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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Monday, March 28, 2022

• (1535)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call this meeting to order. This is meeting number 11 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 the proceedings. All those inside the committee room should follow best practices for 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 either floor, English or French audio. If interpretation is lost, please inform me immediately, and we will ensure that it is properly restored before resuming the proceedings.

When speaking, please speak slowly and clearly. When you're not speaking, please have your microphone on mute. Finally, I remind you that all comments go through the chair.

We are continuing our study of the Canada-United States relationship—a motion that was adopted by committee on January 31—and its impacts on the electric vehicle, softwood lumber and other sectors.

Today's meeting pertains to the softwood lumber sector.

With us today by video conference, from the Canadian Home Builders' Association, we have Kevin Lee, chief executive officer. From Meadow Lake Tribal Council Industrial Investments, we have Al Balisky, president and chief executive officer; and from Resolute Forest Products, we have Rémi Lalonde, president and chief executive officer.

Welcome to all of our witnesses. Thank you for taking the time to come before us today.

Mr. Lee, I will invite you to make opening remarks of up to five minutes, please.

**Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association):** Thank you, Madam Chair.

The Canadian Home Builders' Association is the voice of Canada's residential construction industry. We represent some 9,000 member firms from coast to coast, including home builders, renovators, trade contractors, product and material manufacturers and building suppliers and services.

There's no question that the pandemic has shown the extreme exposure that Canada's residential construction industry, and in turn consumers, have to lumber price volatility. The record price increases and product scarcity, both north and south of the border, have caused major issues for industry, homebuyers and homeowners over the past two years. The effects of those issues persist today.

CHBA's 2021 Q4 housing market index survey showed that the national average construction cost for a 2,500-square-foot home has increased by over \$34,000 due to lumber prices. This has resulted in higher prices for consumers and in some cases severe losses for builders with fixed-price contracts.

Canada already has a housing affordability crisis. Adding tens of thousands of dollars to the price of a new home due to lumber increases has contributed quite a bit to the crisis. A major contributor to rapidly escalating house prices in Canada is also a lack of housing supply, and access to more stable lumber prices is critical to building more homes—both market-rate housing and affordable housing. The crisis also impacts the ability of municipalities and not-for-profit organizations to deliver affordable housing units. Social housing budgets are fixed, so increased input costs mean fewer units coming online for those in most dire need of housing.

In addition to rapidly rising lumber costs, the lumber crisis has also meant delays in construction, as price increases have been accompanied by physical supply shortfalls as well. Home closings are now delayed about 10 weeks on average across the country due to ongoing supply chain challenges.

It's also noteworthy that there is another Canada-U.S. trade issue on the horizon for construction, and that is the gypsum board anti-dumping order from the Canadian government on U.S. drywall shipped into western Canada. This duty, which was dramatically reduced from its original intended levels five years ago due to the impact it would have on housing affordability, is set to expire or be extended. CHBA strongly recommends that the government take action to ensure that this duty is ended.

Overall, given the many challenges facing all aspects of the supply chain for construction and other industries, it is clear that all efforts should be made to address every aspect of Canada's supply chains. Where lumber is concerned, actions are required to provide a more consistent supply and to stabilize prices. This is doubly true given that lumber for construction should be part of a sustainable construction future for Canada. Lumber is a Canadian product that is renewable and a carbon sink, but if availability and pricing volatility continue as such large issues, it may become necessary to look at replacement materials.

CHBA recommends a number of actions for the federal government.

Make it a priority to investigate all issues of lumber supply, as well as potential solutions to ensure a reliable lumber supply in Canada with less price volatility.

Redouble efforts to resolve the present softwood lumber dispute with the United States.

Wherever possible, include end-users in trade tribunals so that final arbiters can appreciate the real and human impact that prolonged trade disputes have, especially in home construction and affordability. This was the case with the drywall dispute five years ago. It may need to be the case again this year.

Work with the domestic lumber producers to increase capacity to ramp up production, including by working with other levels of government to ensure more responsive and certain access to raw materials.

Consider all action possible to support the construction products and materials supply chain, including supporting the domestic manufacturing capacity of construction products and materials.

Finally, deal swiftly with transportation disruptions within Canada, whether they be import issues with respect to shipping and receiving, work stoppages by rail or other interruptions caused by infrastructure issues.

As the country recovers from the COVID-19 pandemic, we have a chance to build a housing continuum that supports all Canadians, from social housing to aspiring first-time buyers to seniors wishing to age in place. From new Canadians looking to establish roots in their chosen communities, to those looking to expand their homes as their families' needs evolve, to new Canadians joining our communities—all have housing needs. Canadian lumber should be a big part of that solution.

On behalf of CHBA, I thank you for undertaking this study. I look forward to answering any questions the members of the committee may have.

• (1540)

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

We'll now go to Mr. Balisky.

**Mr. Al Balisky (President and Chief Executive Officer, Meadow Lake Tribal Council Industrial Investments):** Thank you.

Good afternoon, Madam Chair, members of the committee and fellow witnesses, as well as other staff. I'm here to provide a perspective on indigenous participation in the lumber sector in North America.

Briefly, the 2006 softwood lumber agreement provided stability and predictability until its expiry in 2015, which triggered the latest round in the softwood lumber dispute. There remains no successor to the 2006 softwood lumber agreement, and its provisions are no longer in force.

The U.S. was originally petitioned to impose countervailing and anti-dumping duties on Canadian softwood lumber suppliers by American lumber advocates alleging that Canadian lumber is unfairly subsidized and dumped onto the U.S. market. The U.S. Department of Commerce initiated an investigation into these imports and concluded that softwood lumber imports from Canada have materially injured the U.S. domestic lumber industry. This resulted in both CVD and AD orders being initiated in 2018, so we're well into year number five.

The Meadow Lake Tribal Council is an organization of nine first nations located in the province of Saskatchewan. MLTC is the owner of NorSask Forest Products, a softwood lumber producer operating on first nations lands. NorSask is the largest wholly owned indigenous sawmill in Canada, and it produces approximately 150 million board feet of lumber each year, with approximately 60% of this lumber headed to the U.S.

On the softwood lumber that it exports to the United States, NorSask is obligated to pay these duties. Since the initiation of these trade penalties, NorSask and, in turn, nine first nation communities, have an excess of \$20 million held on deposit with the U.S. government.

As far as the Meadow Lake Tribal Council knows, NorSask is the only Canadian wholly indigenous-owned softwood lumber producer, with significant exports to the United States, but in no way is Canada's sole indigenous lumber producer a threat to softwood lumber producers in the United States.

