HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 034

Tuesday, November 1, 2022

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Tuesday, November 1, 2022

● (1105)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number 34 of the Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Therefore, members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking.

With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of Floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

As a reminder, all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

Go ahead, Mr. Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Madam Chair, could you confirm that the witnesses have completed the required sound checks so that there will not be any problems with interpretation?

[*English*]

The Chair: Yes, they were.

[*Translation*]

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

[*English*]

The Chair: Should any technical challenges arise, please let me know. We will suspend for a few minutes to ensure that members are able to participate fully.

It's great to see some of our witnesses physically here with us.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, September 20, 2022, the committee is beginning its study on potential trade impacts of the United States Inflation Reduction Act of 2022 on certain firms and workers in Canada.

We have with us today, from the Automotive Parts Manufacturers' Association, Mr. Volpe, president, by video conference. From Canadian Manufacturers and Exporters, we have Matt Poirier, senior director of policy and government relations. From the Canadian Steel Producers Association, we have Catherine Cobden, president and chief executive officer, and Daniel Kelter, director of trade and industry affairs. From the Canadian Vehicle Manufacturers' Association, we have Brian Kingston, president and chief executive officer. From Toyota Motor Manufacturing Canada Incorporated, we have Scott MacKenzie, director of corporate and external affairs, by video conference. Finally, from Unifor, we have Angelo DiCaro, director, by video conference. He comes to see us often from the research department.

Welcome to all of you. Thank you so much for making the time to see us today.

We will start with opening remarks from everyone.

Mr. Volpe, I invite you to make an opening statement of five minutes, please.

Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association): Thank you, Madam Chair. I thought I had the whole two hours to do this, so now I'll have to abridge it. I'm teasing, of course.

It's always a pleasure to be invited to committee, and it's always a pleasure to speak with the committee and my colleagues about the impact of trade policies, especially U.S. trade policies, on the Canadian industry.

The Inflation Reduction Act of 2022 is a correction to a proposal in the build back better plan that scared the hell out of the industry in Canada. I'll speak for the part that I represent: the automotive parts manufacturers industry.

We represent hundreds of companies with just over 1,400 factories that employ 1,000 people in the direct manufacture of parts, systems and tools in Canada. Approximately 52% of what we produce in a normal, non-COVID year goes to factories producing vehicles in Canada, and about 48% of that goes to exports. In a normal year, 95% or more of exports go to U.S. automotive production. That's important context because about 85% of the cars made in Canada that we supply get exported to the U.S. market. Even though two million cars get made in Canada in a normal year and two million cars get sold in Canada in a normal year, there isn't a very strong relationship between the consumer market and what we manufacture.

The most important metric to find out how healthy the Canadian auto parts and tooling sector is going to be in any given stretch—short, mid or long term—is what the U.S. market is going to do. In the U.S. market in 2021, the U.S. President announced that their targets for EV adoption would be 50% of the market by 2030. Then, in the build back better plan, there was a proposed extension for 10 years, from 2021 to 2031, of a $7,500 EV cash credit. Added to that was a $4,500 credit for vehicles produced only in U.S.-based, labour-organized shops and an extra $500 for vehicles with battery cells that come from U.S. locations. The grand total of that was to be $12,500 for any vehicle purchased, or approximately one-third of the average vehicle sale price in the U.S.

On that timeline, in 2027, all of those pieces—the three pieces of that $12,500—would only be applied to vehicles made in the U.S. Therefore, for automotive parts suppliers who supplied production in Canada and relied on those investments being solid in Canada, where more than half of our production went, it was a sign that by 2027, a lot of our production and prospects would disappear if American consumers were incentivized at this unprecedented level to buy American-made cars.

Never mind that it violated the spirit of the new NAFTA, the CUSMA. It also violated the spirit and letter of WTO obligations. We spent a lot of time meeting in Washington with senators and congressional representatives from other auto states. I met 10 of them in person, most of them Republicans, hoping that the Senate vote might tilt in a different direction. We met with the White House economic advisers as well, and we joined this team Canada effort with a whole bunch of people who are on the screen with me today, as well as Minister Ng, Minister Freeland and the Prime Minister, in an effort to flip it around.

The new act adds one word, “north”, to “must be made in America”, and it changes that threat for us. Canadian cars and Canadian production having a home with an American consumer who dictates our future is the most important part.

● (1110)

There is one piece of the bill that gives us some concern, and we will continue to study, monitor and meet with our colleagues in the U.S. on it. It is credits for the production of battery cells, battery modules for critical materials and electrode-active materials that right now create a highly competitive advantage for the attraction of battery manufacturing investments in the U.S. versus in Canada. We're in direct contact, of course, with our Canadian government as well as our automaker customers on the implications of that and on how we make sure that Canada remains competitive in the case of battery investments.

The bottom line is that the IRA changed the threat of build back better, or what I call the biggest existential threat to Canadian parts production in a generation. I'm very happy to see the changes.

Thank you.

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

Mr. Poirier, please go ahead for five minutes.

Mr. Matt Poirier (Senior Director, Policy and Government Relations, Canadian Manufacturers and Exporters): Good morning. It's my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to discuss the impacts of the U.S. Inflation Reduction Act on Canadian manufacturing.

