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# Standing Committee on International Trade

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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Wednesday, March 23, 2022

• (1545)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call the meeting to order. Welcome to meeting number 10 of the House of Commons Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 24, 2021.

Measures regarding the use of masks in the House of Commons precinct have been extended until June 23, 2022. Please note that masks must be worn in committee rooms except when members are at their place during parliamentary proceedings. However, it is strongly recommended that members wear a mask even when they are at their place during parliamentary proceedings.

All those inside the committee room should follow best practices of maintaining proper hand hygiene by using the hand sanitizer provided.

As the chair, I will enforce these measures, and I thank you for your co-operation.

To ensure an orderly meeting, please note that you may speak in the official language of your choice. At the bottom of your screen you have the choice of floor, English or French. If interpretation is lost, please inform me immediately, and we will ensure interpretation is properly restored before resuming the proceedings.

When speaking, please speak slowly and clearly. When you are not speaking, your microphone should be on mute.

All comments should be addressed through the chair.

Today we are continuing our study on the Canada-United States relationship and its impacts on the electric vehicle, softwood lumber and other sectors.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, January 31, the committee is resuming its study on our relationship and its impacts. Today's meeting pertains to the softwood lumber sector.

With us today by video conference is Mark Warner, counsel, Pilot Law LLP, as an individual; from Alberta Forest Products Association, Jason Krips, president and chief executive officer; from the British Columbia Council of Forest Industries, Susan Yurkovich, president and chief executive officer; from Forest Products Association of Canada, Derek Nighbor, president and chief executive officer; from Québec Forest Industry Council, Jean-François Samray,

president and chief executive officer, and Michel Vincent, director, economics and trade; and from the Quebec Wood Export Bureau, Sylvain Labbé, chief executive officer.

Welcome to all of you. I apologize for the delay.

We will start with Mr. Warner for an opening statement of up to five minutes.

Go ahead, please.

**Mr. Mark Warner (Counsel, Pilot Law LLP, As an Individual):** Thank you Madam Chair for the invitation to be here with you today.

As you know, my name's Mark Warner. I'm a Canadian and American trade lawyer. I have been associated with the softwood lumber file for many years, dating back to before I was a law student. I worked for the late Professor Alan Rugman at the University of Toronto. I worked as an American lawyer at various law firms that represented Canada, and then as legal director of the Ministry of Economic Development, Job Creation and Trade in the Province of Ontario. I've seen this from multiple different perspectives as an academic economist, an American lawyer, a Canadian lawyer, as someone who pays the bills for the lawyers in the United States and someone who gets paid by Canadians in the United States to talk about softwood lumber.

The interesting thing is that this file has been around forever. The way that I look at this file, as I've looked at it over a great many years, it seems to me that it's not really the kind of trade dispute that lends itself to fundamental, permanent dispute resolution. Fundamentally, what is going on in this file is a battle of conception of trade law and policy. To the American mind, they look at practices in Canada around lumber, timber and forest management, and they see non-market economics. We may not agree. To us, we look at a bunch of trade agreements and say, as Canadians, "We've negotiated these trade agreements with you and we think that we can go through a series of trade dispute fora, whether it's under the old NAFTA—now the CUSMA—or the WTO, and we can win narrow, technical victories based on legal or accounting issues, and then, we can fight again".

I don't see really an end to that, unless we find some mechanism to make the American producers cry uncle. My guess is they probably won't do that, even with all of the best arguments about the cost of houses and all of that.

The American trade system—not unlike ours, because we have the same fundamental base—is a system that's based much more on producer interests than on consumer interests. In the American perspective, as well, there are some processes that American producers can launch. We always take that in Canada as being the launch of a political process. From the American perspective, it's just the producers following their law. Their rule of law means that they go through a process.

If we think today about how softwood lumber fits into where we are, it seems to me that the fundamental question for Canada is whether we are okay with this. Do we want to keep on going on, having disputes that we settle through these various international trade fora, or do we want to find some way of negotiating some kind of a market access solution or rules to buy some measure of peace? I get that, with the most recent situation with the economics on both sides of the border, the answer to that is no.

The question I have is where this issue of softwood lumber fits into the larger trade relationship between Canada and the U.S. It seems to me that if we're looking for a political settlement, as opposed to continuing on the legal route, you're going to have to rely on the goodwill, to some extent, of the various players in the United States at the government level. I have some concerns that we have, perhaps, been a bit more bellicose in the way we go about trade policy. Part of that is understandable, in relation to the last occupant of the White House, but it has carried forward into this new Biden presidency. It seems to me that we have our elbows up as we go into the corners a lot. At least, I think that's the perception in Washington.

The question then is whether there is an opportunity here to look for a grand bargain, where we can say to the Americans, "If you help us with softwood lumber and Keystone" or whatever it is, "we will make some concrete attempts to deal with some of the issues that are front of mind to you, having regard for the global trade situation of supply chains and critical minerals."

• (1550)

There, I think that probably means doing more than talking about critical mineral supply, but actually figuring out how we can be more like the Australians. How can we actually get the critical minerals to market quickly? That's what I think.

I'd add that although the Canada-U.S. softwood lumber dispute dates back a long way, the other piece that I think is less well understood in Canada is that we're now tied into a much larger debate between the United States and China. As we can see by all of the events going on in the world today, that's front and centre for Americans in terms of their foreign policy and their foreign economic policy.

It just so happens that the issues at the centre of the dispute in terms of dumping and that sort of thing go to the heart of the American dispute with China in terms of the use of what we call "zeroing" in the practice of anti-dumping and countervailing duty cases.

That's part of what I would just put out there. As difficult as it has been over the last 35 years to deal with this issue, it's even harder now to find an opportunity for the Americans to find a trade

law solution that is specific to Canada without implicating their larger trade law disputes with China.

**The Chair:** Thank you, Mr. Warner. My apologies. I have to interrupt. Thank you for your comments.

Mr. Krips, you have five minutes, please.

**Mr. Jason Krips (President and Chief Executive Officer, Alberta Forest Products Association):** Thank you very much, Madam Chair.

Thank you very much for the invitation and to your committee members as well. I really appreciate the opportunity.

As mentioned, my name is Jason Krips. I'm the president and CEO of the Alberta Forest Products Association.

I'd first like to begin by acknowledging that I'm coming to you from Edmonton, which is situated on the traditional territory of the people of Treaty 6 as well as the ancestral land of the Métis. In addition to this, our industry operates on the traditional territories of the people of Treaties 7 and 8. It's important that we acknowledge the deep and rich partnership we have with indigenous, first nations and Métis communities in our forestry sector.

With respect to softwood lumber, in Alberta one thing we've seen in our industry is that it contributes to the resiliency of our communities. The Alberta forest products industry is in over 70 Alberta communities. We have an economy in place that booms and busts—this is well known in Canada with the energy prices—but communities that also have forestry are markedly different. They have the extra layer of insulation of well-paying jobs that are stable. In fact, our industry contributes over 40,000 jobs to the Alberta economy, with many of those in rural Alberta, with an \$8-billion economic impact to the province of Alberta.

The challenge with trade actions taken by the United States government is that they undermine this economic stability. They create uncertainty and they suck money out of our communities.

It's not just Alberta or Canada that is suffering from the ramifications of these actions. It's communities in the United States as well. Hundreds of thousands of American jobs are dependent on transporting, selling and building with our products. Millions of Americans need housing prices to be affordable in order to afford shelter.

The irony of the actions taken by U.S. Commerce is that it's their own citizens who bear the brunt of this impact. We're living right now in a time of absolutely serious inflation—inflation we haven't seen in decades. Costs both for industry and for our households are growing at an unsustainable rate.

The softwood lumber dispute is exacerbating this phenomenon by stifling competition, interfering with supply chains and contributing to massive spikes in the price of lumber.

For our members, tariffs add a significant set of costs that get passed on to the consumers when the markets are strong. When the market weakens, they contribute to things like mill curtailments and job losses.

I've outlined the problem and now we want to turn to see what some of the solutions are. As Mark mentioned, unfortunately there are no silver bullets and no argument that we can make to United States Commerce and U.S. industry that will cause them to lay down their arms in this dispute.

To that end, we continue to see value in Canada using the legal challenges like the WTO and CUSMA appeals processes, which Mark had mentioned, to fight for our rights.

We also see value in working to educate American consumers about what this dispute is costing them.

Finally, we see value in continuing to tell the story about Canada's forests. Our unique legacy of public lands in much of the country means that our very high forest management standards are consistent. Our industry is able to harvest in a way that causes zero deforestation because harvesting on public lands comes with the obligation to regenerate through activities like replanting. In fact, in 2021, Alberta's forest industry planted over 100 million trees. That's three trees for every one harvested in 2021, which we take a lot of pride in.

Telling our story will help to promote access to markets around the world and give consumers here at home reassurance that the product they are buying is produced in accordance with world-leading standards.

As Mark mentioned previously, there aren't any huge silver bullets. We need to continue to work with both the legal challenges as well as the political challenges. At the end of the day, unless and until we have a willing dance partner in U.S. coalitions to come to the table, I think we're in this fight for a while.

Madam Chair, thank you very much for your time.

• (1555)

**The Chair:** Thank you very much, Mr. Krips. You are right on time.

Ms. Yurkovich, please, you have five minutes.

**Ms. Susan Yurkovich (President and Chief Executive Officer, British Columbia Council of Forest Industries):** Thank you, Madam Chair, and committee.

As president of the B.C. Council of Forest Industries and the Lumber Trade Council, I have the pleasure of representing the majority of forest product manufacturers in British Columbia.

These are big and small companies that make up about 50% of our country's lumber and pulp exports, including half of our nation's softwood lumber exports to the United States.

