying to make sure they fully understood just where skim milk powder, from a production standpoint, fit with the class 6 and class 7 and the components of us also addressing the domestic butterfat section.

We were aware of it, but it was on the morning after the trade agreement was finalized that, in fact, it was confirmed that it was in the agreement.

Mr. Michael Kram: When you say a month out, does that mean a month from the beginning of negotiations or a month from the end?

Ms. Rosemary MacLellan: Throughout the month of September, we started to understand that there were some variations and some options that government was considering in its discussions with the U.S.

Mr. Michael Kram: Okay, and that was September of last year.

Ms. Rosemary MacLellan: It was in 2018.

Mr. Michael Kram: It was 2018. Thank you.

How much do you expect Gay Lea Foods to be paying in the new export tariff?

Ms. Rosemary MacLellan: In 2003 the dryer that Gay Lea put in place in Guelph was predominantly to make skim milk powder, so that entire facility in the city of Guelph is entirely making skim milk powder right now. We'll be making some decisions as to what we do and how we go forward with some of that, recognizing that we, frankly, make some of the best skim milk powder on the globe.

There will be some impact to that, but not all of that is exported. Much of that is also for domestic use.

A lot of this will be a recalibration within the industry as to what we make, how we make it and how we use some of this domestically, and it's still too early for us to fully assess how all those pieces will fit together.

Mr. Michael Kram: Okay, so you may be paying zero dollars in export tariff because you'll just stop exporting that product that qualifies for the tariff. Is that a possibility?

Ms. Rosemary MacLellan: That tariff is prohibitive at its cost right now for us to look at some of this to be competitive.

Mr. Michael Kram: All right.

Has the government had any talks with you about what the money collected from that tariff will be used for?

Ms. Rosemary MacLellan: No.

Mr. Michael Kram: There are no talks of a dairy export tariff rebate program coming from the new dairy export tariff.

Ms. Rosemary MacLellan: No.

Mr. Michael Kram: Could you give us some idea of the options you are considering for adjusting to the new export tariffs? You've talked about your facility in Guelph. What are some of the most likely scenarios we're seeing coming out of this?

Ms. Rosemary MacLellan: Certainly some of that is what we can use domestically. Some of that will be what that product mix is and where we go forward. Some of this will have an implication on—it's three specific dairy goods that have been captured by the export thresholds—what else and how else we can make things. Even just with my colleague sitting next to me, there are variations of different products, depending on what the marketplace needs, where we could be putting fat-filled milk powder with it, and that changes tariff lines.

There are variations like that as well that we'll need to assess for what the marketplace will want, not just what we would like to make.

Mr. Michael Kram: Okay.

South of the border, the American government subsidizes their dairy industry to the tune of billions of dollars a year. If the American government would just stop subsidizing their dairy farmers, would that make Canadian dairy farmers more competitive?

Ms. Rosemary MacLellan: It would in some ways. I would also put back as well that the U.S. is not looking to Canada to be their complete solution. We are a bit of a dumping ground. If we look at the size of our marketplace compared to the size of California, we see we're not going to be their solution either, going forward.

Mr. Michael Kram: During the course of the NAFTA negotiations, were you made aware of any attempts by our negotiators to eliminate or at least reduce the American tariffs to their dairy farmers?

Ms. Rosemary MacLellan: There are some market access gains for Canadian dairy under this agreement, similar to those that were made under CPTPP.

Mr. Michael Kram: Okay.

How is the time, Madam Chair?

The Chair: You have 30 seconds. I don't think you can get anything else in.

Mr. Michael Kram: Okay, I'll leave it at that.

The Chair: Thank you.

Mr. Sheehan.

Mr. Terry Sheehan: Thank you once again to all the presenters.

We've made a commitment, and we've heard it over and over again, to get the NAFTA deal through expeditiously. Obviously, the dairy farmers have some concerns, and we've heard them. They've come to the table with a number of ideas to help to continue to strengthen the dairy producers. I appreciate that testimony, too.