The manufacturing industry directly generates 10% of Canada's GDP, produces nearly two-thirds of Canada's value-added exports and employs 1.7 million people in high-paying jobs across the country. Canada's manufacturing industry is highly integrated with that of the United States, and so much so that we really do not trade with each other; rather, we make stuff together. This is why it is vitally important that we maintain a level playing field between Canada and the U.S. when it comes to business incentives. If we do not strike that balance, investment will simply flow south of the border.

I'm joined on the panel today by my colleagues from many of Canada's key manufacturing industrial sectors and from organized labour. We are all united in our concern with the Inflation Reduction Act. We are concerned that this bill, in addition to other American initiatives that were recently announced, has radically increased the amount of money the U.S. government is pouring into their manufacturing companies. We're concerned that this could trigger a flight of capital investment out of Canada and into the U.S. We're also concerned that this could result in fewer manufacturing jobs here in Canada.

If we allow this to occur, we will undoubtedly see a decrease in Canadian manufacturing input. Seeing as two-thirds of Canada's global exports are manufactured goods, the economic losses would be felt dearly on the trade front.

Here's how we stop this from happening.

Number one, the government must eliminate the gaps between new U.S. incentive programs and their Canadian equivalents. We can get into details on these in the Q and A, but there are several key areas in the Inflation Reduction Act that must force a Canadian response. These are the extension of advanced manufacturing tax credits, in section 48C;the enhancement of the carbon capture, utilization and storage tax credits; new clean energy incentives for emission reductions; and, finally, modified U.S. domestic content provisions.

We know that the federal government is crafting the Canadian response. That's good, and CME strongly supports this work. Ideally, the fall economic statement on Thursday will take the opportunity to announce our government's matching programs. At a bare minimum, we urge the government to signal to industry that a fix is on the way.

Number two, the government must redouble their diplomatic efforts with the U.S. to tamp down buy American threats and promote buy North American approaches. Building on our industry's recent successful collaboration with the Canadian government to fight the Build Back Better Act, we need to adopt our team Canada approach once again.

Number three, the government should extend and expand the reach of the accelerated investment incentive—also known as the ACCA—in the fall economic statement. This investment vehicle has been used by manufacturers to make critical investments into their businesses. We were not able to take advantage of the entire five-year span of the program because of the pandemic. Extending and expanding the scope will give industry a much-needed leg up on their U.S. competitors.

Last, we must grow Canadian manufacturing to grow Canadian exports. As CME has said here before, our lacklustre export performance is tied to the fact that Canada's manufacturers are at capacity. We must get the government to partner with industry to tackle our biggest challenges. If we can reduce our labour shortages through more immigration, alleviate supply chain disruptions by investing in critical trade infrastructure and incent our manufacturers to invest in their net-zero transition and in productive automation, then we will grow our manufacturing industry and, by extension, our exports.

In conclusion, manufacturers are very concerned with the negative impacts of the Inflation Reduction Act's incentives. Unless Canada matches them, our sector's ability to compete with the U.S. on an even footing will be weakened. We must quickly introduce a suite of incentives that will narrow this gap. This will be seen as a sound investment in our industrial competitiveness, which will set us up for economic success for years to come.

Thank you. I look forward to the questions.

● (1115)

The Chair: Thank you very much.

Ms. Cobden, please go ahead for five minutes.

Ms. Catherine Cobden (President and Chief Executive Officer, Canadian Steel Producers Association): Good morning. It's wonderful to be back in person. Good morning to those out in virtual land. Daniel and I are very pleased to be here with you.

I'm here to talk about Canada's steel sector and the implications we see with the IRA, but just to remind you, we support 123,000 jobs across the country and play a very strategic role in the North American economy. We are an advanced manufacturer of a 100% recyclable material, and we are a critical supplier to many key North American sectors, including automotive, energy, construction and many other manufacturing applications.

As this committee knows well, we're highly integrated across North America, and the North American steel industry benefits from CUSMA and from steel products being traded fairly across our borders. The North American steel industry, however, is highly trade-exposed to unfair trade practices with an excess steel capacity of over 600 million tonnes, meaning that a lot of extra steel is looking for a home.

Canada's steel producers also embrace the green agenda. We make some of the greenest steel in the world, but we're not standing still. Recent announcements suggest that we're going to be over 45% below 2005 levels by 2030, and these are tremendous advancements.

The Inflation Reduction Act signals an important shift by our largest trading partner towards both fostering energy security and addressing the climate challenge. It builds significantly on policies and approaches that we must pay attention to. These developments will create opportunities for and threats to Canada, and it's very good to see this committee investigating.

To state the obvious, the IRA takes an enabling approach to the climate change challenge. A carbon price is not envisioned. In contrast, over the next eight years, the Canadian steel industry will face significant increases in carbon costs with carbon pricing rising to $170 a tonne by 2030. While Canadian and U.S. producers share a very strong track record of being the greenest and strongest climate performers, U.S. producers will be getting the benefit of the IRA investments and climate subsidies without facing an equivalent carbon cost, which will be in the billions of dollars.