I am joining you from the traditional territories of the Coast Salish people, and we do appreciate your interest in our industry and in this issue.

A bit like Jason, I just want to talk for a minute about the industry here. In B.C., the forest industry has an economic impact like no other in the provincial economy. It contributes over \$13 billion in GDP, and about \$4 billion annually in taxes and fees that support the health care, education and social services that we all count on.

Importantly, direct, indirect and induced jobs are about 100,000 in British Columbia, in urban and rural centres.

Forest products make up about one third of our exports; 21% of all traffic through the Port of Vancouver; and 11% of the rail traffic in western Canada.

For us, as an export industry in a small, open economy, strong trade relations and diversified markets are critical to our industry's success. While the U.S. used to be the top destination for B.C. forest products, over the last 20 years, working in co-operation with government, we've been expanding our markets into Asia and reducing our dependence on the U.S. where we continue to face these unwarranted tariffs, which of course is what we're talking about today.

As mentioned, this is a dispute that has long legs. It's been under way for more than 40 years. We sit here in the midst of what we affectionately call "lumber five". Both "lumber three" and "lumber four" were disputes that ended in Canada's favour, with neutral international tribunals forcing the U.S. Department of Commerce to rescind the unsupported subsidy findings.

We're confident that we'll prevail again because Canadian lumber is not subsidized, and the claims by the U.S. protectionist producers are baseless, but until it's resolved, this protracted battle continues to consume massive amounts of time, energy and both human and financial resources. What's really frustrating and hard for me and many others to understand is the fact that the U.S. needs Canadian softwood so desperately.

In 2021, the U.S. demand for lumber was 51.6 billion board feet. U.S. domestic producers could only supply 35.6 billion board feet of that, leaving a 16-billion board foot shortfall, of which Canada filled 14 billion board feet.

The U.S. demand for softwood, as mentioned, continues to be strong, and that's because American families are looking to repair and remodel their homes and, in some cases, to build new ones. We've seen record demand in the last couple of years as people spend more time at home over the pandemic and as housing starts are moving higher after years of under-building following the market crash of 2008.

We expect this trend to continue, and that's because a large demographic group is now entering the household formation age bracket. That's a group that, interestingly, is larger than the baby boomers, and they're looking to buy or build their first home. As they do this, as Jason mentioned, they're going to be facing those inflationary pressures, a lot of them caused by the supply chain disruptions of the pandemic. These pressures are exacerbated by the protectionist tariffs that are driving up prices and putting the dream of home ownership out of reach for some.

More importantly, as mentioned, this dispute creates tremendous volatility and uncertainty in Canada, impacting our workers, our families and the communities that are supported by the export of softwood lumber.

Right now our markets are strong, but this is a cyclical business. We need to be prepared for the next down cycle and for the opportunities that are ahead of us. We need to invest and innovate, to explore new market opportunities to train our next generation of workers, to employ technology that enhances sustainable forest management and to invest in partnerships with indigenous nations across our country.

This takes resources and very significant capital. Sadly, right now there is over \$7 billion from Canadian companies that is sitting idle in cash deposits. That's money that could be used to invest in plants, equipment, workers and communities.

As we look ahead, we see an incredible opportunity to help meet the growing demand for forest products, which are the renewable, low-carbon material of choice. Whether you're doing mass timber framing or fibre-based packaging, these products are helping to tackle climate change while supporting jobs here at home. We can help supply that from the sustainably managed forests. We can help meet demand, and we can even help the Biden administration as it moves to implement its trillion-dollar green infrastructure program.

How do we do that? There are a couple of things.

First, we need to resolve this issue. We need the U.S. industry and government to get to the table and negotiate a durable resolution to this dispute.

- (1600)

With geopolitical tensions and protectionism high in the U.S., we don't see that opening yet, just as Jason said, but with a strong demand and continued supply constraints, that may now be exacerbated by the war in Ukraine. There will be opportunities for dialogue in the weeks and months ahead but until then we have to continue to vigorously defend our industry.

Second, a team Canada approach is critical. This is the way it's been for decades. Regardless of who formed government, Canadians have really benefited from the united voice across party lines. Strong, cross-partisan and intergovernmental co-operation has been possible because we share a common cause and because eliminating tariffs is good for everybody. We really appreciate that Minister Ng and her team, are continuing with this approach, as did her predecessors.

Third, as a trading nation, we need to have strong, effective and efficient trade agreements in place and organizations that are going to help to ensure that they're respected and enforced. This includes having a polling with WTO dispute settlement mechanism, having a well-functioning appellate body, and having mechanisms that ensure timely resolutions to disputes.

**The Chair:** Okay. You're over time.

**Ms. Susan Yurkovich:** Can I make just one more point?

**The Chair:** Yes, please finish.

**Ms. Susan Yurkovich:** Finally, as we look to the future, we also need to continue with our market and product diversification. B.C. has led the charge in developing overseas markets, and we've done that in partnership with NRCan. I have to say that the expanding market opportunities program is a gold star example of how to work in partnership and deliver results, but that takes time and it takes years to develop product familiarity—

**The Chair:** Thank you very much, Ms. Yurkovich.

Maybe your last comments can be added on in response to a question from one of the members.

Mr. Nighbor, go ahead, please.

**Mr. Derek Nighbor (President and Chief Executive Officer, Forest Products Association of Canada):** Thanks, Madam Chair.

My name is Derek Nighbor. I'm president and CEO at Forest Products Association of Canada. I am participating today from our FPAC head offices here in Ottawa, built on the unceded Algonquin Anishinabe territory.

Canada's forest sector is a \$76-billion sector that brings over \$34 billion worth of sustainably sourced Canadian products to the world each year. We're across more than 600 forest-dependent communities across the country and directly employ just under 230,000 Canadians.

I know a number of members of the committee. I see MPs Sheehan, Martel, Masse and Hoback, who know us pretty well, but for those of you who don't know, we're a world leader and are unique in many ways in our approach to sustainable forest management. I had the privilege of chairing my global colleagues from 28 countries around the world, and one of our big differentiators in Canada is our public land component. Over 90% of the lands that forest operations happen on are under the purview of provincial government laws, regulations and policies. Operating on provincial Crown land brings with it significant obligations and commitments to use local science, secure input from indigenous and non-indigenous communities, make sure these local values are incorporated, and manage for dozens of important values from biodiversity conservation to flood and fire risk mitigation and supporting birds, mammals and fish that call the forest home. Plans are developed on the land base considering 100-to-200-year time horizons. Not many industries plan in those cycles. As I said, those plans on public land are approved by provincial governments.

Our sector sees a lot of alignment with the federal government's priorities and ready-made solutions, as Susan and Jason spoke to, to help decarbonize our economy, to support effective conservation, to sustain and create well-paid jobs in rural and northern Canada especially, and to advance reconciliation with indigenous peoples.

In terms of indigenous peoples and their engagement, those communities are core to the success and the future of our sector. It is not only the indigenous youth who are representing that significant cohort in terms of talent in the future, but also today indigenous peoples also directly control 10% of Canada's wood supply, and that continues to trend upward. There are also numerous joint ventures, co-management arrangements, employment programs and revenue-sharing agreements within indigenous communities across the country, not to mention over 12,000 indigenous workers and over 1,400 indigenous-owned forestry businesses operating from coast to coast.

Susan alluded to the net-zero-carbon economy opportunity, and as Jim Carr used to say when he was minister, there's no path to net-zero carbon without Canadian forestry and forest products. Our solutions are across the value chain, and they include everything from mitigating fire risks that are carbon spewing, to producing lumber and wood products that lock in carbon for generations and also using what would otherwise be wood waste—whether it be sawdust, bark or wood chips—to make things like paper, biofuels, bioplastics and to power electricity grids and district heating systems.

We're pretty blessed in Canada—there are over 9,000 trees for every Canadian, and Jason talked about that 3:1 planting ratio in Alberta, and how replacing more than we take ensures we're going to keep our forests as forests forever.

There's been a lot of talk today about softwood lumber. I'm going to talk about another trade issue that's facing our lumber sector and our pulp and paper sector. It and its potential impacts are things I think this committee and the Government of Canada need to be clearly aware of. I'm talking about discriminatory pieces of anti-Canadian forestry legislation that are currently active on the floors of the state legislatures in California and New York. They are designed to restrict Canadian forest exports to those states through state procurement channels. When I took this job a few years ago, I didn't anticipate needing to do advocacy work in Sacramento and Albany, but here we are. As I said, if these bills were to pass, the precedent-setting nature and what some of the activists would try to do to influence U.S.-based customers and other state governments would be disastrous for Canadian forestry families and communities.

I'll give you a little more of the specifics. Over the past year, we've been working in collaboration with industry, labour and indigenous partners against bills in California by Assemblymember Kalra. One bill was vetoed by Gavin Newsom, the Governor of California, only to be reintroduced weeks ago along with a bill by State Senator Liz Krueger in New York State. When we saw the bills emerge one right after the other with very similar language, we knew there was some kind of coordinated effort, and it's become clear to us that the U.S.-based anti-Canadian resource organization Natural Resources Defense Council has been instrumental in drafting these bills.

• (1605)

I want to raise these bills. We're very concerned about the potential impacts on our workforce and our ability to operate on the land. The discriminatory nature has clearly been called out by industry and labour partners, and we need the federal government to stand with us to ensure that we don't have even more trade problems with our neighbours to the south.

Thank you, Madam Chair.

**The Chair:** Thank you very much for that extra information. It's very much appreciated.

Mr. Samray, you have five minutes.

• (1610)

[*Translation*]

**Mr. Jean-François Samray (President and Chief Executive Officer, Québec Forest Industry Council):** Thank you, Madam Chair.