I'm not going to ask any questions that have already been asked, that the analysts have already gathered. We gather all your information, not only yours but from many other people, and we create a report.

I have one quick question that I have not heard yet. I'm probably going to have some time left over.

We're talking a lot about the United States in the NAFTA deal. When the canola farmers made the presentation, they mentioned that the United States is their number one market and Mexico is the fourth.

I would ask the canola farmers what opportunities there are in increasing exports to Mexico, taking it from fourth to higher, or just increasing exports with Mexico.

● (1950)

Mr. Rick White: Dave, will you go?

Mr. Dave Carey (Vice-President, Government and Industry Relations, Canadian Canola Growers Association): Sure. I think that trade diversification is key.

I think that with the U.S. and China representing so much of our exports, looking towards Mexico to increase.... We were at about $782 million in 2018. So I think a newly invigorated NAFTA is a good thing—CUSMA.

I think the key is that we can't be so reliant on any one export market. As we look to strengthen relationships with Mexico, we see there certainly are market gains to be found there.

To the expeditious nature of your question, 90% of our crop is exported. We can't consume everything that we grow here on the canola side.

We also have to look at where the U.S. is in their electoral cycle. Right now with the U.S. and Mexico having ratified, we're still under NAFTA, but if we get into the U.S. election cycle, we would be in a dangerous position, where Canada would be outside of NAFTA, and the U.S. and Mexico would continue to be....

We'd love to see more exports going to more markets, more to Japan and more to Southeast Asia, Bangladesh, Pakistan. There are lots of other markets. Mexico is certainly one where we can make inroads, but we can't do it without the CPTPP.

Mr. Terry Sheehan: Thank you. That's all I have for questions.

The Chair: Thank you very much.

Mr. Lewis.

Mr. Chris Lewis: Thank you, Madam Chair.

I'll try to be as brief as possible.

Ms. MacLellan, this is for you, please.

I did read a statement from Gay Lea Foods. I believe it's from October 1, 2018.

Very quickly, one of the statements was that USMCA "will have destabilizing and detrimental impacts on the Canadian dairy industry, our co-operative business, and dairy farmers." It went on to speak about the investments that you spoke about, I believe, in your opening statements. I see numbers in here of $140 million to build a dairy ingredients hub in Ontario, $68 million for an ingredients facility in Teeswater, a $3-million innovation centre in Hamilton, and so on and so forth.

You mentioned the statement that CUSMA will call into question millions of dollars of investments Gay Lea has made over the last several years. Have you been able to research the impact of CUSMA since this statement, and what are your findings? In other words, can you talk us through how the new NAFTA will potentially impact those specific investments?

Ms. Rosemary MacLellan: Teeswater, the nutraceutical-grade dairy ingredients facility that we commissioned last summer, will be making a variation of MPC as well as milk protein isolate for domestic as well as export sectors.

As Global Affairs will look at how they allocate what can actually be exported under those thresholds, we don't know yet what our volume of that will be. That will be part of our decision-making going forward.

The second part will be this. What of this can we be looking at from a domestic market perspective, and what else can we do with that? What is captured under the three specific dairy goods for exports under the thresholds and what is actually outside of that?

With some of the other investments, we continue to make strong investments in our cheese operations, both in the Etobicoke facility and our Hamilton facility, as well as in some of our smaller facilities in parts of rural Ontario and Alberta.

Mr. Chris Lewis: Have you been able to quantify your potential losses to date?

Ms. Rosemary MacLellan: We have not. We have opted to focus more on the opportunities and how we can continue to strengthen and grow. We have a very progressive membership of dairy farmers who are very committed to the Canadian dairy industry and who see huge potential. Our focus has been on how we actually ensure that they have a bright future tomorrow.

Mr. Chris Lewis: Excellent.

This is my last question for you.

You have more than 4,200 producer and investor stakeholders. What has been the response to the new NAFTA and the export cap?

● (1955)

Ms. Rosemary MacLellan: I think much of this caught the industry by surprise, more disappointment, because it was yet another hit. I think it's that cumulative effect of all of this overall.