Given the scale and breadth of the incentives in the IRA, we're also facing the increasing risk of failing to attract the significant investments required to decarbonize. While we have announced over $3 billion in investments in partnership with the federal and provincial governments, we still have a long way to go to reach our mutual goal of net zero. We are definitely competing in a global race to attract this investment so we need to take note.

We don't expect a dollar-to-dollar response with the U.S., but we do believe that Canada must further incentivize our capacity to both adopt and operate climate solutions such as hydrogen, renewable fuels, cleaner grids and so on, while at the same time looking to create market pull for green products.

We note that the IRA incentivizes additional green procurement policies, and it's built on top of domestic content requirements that create market pull for U.S. steel and other products while the Canadian ones are at a disadvantage. By contrast, we do not yet have procurement policies in Canada, and as a result, green steel is losing market share today to high carbon-intensive imports from foreign jurisdictions. We also see the U.S. directly linking trade policy to climate policy. A notable example is the global arrangement on sustainable steel and aluminium.

The U.S. has signalled climate change is a priority, and many of our products share a strong green track record, so I ask, is this an opportunity to further strengthen our relationship?

In summary, we think the IRA provides Canada with an opportunity to both reimagine our relationship with the U.S. and rethink here at home whether we struck the right balance between the regulatory side, investment supports and the full suite of policies we need to deliver climate action.

Thank you.

● (1120)

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

Mr. Kingston, please go ahead for five minutes.

Mr. Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Good morning, and thank you for the invitation, honourable members and Madam Chair, to be part of this very important study on the Inflation Reduction Act.

The Canadian Vehicle Manufacturers' Association is the industry association representing Canada's leading manufacturers of light and heavy-duty motor vehicles. Membership includes Ford, General Motors and Stellantis, which is also known as FCA Canada.

The auto industry is responsible for over $13 billion in annual economic activity, 117,000 direct jobs and 371,400 jobs in the aftermarket services and dealership networks. It's Canada's second-largest export sector, with over $36 billion in exports last year. The overwhelming majority of that, of course, was destined for the United States.

The IRA is the most significant development for Canada's auto industry since the passage of the Canada-U.S.-Mexico trade agreement. The commitment of more than $370 billion U.S. to fight climate change, including major new incentives and tax credits to support ZEV manufacturing, plant retooling, the development of a domestic U.S. supply chain from mining to battery cells, consumer supports and charging infrastructure, is really the underpinning of a new American approach to industrial policy. It must be carefully considered as Canada navigates its own transition to a zero-emissions future.

The funding included in the IRA is in addition to $110 billion U.S. in climate and energy spending that was signed into law as part of the Infrastructure Investment and Jobs Act. These two acts combined dedicate $41 billion U.S. to transportation. That includes EV adoption and things such as charging infrastructure and incentives, as well as $71 billion U.S. to advanced manufacturing. This includes EVs and battery manufacturing.

As we've heard from other witnesses, Canada may not be able to match the U.S. on a dollar-for-dollar basis when you look at the size of those incentives. We believe that incentives and policies targeted at the right segments of the EV supply chain are necessary to level the playing field. We're recommending action in three specific areas to respond to the IRA and ensure that Canada remains competitive in this transformation to electrification.

The first area is EV adoption. We will urgently need a comprehensive plan in Canada to boost EV adoption if we are to keep pace with the United States. The IRA extends consumer tax incentives for the purchase of EVs. It extends an incentive for the installation of home charging infrastructure. It introduces an incentive for used EVs and commercial vehicles. It also earmarks funding for the construction, modification or repowering of generation and transmission facilities. We're urging the federal government to develop a comprehensive plan to build a public charging network; invest in clean, affordable and reliable electricity generation and grid infrastructure; and enhance consumer incentive programs to make EVs affordable for everybody.

The second area is critical minerals. The IRA has several powerful incentives to support critical mineral investments, including a 10% advanced manufacturing tax credit for a variety of minerals. It has new criteria for the existing federal EV tax credit that specify where minerals used in EV batteries are sourced. In addition, the U.S. Defense Production Act includes measures to encourage the U.S. production of minerals required to make batteries for EVs and long-term energy storage. We recommend that the government increase funding for critical mineral production with accessible, user-friendly mechanisms to seize on the advantage that we have over the U.S. in a number of areas, including cobalt, graphite, lithium and nickel. These are all minerals that are used in advanced batteries and EVs.

The last area is batteries. The IRA puts Canadian battery production at a significant disadvantage. Section 45X, the advanced manufacturing tax credit, provides companies that manufacture battery cells and modules in the United States with an annual refundable credit of up to $45 per kilowatt hour. To give you an example of what that means, for a typical facility with 30 gigawatt hours of capacity, we're talking about an annual refundable tax credit of well over $1 billion U.S. for every single facility in the United States.

We recommend that the federal government provide supports for companies that can be leveraged and compared against the IRA's production tax credit for battery modules, cells and electrode-active materials. This could be achieved by using existing programs, such as the the strategic innovation fund. You could expand the mandate specifically for auto projects. You could increase funding. You could simplify and accelerate the approval process.

I'll conclude with that. I look forward to any questions. Thank you very much.

● (1125)

The Chair: Thank you very much.

Mr. MacKenzie, please go ahead for five minutes.