Firstly, on July 1, 2020, the new Canada-United States-Mexico Agreement entered into force. CUSMA generally applies to the softwood lumber trade and, in general, allows for tariff-free exports of softwood lumber to the United States. For example, the preamble of CUSMA specifically mentions that one of the intentions of the agreement is to “Recognize the importance of increased engagement by indigenous peoples in trade and investment”. This inclusion indicates the parties' intention to advance reconciliation with indigenous peoples through economic sovereignty.

Secondly, CUSMA includes a specific protection for indigenous peoples. This exception states that legal obligations to indigenous peoples cannot be trumped or interfered with by commitments made under the trade rules. Article 32.5 states that “this Agreement does not preclude a Party from adopting or maintaining a measure it deems necessary to fulfill its legal obligations to indigenous peoples.”

Thirdly, chapter 25 of CUSMA is dedicated to small and medium-sized enterprises, with the parties to the agreement recognizing the important role these entities play in the economy. Each party has specifically agreed to “strengthen its collaboration with the other Parties on activities to promote SMEs owned by under-represented groups including women, indigenous peoples, youth and minorities, as well as start-ups....”

In summary, MLTC reminds the Government of Canada of its commitment and the opportunities under CUSMA to support and protect small and medium-sized businesses and indigenous peoples who are exporting products to the U.S., such as softwood lumber.

MLTC encourages the Government of Canada to provide two things. Number one is indigenous exemption from current punitive trade actions and any future softwood lumber agreement. Indigenous-owned forest product businesses make up an insignificant component of Canada's total softwood lumber exports, yet indigenous companies like NorSask continue to face unfair, punishing trade action despite the collective commitment by Canada, the U.S. and Mexico to a general exception and protection for indigenous peoples. Canada should take immediate action to protect indigenous-owned softwood lumber manufacturers and exporters from the current U.S. lumber countervailing and anti-dumping tariffs, and from any future softwood lumber agreement.

Number two is the return of all countervailing and anti-dumping duties to indigenous softwood lumber producers. The Canadian government is responsible for matters related to international trade and has a special duty of care with respect to the interaction of international trade disputes and their impact on indigenous communities. These self-generated funds that have been unfairly paid as duties to the U.S. represent forgone revenue to MLTC's first nation communities, which could be used for significant social benefit and promote economic sovereignty.

• (1545)

The Meadow Lake Tribal Council encourages the Government of Canada to support and assist all indigenous lumber producers and exporters for whom these deposits have been paid, so that these are returned to the indigenous communities from which they remain absent.

Thank you very much, Madam Chair. I look forward to questions.

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

We'll go on to Mr. Lalonde, please, for five minutes.

[*Translation*]

**Mr. Rémi Lalonde (President and Chief Executive Officer, Resolute Forest Products):** Thank you, Madam Chair.

I'd like to thank the members of the committee for the opportunity to speak to them this afternoon.

The United States is Canada's largest trading partner, and for the majority of the U.S. states, Canada is also their largest trade partner.

With somewhere around 18% of the U.S. GDP associated with the housing sector, it is fair to say softwood lumber trade is an important component of North American economic prosperity. The first trade action goes back to 1982. In the 40 years since, Resolute and our peers across Canada have been through many iterations of the softwood lumber dispute. These issues have been the subject of debate for decades, and now into our seventh presidential administration.

[*English*]

Five years into the current iteration of the dispute, which started in 2017, Canadian producers have deposited over \$6.5 billion Canadian, and growing, of duty deposits at the border, pending a resolution.

We know trade barriers inflate prices and slow economic recovery. Often it is low- and middle-income families who suffer the heaviest burden.

I would like to recognize the continuing efforts of Minister Ng, the legal team and others in government, for their tenacity and steadfast support.

We remain confident that with these efforts, Canadian exporters will ultimately prevail before international dispute resolution panels, as they have consistently done in the past. While some in the U.S. continue to recycle the same arguments, decades of litigation have rejected the notion that Canada competes unfairly just because it's different.

To that point, Canada secured a major victory before the World Trade Organization in August 2020, in a decision that undercut almost all of the U.S. Department of Commerce's arguments. Unfortunately, the U.S. has delayed the implementation of that ruling, opting to appeal the decision with an appellate body to which it refuses to appoint members.

Canada should continue to emphasize to the Biden administration that this is not how friends should behave toward one another, and that our relationship ought to be based on good faith and respect for the rule of law and treaty frameworks for dispute resolution.

We recognize that the path to a durable solution to this long-standing problem will more likely come through a consensus-based agreement based on fair and equitable negotiations.

To that end, Resolute joins others in the forest products industry in offering support for good faith engagement between our two governments. To be sure, an agreement must be in Canada's best interests, and it should not come at any cost. Resolute is committed to being a practical and pragmatic player.

Today we're fortunate, I believe, to have significant alignment among Canadian producers, which is a valuable opportunity and basis upon which to make progress.

[Translation]

Over the past months, the Biden administration and European Union have amicably resolved issues, even dropping cases before the WTO in favour of bilateral talks.

The U.S. is working to strengthen and to improve their trans-Atlantic relationship, as demonstrated in an Airbus/Boeing dispute, as well as a case involving Spanish olives. And just last week, the U.S. and U.K. reached a settlement on steel and aluminum.

Canada should receive no less treatment than the U.K., Spain or the broader European Union. Together, we must restore the special relationship between Canada and the U.S.

• (1550)

[English]

Canadian softwood lumber producers have important allies in the U.S. Recently, about 100 bipartisan members of Congress from all over the U.S. sent a letter to the Biden administration, calling for a resolution of the softwood lumber dispute. Just last week, the influential U.S. National Association of Home Builders [*Technical difficulty—Editor*] yet another call for swift action toward an agreement with Canada to eliminate softwood lumber tariffs.

The vast majority of Resolute's manufacturing assets operate in Canada. Most of our production is export-focused. Today, we pay a combined anti-dumping and countervailing duty rate of around 30% on the value of softwood lumber shipments exported to the U.S. We currently have about \$430 million U.S. in duty deposits trapped at the border.

[Translation]

For a company of our size, this is a lot of money. And it's money that we cannot invest to grow our business, support our transformation and drive economic activity in the communities of our 4,700 employees in Quebec and Ontario.

Members of the committee, I thank you for your attention.

[English]

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

We will move on to committee members, beginning with Mr. Hoback, for six minutes, please.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Thank you, witnesses, for being here this afternoon to shed some light on this important study and to help us hopefully get to a point where we can see a conclusion to the softwood lumber duties and move beyond this. There's definitely some more work the government needs to do in regard to that.

I'm going to start off with you, Mr. Balisky, from Meadow Lake. I come out of Shellbrook, so I'm very familiar with the Meadow Lake Tribal Council and the great work you guys do. You said you had some \$20 million in tariffs sitting there on hold. What would the impact be to your nine communities if that money were actually reinvested and not sitting there, at the border?