Committee members, my name is Jean-François Samray. I'm the president and CEO of the Québec Forest Industry Council, or QFIC. I'm joined today by Michel Vincent, our chief economist.

As the main advocate for Quebec's forest industry, the QFIC represents the interests of softwood and hardwood sawmilling, peeling, pulp, paper, cardboard and panel companies and Quebec engineered wood manufacturers.

While working with governments, other stakeholders in the forest sector and the general public, the QFIC highlights the contribution of its members to socio-economic development, the responsible use of natural resources, sustainable forest management and the ecological quality of products.

With respect to the topic under consideration today, the QFIC represents and supports its members in various ongoing litigation and gives the government approaches to ensure fair trade in softwood lumber with the United States.

Wood makes a tremendous contribution to the Canadian and Quebec economy. It's important to remind committee members that forests and the Canadian industry play an important role in the economy. The forest sector provides direct employment to over 230,000 Canadians from 600 communities. Over 12,000 industry workers are first nations members. The forest sector generates revenues of nearly \$80 billion a year. In Quebec, the forest industry supports over 140,000 jobs and generates more than \$20 billion in sales.

As a world leader in the production of many forest products, Canada exported \$33 billion worth of forest products in 2019, of which about \$10 billion came from Quebec. This figure has risen sharply since then, given the strong demand for wood in the construction and renovation sector.

On top of the economic aspect, the forest is also a powerful tool in the fight against climate change. Acting as a gigantic reservoir to capture and sequester CO<sub>2</sub>, it helps us fight global warming. The Government of Canada, through its purchasing policies, must play a key role in accelerating the use of wood as a material.

With regard to today's topic, softwood lumber exports to the United States are extremely important to Canada and are a strategic part of our industry's operations. Trade disputes date back to 1981, well before the 1994 free trade agreement.

Yielding to protectionist demands from private forest owners and American sawmills, the United States Department of Commerce methodically filed complaints against Canada as lumber trade agreements made over decades expired. To date, international tribunals have never found that Canada subsidized its industry or harmed the American market. The recent and lengthy unanimous decision of the World Trade Organization in August 2020 is on this list.

However, clearly these unilateral American trade measures are currently hurting American citizens by increasing the price of the products that they buy. The measures are also hurting Canadian consumers who must live with price increases, which are set on a continental basis. These taxes are rampant in a market where demand for housing and lumber is overheating and where American producers are struggling to meet 70% of the domestic demand.

Why do these measures exist? According to the response provided by the American coalition in legal documents, these measures give American producers an economic environment conducive to investment. However, the same coalition says publicly that its members don't intend to produce an additional foot of board to meet local demand. In this type of situation, how can a tax provide any hope to American or Canadian consumers? The question comes up. The reality is that these tariffs imposed on Canadian softwood lumber serve only to increase the profits made by American lumber producers, period. The National Association of Home Builders keeps reminding elected officials in Congress of this.

Unjustified trade measures on softwood lumber artificially inflate its price, fuelling inflation for many products. By imposing tariffs on Canadian exports, the United States Department of Commerce is increasing the price of a two-by-four by \$1.20 U.S. right now. The American producers, who aren't paying the fees, are content to pocket this increased price.

The American administration may be talking about its made in America policy or build back better program. However, without Canadian wood, the American construction sector won't succeed. Without the presence of Canadian wood completely free of compensatory measures, President Biden can't make progress in the fight against inflation.

The retaliatory measures against the Russian economy applied by western countries add to this and will reduce the volumes of Euro-

pean timber in North America. A reduction in supply combined with strong demand will push the price of this strategic building material higher. By giving in to domestic producers in the United States, the Biden administration is making homes less affordable for Americans, fuelling rising inflation, and quietly killing the American dream. This isn't what we want for our American neighbours.

• (1615)

The QFIC and the other Canadian associations, as Ms. Yurkovich said, believe that a Team Canada approach is the best way to resolve this dispute with the United States. The forest industry, as well as the provinces and relevant stakeholders, must be consulted on the best course of action to end the dispute with our largest trading partner, the United States.

Together, we must tell our American friends that there's a better approach to the softwood lumber trade. We need to help the American administration fend off, little by little, the softwood lumber lobby, which is found in a few states—

[English]

**The Chair:** Thank you very much, Mr. Samray. I'm sorry. The time is up.

[Translation]

**Mr. Jean-François Samray:** Thank you, Madam Chair.

[English]

**The Chair:** Mr. Labbé, please go ahead.

[Translation]

**Mr. Sylvain Labbé (Chief Executive Officer, Quebec Wood Export Bureau):** Thank you, Madam Chair.

Good afternoon. My name is Sylvain Labbé. I'm the president and CEO of the Quebec Wood Export Bureau, an association of manufacturers that focuses solely on export development in the softwood and hardwood lumber sectors, as well as in three other industry sectors.

I'll talk to you today about two issues that affect lumber. First, I'll explain the current impact on our markets as a result of the war and sanctions, and the impact on the American market. I'll then provide some ways to resolve this matter.



You have all read the papers. Russia is at war with Ukraine, and Belarus is lumped in with Russia. Last year, Russia and Belarus accounted for one third of global softwood lumber exports, with 50% destined for China and about a third for Europe. All this ended when the sanctions began. For China, nothing has changed. However, the impact by market groups, such as Europe and Asia, was analyzed to some extent.

Europe will no longer receive the approximately eight million cubic metres that it used to obtain from Russia. It will send back what it normally exports to the United States, or about four million cubic metres. There will still be a European deficit, since demand will be greater than supply.

In terms of China, it's unclear where its partnership with Russia stands. The geopolitical situation is very unclear. That said, the Chinese will probably buy the rest of the Russian wood. We don't know how much they will pay, but it will certainly be much less than the market value. There will be an adjustment period before that happens. This will greatly reduce our competitive ability to sell our wood in China. We'll bring the wood back to Canada, where there will be a deficit. We'll lose the wood from Europe, which will no longer sell wood in North America.

Ultimately, we'll end up with a reduced supply of about 1.25 million cubic metres in North America compared to today. This will put upward pressure on prices over the next year or in the years to come. This price increase will be even greater than the current one. This comes on top of rising oil and home prices. The cost of living will change drastically.

The other issue is whether Russia will return to the market in the future. The Russians nationalized the factories owned by foreigners. I think that it will take a few decades before someone reinvests in sawmilling factories in Russia.

We're experiencing a crisis, and two things are important to people: food and housing. Food isn't an issue. Housing, however, is a major problem in Canada and the United States right now. There's a lack of housing everywhere, especially social housing.

My first recommendation is to meet with our American friends and tell them to immediately remove the softwood lumber tax. This is a great time to do so, given the crisis involving commodity and lumber prices, which will continue to rise in the coming months, and the housing crisis. When the house is on fire, it's time to remove the tax on water and firefighters, because it doesn't help anyone. This is a great time to negotiate something, given that there will be an obvious shortage of wood in the coming years.

In addition, since we've been living with this issue for 40 years, we must diversify our markets to ensure that we don't solely depend on the American market. That's my second recommendation. It ties in with what Ms. Yurkovich said earlier. To do this, we have two options. Either we sell our commodity product, the two-by-four boards, outside the United States, or we process that product to create value, whether this involves structural products or industrialized home building products.

Over the short term, obviously exporting to China or elsewhere will be somewhat difficult. However, we must keep our options open. This crisis could be completely different in two years. If

Putin were to leave, everything would start again and Belarus would need to be rebuilt. The situation could change completely. The price of oil could exceed \$150 a barrel and lead to a recession that would completely change the situation, as well.

We can't depend entirely on the American market. We must keep our options open.

In addition, we need to maintain our current investments in our secondary processing products, made from our two-by-fours, which we'll certainly sell in the United States, in the short term, or perhaps elsewhere. When we process our wood, we increase its value by four or five times, which creates wealth in Canada.

• (1620)

Of course, we must also change our construction practices, because our system is a bit archaic. Building with—

[*English*]

**The Chair:** Mr. Labbé, I'm sorry. The time is up.

[*Translation*]

**Mr. Sylvain Labbé:** Okay.

[*English*]

**The Chair:** We will now move to questions from our members.

Mr. Martel, you have six minutes, please.

[*Translation*]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** Thank you, Madam Chair.

I want to thank all the speakers.

My question is for Mr. Samray.

Before we speak directly about the challenges of exporting to the United States, I want to know more about the forest industry situation in Canada. Specifically, I want to know whether the federal policy on woodland caribou is a concern for QFIC members.

**Mr. Jean-François Samray:** Good question.

First, how is the Canadian forest industry doing? You have heard my colleagues speak about this topic. I think that the industry is doing well. There were some challenges in British Columbia with the flooding, but things should be back to normal now that the CP strike has been averted. Demand is strong. We need predictability in the coming years to make investments that will prepare us to be even more competitive. This is fundamental.

As Mr. Nighbor said, in our industry, we make plans a century in advance. Regarding tree planting, Mr. Krips said that three trees are being planted for every tree harvested. We're doing this for the next century.

The industry needs some predictability for the upcoming decades. The discussions on woodland caribou affect that predictability. Everyone in the industry will say that there's room for conservation areas in Canada, but that there must also be intense production areas. The key is to know where to establish each area and where the industry can work to create other areas in order to generate economic benefits and meet the needs of Canadians and Americans. I think that this is fundamental. In all the discussions, there must be room for conservation, of course, but also for production.

**Mr. Richard Martel:** Mr. Samray, is the woodland caribou a concern for your members?

**Mr. Jean-François Samray:** Obviously, the members are concerned about the woodland caribou situation. A number of them have taken very proactive steps to get out of certain areas, be it through compensation or other things. They're living with this reality as FSC or SFI certified companies. They must take steps to make sure that the cohabitation is as good as possible. Obviously, this is a concern for us.