Mr. Scott MacKenzie (Director, Corporate and External Affairs, Toyota Motor Manufacturing Canada Inc.): Thank you, Madam Chair, vice-chairs and members of the committee, for the opportunity to speak with you today on this very important matter.

I'm here on behalf of Toyota Motor Manufacturing Canada, and I have a responsibility for corporate and external affairs for all of Toyota's operations across Canada, including our interactions and engagement with all levels of government.

TMMC has been building vehicles in Canada since 1988. This past summer we built the 10 millionth vehicle in our history. We've been the largest automotive manufacturer in Canada over the last five years, and last year we were responsible for nearly 40% of all vehicle manufacturing in Canada, employing more than 8,500 Canadians across our facilities in Cambridge and Woodstock, Ontario.

Since our inception in Canada, our mission has been to build high-quality vehicles for the North American marketplace. Since 1988, we've enjoyed duty-free access to the U.S. market, first through the Canada-U.S. FTA, then through NAFTA and now through CUSMA.

Our success is dependent on us remaining competitive and having access to both the Canadian and U.S. markets. More than 85% of our production is exported to the United States, and last year we worked alongside the Canadian government to fight the build back better bill in the U.S., which, if passed, would have significantly if not fatally damaged our ability to serve both markets as our industry transitions through increasing levels of electrification.

While the defeat of build back better should rightly be celebrated, the subsequent Inflation Reduction Act, or IRA, is a double-edged sword. On the one hand, consumer tax rebates now include Canadian-produced vehicles on a footing equal to those produced in the United States. This is great news. On the other hand, manufacturing tax credits available to U.S.-based manufacturers of certain clean technologies, including the batteries that go into electrified vehicles, are subject to a refundable tax credit of up to $45 per kilowatt hour of battery output. While the implementing legislation still needs to be finalized to understand the true impact of the bill, as currently written, it could amount to more than $1 billion U.S. annually for companies wishing to invest in gigafactory-scale battery operations in the United States, and would subsequently undercut our ability to attract these investments to Canada, despite already generous incentives on offer from our federal and provincial governments.

While the IRA is being presented in many quarters as key legislation to fight climate change, in reality it is an act of trade protectionism, forcing the onshoring of future powertrain production within the borders of the United States at the expense of all other countries, including Canada. As governments, including our federal government, race to implement legislation that increases or even mandates the sale of zero-emissions vehicles in their respective markets, limiting where those products can come from or defining where their powertrains can originate may support the industrial policy of those respective nations, but it will not make it easier for consumers to get their hands on an electric car, and it certainly won't make it less expensive. Furthermore, the uncertainty related to the IRA is causing companies to pause planning activities until the true impact of the IRA is understood. This delay is shortening our window between when investment decisions need to be made and the point in time when those investments need to be in place to support a positive policy outcome.

Much like build back better, Canada needs to take a similar course of action with respect to the IRA, working with like-minded partners in Europe and Asia with similar concerns, to ensure that companies are not penalized for choosing to build vehicles and batteries in Canada, either to support our domestic market or for export to the United States or elsewhere. Similarly, we need to look at the consumer incentives available on our zero-emissions vehicles to make sure they are in line with those available in the United States. This obviously impacts the uptake of those vehicles, making them affordable to more consumers. However, incentives distort the marketplace and can create unintended consequences like cross-border arbitrage, as well as impacting resale values.

Toyota remains interested in working with the Canadian government to ensure the best outcome for the Canadian automotive industry through this transition to vehicle electrification.

I thank you for your time and would be happy to take questions at the appropriate time.

● (1130)

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

Mr. DiCaro, go ahead, please.

Mr. Angelo DiCaro (Director, Research Department, Unifor): Thanks very much.

Good morning, Madam Chair and members of the committee. I'm grateful, as always, for the invitation to speak with you today.

I'm here on behalf of Unifor, which represents 315,000 working people across the country in virtually every major sector of the economy. This includes approximately 40,000 of our members, who work in the automotive industry.

Canada's auto sector supports more than 500,000 jobs throughout the economy and makes an outsized contribution to GDP and Canadian exports. The auto sector is also a source of good union jobs, which are highly skilled, highly productive and the economic lifeblood of many communities. This sector's shift toward electrification makes it even more important as a contributor to greenhouse gas emission reduction efforts.

Our federal government has demonstrated that it understands the opportunity this EV shift presents to Canada, with major investments to celebrate, including in various unionized assembly plants, with hopefully more to come. However, a lot of Canada's future success depends on how the government understands and responds to the U.S. Inflation Reduction Act.

The good news, as others have mentioned, is that the IRA resolves what's been nearly a two-year dispute centred on consumer vehicle purchase incentives that were only applicable to U.S.-assembled EVs. Cutting Canada out of that incentive program would have devastated the industry, with a cloud of uncertainty hanging over scheduled EV investments at various Canadian assembly plants.

There are many positive policy developments in the IRA that are worth noting. The act tailors incentives for EVs, batteries and battery parts to those built in North America. This is a novel approach, possibly the first-ever example of a buy-continental policy, which may present pathways to resolving other lingering disputes around local content provisions. The act creates progressively stricter demands for automakers to use responsibly sourced critical minerals and rare earth elements to qualify for the purchase incentives. That not only builds greater accountability into the supply chain, but it presents major opportunities for Canada to develop this upstream segment of the market. The act also lifts automaker sales incentive caps for EVs, which will help bolster new EV production on both sides of the border.