**Mr. Al Balisky:** That's a tremendous question, and this is a unique difference between the Meadow Lake Tribal Council ownership of the sawmill asset and, say, a corporation. These are communities that own this lumber producer, and any revenues that come from their business interests end up right back in the nine communities.

For example, I just spoke with the chief this morning, and the community is in the process of building some new homes, so any revenues they're able to generate go right back to the community and building new homes in Waterhen Lake First Nation. There's been a movement toward small homes up at Buffalo River Dene Nation, for example, and a new water treatment plant at another first nation.

These are essential services. When they don't see these benefits coming back to them, it really sets them back, and the community members pay. There are very clear social benefits that accrue right back to individual first nations, not to a corporation but to first nations communities in Canada.

**Mr. Randy Hoback:** You talked about the indigenous exemption and looking at a way to make yourself exempt so that you wouldn't have to pay these duties. Is there no headway with that? Is there no way of getting that recognized at the border, or is that something that's a non-starter?

**Mr. Al Balisky:** We like to think that we're caught up in some collateral damage here. We're part of the Canadian economy, and there's a broad brush, as Mr. Lalonde spoke of here. Everybody that exports into the U.S. is faced with the same issue. We think that there's an opportunity for Canada to take some action under CUS-MA. There is a special exemption for indigenous peoples, and we encourage the government to explore that.

**Mr. Randy Hoback:** Mr. Lee, with the home builders, I just want to talk to you a bit. Would it be fair to say that softwood lumber prices are very volatile and that it's having an impact on how your home builders are actually pricing in the builds of new houses?

**Mr. Kevin Lee:** Yes, they absolutely are, when they can. Sometimes it's so volatile that you couldn't have foreseen it, which was definitely part of the issue early on in the pandemic.

**Mr. Randy Hoback:** Is it fair to say that you have to—and this isn't meant to be negative—pad that price in order to face unpredicted increases in costs of lumber and other goods? Is that fair to say?

**Mr. Kevin Lee:** Yes, it definitely is. You're always trying to do your best job to estimate the price of all input costs—labour, materials, etc.—so, yes, if you see escalating lumber prices, then you have to price your products accordingly.

**Mr. Randy Hoback:** Of course, lumber cycles, just like any other commodity. When the price goes down, that cost is still there for that homebuyer when the home builder delivers the keys at the end of the build, so if he has managed to save an extra \$20,000 or \$30,000 because all of a sudden the lumber price at that point in time took a dip, does that not lead to increases or the overall reason we have more inflation in our housing market than we've seen before?

• (1555)

**Mr. Kevin Lee:** I think there are a few things that get impacted there. First, we know that when prices go up, they go up fast, and that gets passed on to the user very quickly. We also know that as prices come down, that price stays higher for both builders and consumers, so it's a much slower descent than it is on the way up. That's part one of it.

The other thing is, yes, depending on where prices go, you might be ahead of the game or behind the game, depending on when you signed your deals, the price you priced within your contract and how everything works its way through the system.

The one thing I didn't say in my opening statement is that our average price has gone up \$34,000 just from lumber alone, but everything else is going up too, so it's about another \$34,000 on average for that same house from the increase of other things. Overall prices have been going up on all products.

**Mr. Randy Hoback:** You're seeing rapid inflation in the housing sector, not just because of softwood lumber, but because of supply chain issues that are sitting there.

Mr. Lalonde, I'm just kind of curious. Coming out of Quebec, how do you forecast your production cycles if you have this sitting in front of you? How do you say that you're going to cut so many board feet per year based on that? Is the market just so strong right now that it doesn't really matter?

**Mr. Rémi Lalonde:** The market has been strong for a while now. To build on that, I'd say that we try to operate our assets to their maximum capacity, because that's the more efficient way to do it.

However, to the discussion and your questions from a bit earlier, the price of lumber is volatile. It adjusts very quickly. Lumber is a very liquid market. It's a very deep market that allows for almost immediate price discovery, but there are three key things that I think we should keep in mind.

The first is that a supply gap was created after the pandemic started. This goes to your question. A number of producers reduced

their production because we all thought that we were going back to the days of 2008-09. There was a reduction in production capacity. It took a long time for that supply gap to close. That drove up prices.

The second thing is—and this is part of what we're living through now—there are tremendous logistic constraints. I'm sure you've heard about this. The B.C. floods, the current significant jamming of rails and railcars, and the lack of truckers are causing some significant flow issues that are limiting supply distribution.

The third thing is that in the last couple of years, the cost of fibre in Canada has been increasing. From our perspective, duties play into that factor, because they raise the cost of benchmark production.

**Mr. Randy Hoback:** Is it not fair to say, though, that we had a situation...because the softwood lumber duties came into play in 2015 and we lost a lot of the small producers that would have been filling in and maybe providing more constant pricing in the market?

**The Chair:** Give a brief answer, please.

**Mr. Rémi Lalonde:** Yes. It raises the marginal cost of production for producers. The ones with the higher cost of production will be the first ones to close.

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

Mr. Sheehan, you have six minutes, please.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much, Madam Chair.

I want to thank all the presenters for their important information today. I am going to start with Resolute and Mr. Lalonde.

You have a significant operation in northwestern Ontario. We appreciate that. I used to work for the Ministry of Training, Colleges and Universities out of the Soo, but we had our head office in Thunder Bay. I know how many tradespeople you employ. I've been there through the ups and downs in the forest sector, with community adjustment, labour adjustment and such. All of the forest companies in northern Ontario have been great partners and really care about their employees. I just wanted to begin with that.

On January 31, 2022, the DOC released the preliminary results of its third administrative review of the AD/CVD orders, which applied on U.S. imports of certain Canadian softwood lumber products. The calculated average AD and CVD rates are 4.76% and 6.8% respectively. According to the Government of Canada, preliminary results may serve as an indication of the final duty rates that the DOC is expected to issue in the summer of 2022.

Mr. Lalonde, do you believe that these rates may in fact serve as an indication of the final duty rates? Can you speak to the degree to which these rates are detrimental to the Canadian softwood lumber industry?

• (1600)

**Mr. Rémi Lalonde:** Thank you for your comments. In fact, I spent two and a half years living in Thunder Bay, operating the pulp and paper facility. I'm very grateful for the time I've spent in northwestern Ontario.

Those duties are averages. In Resolute's case, the combined rate that we pay is 30%. That's what we're paying now. I'm happy to get into the details, but it is significantly higher than the average.

Typically, the distance between the preliminary rates and the final rates tends to be fairly close, but I should point out that the rates are reset every year. The way the Department of Commerce works is that sales, and therefore prices, are the denominator. Therefore, when prices increase from one year over the other, it makes for a lower duty rate, and the opposite is also true.