**Mr. Richard Martel:** Mr. Samray, what will it take to ensure that Canadians pay less for their two-by-fours?

If we proceed with limiting access to the resource in order to protect the woodland caribou, prices will inevitably increase. Is this an issue in terms of our international competitiveness?

**Mr. Jean-François Samray:** Actually, the price of lumber is determined by the North American market. The softwood lumber tax imposed by the U.S. influences the price Canadians pay. On one hand, the softwood lumber dispute has to be resolved if the price of lumber on the continent is to come down. On the other hand, we have to find ways to increase supply for consumers. That brings me back to what I was saying: it's important to establish conservation areas, even though that is already happening in some places, but it's also important to send a very clear message to the industry that areas will be set aside for sustainable production, in accordance with industry forest management practices. That is crucial.

• (1625)

**Mr. Richard Martel:** To date, in what way and how often has the Canadian government consulted Canada's forest sector and other affected stakeholders regarding the current softwood lumber dispute? In other words, what are stakeholders recommending and saying?

**Mr. Jean-François Samray:** That may be a good question for my counterparts, who have been around longer than I have. I can tell you, however, that since I took this job 18 months ago, we've had a few working meetings with the minister and her staff to start thinking about a Team Canada approach, which we support.

I know that Ms. Yurkovich and Mr. Nighbor have been around a while, so they may have more to say.

**Mr. Richard Martel:** Thank you.

My next question is for Mr. Labbé.

How can Canada provide more support for forest product exports? You talked about market diversification in your opening statement, so if you could provide more detailed information on those opportunities, I would appreciate it.

**Mr. Sylvain Labbé:** I would say two aspects come into play. The federal government offered a program called the expanding market opportunities program, and it should be renewed soon. It had two main components for market diversification: maintain access to export markets and develop value-added products in the U.S. or elsewhere.

The government needs to keep the program in place, but every province needs to participate with its own system. As I said, we are looking at two very hard years from a price standpoint, and exporting our products will be difficult because our production level will only just meet demand in Canada and the U.S. That will all change afterwards, though, so we need to keep the doors open. It is essential that the government keep the program going.

**Mr. Richard Martel:** Thank you, Mr. Labbé.

I think that's all the time I have.

[English]

**The Chair:** Thank you very much, Mr. Labbé.

We'll move on to Mr. Virani for six minutes, please.

**Mr. Arif Virani (Parkdale—High Park, Lib.):** Thank you very much, Madam Chair.

Thank you to all of the witnesses for this very helpful testimony on where we are in the current situation.

In response to Monsieur Martel, I can inform the committee that the minister was at a round table with members of the softwood lumber industry as recently as January 13.

I'm going to ask a question of Ms. Yurkovich. You mentioned the importance of a team Canada approach. That's critical to what the minister has been doing, along with the Prime Minister and Minister Wilkinson, in raising this issue in as many instances as possible.

Minister Ng was accompanied by some members of this committee from opposition parties in Washington in December to raise this issue. During that trip, she also met with the National Association of Homebuilders, which was referenced by several of the witnesses in their testimony.

Minister Wilkinson has also been engaging his provincial and territorial counterparts. At the North American Leaders' Summit in November, the Prime Minister engaged on this issue directly with Joe Biden.

The question I have for you, Ms. Yurkovich, is that we are where we are. We're sensing a bit of intransigence on the part of the Americans to reopen this. Do you have any creative solutions as to how we could influence them to make it a priority for reopening and get back to the negotiating table? We all believe, as does Minister Ng, that a negotiated solution is in the best interest of Canada.

**Ms. Susan Yurkovich:** "Intransigence" is one word for it.

I am pleased. I know the government has raised this, and governments before of all stripes worked on this file. I really believe, as some of my other colleagues said, that the team Canada approach is the only way to go forward. Currently, the minister is employing that same kind of approach. That's really important.

Unfortunately, the difficult thing about this file is if the Government of Canada went to the table, they could bind this industry here in Canada. That's not the case in the U.S. Mr. Warner talked about the trade laws being used, and they are being used. They are what they are, and the U.S. industry uses their trade laws against their competitors.

The difficult part of this file is, even if the U.S. government comes to the table, if you don't have the U.S. industry there—which is protectionist by nature—you can't get an agreement. That's the really challenging thing, because what we need under their system is for those companies to say they are not being injured. When we got to the last agreement in 2006, that's what occurred. You need a certain percentage of those companies to say they're not being injured. While the U.S. industry doesn't have a veto, per se, that is effectively a veto and it makes it very difficult.

I understand and appreciate the government's efforts, as governments before have tried to raise this issue. There are some things that are really important. We've talked about affordability. We've talked about green building. Those things are really important to the Government of Canada and governments across the country, frankly. They are also important to the Biden administration and I think we can push on those.

They are making things less affordable, and they're allowing their industry to do that.

• (1630)

**Mr. Arif Virani:** Thank you, Ms. Yurkovich. I wholeheartedly agree with you, particularly on the synergies on green infrastructure and building greener in both countries. That's a priority for both of us, so that should hopefully be persuasive.

We know where we are, and we know that we've actually deployed a number of tools under a number of different mechanisms to challenge decisions that have been taken. We've been successful at every turn. Sometimes those decisions take time and some of them are still pending. At the WTO there is a total of three that are pending right now. Under the old NAFTA chapter 19 there are three instances of litigation that are still pending, and under CUSMA chapter 10 there are four instances of decisions that are pending.

I know it's not the ideal situation, because we would like to not be in litigation, but I'm conscious of the fact that when we were brought into renegotiating NAFTA and turning it into CUSMA, we heard a lot from parties in the chamber, including Her Majesty's official opposition about resiling from things like imposing a strong dispute resolution mechanism. That mechanism is actually clearly in play given that there are no fewer than four disputes currently at play under CUSMA chapter 10 right now.

Perhaps I'll ask this question to Mr. Krips. Could you let us know where you think we'd be if we didn't have a dispute settlement mechanism under CUSMA through which to litigate some of these disputes?

**Mr. Jason Krips:** We certainly very much wholeheartedly believe in dispute mechanisms that are out there. I think the importance is to make sure that we continue to encourage both sides of the table to have panels and members being appointed to those. We want to make sure that those panels are used in good faith, and in order to have those done in good faith we need the appointments to continue and for the cadence of those panels to increase.

But I wholeheartedly agree, whether it was under NAFTA, or now under CUSMA, the panel mechanism is vitally important for us to have one of those tools in the tool box to continue to pursue the parties to get back to the table to negotiate.

**Mr. Arif Virani:** Thank you.

In the brief time I have left perhaps I could ask a question of Mr. Nighbor.

You mentioned the aspect of the overall economic value of the industry. You also mentioned indigenous ownership, indigenous entrepreneurs and indigenous employees. I know we are funding the softwood lumber industry to the tune of about \$251 million over a span of three years, and some of that includes money for the indigenous forestry initiative to the tune of \$12.6 million.

Do efforts like that help you in terms of the work you're doing on advancing reconciliation?

**Mr. Derek Nighbor:** Yes, definitely. Those dollars go directly to those indigenous communities and businesses, and that's the way it should be. We hope that the indigenous forestry initiative is renewed in the upcoming budget. I think that's part of a suite of very beneficial products that support our sector.

I come at this from a national perspective, so I'm seeing activity in all the provinces. I think the other important thing to realize is it's so critical that our companies on the ground are working and respecting the wishes and values of those local indigenous communities, because some communities want to plant trees, some want to run the log yard, some might just want revenue sharing and some might want a significant employment program.

I think what's really important is there's no one-size-fits-all in terms of it needs to be up to those local communities, and that discussion and those decisions need to be made at that local community level.

**The Chair:** Thank you very much.

We'll move on to Monsieur Savard-Tremblay for six minutes.

[Translation]

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

Good afternoon to my fellow members, and thank you to the witnesses for being here.

Mr. Samray, you did a good job of explaining the potential of forests, themselves, as a tool in the fight against climate change, namely through carbon capture. That is a secret no more. The Amazon rainforest is known as the lungs of the planet for that very reason.

Can you talk about how the use of wood in the construction sector also has the potential to help with climate change?

If you could keep your answer brief, I would appreciate it because I have more questions for you.

• (1635)

**Mr. Jean-François Samray:** Yes.

According to the Intergovernmental Panel on Climate Change's last few reports, we need to plant more trees and enhance sustainable forest harvesting—two things we are already doing in Canada—and make much more use of trees and forest products in the construction sector. A cubic metre of wood stores about one tonne of greenhouse gases. As a material, it's very important, and we have it in Canada. The use of wood in the construction sector is imperative if we are to reach our targets.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you for that information. Wood is a material that is good for the environment, then. When we talk about trees, we are talking about oxygen. Studies even show that people are happier in neighbourhoods that have more trees. Everything is connected, as they say.

I'd like to hear your comments on the fact that the oil and gas sector receives billions of dollars in support, while the forest sector gets just a few million.

Again, I would appreciate it if you could keep your answer brief.

**Mr. Jean-François Samray:** I don't want to speak for the oil and gas sector. As my colleagues have mentioned, programs are vital for the industry to modernize and be competitive.

For instance, to help the pulp and paper sector with conversion, the government offers the investments in forest industry transformation program, which supports the development of new products as alternatives to things like single-use plastics. Through the program, the government invested \$50 million over two years. However, to meet the significant needs of the industry, the government should have invested \$500 million, even \$1 billion plus, not \$50 million. New products need to be developed to meet demand. A program of that scale would make Canada a leader in the sector.

We have the wood, but now we need the investments to support conversion activities. As Mr. Labbé and Ms. Yurkovich mentioned, export programs are also crucial.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you for that information.