From a top-line market access perspective, the IRA is, in fact, quite good news for Canada. However, the IRA does present some important challenges of which policy-makers have to be mindful. For instance, the IRA establishes new manufacturing tax credits for clean energy production—a mess of new supports that can offset, in some cases, 30% of investment in new factories, including for batteries. Included in this is a $35-per-kilowatt-hour subsidy for U.S. battery cell production, as well as additional subsidies for battery cell packing and mineral processing on a scale we've not seen from the U.S. federal government, frankly.

To put the battery cell subsidy into perspective, a Ford F-150 Lightning contains a battery capacity of up to about 130 kilowatt hours. Under IRA terms, that equates to a subsidy of at least $4,500 per vehicle for the cells, and more if we include the battery packing. Put another way, a plant the size of the new gigafactory that is scheduled to come to Windsor would be subsidized at around $1.5 billion just on that program alone. It speaks to the very aggressive competitive landscape for these investments.

It's also important to get a bead on the time scale of these IRA provisions. The act requires a significant share of critical minerals to be sourced domestically or from partner nations, which will rise to 80% by 2027. Despite Canada sitting on stores of known mineral deposits, it will take many years before those products are mined, refined and EV-ready. Whether and how Canada can benefit from this condition and what bearing it will have on Canadian investments in this space is still unclear.

What we do know is the IRA offers a much brighter future for Canada's auto sector than what was initially presented through the build back better plan. Canada has to take advantage of the certainty the IRA provides and be emboldened to set its own ambitious industrial strategy to maximize growth potential, to grow good jobs and to transition affected workers along the path to net zero. However, let's not pretend the IRA is anything other than a bill that advances U.S. interests first.

● (1135)

Our union is very encouraged by the comments we've heard from Minister Freeland and Minister Wilkinson, and by assurances that Canada is prepared to respond to these investment concerns, as required. That is very good news.

Once again, I appreciate the invitation to speak and to share these thoughts. I look forward to any questions.

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

Now we'll go to questions from the members.

Mr. Carrie, go ahead for six minutes, please.

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

Thank you to the witnesses for being here. Your input is extremely important. I come from Oshawa, and you know our history of auto manufacturing. We have Gerdau just next door.

Some of the things I've been hearing, though, at the last few meetings are concerning. Canada seems to be the afterthought. We're being very reactive, and we've heard from witnesses here today about Canada's response. Well, there was a time when Canada was in the room.

As Mr. Volpe put quite bluntly, the IRA is a correction for build back better. Why are we wasting our time on corrections when we should be in the room to get it right in the first place? Mr. DiCaro mentioned that we have to start looking at ourselves as a continent as far as our competitiveness goes.

You brought the issues forward, and I would like to see what your thought processes are, because you talked about the gaps in programs and investments and the protectionism.

Mr. Kingston, because you represent somebody in my riding, I'll ask you this. How important is it for the government this Thursday to get a correction, as Mr. Volpe was saying, in the budget for our competitiveness going forward?

Mr. Brian Kingston: It's absolutely critical. We need to see a strong signal in the fall economic statement that the government has a plan to respond to the IRA. Fortunately we have programs that are quite powerful, like the innovation fund through ISED, but it needs to be enhanced and needs to be more nimble.

We have to ensure that we're part of these investment conversations before decisions are made and that we put a competitive package forward. If we can't do that, as we've outlined and as some of the others have outlined, the IRA and these production credits, which are absolutely massive, will create a serious competitive challenge for Canada.

Mr. Colin Carrie: I agree.

I believe, Mr. Poirier, you mentioned, when you were in front of the finance committee, the supply chain bottlenecks. We're talking about opportunities in Canada. What frustrates me is that in Canada we have the ability to take the minerals out of the ground, process them, build them, put them into a part, put them onto a manufacturing product and then export them for all the value-added chains.

With these critical minerals, you mentioned in your testimony that according to a CVMA survey, already nine out of 10 Canadian manufacturers report encountering supply chain issues. It seems again that Canada's reactive approach, instead of a proactive approach, is putting us at a disadvantage competitively.

Mr. Poirier, perhaps you could give us an idea.... I believe it was Mr. DiCaro who mentioned mines. We have the minerals. Could you please let us know how long it takes to get a mine up and running so that we can supply minerals to Canadian supply chains? Do you have any idea? I think Mr. Kingston mentioned some lithium, nickel and cobalt opportunities, but how many of these mines do we have up and running for the amount of materials we're going to need to put into these cars?

Mr. Matt Poirier: If we don't have the mines up and running already, the timelines or time horizons for a new development are years if not decades sometimes. These are big, long-term investments. The concern that we have right now is that the incentives are so big in the IRA in the U.S. that we won't even get out of the gate to start those year-long processes and develop them if all the investment rushes to the United States.

For us in industry, when we look at it, it's table stakes at this point just to match what the U.S. is doing. I know that Canada won't be able to match dollar for dollar, but it's been suggested by others that we need to be strategic. Yes, we need to do that, but that stresses the importance of the diplomatic angle and redoubling our efforts to partner with the U.S. and coordinate with them. We have chapters in NAFTA designed to do this, so we should take advantage of them.