I think we had seen some strong growth, particularly as we have been one of the lead actors in helping to create class 6 to class 7 in the national ingredients strategy. They've seen quota increases. We're seeing strong investment. They are seeing milk production going up. It's more of a matter now of how we look at how we can continue to ensure that this keeps going. How do we ensure that we continue to have government support to enable us to make some of the investments that we've made that are high risk with very long payback periods to ensure that we can continue to have a successful sector here in Canada?

Mr. Chris Lewis: Thank you so much.

Thank you, Madam Chair.

The Chair: Mr. Sarai.

Mr. Randeep Sarai: I want to thank you all for coming. Even though we get a lot of the same sector, we learn different things.

My question is for Ms. MacLellan.

You said that you actually see opportunity in terms of the dairy sector's using the gains or some of the sector market share that we get from the U.S. What's the best way to access those gains? Is it through new, innovative means? Do you need support in that in terms of it? Is it certain sector or talent requirements? What would be the most effective way for you to gain market share in the U.S. and increase productivity in your specialized products?

Ms. Rosemary MacLellan: We do have a number of products. We make a wonderful smooth cottage cheese at a fantastic area in Etobicoke. We actually have a North American patent on that. We are looking at various goods that we already make that we can ship to the U.S.

As much as market access to the U.S. has been gained, we don't expect the U.S. to make it easy for us as Canadian dairy to enter the U.S. market, so we definitely are looking at other marketplaces.

As the global population is growing, there are increasingly stronger demands for milk proteins in different ways, both for confectionary and baking. As we look at other parts of the globe, there are opportunities for export. The U.S. may play a part in an export plan for Canada, but certainly it's not going to be our number one priority. I think, if anything, we've learned from our colleagues in other sectors that if you're looking at export outside of Canada, diversification and not having all of your milk proteins going into one country would be one of the best strategies.

Mr. Randeep Sarai: That seems to be a strategy that many industries in Canada, softwood lumber, canola and others, have witnessed. If you put too much emphasis on just one market, then whenever there's an issue—canola in China or softwood in the States—you get stuck with that one. So, diversifying....

We haven't heard as much from the dairy sector on diversifying. We do hear that China, Japan or Hong Kong as part of China will have a higher market demand for our baby foods and other dry milk products.

Do you see that as the way to go to increase your products?

Ms. Rosemary MacLellan: It's a part of it. Make no mistake, the domestic Canadian marketplace is still the number one marketplace for us. I think we've also learned lessons from other sectors in that as we are losing market share, we can't afford to lose any more than what has been allocated and given away in trade agreements; and that we also need to keep priority on what and how we service Canadians with the Canadian dairy products that they love and trust.

Mr. Randeep Sarai: Have you used some of the funding that the dairy industry is getting—or is going to be getting and received some, in my understanding, as of December—to create better awareness amongst consumers in Canada that our made-in-Canada product is a better product?

I have been told many times by the dairy industry when they have come to meet me that I'm the most informed on dairy. I have several types of milk in my refrigerator. I have organic milk. I have grass-fed milk. I have 2%, 1%, skim milk. I have it all in my house. I am well versed. Different kids have different demands, and I have my own requirements.

What I don't see is our dairy industry pushing that made-in-Canada, high-quality milk as much as it should. I know that blue logo that's on your cards has been out there, but...something to push it. Our doctors are well aware that it's one of the best products. It's better than American milk, especially because of some of the hormones or injections that the Americans use.

How can you make that more abundantly clear for Canadian consumers?

Ms. Rosemary MacLellan: That's probably a better question to pose to industry associations, because they're the ones that manage the marketing dollars and focus on the marketing activities. I do think that it is a part of a struggle, as you increasingly have more options in the marketplace for consumer choice.

● (2000)

Mr. Randeep Sarai: Thank you.

The Chair: Thank you very much to our witnesses who took the time to come out. We really appreciate it.

It has been a long day. We have another long day tomorrow, starting tomorrow morning at nine o'clock with more witnesses.

I will adjourn until tomorrow morning at nine o'clock.