Based on the year of assessment—we're talking about 2019—they concluded that the smaller sales for lower prices created a higher rate.

One would expect that should prices adjust, the rates could come down. For example, last year our rate was 20%. We've gone from 17%, to 20% to 30%. For this year, the rates announced for Resolute are going to be 20%, based, as you pointed out, on the preliminary.

We'll see what the Department of Commerce concludes. I wouldn't expect them to stray too far from their preliminary AR assessment.

**Mr. Terry Sheehan:** My second question, then, would be this: If the Canadian government were to hypothetically abandon its effort to fight for industry and capitulate to the United States' unjust and unfair applications of these duty rates, how would these duty rates affect Canadian exporters of softwood lumber products to the United States, as well as their workers and the relevant communities?

**Mr. Rémi Lalonde:** What it would do is add cash costs to an operating sawmill. In a high-price environment, that may not be so apparent, but the reality is that for producers like Resolute and other sawmillers, your cash costs are effectively going up by the duty rate. That means that if and when lumber prices come down, your marginal cost of production is higher, which is going to force the more marginal players to close production capacity or decide to finance losses or finance duty deposits.

From our perspective, that adds pressure to Canadian producers.

**Mr. Terry Sheehan:** Specifically on the labour.... Again, you know my background. I'm the Parliamentary Secretary to the Minister of Labour. With the forest industry in general, like other industries, there were issues with labour and skilled labour related to COVID-19, and even before COVID-19.

What exactly are the impacts, and what are you doing to try to address that?

**Mr. Rémi Lalonde:** What I'd say is that when the markets are volatile and producers have to adjust production capacity, if they choose to remove a shift, we're all facing a situation where there's a shortage for skilled labour. If we have to reduce our production capacity and we unfortunately have to let some folks go, it's going to

be very hard to convince them to come back. It adds a lot of volatility in the consistency of our production operations.

In northwestern Ontario, the economic impact on.... Resolute is an integrated company. Pulp, paper and lumber are worth several hundred million dollars, between chips, power, investments and taxes, so it is a very significant economic impact.

**Mr. Terry Sheehan:** That's extremely significant.

In your relations with the indigenous communities in Canada and northern Ontario, I've seen some of the work that's being done. I feel that there are these continued operations to work with indigenous communities, as well as with the community colleges that serve the forest industry. If you want to speak a bit to that, and if I have time, you may.

**The Chair:** You have 12 seconds.

**Mr. Terry Sheehan:** I have 12 seconds. We can talk about that off-line, maybe.

**The Chair:** Maybe Mr. Lalonde can give a very brief comment.

**Mr. Rémi Lalonde:** We take it very seriously, and we try to develop economic partnerships. There are plenty of good stories in northwestern Ontario. I'd be happy to share them with you off-line.

**Mr. Terry Sheehan:** Thank you.

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

We're on to Mr. Savard-Tremblay for six minutes, please.

[Translation]

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

I would like to thank all my colleagues and our esteemed witnesses for being here, for their time and their testimony.

Mr. Lalonde, your company is the main victim of these new tariffs, which could be described as punitive.

According to your financial statements, overall, how much money, as a percentage, did you spend on additional customs duties?

Where would that money have been invested otherwise? Would you have invested it in your facilities?

Can you give us a concrete idea of the consequences for your company?

• (1605)

**Mr. Rémi Lalonde:** It has cost us \$430 million U.S. over the last five years, since the conflict started again. That means there are investments that we haven't been able to make. Last year was still a good year, given the lumber prices we enjoyed. We have been able to reduce our debt.

As for your question on how we would invest this money, I would remind you that there is still a deficit of about \$1 billion in our pension plans. The financial health of the company is excellent, but it is a deficit that we will have to make up over time. There are investments we would like to make in our facilities as well. Our facilities are disproportionate in Canada, and particularly in Quebec. These are capital expenditures. It is a lot of money.

As a company, we are trying to drive our growth and transformation. We have taken significant steps in the last 18 months, but we have other projects and other goals that we would like to achieve.

**Mr. Simon-Pierre Savard-Tremblay:** Could you tell us about the current projects?

We heard about the mill in Kénogami, for example, and about cellulose fibre. So there are projects under way to make your company more dynamic and turn it toward the future.

**Mr. Rémi Lalonde:** That's exactly it.

I visited the Kénogami mill a few months ago, and I can say that its cellulose fibre project is innovative and encouraging. Such a project makes it possible to make investments to sustain a paper mill. It isn't always easy, and any efforts that can be made are welcome.

Last year, we announced major investments in our sawmills, particularly in Abitibi-Témiscamingue. We announced an investment of \$25 million in the Senneterre sawmill to support its competitiveness. These are initiatives we are taking to help our company transform and grow.

**Mr. Simon-Pierre Savard-Tremblay:** We are here to study the issue. So, feel free to make suggestions, since we're the politicians in this country.

Do you think there is enough investment in wood processing?

**Mr. Rémi Lalonde:** The government provides good support in this regard, even though more can still be done.

My message to the government is to continue the dialogue with the U.S. administration to settle the dispute, to continue the work that has been undertaken to resolve the disputes and to work with the Canadian industry to ensure a good exchange of information so that we can be consistent in the positions we take.

**Mr. Simon-Pierre Savard-Tremblay:** To what extent is the low demand for paper a problem?

**Mr. Rémi Lalonde:** This is a major challenge that we have been facing over the last decade or so. Unfortunately, during the pandemic, we had to reduce our production capacity, particularly in our newsprint mills in Amos and Baie-Comeau, because the demand for paper dropped by 30%. We've had to adjust our production accordingly. That's a challenge we're facing.

We're trying to make our mills as competitive as possible so that we can operate them as long as possible. Since the demand for paper is declining, we favour investments that make us as competitive as possible in order to have a better chance of continuing for as long as possible.

**Mr. Simon-Pierre Savard-Tremblay:** Long before the Ukrainian conflict, the price of wood had already risen. The Ukrainian con-

flict could cause another rise. I imagine the punitive tariffs add another layer in a market where the price was already becoming increasingly problematic.

• (1610)

**Mr. Rémi Lalonde:** This is a factor that makes the cost structure more important to lumber producers. We also know that in recent years the cost of fibre has increased significantly in Canada. Producers are facing a significant increase in costs and this is having an impact.

I will say, though, that we're facing two other challenges.

First, in terms of logistics, supply chain issues, which I'm sure you've heard about, have a significant impact on the distribution of supply. It also creates price increases. Today, I would say that our lumber inventories are twice as high as we would like them to be. That's a lot of money, and that's a lot of FBMs, board feet, not going to market. There are buyers who [*Technical difficulty—Editor*] wooden planks, but we're just not able to distribute them all, and that has a big impact.