I have another quick question for you, and a yes or no answer will do.

Is it true that, in Quebec's forest regime, the auction-based pricing system, where the market determines the price, was actually reworked and amended to be compliant with the trade agreements?

**Mr. Jean-François Samray:** Yes. The WTO ruled that it was entirely compliant.

**Mr. Simon-Pierre Savard-Tremblay:** Earlier, my fellow member, the parliamentary secretary, brought up the possibility of one day renegotiating NAFTA. Do you think that unique feature should be built into the agreement?

**Mr. Jean-François Samray:** If that's the missing piece to reach an agreement, I think the Quebec industry would be willing to discuss it. Instead of having a regime in a trading system with taxes and restricted market access, the industry would prefer an agreement that creates a free trade environment for materials.

**Mr. Simon-Pierre Savard-Tremblay:** Tariffs in other sectors were recently lifted. That was the case for some foreign markets that were exporting to the U.S., so it's not inconceivable that the tariffs on our products might be lifted as well.

Generally speaking, trade tribunals end up ruling against the U.S., but the costs along the way are high, with lost jobs and revenue.

Ultimately, there has to be a dialogue.

Does that sum up your message today? Did I get that right?

**Mr. Jean-François Samray:** On one hand, there has to be a dialogue, as Mr. Warner and Ms. Yurkovich pointed out. On the other hand, the U.S. coalition has the ability to veto the final decision. One thing is for sure: the American administration can significantly lower the tax rate on lumber if it wants to. It is under no obligation to impose a rate of 18%, 22% or 33%. It could just as easily set the rate at 0.5% or 1%. Obviously, the president's office and the Department of Commerce have a role to play.

**Mr. Simon-Pierre Savard-Tremblay:** Everyone has to do their part. As you clearly explained, if access to Quebec and Canadian lumber was guaranteed at a reasonable price in the U.S., everyone would win, not just the U.S. lumber industry. It would help consumers and young families who are looking to become homeowners or need housing. The housing crisis is practically a western, even international, problem.

• (1640)

**Mr. Jean-François Samray:** Everyone would indeed win. The issue is finding a way for the coalition to see its interests as being met, because if it doesn't sign off, the U.S. government won't be able to conclude the negotiations with Canada.

In short, reaching a deal would be in Canada's interest as well as the U.S.'s, not to mention their respective populations.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you for your answer.

I think the chair is about to tell me my time is up.

[*English*]

**The Chair:** Yes, thank you very much.

We're on to Ms. Zarrillo for six minutes, please.

Welcome to the committee today.

**Ms. Bonita Zarrillo (Port Moody—Coquitlam, NDP):** Thank you, Madam Chair, and I'm here for Brian Masse today from the riding of Port Moody-Coquitlam. I'll acknowledge as well that it's on the unceded and traditional territory of the Kwikwetlem. I also want to share with the committee and for the French-Canadians or the Quebec Canadians here today that at one time in the early 1900s it had the largest lumber mill in Canada and the second largest lumber mill in the world, the Fraser Mills, which was populated by Quebeckers moving west and also the East Indian community, the Chinese community and the Japanese community. Fraser Mills is now under a rebuild as the area Fraser Mills for residential housing and industry and is no longer a mill, but I wanted to recognize the history of the riding.

My first question is for Ms. Yurkovich, and it's just around the points that you laid out that need to be addressed.

I wanted to ask around targets or metrics in relation to the fact that we're not at a point where we have an agreement. Do targets or metrics exist outside of agreements as negotiations go on?

**Ms. Susan Yurkovich:** I'm not really sure about metrics per se. Certainly the U.S. is looking at market share, and they're looking at whether the share of Canadian lumber coming across the border is growing or not.

I would say that we've seen demand in the U.S. grow quite substantially over the last few years. The U.S. industry has put on five billion board feet more of lumber. The trouble is that they can't catch up. We have consistently had a gap of about 14 to 15 billion board feet. It was 16 last year because lumber demand was so high. We certainly are watching that.

In terms of the metrics for when would we get back to table, I don't think there are metrics, but there are a couple of things. I've been around this business for about 25 years. It's not my first rodeo. I was around when we were in other negotiations. We've had a number of litigation processes under our belt, usually with some wins. We had a terrific win with the WTO last year. The trouble is you can't appeal it to anyone, because the U.S. won't appoint their folks to the appellate body.

So usually there's a little litigation water under the bridge. There are usually a number of dollars on deposit. The last time it was \$5 billion. This time it's already at \$7 billion, so that certainly is something that, in my experience, we get back to the table about.

Then there's something else. It was mentioned by someone that lumber isn't really the top priority for the U.S., and certainly right now in the post-pandemic world and with geopolitical instability it won't be at the top of their list, but they'll want something else, and so it becomes a matter of negotiation.

In my experience those are the three things that have to be there. And ultimately, when we get a deal—and when we've gotten a deal in the past—it means the leader of Canada and the leader of the U.S. get together and say we're going to get this resolved. We just haven't seen that yet.

**Ms. Bonita Zarrillo:** Thank you.

My next question will be for Mr. Warner. I'm going to take advantage of some history here, if you don't mind.

I just wanted to ask if, historically, our first nations were involved in the creation of the trade agreements. Have they been involved in any negotiations going forward to resolve any of the current disputes?

**Mr. Mark Warner:** I don't know, and to be honest with you, I don't think so.

I think there have been consultations as part of the process. In the last round I think there were consultations with first nations. But I can't say, going back to the original Canada-United States Free Trade Agreement back in 1987, or whatever it is, or NAFTA back in 1993, that there was any formal type of consultation with indigenous communities.

I just don't think we were at that stage yet in terms of the politics of the various trade agreements. I guess the short answer is “probably not”.

• (1645)

**Ms. Bonita Zarrillo:** Going forward, Mr. Warner, do you think there's an opportunity for a different approach in relation to having nations at the table or even doing some of that negotiation?

**Mr. Mark Warner:** I'll tell you this. I've worn many different trade hats in my life, and one of them was also working at the OECD in Paris and watching Canada negotiate there and at the WTO.

I hate to tell you the truth, but for most trading partners Canada is an annoying country to negotiate with, because they already have a hard enough time negotiating with the provinces and the federal government. Every time anyone sits down with Canada and they want to talk about something they want to do, the first thing Canada says is that it's in the provincial jurisdiction. That's the problem. If you add on indigenous communities, I think you'll just make it even more complicated, to be very honest with you. It's hard enough now.

But I definitely think there are creative ways where you could build more consultation mechanisms into it. I just don't know how that would play out and whether that would make it easier or not.

It seems to me the issue here is large corporations on the American side that have an interest in negotiating a certain way, trade laws that work for them and American congressmen and women who are elected every two years—and they answer to their constituents. So I don't see that that force is going to change very quickly.

**Ms. Bonita Zarrillo:** Thank you.

Mr. Krips, I wanted to ask you about stability in workers. I'm wondering if there's anything the government could say and do differently at this point to stand up for workers and to bring some stability through these difficult times to your communities?

**Mr. Jason Krips:** Maybe just approach it at the macro level and really encourage workers to recognize the forestry sector as a key economic driver and a key environmental driver. It's actually a great industry to be a part of. It is a sustainable industry. It is the top-end renewable industry. Just encourage workers to look at a career in forestry. It encompasses everything we're looking for as a country in trying to be on the renewable side of things.

**The Chair:** Thank you very much.

Ms. Gray, you have five minutes, please.

**Mrs. Tracy Gray (Kelowna—Lake Country, CPC):** Thank you, Madam Chair.

Thank you to all the witnesses for being here.

Ms. Yurkovich, it's good to see you again. My first questions will be for you.

You mentioned in your testimony that you were around during previous negotiations over the last 25 years, during the 2006 softwood lumber negotiations, and then the extension in 2012, going to 2015. What lessons do you think can be applied now?

**Ms. Susan Yurkovich:** That's a really good question. You know, we have tried all kinds of things over the years. I can't remember who raised this, but this has really been a producer issue in the U.S., where the producers have a lot of power. The consumers don't seem to have a lot of power in this discussion, when they actually are the ones who bear the brunt of it.

I would say in the early 2000s we really tried to engage with the consumer side in the U.S. It was very difficult, because at that time lumber prices were really a relatively small portion of the cost of a house being built. Prices were very low. Now I think it's different. One thing I think we should be thinking about is how to really engage in a broader way with the consumer lobby in the U.S. and with consumers to let them know what their producers—their American friends and neighbours—are doing to actually push many of them out of home ownership territory.

The federal government led that initiative at the time, working with industry. I think that's one of the learnings I have that we should maybe consider. I also think we have to look for areas that are maybe not specifically lumber-related that might be levers in this discussion with the Biden administration.

**Mrs. Tracy Gray:** Great. Thank you.

Ms. Yurkovich, would you say that the lack of a softwood lumber agreement is contributing to inflation?

**Ms. Susan Yurkovich:** Well, for sure, because when you're paying tariffs, those tariffs get priced into the lumber. It's a commodity market. It's a North American market. It is having an inflationary effect.

Of course, under the first administrative review, we were paying about 20%. The rates now are a bit lower, but we're already in administrative review number four, so we will have different rates again. We'll have a different rate in August.

It definitely adds to the price of lumber. There's a lot of pressure on pricing right now, largely because of supply chain issues that are not unique to our industry. Certainly, this is really something that exacerbates it and is totally unnecessary.

• (1650)

**Mrs. Tracy Gray:** Thank you.

Actually, just tag on to your supply chain issues, have you heard of any supply chain issues or shipping issues that might be related to the vaccine mandates we have at the border with the U.S., with truckers?