● (1140)

Mr. Colin Carrie: This is the thing. We just renegotiated CUSMA, and it seems that we're not at the table. Even the minister was in front of committee in regard to softwood lumber. She said she's waiting for the right time or environment, but I don't think we can wait. I think we need to be more aggressive.

I think Mr. MacKenzie was the one who said that this is active trade protectionism, and we really have to challenge it. I'm not sure that we're prepared for it. I'm really concerned that just as you said, Mr. Poirier, these investments have to be made now. If I'm an investor, I think the United States is looking a little bit better. I don't want that to happen.

Mr. Kingston, you mentioned competitiveness and the importance of the programs for EV adoption, as well as critical minerals and battery manufacturing. I think you've spoken before about our infrastructure here for charging stations. How far behind is Canada compared to a jurisdiction like California as far as charging stations go?

Mr. Brian Kingston: We're quite behind. The federal government intends to mandate electric vehicle sales in this country and has chosen a target that is out of sync with the United States, which is problematic because, as we've heard, we're operating in a highly integrated market. To achieve those levels of adoption, the single biggest barrier is charging infrastructure.

As it stands right now, the federal government has committed to building 84,500 chargers, but there are only 2,500 operational. We are behind, and the ratio of EVs on the road to chargers that has been chosen is far less ambitious than what you see in jurisdictions like California. This is a real concern.

Mr. Colin Carrie: Thank you.

The Chair: We'll carry on with Mr. Sheehan for six minutes, please.

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

Thank you to all the presenters. That was absolutely excellent.

For a little history, I sponsored a study of the original build back better plan because we saw right away how.... To my steel friends, we lived through the section 232 tariffs, and many people on this committee actually worked really hard on that.

After that, of course, they came up with the Inflation Reduction Act. I then sponsored this study because we wanted to get ahead of things and take a look at the opportunities and, perhaps, the unintended consequences that are part of any kind of deal that happens. The United States is a very large market that we benefit from.

I'm going to put my first line of questioning to the Canadian Steel Producers Association.

Algoma Steel in Sault Ste. Marie is the second-largest steel producer in Canada. It changes from time to time, but at one point, 60% of their exports went to the United States. They would go into manufacturing, the car industry, oil and gas or what have you, depending on the order books.

My question is for the steel industry. Overall, what are the contrasts between the implications of the previous build back better plan and the Inflation Reduction Act with regard to exports of steel goods to the United States? How do you anticipate the Inflation Reduction Act will affect market access for the Canadian Steel Producers Association when it is exporting steel to the U.S.? Is this unique to the Canadian Steel Producers Association, or do you think it applies to the larger industry as well?

Go ahead, Catherine.

Ms. Catherine Cobden: It's great to be fielding questions from Terry in person. Thank you, Terry, for all your hard work on behalf of Canadian steel producers.

Indeed, as you point out, the U.S. market is extremely critical for us. We have two critical markets: the domestic market and the U.S. market. We've done a very good job, as described by other witnesses, of banding together across party lines to create a united front with the Americans on issues that are of significant importance to us.

The first comment I'd like to make is to reiterate the importance of continuing to do that to ensure we address the competitiveness challenges, frankly, that the IRA creates for us.

We've talked a lot about investments around this table today, and I think that is extremely important too. We hope to see that signal in the fall economic statement, but we also need to talk about what more we can do to protect our marketplace—in this case I would talk about the North American marketplace—from unfairly traded goods. This is a very important issue for steel, as you well know. It's one of the reasons the U.S. put section 232 in place on other nations. We got caught up in that, unfortunately, and it was ill-deserved.

We need to be ever mindful that in steel, imports that are high in carbon and unfairly traded cause the biggest problems to Algoma, Gerdau, ArcelorMittal Dofasco—you can name all 13 member companies of the CSPA. Ensuring that we're getting that right is an important signal for essentially dulling around the edges some of the impact of the IRA.

Right now, 69% of the Canadian market is not served by Canadian domestic steel producers. That's unprecedented. We need to be ever mindful of that. It speaks to the point you're making about how we continue the relationship with the U.S. It's so crucial, and one thing we have to show them is that we're doing our homework.

In build back better, we saw a lot of discussion, and in the executive order of President Biden, there was a lot of discussion about domestic and green procurement and so on. We have to get that job done in Canada. We have done a lot of really good work together, but we actually have to bring it into full implementation now.

I hope that gives you an answer, Terry.

● (1145)

Mr. Terry Sheehan: Yes.

My next question will be about the investments the government made recently, including the $420 million at Algoma Steel in 2021 to move from a coal-fired process to electric arc. That is going to secure Algoma Steel for generations to come. Two weeks after I first got elected, it went into bankruptcy protection; it was that close to closing. It's also going to have the effect of taking a million cars off the road. I think that's really important.

One piece where I think there's an opportunity as well.... I would like to get your insight on this. There have been discussions in the coffee shops in Sault Ste. Marie about how this will play into how the whole world, including the United States, tries to get to the green economy and decarbonize the economy.