Second, I mentioned that from the beginning of the pandemic, there were cuts in production capacity as we anticipated a return to the 2008-09 financial crisis. It took some time for that output gap to close, while demand remained strong. All of this drove up prices.

[*English*]

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

We'll go to Mr. Masse for six minutes.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Madam Chair. My first question is for you. Do you remember Pierre Pettigrew?

**Mr. Rémi Lalonde:** Is that for me?

**Mr. Brian Masse:** No. It's for Madam Chair.

Do you remember Pierre Pettigrew?

**The Chair:** Yes. I heard about him.

**A voice:** Wasn't he one of your colleagues, Brian?

**Mr. Brian Masse:** Oh, oh!

**The Chair:** Yes. I did hear about Pierre Pettigrew.

**Voices:** Oh, oh!

**Mr. Brian Masse:** It's because the first trip I took as an MP was with him, down to Washington, D.C., 20 years ago, on softwood lumber, and here we are again, dealing with this issue. The industry committee dealt with this last session too.

I think I want to try a new angle, though, in all of this.

Mr. Balisky, do you have support from other indigenous and aboriginal groups in the United States for the position that you have here? One thing there's been some degree of success with is getting some of the supply chains and the distributors on the U.S. side at least advocating for Canada over there. It's a tough nut to crack, as Mr. Hoback knows and as the chair knows too. We've been in many congressional and senate offices trying to push this issue over a long period of time.

I'm just wondering whether you have any support from third party groups over in the United States for your position here.

**Mr. Al Balisky:** That's a super interesting question. You know, the way these disagreements go is that you start in year one. You're hopeful that it will end by year two. Then it moves into year three. Here we are in year five.

We're one of one, as far as we know. We have not initiated that action, but it's very interesting that you should bring that up, because we will be initiating that. That's been some of the guidance we've received. We're going to be exploring that.

**Mr. Brian Masse:** I would hope that we would actually have some governmental support for you, and perhaps we can follow up with that as well, for those types of initiatives, be it our embassy, or trade, or consuls general or so forth. I think there's been a fairly robust attempt to lobby. For all my years in different governments—minority, majority, changing political leadership—there seems to be some good infrastructure to try to push this issue.

Do you have any natural allies over there, just on the surface? I don't want to put you on the spot here, but do you think this is something you could achieve?

**Mr. Al Balisky:** Very briefly, we are pursuing that actively. We are working with the Government of Canada on some options there. We'll be pursuing that.

It's a wonderful suggestion, and it's something that we are taking action on.

**Mr. Brian Masse:** Great.

**Mr. Al Balisky:** One thing I'll point out—I suppose Resolute notwithstanding, Rémi—is that the large producers have been able to get a foot in the yellow pine into the southeast U.S. There's a bit of an operation on both sides of the border, which kind of creates a bit of a buffer against some of these machinations of trade disputes. We're not able to do that. We're pretty much locked into Saskatchewan and haven't had quite the [*Technical difficulty—Editor*] to make that leap across the border.

Certainly, it's something that would make a lot of sense to do. We're looking at that. Thank you for that suggestion.

• (1615)

**Mr. Brian Masse:** I know it's really challenging. There are so many different things to go after. I know that for some other issues, we're seeing some cross-border co-operation. I'm doing it on the Great Lakes. It's been unique, some of the extra things that are happening outside of the sword-rattling of protectionism.

Mr. Lalonde, we've signed a series of trade agreements over the last couple of decades. In fact, the last decade was fairly robust. Has there been an analysis in terms of how they benefited your in-

dustry? I mean, that was the big selling point. I can't tell you how many times I heard that this was going to open up a whole series of markets and that. Are you being left behind?

I know, though, that when I look at some of the documents and some of the promised trade benefits of some of the countries we've done free trade agreements with, they haven't come to fruition. Some have. I'm just wondering if there has been some work done there, or if we are missing some diversification that's possible. Is that basically out there?

Finally, I know that some smaller countries—I think Sri Lanka right now, actually—can't get paper for newspaper. I'm just wondering whether we're missing some opportunities that we could help on. What are the obstacles there, or are they just not sufficient markets?

**Mr. Rémi Lalonde:** It's not a demand problem. I will put it that way. I think it was Jean Chrétien who famously said to Paul Martin, when he handed over the keys, something like, “There's free trade between the U.S. and Canada on everything except softwood lumber.”

The reality is—and there are folks on the video conference here who probably know more about this than I do—the industry interests in the U.S. are very influential, and they are the ones who bring forward these complaints.

The National Association of Home Builders has been very clear about how it disagrees with the position that the Coalition for Fair Lumber Imports, as they call themselves, have taken. They are very influential.

As I indicated, it's a debate we have been having for four years. Notwithstanding the fact that Canadian producers have historically consistently been proven correct in the position we have taken, the issues keep coming back and coming back.

It is a big challenge. As I said, though, it's not a demand problem. The reality is that the U.S. is not able to meet more than 70% of its internal demand need for softwood lumber, so it always needs to fill it with something else. Canada is the logical partner, but today, as a result of duties, we have seen imports of lumber from Europe. If you think about that for a second, it's hard to comprehend how it makes more sense economically to import lumber from Europe.

To your point about diversification, one of the things that I think is unfortunate about a debate like this one is.... There's a great opportunity. I think Mr. Lee mentioned it earlier as well, but there's a wonderful opportunity to promote the use of lumber in different applications, in taller wood buildings, what we call “mass structures”. There are plenty of good stories. Wood is 100% renewable. Its carbon footprint is a fraction of what concrete and steel would be, but that's a harder story to tell than the one we're telling today on tariffs.

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

I'm sorry, Mr. Masse. Your time is well up.

**Mr. Brian Masse:** Thanks, Madam Chair.

**The Chair:** Mr. Martel, please.

[*Translation*]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** I'd like to thank the witnesses for being with us today.

Mr. Lalonde, I believe you represent the company that has been most affected by the softwood lumber tariffs to date. I'd like to hear from you on that.

How do you explain the federal government's lack of urgency to negotiate a new agreement with the United States?

**Mr. Rémi Lalonde:** I'll answer your question in two parts.

The U.S. government has done a very damaging analysis of the treatment of Quebec's forestry regime. It claims to be comparing the price of standing timber to that of Nova Scotia. The World Trade Organization rejected that approach, but that means that we pay different prices, which the U.S. government considers a subsidy. That has been refuted, but that is the reality.

The Canadian government should establish a dialogue with the Americans. From our perspective, there's not much movement or political will to move this forward in the United States. We think the solution lies in a reasonable negotiation between two parties that want to negotiate. However, it's clear that this is not an important political issue for the Americans today.

• (1620)

**Mr. Richard Martel:** Mr. Lalonde, as you know, the Department of the Environment wants to strengthen protection for caribou. Of course, we are in favour of that, since we don't want this population to decline. You said that the cut area had already been significantly reduced to protect this species. I would like to hear what impact this will have.