**Ms. Susan Yurkovich:** Well, certainly when there was all of the action, and the borders were closed to traffic.... That's not helpful. You know what a year we've had. We've had fires. We've had floods. We've had tremendous disruptions in our supply chain. We are an export industry in an export-driven province, so it's critically important that we get our products to market. The flow of that product over the border by truck, by rail and of course containers is critically important.

That wasn't the biggest interruption. The bigger interruptions have come from, number one, the natural disasters, but also just the disruptions in the supply chain as a whole and the inability to get containers to take our product to market.

**Mrs. Tracy Gray:** Great. Thank you.

Now, we know just how important the softwood lumber industry is for those of us in B.C., and all the jobs that rely on it. Would you be able to touch on the impact that the lack of a softwood lumber agreement since the end of 2015, which was seven years ago, has had on your members? Has it resulted in some lost potential in expansion of our softwood lumber industry and in jobs in British Columbia?

**Ms. Susan Yurkovich:** Well, it has for sure. Prices are very high right now, so the industry is doing okay, but we don't have to look back very far.

In 2019 there were 144 curtailment announcements in the province of British Columbia alone, because we are a high-cost environment, and that had a massive impact. We have a declining fibre supply because of our beetle issues of 20 years ago, and so that was creating a ton of disruption. When you add on the instability created by not having an agreement in place, it's very difficult for planning purposes. Duties can be 10%, 15% or 20%. In some cases, companies are paying upwards of 30%. When you have that kind of instability, it doesn't allow you to plan.

I would say the other thing is the \$7 billion plus. More than \$7 billion is on the sidelines, and that is money that could be spent in British Columbia and, indeed, across the country, investing in workers and communities, transforming industry and applying technology. That is a real loss for our country.

**The Chair:** Thank you very much.

We will go to Mr. Miao, for five minutes.

Go ahead, please.

**Mr. Wilson Miao (Richmond Centre, Lib.):** Thank you, Madam Chair.

Before I start my question, I'd like to have this on the record. Our government included indigenous groups and their voices during our renegotiation of CUSMA.

According to Statistics Canada, in 2021 British Columbia, Quebec, Alberta and Ontario exported the highest value of softwood lumber products to the United States, up over 30% since the same time of reporting in 2020.

I'd like to address the following question to Ms. Yurkovich. Considering that in 2021 many of Canada's largest softwood lumber markets saw record-high exports to the United States, what can the high value of trade be attributed to?

**Ms. Susan Yurkovich:** There's a difference between volume and value.

The actual volumes that have shipped over the border were up slightly between 2020 and 2021, but it's the value.

Of course we've seen prices that in 25 years.... I would say that anybody who's been in the business has never seen prices like we are seeing right now, and that's because we had a massive disruption in 2020. The whole world shut down. Everybody stayed home. All of a sudden everybody wanted to do projects and move farther away. Now with telecommuting, people can live farther away. We've had tremendous demand, and so the value has gone up very significantly, but the volume is up only slightly.

I have those numbers, which I'm happy to share with the clerk of the committee afterwards. I can send you the chart to look at both the volume and the value of trade over the last few years.

• (1655)

**Mr. Wilson Miao:** Thank you. That value will be very appreciated.

To date, what have been the domestic impacts of the United States' current application of tariffs on certain Canadian softwood lumber products? How do those impacts vary across provinces and communities?

**Ms. Susan Yurkovich:** I think Ms. Gray asked that question as well, what the impacts are.

It creates uncertainty. It takes money out of the industry that could be spent on plants and equipment. It's destabilizing. The duty rates move around because of the administrative review process, and so it's very hard to plan. Of course in different parts of the country, I would say—and Jean-François, you might want to speak to this—duties are higher with some of the mandatory respondent

companies than they are with others. That's destabilizing across the country. There are a lot of impacts. In addition, it creates price inflation, not just for U.S. consumers but also, because it's a North American market, for Canadian consumers.

Jean-François, I don't know if you want to jump in.

**Mr. Jean-François Samray:** Madam Chair, I'm going to ask our chief economist to fully answer the question.

**Mr. Michel Vincent (Director, Economics and Trade, Québec Forest Industry Council):** Susan is right. Mandatory respondents have their own rate, following each administrative review.

We have one company here in the eastern part of Canada that has a huge rate. The other two respondents are located in British Columbia. They also have their own rate. The whole of the industry, the rest of the industry, which is the vast majority of companies, has what we call the "all others" rate.

Basically that's the way it works.

**Mr. Wilson Miao:** To follow up further, considering that U.S. imports of Canadian softwood lumber are at a record high, how has the current application of tariffs by the United States impacted the United States own softwood lumber industry?

That's open to all.

**Ms. Susan Yurkovich:** We've had strong demand in the U.S. and we see demand being strong going forward. What you're seeing is that U.S. producers are putting more capacity online. They're building more sawmills, but that takes time.

As I mentioned in my remarks, there was about a 16-billion board foot gap in 2021. That means they're underproducing. They're not able to meet their own customers' demand in the U.S., so they're looking to us. They are increasing their supply for sure, but they're not doing it fast enough.

With keeping these tariffs on, they do benefit from those tariffs because of course they get higher prices and they're bringing production on slowly. It's the laws of supply and demand. If we don't have enough supply, there's price pressure.

**The Chair:** Thank you very much.

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

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Thank you, Madam Chair.

My question is for Mr. Vincent, the economist from the Québec Forest Industry Council.

Have you done any estimates in terms of a scenario where processing was the focus of increased investment, an adequate level of investment, let's say? Would that give the industry a lot more breathing room in the face of this trade war?

**Mr. Michel Vincent:** Yes, clearly that would help the industry, even if just to reduce Canada's dependence on the primary wood processing industry in the U.S. and to protect against American protectionism. Investing in secondary processing would certainly be a way to guard against that dependence.

In 2006, when the government refunded a large chunk of the softwood lumber deposits to companies, a wave of major investment swept the country. That money is currently frozen at the border and isn't available for investment, even though the industry is badly in need of that investment. That is the case in Quebec, but the story is probably the same all over Canada. The industry needs that money. In the current climate, the conditions are hardly conducive to investment.

• (1700)

**Mr. Simon-Pierre Savard-Tremblay:** You think public investment could help create a more attractive business environment right now. Is that right?

**Mr. Michel Vincent:** I was actually referring to private investment. There's no doubt that the programs in place to help stimulate investment are very useful. As the president of the council said earlier, to meet the needs of the industry, the government's \$50-million program could be made into a \$500-million or even \$1-billion program. Government programs are certainly helpful, but the bulk of forest industry investment comes from the private sector.

**Mr. Simon-Pierre Savard-Tremblay:** Very good. Thank you.

I have no further questions.

[English]

**The Chair:** Thank you very much.

Ms. Zarrillo, you have two and a half minutes, please.

**Ms. Bonita Zarrillo:** Thank you, Madam Chair.

Mr. Nighbor, I am going to ask you a question around workers.

We're talking today about a team Canada response, but I'm hearing regional differences. How do these differences affect compensation, stability for workers and their ability to move, live and find work across Canada?

**Mr. Derek Nighbor:** There are a couple of things. On the work front, the area where we're seeing the biggest pressure point is on trucker shortages. We are short about 23,000 trucker positions. That's been extremely challenging, especially during the scare with the CP work stoppage and the fact that we have a number of mills not running right now because they can't get CN railcars. The transportation supply chain pressure point is a real one.

There are very much regional differences. We've observed that when the oil and gas sector in places like in northern Alberta hit a tough period of time, some labour freed up for us. They were an adjacent community, so were able to come over. I think of some other communities where mines might be booming and at that point in time the dollars might be more lucrative there. We have some pressure points in terms of losing the staff there.

In most parts of the country, we're very much a northern and more rural industry. Recruiting people to those more rural and remote areas can be challenging. I can send through the clerk some of

the numbers in terms of average wages across the board, but there are better than average, family supporting, multi-generational jobs in our sector. One of the biggest gaps we do have is continuing to be able to get those bodies into rural and northern Canada.

**Ms. Bonita Zarrillo:** Thank you, Mr. Nighbor.

I'm going to ask a similar question to Mr. Labbé around workers and just the mobility and the ability to move in and out of province. Is that possible with the way the forestry sector is right now?

**Mr. Sylvain Labbé:** I think the problem actually in Canada is not necessarily mobility but the lack of workers. That's a big problem that we face now, and for the commodities that are located far away from the city centres it's even tougher.

I don't know what program we can involve regarding workers from abroad, maybe bringing Ukrainians—that would be good timing. Also, a more sustainable solution is more robotization of factories, fewer workers producing more. That is what we are developing in this value-added industry. That's the only way today to build more capacity with the same workers.

**The Chair:** Thank you very much, Mr. Labbé.

We move on to Mr. Baldinelli for five minutes, please.

**Mr. Tony Baldinelli (Niagara Falls, CPC):** Thank you, Madam Chair. Thank you to all the witnesses for being with us this afternoon.

I want to follow up with Mr. Nighbor and some of his comments from earlier when he mentioned specifically that when he took his position he never thought he would be in a position of having to lobby state legislatures such as California and New York and some of the pieces of legislation that had been brought forward.

You even indicated that you thought they were some kind of coordination...and in a sense some of them are very similar.

One aspect concerns me, and maybe I can get your comments. Through the adjudication process we've been successful through WTO and NAFTA and so on, but on these actions taken through the states, is the federal government able to take action to rectify those types of injurious pieces of legislation?

Also, can you see these types of actions being expanded to other states? If so, are you now looking at doing any type of analysis on our job sectors and what impact it would have on jobs and our industry as a whole?



• (1705)

**Mr. Derek Nighbor:** I really appreciate the question, because this is a very frustrating one. As I mentioned in my opening remarks, I chair a global group from 28 countries around the world. I know how we stack up in Canada.