How do you buy an electric car that is made from steel with coal and that sort of thing? What is the steel industry going to do to use that as an opportunity—in the United States, in Canada and elsewhere—to sell steel?

Ms. Catherine Cobden: Yes, indeed, the investments made—Algoma is one and ArcelorMittal Dofasco is the other—are generational-impact investments in the sense that they are securing the net-zero pathway and the opportunity for green steel for generations to come in those communities. They also really set us on our course to maintain our leadership in green steel, which we already enjoy today. However, if we sit still, especially with the IRA, we will lose that advantage. We must continue to maintain vigilance.

In Canada, that was brought to you by something called the net-zero accelerator. We talked about the SIF today. I'd like to put on the table that the net-zero accelerator is also a very good tool for industries like my own that are very heavy emitters and require investments at a very significant scale.

When we're talking about moving forward, it's about the comprehensive suite of pieces that we need to be investigating, basically in response to the IRA.

The Chair: Thank you very much.

We'll go to Monsieur Savard-Tremblay for six minutes, please.

[*Translation*]

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

I would like to welcome and thank all the witnesses for being here. Hello also to my colleagues.

Mr. DiCaro, earlier you said that you found it encouraging that the Deputy Prime Minister and Minister of Finance expressed her concern and indicated that she intended to make an announcement on this front. We know that the fall economic statement will be out in a few days, that is, the day after tomorrow.

What would you find acceptable, in the current context? In short, what announcement are you expecting?

● (1150)

[*English*]

Mr. Angelo DiCaro: Right now, we're still mining through where this IRA takes us. We need the full details of how this bill is going to work and how it's going to be implemented. We still have a lot of questions, as I'm sure other panellists do. When we have the full suite of that, we'll form an ideal policy response. Just in the acknowledgement of where this competitive imbalance lies, there are so many areas to explore.

Our focus is on some of the very critical component parts that are going to build out the EV supply chain in Canada. I think the federal government has done a fine job of trying to attract this work into Canada, as it should. An acknowledgement and a recognition of this new gap that has formed in some of these critical battery and battery part facilities could take many different forms: an enhanced commitment to support these investments, additional programs or additional subsidies that are made available.

This could take a variety of forms, but just an acknowledgement of moving in this direction would be very well received by our union and our members.

[*Translation*]

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

I will ask you another question, Mr. DiCaro, and I would invite Mr. Volpe to provide an answer afterwards as well.

For a vehicle to be eligible for tax credits, the required minimum proportions of critical minerals and vehicle components coming from North America are 40% and 50%, respectively. Since those requirements aren't being met right now, do you have fears of, or do you foresee, a massive relocation to the U.S.?

[*English*]

Mr. Angelo DiCaro: Was this question for me?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Yes, my question is to you, but I would also invite Mr. Volpe to answer afterwards.

[*English*]

Mr. Angelo DiCaro: Very quickly, this is always the concern. You heard in my remarks that the IRA isn't intended to be a “let's help Canada” piece of legislation to make sure Canada builds out its auto industry. This is about U.S. public funds going to support U.S. workers and U.S. industry. We have been on guard for the past five or six years, I'd say, and every move they make we have to watch extremely carefully. Yes, they want to attract as much of this value-added aspect into the U.S. market as they can, and we will have to respond.

I'll tell you that even beyond what's contemplated in this act, in other pieces of the auto supply chain, including new next-generation powertrain components like electric motors and things of that nature, right now Canada is still lacking in any investments. If we are going to be a player and we're going to have places for displaced auto workers to land so they can continue employing their skills to grow this sector, we'll have to think long and hard about how we're going to attract that among so many other pieces.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, does Mr. Volpe have time to answer the question?

[*English*]

The Chair: Mr. Volpe, you have one minute and 48 seconds.

[*Translation*]

Mr. Flavio Volpe: Thank you for your question, Mr. Savard-Tremblay.

[*English*]

I'll try my best to answer in the 45 seconds that are left.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Volpe, I have one minute and 45 seconds left.

[*English*]

The Chair: Thank you for clarifying that.

Mr. Flavio Volpe: I'm not as concerned about how we interact with the Americans and whether there's going to be a scenario where we're looking at their wish to include more American content in American funding. I'm not extra concerned, because we've been dealing with that for the last 10 presidents. It's the business we do.

As Mr. Carrie pointed out when he talked about Canada's response, when are we going to get to a scenario where we're not responding and we're leading? Certainly when he was in government, we were responding as well. This is what happens when you're dealing with a partner that's 10 times bigger than you.

I think the answer, and the way that you get around some of the concerns you have, Monsieur Savard-Tremblay, is to always continue to do this team Canada approach. It's a multi-party approach. I spend a lot of time with members of the opposition parties in Washington pointing out to the Americans that they're so invested north of the border that any time they draw an imaginary line they shoot themselves in the foot.

What are we expecting to see, or how do you address this in the fall economic statement? Well, that's not the way this industry works with government.

Last week we met with Minister Guilbeault and Minister Wilkinson, and in the last two weeks, we have met twice with Minister Champagne. We're constantly talking with Minister Freeland, whom we hosted at our conference in Windsor last week with hundreds of players in the industry, and she did a round table there.