**Mr. Rémi Lalonde:** We will have to see how that is implemented. We favour a collaborative approach. The Government of Quebec also looked at this issue.

To answer your question, if we reduce the cut areas, that will change the distribution of the areas allocated to producers to harvest. When we have to go further and change the way we do things, that increases costs. I was talking earlier about the fact that the cost of fibre is increasing in Canada. In Quebec in particular, it's already the most expensive fibre in North America, so it has to be done in a thoughtful and practical way. What we're asking is that socio-economic impacts be taken into account when these analyses are done and that all stakeholders be at the table to discuss them.

**Mr. Richard Martel:** Do you think that those who want to protect the caribou are exaggerating when they blame the forestry industry entirely?

**Mr. Rémi Lalonde:** We don't agree with that conclusion. In fact, we believe that, in addition to taking into account socio-economic interests, we must ensure that we are well supported by science. Several people who are more familiar with the scientific issues than I am have questioned the hypotheses put forward to explain the major setbacks in terms of available areas.

We believe that all interests should be represented in the discussions, that the issue should be addressed from a socio-economic perspective and that it should be based on science.

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

Mr. Lee, could you tell me what the barriers are to building more homes to help young people get into their first home?

[*English*]

**Mr. Kevin Lee:** I'm sorry; the question that came through the interpretation was, "What are the costs that are affecting young people attempting to buy their first home?"

[*Translation*]

**Mr. Richard Martel:** What is stopping more houses from being built to help young people get access to their first home? Cost is a factor at present, but scarcity is too. We need a lot more houses.

**Mr. Kevin Lee:** Thank you very much.

I have dropped the interpretation, so I understand your question better, but I'll answer it in English.

[*English*]

In terms of first-time homebuyers, obviously the increase in house prices all across the country has been quite dramatic. We are facing a real supply and demand imbalance. It's something we've talked about at the home builders' association for years. This pre-dates the pandemic and was exacerbated by the pandemic. What we're really seeing is escalating house prices.

Previously it was largely in Canada's larger urban centres. One of the benefits of the pandemic, if I could put it that way, is that it's enabled people to look to live in different places, maybe a little further away from urban cores or somewhere they can work from home on a full-time basis.

As a result, though, there are increasing house prices in almost every community in Canada, which is a big challenge.

We definitely need to move forward in providing more supply. Lumber is a big part of that. Lumber is our major construction material for housing in Canada, so we need to make sure we go that route.

Also, on the shorter-term basis for first-time buyers, there are definitely some macroprudential opportunities. Certainly, at the association, we've been big proponents of a return to a 30-year amortization period, which makes it a little easier for first-time homebuyers. A 30-year amortization for first-time homebuyers makes a lot of sense, because you can spread your payments over an extra five years to get more access, and there is no question—

• (1625)

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

We will move on to Mr. Virani, for five minutes, please.

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

I'll just start by saying thank you to all of the different witnesses who have provided some very important testimony today.

I'm going to start with Mr. Balisky.

You commented on your operations in Saskatchewan and the fact that they're indigenous-led and that some of the benefit has accrued to the indigenous community in Saskatchewan. I thought that was very important testimony.

You also talked about some of the features of CUSMA; in particular, the allowance for increased exposure and involvement of indigenous persons in that trade agreement and what it resulted in, including citing Article 32.5 of the CUSMA agreement.

I want to put to you something that came up at the last meeting we had on this very issue, from a witness who was invited by Her Majesty's official opposition. He is a gentleman named Mark Warner. When he was asked about indigenous involvement in negotiations, he said—and I'm going to quote it so that I get it right, because I'm reading from the blues:

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.

Then he went on to say, and I am continuing to quote:

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.

I have my own views about Mr. Warner's testimony, but I'm wondering if you might be able to provide us with some observations, Mr. Balisky.

**Mr. Al Balisky:** Well, I don't agree with Mr. Warner.

A key consideration for Canada as well as the United States is the relationship with indigenous communities, the indigenous population in Canada, and there's been a tremendous amount of action taken over the decades towards reconciliation. This Liberal government has made it very clear that there's no more important relationship than the relationship of Canada with indigenous peoples. Whether that means that this falls within the purview of international trade, or whether it's domestic affairs, all these things are part and parcel of what makes us a community and a people, and what makes us Canadian.

I will point out to Mr. Warner, and anybody else who's interested, the extensive trade networks that used to exist in times gone by throughout North America, from the eastern seaboard well into the Northwest Territories—massive trade routes—so free trade has been a thing in North America, practised by indigenous peoples, for millennia. This artificial boundary that's been imposed certainly gets in the way of that and of facilitating the engagement of indigenous economies in international trade.

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

That's a very important observation, actually, because when we traditionally think of indigenous knowledge-keepers, sometimes we don't think about the vast ambit of knowledge they contain. The fact that it can even apply to something as commercial as the trade committee, in terms of how we're engaging with hemispheric trade or continental free trade, is a critical point.

I personally think that no matter how “complicated” it is, to use Mr. Warner's word, that doesn't really matter when you're trying to advance reconciliation. I would add that it helps to further the goals of UNDRIP, which is also an initiative that was enacted under our government's watch.

Thank you, Mr. Balisky.

Mr. Lee, I want to turn to you. This has come up in your testimony and in the testimony of some of the others. You provided us with a little list, and I stopped it at six, but you may have had more. When you indicated some of the things you were seeking, you said to swiftly deal with transportation disruptions.

Obviously, we saw a transportation disruption that was quite cataclysmic about six or seven weeks ago, when we had blockaders illegally stopping the flow of cross-border traffic at places like Windsor, Emerson, Coutts and Surrey. Please comment on that and how it impacts things such as the B.C. lumber industry, for example, when you're blocking the Surrey border, and the speed with which that was dismantled under the Emergencies Act.

Thanks, Mr. Lee.

**Mr. Kevin Lee:** There's certainly no question, with all of the challenges we've been facing through the pandemic with the supply chain, that blockades of international borders were a challenge that no industry needed to compound everything else that was going on. It was certainly important that those blockades be removed as quickly as possible, and I think it's important, looking into the future, that Canada does all it can at all times to make sure trade routes remain open, healthy, safe and secure.

• (1630)

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

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

We're on to Monsieur Savard-Tremblay for two and a half minutes, please.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Mr. Lalonde, they say that your business is the main victim of these rates. We know that the countervailing duty rate is 15.48% and the anti-dumping rate is 4.76%. So the two rates together are 20.24%.

I imagine that you can clearly confirm that your company does not dump or engage in such practices. Is that the case?