It's about what kinds of products or materials we want to build with and where we want to get those materials from. Do you want to get them from Thunder Bay, Prince George or Whitecourt, or do you want to get them from the Amazon or eight hours outside of Moscow? This is where we are on the global...and these are the questions we're asking legislators.

What we would like to see, and what should be happening, is recognizing that any forest product coming from Canada... Over 90% of the lands are under provincial purview; they've been approved by provincial governments. On top of that, we have 40% of the world's third party certified forests here in Canada. That's another threshold above and beyond.

To your question of where the federal government can help us, it's through diplomacy. The trade offices of the provinces are very engaged in provinces like B.C., Alberta, Ontario and Quebec, which are the four provinces that are at the greatest risk in those two states. Our Global Affairs Canada officials are engaged on the ground, but we'd like to see a couple of more things. I'd like to see support from Global Affairs Canada to do a formal legal review of the bills. They've thus so far refused to do a legal review of the bills to clearly understand the impacts. We would also like higher political engagement and diplomacy to bring resolution to this silliness.

In terms of domino effects, 100% going to Oregon, Washington state... However, the biggest risk is one state passing one of these rhetorical, sensational bills, and then those voices behind that bill going to the Home Depots or the Procter & Gambles, to some of our big U.S.-based customers, to try to cast some kind of a dispersion. These groups that are behind this bill are doing those very similar misleading campaign activities against some of our biggest customers. There's an existential threat here, for sure, and it's absolutely critical that in two of the biggest states, the Government of Canada and our provincial governments stand with Canadian forestry workers.

**Mr. Tony Baldinelli:** Excellent. Just to follow up, are you seeing assistance from the federal government and our trade commission offices in actively helping to lobby and speak with state legislatures?

**Mr. Derek Nighbor:** That's correct. In both California and New York, we have had on-the-ground consular support. We've had tremendous support from provincial governments, as well. We're getting to a point here.... Governor Newsom vetoed the first bill in California because he said this is completely unmanageable and unworkable for any small business in California to figure out if you want to get into the procurement game.

A couple of months later, the same assembly member brought the same bill back. It's an election year in California, it's an election year in New York state, so we would like to see a little bit more senior political engagement on the file.

**Mr. Tony Baldinelli:** To my earlier question, and to get your thoughts, again, from a federal perspective, when working with the

United States through the adjudication process—we've gone through WTO and NAFTA and CUSMA—but because these actions are taking place on a state level, is there anything that we can do to appeal those on more of a national level, or is it just our actions on the ground and what we can do?

**Mr. Derek Nighbor:** The diplomatic actions on the ground are the first step to get this fixed. If that doesn't happen, our review shows that if these bills are passed, they would violate trade agreements. I'm not a trade lawyer—Mark might be able to help here—but there would be mechanisms whereby governments could take action.

We'd prefer not to get to that point, and we believe through top-to-top diplomacy with our provincial and federal governments we can end the silliness.

**The Chair:** Thank you.

I'm sorry, Mr. Baldinelli. Your time is up.

We're on to Mr. Sheehan for five minutes.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much, Madam Chair, and thank you to all of our presenters.

The softwood lumber dispute has been before us for many years. I'm from Sault Ste. Marie. The provincial Ministry of Northern Development, Mines, Natural Resources and Forestry is located in the Roberta Bondar building where I used to work at the Ministry of Labour, Training and Skills Development, and the Ministry of Northern Development and Mines, so I've had quite a few coffees with some of the folks who worked for the province in this dispute that was going on and on. They explained to me simplistically that in Ontario, and it would seem probably other places in Canada, some of the logs that are being forested are located on Crown property as opposed to the American—as they would call them—lumber barons, some folks, a small group of them, who have a monopoly. They really seem to control the political agenda, no matter what government seems to be there, through their efforts.

What's really unfair is what all this does... The demand seems to be high, the Americans continue to build, they need logs, they need wood, they continue to purchase it with these American tariffs on it. What this results in is a tax. They're taxing themselves. They're taxing the middle class, as we call it, and the folks who are working hard to join it who are particularly hit hard.

Would any of you have any of the data on exactly how much, in dollars, these tariffs are resulting in for American houses? I don't know if Derek or anybody would have that, and if you don't, perhaps could you get it to us?

• (1710)

**Mr. Derek Nighbor:** I'll maybe defer to Susan in terms of the national home builders data.

Susan, would that help?

**Ms. Susan Yurkovich:** Yes, there's a very good analysis done by the National Association of Home Builders, who worked in partnership with Canada for years. I'll send it to you after the committee is over. It used to be a relatively small sum on a house. It used to be around \$5,000 to \$8,000, Michel, give or take.

It's now up around \$30,000, so that's a very substantial change and of course that's pushing people out of being able to purchase a home.

When Ms. Gray asked what can we do, what are the lessons learned. We can be focusing more on that. It is not part of the Biden.... The Biden administration wants to have affordability as one of its things that's really important, and this actually flies in the face of it.

The work that we can do to support what the NAHB is doing and to make sure that people understand what this is costing them directly would be very helpful.

**Mr. Terry Sheehan:** That data would be very helpful to us because the trade committee has gone to Washington and has gone to the United States. We're discussing where we as a committee would go. Usually when we go to Washington we have a number of meetings set up through the embassy, and that kind of data would be very helpful because it's really important to get into the face of the American legislators to tell them that. A lot of times when we were down there for the steel, they would be like, what?—they didn't know that information. So that information would be very helpful.

Just to keep on this, what other groups in the United States do you work with? Are you working with their chambers of commerce or their unions, other folks as well, to get that kind of messaging across about how much damage they're doing to their own middle class with these punitive tariffs?

**Ms. Susan Yurkovich:** I'll start and maybe turn it over to Derek.

We work very closely with United Steelworkers, which represents a lot of our industry. They've been very vocal about this alongside us. There's the chamber. There are the Canada-U.S. business groups that we've worked with from time to time. We're trying to tell that exact story, but it's very hard.

It's a very competitive marketplace, and to try to get traction on any issues in the Beltway area is very difficult. Frankly, if you're trying to make a concerted lobbying effort, as industry and government tried to in the early 2000s, it's very costly. It's millions and millions of dollars.

Derek, maybe you want to add some comments.

**Mr. Derek Nighbor:** In terms of the bills, I was talking about California and New York. It's the same thing. United Steelworkers and Unifor have been tremendous—they're really good partners of ours—along with the Indigenous Resource Network. Stateside, the California and New York forestry associations are very concerned about the precedent-setting nature of some of these dubious claims and terms that are being used. It's the same with the homebuilders in those states, and our union brothers and sisters in those states.

There's no shortage of allies, which is a nice thing to have.

**The Chair:** We'll move on to Mr. Martel for five minutes.

[*Translation*]

**Mr. Richard Martel:** Thank you, Madam Chair.

My question is for Mr. Labbé.

I want to talk about woodland caribou again. Do you think the government has gone too far with the woodland caribou protection strategy, by putting all the blame on the forest industry?

• (1715)

**Mr. Sylvain Labbé:** I'm not an expert on caribou, but I know a bit about the issues brought about by the effects of climate change. The UN has a boreal forest committee, and Canada is on it. The committee analyzes the impacts of climate change, including as they relate to caribou. I think all the blame is being placed on the forest industry because climate change affects forests in their entirety. I would say the real culprit is climate change. Even if the whole area were covered by a bell jar, the caribou would still not be adapted 40 years later. The area would have to be moved a thousand kilometres north.

I think the issue is being confused. Tackling climate change is what will help caribou. Smaller-scale solutions can also be implemented on a regional level. Right now, all the blame is being laid at the industry's door, but I don't think that accurately reflects what's happening.

**Mr. Richard Martel:** You talked about diversification, Mr. Labbé, but without access to raw materials, it's practically impossible to develop new products. How are you going to diversify products?

**Mr. Sylvain Labbé:** You're absolutely right. Primary processing is extremely important for the development of secondary processing. Between you and me, in the future, we won't have more access to land for logging in Canada, despite the demand, given the rules around biodiversity conservation. We'll keep what we have now, and the growth will come from adding value to what we have. That is the only option, short of intensive planting, and even then, the lumber wouldn't be available for another 40 years. Added value is the only solution in the short term.

**Mr. Richard Martel:** If the land is seriously limited, it will inevitably hurt small and medium-sized businesses and their growth.

**Mr. Sylvain Labbé:** Yes. If primary processing is doing well, secondary processing will do very well.

**Mr. Richard Martel:** Thank you, Mr. Labbé.

[*English*]

**The Chair:** You have two and a quarter minutes left.

**Mr. Richard Martel:** I would like to share my time with Tracy.

**The Chair:** I thought somebody would like to have the remaining two minutes.

**Mrs. Tracy Gray:** Thank you, Madam Chair. I never pass up an opportunity, so thank you very much.

I have a couple of questions for Mr. Warner. Despite what we've heard from our trade minister, it appears that there's no progress on the softwood lumber agreement with the U.S. The U.S. trade representative said last summer that Canada wasn't interested in engaging on softwood lumber, but Minister Ng stated on several occasions that softwood lumber is a top priority for the Canadian government.

In your view, has it been a top priority for Canada to be engaged and at the table on softwood?

**Mr. Mark Warner:** The problem that I see is that we have to decide how to approach the United States generally with these sorts of trade disputes. From what I can see, this government has taken the approach of being very conflict-oriented from the start on everything. We elevate and escalate really quickly.

As I said, I don't think there is a litigation solution. I'm not even sure that most of these victories that we talk about in softwood lumber are ever really such complete victories as the way they're presented when you're in Canada. They're really narrow legalistic victories, and that's why they don't stick and that's why they're hard to enforce.