**Mr. Rémi Lalonde:** I would say it's even more than what you're saying. You cite the rates that are expected to come into effect later this year. Right now we're paying 30%, whereas the total of what you've noted is 20.24%.

I am confirming not only that, when Resolute was specifically audited, the company had the lowest rate of dumping, so-called dumping, of any producer.

In the last two years, the United States Department of Commerce has stopped doing audits on us. So they removed the dilutive effect of our low rates, if I can call it that, and we now have the industry average in the calculations you presented.

**Mr. Simon-Pierre Savard-Tremblay:** Perfect.

Thank you for that confirmation.

You can also confirm that, in every respect, the price of wood is set by the market, by the auction system, and is therefore 100% in line with North American trade rules.

**Mr. Rémi Lalonde:** Absolutely.

**Mr. Simon-Pierre Savard-Tremblay:** Great.

This makes these multiple punitive duties all the more unjustifiable in various ways.

Given that Quebec's regime was even specifically designed to be compliant, do you think that this distinction should be formally recognized if the Canada-United States-Mexico Agreement is reopened?

**Mr. Rémi Lalonde:** We have always requested recognition of Quebec's forestry regime, which is based on Oregon's regime, if I'm not mistaken. We have always asked that there be recognition, if there is an agreement, that certain plans are market-based and that punitive rates be eliminated.

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

I don't have any more questions, Madam Chair.

**Mr. Rémi Lalonde:** Thank you.

[*English*]

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

It's on to Mr. Masse for two and a half minutes.

**Mr. Brian Masse:** Thank you, Madam Chair.

To follow-up, Mr. Lee, my riding has 40% of Canada's daily trade with the United States between the Ambassador Bridge, the Detroit-Windsor Tunnel, the Detroit-Windsor truck ferry and the CP Rail tunnel. One of the things I proposed—and it comes from the Wilson Center in the United States—is a safe border task force. That's an operational working group similar to what was done before. It's not only for these emergencies when there's illegal blockage of the border, which the Emergencies Measures Act was brought in for, but also to deal with other border issues. Is that something that you think your association might be interested in participating in?

This is not my idea. It comes from Canadian businesses and from working in Washington. I'm just wondering whether or not that might be an appropriate venue to dismantle some of the border blockages that we have.

The obvious one, with the border being blocked by people abandoning cars, hot tubs and so forth, is unacceptable, but there are also other working problems that we have on a regular basis.

**Mr. Kevin Lee:** Absolutely, and there were literally hundreds of organizations like ours that were signatories to documents to the effect that we really need to do everything we can to keep our trade

routes open, secure and safe at all times. I think the pandemic brought some very bizarre situations that nobody would have predicted, but, to your point, there are all kinds of situations that come up all the time, and everything we can do to keep businesses moving, to keep trade moving and to keep product moving is absolutely critical to our economy and the well-being of Canadians.

**Mr. Brian Masse:** It brings home the point Mr. Balisky made with regard to those imposed barriers that you now face. I think we really need to reflect on that, because working with Mr. Balisky's group, maybe as a model to start something, to get something done, actually might be a way forward, at least to gain some ground.

That's my time. Thank you.

**The Chair:** You have 20 seconds left.

Thank you very much, Mr. Masse.

It's on to Mr. Baldinelli for five minutes.

**Mr. Tony Baldinelli (Niagara Falls, CPC):** Thank you, Madam Chair, and thank you to the witnesses for being with us today. I'm just going to further build on some of the comments of Mr. Masse.

In our notes here, it indicates that the U.S. National Association of Home Builders has come out against the complete elimination of these U.S. duties. In our last meeting, one of our witnesses, Derek Nighbor, with the Forest Products Association of Canada, indicated that he never believed that he would spend the amount of time that he has recently lobbying in the United States, and now with particular states in some of the procurement issues that they're facing.

Mr. Lee, first of all, do you have relationships with the U.S. National Association of Home Builders? Do you find yourself engaged in some of the lobbying activities that are taking place? Second, in the seven-year period, what specific involvement have you had in contributing to efforts to negotiate a new softwood lumber accord?

• (1635)

**Mr. Kevin Lee:** We've certainly been engaged with the National Association of Home Builders in the U.S. over the years on this issue. They've been forthright from the start on their opposition to all of these tariffs, and have been quite vocal about it. We've lent support where we can, but this is definitely a situation in which it's their advocacy with the U.S. government that's really front and centre. It's been a huge challenge and a huge frustration for them. We've spoken about the challenges with the lumber prices both north and south of the border, and south of the border they have that additional tariff over and above everything else. It's been a huge challenge. We've helped out where we can, but it really is their advocacy with the U.S. government that's been the most important thing.

**Mr. Tony Baldinelli:** On the Canadian side, over the past seven years, have you been involved? Have your advice and views been sought in contributing to efforts to negotiate or to bring forward positions?

**Mr. Kevin Lee:** Certainly, from our perspective we've been very supportive of all efforts by the Canadian government to bring the softwood lumber dispute to an end. Mr. Lalonde has outlined very well the situation and how in all cases, at international levels, the courts have always sided with Canada. We're certainly supportive of all measures by the government to bring this to an end and to bring a much more fair situation to Canada.

**Mr. Tony Baldinelli:** Mr. Balisky, if I could ask you the same type of question in terms of the specific involvements you've possibly had, was Meadow Lake's input sought? Did you help to contribute to efforts to negotiate a new softwood lumber accord?

**Mr. Al Balisky:** We're just a very small player in the Canadian landscape, but we're an important player. We like to think of ourselves as the high point in the Canadian landscape when it comes to indigenous forestry. Unique in Canada is this bright light, in Saskatchewan of all places, with ownership in a manufacturing facility. At this level, we believe we're the largest indigenous exporter to the U.S., period, but also an important...the one and only softwood lumber exporter in Canada.

We've been watching this, and of course we've been through this in prior iterations over the last two decades. We are now, as we've discussed, looking at options across the border that might influence an outcome that might be favourable, at least for the indigenous-producer sector. It's a small sector that needs to be nurtured and one that needs to be encouraged. We're looking at all manner of doing that, both with the Canadian government and also helping ourselves with potential allies in the U.S.

**Mr. Tony Baldinelli:** I have a short amount of time, but I'd like to offer Mr. Lalonde an opportunity to say a few words on that as well.

**Mr. Rémi Lalonde:** We're certainly supportive of dialogue. We try to encourage it and participate wherever we can, whether it be having our own relationship with the National Association of Homebuilders, which we do, or keeping engagement with the federal government, the provincial governments and also our contacts with the U.S. government. We are definitely involved in the issue.

**Mr. Tony Baldinelli:** Thank you, Madam Chair.

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

Mr. Miao, you have five minutes, please.

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

Thank you to the witnesses for joining us today on this important study on softwood lumber.

I'd like to address the following question to Mr. Lee, please, Madam Chair.

On April 22, 2021, in a letter to the U.S. Trade Representative, the U.S. National Association of Home Builders mentioned concerns that the softwood lumber dispute between Canada and the United States remained unsolved.

How does the United States' unwarranted and unfair application of anti-dumping duties and countervailing duties on certain Canadian softwood lumber products impact the U.S. National Association

of Home Builders and its counterparts? Contrast that impact to that felt by Canada's sector.

● (1640)

**Mr. Kevin Lee:** I think what you are seeing in the United States are not only the supply and demand issues that are driving up prices, but also this added cost of the duties. As Mr. Lalonde outlined earlier, Canada is a huge source of lumber and historically a trusted trading partner, if you will, despite all of the jockeying back and forth from the U.S. lumber industry itself, which is usually behind the lumber disputes in the first place. They're not capable of providing 100% of their own lumber requirements, and Canada has always been an important part of this.

In the United States, they're facing increased costs, further causing increased house prices and construction costs. For the industries both north and south of the border, all this volatility causes all kinds of concerns in terms of supply uncertainty. It's very difficult in Canada too, because our Canadian lumber industry relies so much on exports to the United States. It becomes very difficult for them to staff their plants and manufacturing facilities and to predict what demand is going to be. In turn, that affects supply and costing in Canada as well.

Even though we're not affected to the same degree with the duties themselves, all the uncertainty, price volatility, supply uncertainty and all of that affects the Canadian home builders, renovators and consumers in an indirect way, and it's part of the reason we're so supportive of getting this all resolved. Wouldn't it be so much better if the Canadian lumber industry were, instead of paying these tariffs, using that money to continue to improve its own productivity, ramp up facilities and so on? It's a very unfortunate waste of dollars and time for the Canadian industry.

**Mr. Wilson Miao:** Thank you.

In your opinion, has the United States government demonstrated the same level of commitment to its softwood lumber industry that Minister Ng has displayed to the Canadian softwood lumber industry, and what further action could the United States government have taken to resolve this dispute?

**Mr. Kevin Lee:** I suppose one could say that, unfortunately, they have been listening a lot to their own lumber lobby, which is why we're in the situation we're in, rather than following international law, in which case we wouldn't be in the situation we are in.

Definitely it's something that the Canadian government needs to continue to pursue and to press hard on, because we need to get through this. Ideally we would have been through this five years ago, but here we still are. There's more that needs to be done, and we are certainly happy to support in any way we can.

**Mr. Wilson Miao:** What engagement have you had with the United States stakeholders? Can you share with us some of their feedback?

**Mr. Kevin Lee:** We mostly have been working with our U.S. home builder counterparts, the National Association of Home Builders. They have an entire lobby and legal effort there. It's a very large organization, well organized, and doing some good work.

To be frank, one of the challenges in dealing with Canada are that, because we are fragmented, everybody goes with their own different deals at the provincial versus the national level. That's not to say anything about the first nations—that's a different situation—but because we have different producing provinces and the federal government, it is very tricky.

The more of a holistic front that can be presented to the United States, the better. That is, of course, the great federated model. It's a lot more complicated than the Americans saying to us, "Well, if you all just came as one big, united voice, it would be easier." Welcome to Canada. One thing that has come back is that with a more united front...the closer we can get to that, probably the stronger voice we will have.

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

I have a question for the committee.

We have completed two rounds. Do the committee members have any other questions that they want to make sure get asked?

**Mr. Randy Hoback:** I think we're good, Chair.

• (1645)

**Mr. Brian Masse:** I have one quick question.

**The Chair:** Mr. Savard-Tremblay, are you okay with everything?

**Mr. Brian Masse:** I have one quick question, Madam Chair.

**The Chair:** Mr. Masse, I'm sorry; I didn't see your hand. If you have another question you want to get out there, please go ahead.

**Mr. Brian Masse:** Thank you, Madam Chair.

Real quick, does anybody have comments about this? Sometimes we have won agreements, but we haven't taken all the monied resources from those agreements that we've won back.

Are there any suggestions, if we finally get through the appeal here, on what to do with those funds? Sometimes we have left money on the table after winning them in court.

**The Chair:** Who would like to answer that?

**Mr. Al Balisky:** I know that for the first nations, we would be pleased to be able to contribute those back to communities, to key infrastructure projects and social programs to continue building team Canada.

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

**Mr. Rémi Lalonde:** Thank you.

A billion dollars is the amount of money that was left behind the border at the last trade dispute, \$500 million of which went to the coalitions of U.S. producers who brought the complaint. The other \$500 million went to what we call "meritorious initiatives" to promote the use of softwood lumber. All of that is fine.

Certainly, if we recover the duties, we want to take care of our business. We want to grow. We want to transform. We want to invest. To the points that were made earlier, all of this is good. We want to invest in our business. We want to continue to grow. We're optimistic about lumber for the long term, and we want to continue to compete.

If I may, very quickly, I thought Mr. Lee's answer on the situation was very good.

The one thing the Americans could do tomorrow that would set the stage for a resolution is to renounce their appeal of the WTO decision and just implement it, like they did in the case on olives from Spain. This issue is a long way down the path to a resolution.

**The Chair:** Wouldn't that be good?

Mr. Martel, do you have a question?

[*Translation*]

**Mr. Richard Martel:** My question is for Mr. Lalonde.

Would it be possible to export our lumber to markets other than the U.S.?

I sometimes talk to French people who work in the construction industry, and they always turn to steel because lumber costs them a fortune. We always say we need to be less dependent on Americans.

Do you think this could represent an opportunity?

**Mr. Rémi Lalonde:** That's a very good question.

In fact, wood doesn't travel very easily in general, and it depends on where it goes. We have considered some solutions.

That said, we know that wood from Europe goes from the Scandinavian countries to the United States. The reverse trip could also work, but we would have to find the right formula. It wouldn't be easy, but perhaps we could send some.

**Mr. Richard Martel:** Could the government help, then?

Would there be a role for if we wanted to export wood somewhere other than the U.S.?

**Mr. Rémi Lalonde:** We see it primarily as a logistical issue. You can't fill a ship with lumber, because the volume and the mass make it not optimal. However, you can supplement cargoes, such as a cargo of pulp or paper, for example, with lumber.

These are possibilities we are exploring, but

the difficulty is mainly logistical.

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

[*English*]

**The Chair:** Thank you very much to the witnesses for that very valuable information. I hope the next time the committee sees all of you, this issue will be resolved and the money will go to the appropriate places so we can talk about another issue.

The committee will now go in camera for a few minutes. A link has been sent out to my colleagues who are on Zoom. If you would, just connect to that link so we can have a brief discussion on committee business.

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*[Proceedings continue in camera]*







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