From my vantage point, I think if we had a more coherent approach to trade negotiation overall with the United States then we'd be in a better position to negotiate something like softwood lumber, but if you are going down to the United States to lobby against the signature initiative of an American president and then you expect that same American president to tell his secretary of commerce to cut us some slack on softwood lumber, I think it's just not going to happen.

Somewhere along the way, we have to decide whether we want to go this litigation route, whether we want to go escalating everything to Defcon 1 or we want to find a way to sit down and figure out whether there are some "grand bargains" that will go beyond this industry into others that will allow us.... I think Susan talked about how this might have helped in some previous settlements.

I think that's what is missing here. I don't think Americans are all that interested in whether Canadian politicians think that their middle class is being hurt, to be very honest with you. We could go and lobby that. You're right—it will be expensive because that's a tough sell. There probably is an argument for sitting around a table and figuring out a way to settle it, but it can't be if you're going to take a very elbows-up approach, in my view.

• (1720)

**The Chair:** Thank you very much. Those were interesting comments, Mr. Warner. Every time you come here, you give us interesting comments.

We will go to Ms. Dhillon.

Go ahead, please, for five minutes.

[*Translation*]

**Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.):** Thank you, Madam Chair.

My questions are for Mr. Samray.

My line of questioning will be similar to Mr. Sheehan's.

Given that the Government of Canada committed to working with the sector to defend Canadian interests, does the Canadian forest sector believe that this softwood lumber dispute can be resolved through negotiation? In the sector's view, is that the way to resolve it?

**Mr. Jean-François Samray:** As my fellow witnesses have all said, sooner or later, it will come down to negotiation, whether the focus is solely on softwood lumber or on other issues as well.

Trade disputes get resolved through agreement. That is the only way to proceed in the long term, so we have to start the dialogue, build on common points and try to find pathways. That is crucial.

As Raymond Aron said, diplomats and soldiers are two public servants who need one another to work. In this case, the lawyers are on one side and the industry and government are on the other. The two sides need one another in order to move forward because they have to find pathways to agree on a solution.

**Ms. Anju Dhillon:** As far as you know, does that rationale reflect a shared belief?

**Mr. Jean-François Samray:** I believe so. Ms. Yurkovich, Mr. Krips, Mr. Nighbor, Mr. Vincent, Mr. Labbé and Mr. Warner all talked about it. I think all the witnesses would tell you today that we need to come to the table with a Team Canada approach. That is the preferred approach, the one we should adopt as soon as possible, in the industry's view. We are ready to play for Team Canada.

**Ms. Anju Dhillon:** How do you think fluctuations in the duty rates on Canadian softwood lumber exports to the U.S. affect Canadian firms?

**Mr. Jean-François Samray:** You could say the annual rate fluctuations are the result of some black box inside the U.S. Department of Commerce. We don't know why the rates go up or down from one year to the next, but they bring great uncertainty. The only thing companies can control—to the extent that's possible—is their costs.

Cost is one factor that determines competitiveness, but the other factor is the tax rate, which affects market predictability and the industry's capacity to meet demand, make investments and commit to purchasing lumber.

Without long-term predictability, the industry will have a harder time planning for the future, making investments, undertaking processing, developing new products and meeting the needs in the coming decades.

**Ms. Anju Dhillon:** Would you say Canadian firms and workers in the sector are feeling the repercussions?

**Mr. Jean-François Samray:** There is no doubt that companies are feeling the repercussions. As mentioned, more than \$6 billion is being held in trust at the border, and soon that figure will hit \$7 billion. That is money that cannot be spent on equipment or new technologies, but equipment and new technologies are essential for companies not only to be competitive, but also to develop new workforces and attract new workers to the industry.

It is clear that workers are feeling the repercussions of the situation. A solution has to be found so that that money can support the economic recovery.

• (1725)

[English]

**The Chair:** Thank you very much.

We'll go on to Mr. Savard-Tremblay for two minutes.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Thank you, Madam Chair.

Mr. Nighbor, correct me if I'm misinterpreting your remarks. Earlier, you said that there were a lot of initiatives at the provincial level, but that a little extra support—a boost—from Global Affairs Canada was lacking, specifically through the trade commissioner service.

What would you like to see, in tangible terms?

[English]

**Mr. Derek Nighbor:** The first thing I'd like to see is for Global Affairs Canada to support by doing a legal review on both bills currently on the floors of the legislatures in Albany and Sacramento. That's the first thing, which will confirm our belief that these bills would violate trade agreements.

Secondly, through diplomacy and working with stateside governments, partners in the U.S. and our customers in the U.S., we need to continue to share with them and have those meetings to talk about how our forests are actually managed here in Canada. There's a lot of misinformation. I think a lot of people forget that more than half of our forested areas in Canada are actually unmanaged. They might be managed by local communities in the far north, but 48% of our forests are managed. Out of that managed forest, half of that forest is under some kind of conservation measure today because forestry in Canada is inherently about conservation, local values and managing for multiple values, from species at risk to flood and fire risk mitigation.

A lot of work goes into the planning in forestry in Canada. It can't be simplified, which is what's being done in terms of the some of the terminology we're seeing stateside.

**The Chair:** You have 50 seconds.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I don't think 50 seconds is enough time to discuss another topic.

I'll simply thank the witnesses.

[English]

**The Chair:** Ms. Zarrillo, you have two minutes, please.

**Ms. Bonita Zarrillo:** Thank you. I'm going to take your 50 seconds.

I just wanted to say thank you to all the witnesses today for that look into the future, with the talk about transformation and about value-add potentially coming back more strongly in Canada. That's very interesting.

There were also a number of comments about the changing global dynamic, just based on what we're dealing with regarding the COVID vaccine and what was happening with Ukraine.

This will be for Mr. Krips.

Thinking about that, I was wondering if there have been changes in language and thinking about future planning, even in regard to lack of containers and not having the drivers in the industry. If so, if there has been a change in that language, in future planning and in how your groups are thinking about it, what does the Canadian government need to know and consider in order to support industry workers now and for your future?

**Mr. Jason Krips:** I'll just jump in on some of the things my colleagues have flagged, such as real supply chain issues and costs, and cost structures. We're seeing a huge issue with respect to rail service in northern Alberta in particular and, by extension, in other provinces. I know Susan has lots of issues in her jurisdiction because of floods, fires and the like.

The Canadian government can really look at infrastructure from a logistics perspective and from a rail company perspective to ensure that the rail companies are providing services that I believe they are fiduciarily charged to provide to northern communities. Most of our members in Alberta are actually only served by one of the rail companies. That has resulted in increased costs due to the lack of service on railcars this year. It seems to be an annual issue.

I think a real focus on our logistics and infrastructure needs across Canada and on rail in particular would be really helpful. It's not directly related to softwood lumber, but it's absolutely directly related to the cost of our industry. Reducing the costs will actually help viable forestry companies continue.

**The Chair:** Thank you very much.

Mr. Fast, you're the last commenter on that side today.

**Hon. Ed Fast (Abbotsford, CPC):** Thank you very much.

My questions are to Mr. Nighbor and Ms. Yurkovich. It's nice to see you both again. It's been a while.

I listened carefully to your testimony and I just wanted to quote back to you. Ms. Yurkovich, you said that with these types of disputes, "the leader of Canada and the leader of the U.S....get together" and resolve it. You said, "We just haven't seen that yet."

Mr. Nighbor, you said something similar. You said that “top-to-top diplomacy” would stop the lunacy.

Are you both suggesting that there hasn't been top-to-top diplomacy over the last few years since the softwood lumber agreement expired?

• (1730)

**Ms. Susan Yurkovich:** Maybe I'll kick that off.

I think what I said before was about the conditions we've seen in the past and indeed when the last deal was done. You have a few conditions in place—I talked about some litigation water under the bridge, some money held up that the U.S. industry has its eye on and then some levers, which are some other things that are not lumber-related.

When you have those conditions, it then becomes a leader-to-leader conversation to try to push. The industry in the U.S. must be brought to the table and that's something only the leader of the United States can do.

That's the context of what I said. Yes, it will absolutely require the Prime Minister and the President, but the President has to get the U.S. coalition to come to the table and engage, or there's nothing we can do to get this thing resolved with the way the trade laws are in the U.S.

**Mr. Derek Nighbor:** Mr. Fast, can you imagine if one of our provinces said that it's not going to have any American wine here any more because they're concerned that it's just not sustainable? Just think about that.

For us, we have the provincial government engagement. We have labour, indigenous and other partners engaging. We have the foreign public service and our diplomatic core in the U.S. engaging. I

do think with this situation being critical—this is a multi-billion dollar problem in the making—we're going to need more political support in the weeks and months ahead.

**Hon. Ed Fast:** In the lead-up to the CUSMA negotiations, was your industry actually approached to see whether softwood lumber could be included in those negotiations? Quite frankly, I would have liked to have seen that because of the additional leverage that would have provided in terms of a larger negotiation.

Was that discussion ever on the table?

**Ms. Susan Yurkovich:** There were conversations about that. Given your history, I think you know better than probably most people around the table how difficult this file is and how contentious and political it has been.

From a B.C. perspective, the one thing we were absolutely mission-critical on was that we have the dispute resolution mechanism. We got that. It's essentially similar to what we had in the previous agreement. That's critically important because with any trade agreement, as with any relationship, you're going to come up with disputes. If there was one thing we were absolutely dead set that we had to have, it was that and we got that.

**The Chair:** Thank you very much to the witnesses for the very valuable information. I appreciated it.

To the committee members, we need the witnesses for the Canada-Ukraine study submitted, please. If there are any other witnesses for the clean technology, please submit them as soon as possible to the clerk.

Thank you to my colleagues and thank you to the witnesses again.

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