We don't wait for the fall economic statement. We're always very active, as we were with other governments and as we are with the provincial government. There aren't moments. You're on 24-7, and that's just how it is.

● (1155)

The Chair: Thank you very much.

Mr. Masse, go ahead for six minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Madam Chair.

Thank you to our witnesses. I'd like to ask my questions of Mr. DiCaro, Mr. Kingston, Mr. Poirier and Mr. Volpe.

Generally speaking, what we've had to do in the auto sector is a lot of last-minute negotiation in an attempt to secure products. A lot of things come at the last minute.

Now that the U.S. has a formula that's accountable, public and transparent, would we be better off moving to a similar model to match that? One of the things I've always faced on the Hill is that other members are not familiar with the auto industry. Even when we had the loans, they called it a bailout. Even when we made money on the loans, they called it a bailout. They've called for other industries to get the same, and there hasn't been political support at times.

I'll start with Mr. DiCaro.

If the U.S. moves on this formula, would it make sense for us to consider doing that? I ask because when we don't win a project, we don't know what went on or what we offered. It's never given to the public by the feds or the province; that's never released to the public. I think that's what sticks in the craw of a lot of members and also a lot of the public I hear from. These are secretive negotiations at the end of the day. Now we have one in front of us that's transparent from the United States.

I'll start with Mr. DiCaro, and then go to Mr. Kingston, Mr. Poirier and Mr. Volpe, please.

Mr. Angelo DiCaro: I think that any time there's a way to build in transparency around how these programs operate, it's always of benefit. Maybe the point I'll disagree on is how seemingly empirical the U.S. model is under the IRA. There are certain quantifiable subsidies that have been presented. You've heard us all throw around different numbers as well because it's complicated and multi-layered. Again, that one-kilowatt-hour subsidy that's been presented is also overlaid with a series of other advanced tax credits and other measures that have been employed.

How we disentangle that I don't know, but I take your point, and I would agree that if there's a way to stabilize that, it would be of value.

Mr. Brian Masse: Go ahead, Mr. Kingston.

Mr. Brian Kingston: It's an excellent question. I would say no, and the reason I say no is that programs like the SIF have been highly effective.

If you just look at the past two years, Ford, General Motors and Stellantis are leading the charge here in Canada in this transformation to electrification. They have invested $13.5 billion, creating thousands of jobs in this country. The SIF has been a key part of that, as well as the provincial government partnering with the federal government.

The SIF is a good program, and it's working. That said, now that the competitive landscape has shifted, we could do more to enhance the SIF. It needs to move faster. It needs to give earlier signals to companies around whether or not they can expect a positive outcome. Obviously it needs more funding too.

There are ways to improve it, but I think the SIF is a good tool. I think the track record speaks for itself.

Mr. Brian Masse: Go ahead, Mr. Poirier.

Mr. Matt Poirier: Just to build on what the others have already said, I note we have a pretty big tool box already here in Canada for the various programs that are needed and have been contemplated in the IRA. It's sort of a mixed bag. We have a program that has just been dwarfed by the U.S. equivalent. To what extent do we have to enhance it so that it matches and doesn't create a discrepancy? The incentive for the manufacturing company to go to the U.S is very enticing. We have to guard against that.

There are so many tentacles to this piece of legislation, so where Canada doesn't have an equivalent program, we'll need to create something or come up with a workaround somehow. It's sort of a mixed approach. This is so complicated for politicians and policymakers because there are so many angles to it, but you have the resolve of an industry here in Canada that's already in for a penny, so they want to continue this investment.

● (1200)

Mr. Brian Masse: Go ahead, Mr. Volpe.

Mr. Flavio Volpe: I feel like Simon Cowell now. Do I get the last vote? Do we go to Hollywood, Brian?

I'm not a politician, so I get to say what I think. I don't have to worry about the balance.

Where the answer comes is in the balance. We talk about austerity. We're going into this fall economic statement and we're all saying, boy, the finance minister better cut a whole bunch of programming. Then we say that maybe we can match proportionally the American trillion-dollar investment. You can't have it both ways.

In our business, it's very simple. If team Canada is chasing a Volkswagen investment or a Mercedes investment, we know that the offer based on the American formula might be *x*. What we've said to them and to the province is to make sure they match that or are competitive on that. You don't have to cast a wide net with a $100-billion allocation because we don't have it—or $50 billion or $10 billion.

I say that from experience. I worked at Queen's Park, as some of you know, in the McGuinty government. We had the Next Generation of Jobs Fund. We said, “Here's the net. Please, fish, swim into it.” It doesn't work that way. What I think we should do and what's been successful over the last year or so is spearfishing. Choose the one you want to go after and just make sure you get it.

Mr. Brian Masse: Really quickly, because I don't have much time, I'm going to go in reverse order. Sorry to the other guests, but I'm big into auto. This is important.

If I could, I'd like a yes or no. Should we match the consumer incentives that the U.S. is now offering?

They changed theirs. They included some used batteries and so forth. A good example is that the Chrysler minivan that's built in my riding gets a better incentive from the U.S. than it does from Canada. Should we be looking at matching the consumer incentives?

I'll start with Mr. Volpe, then go to Mr. Poirier, Mr, Kingston and Mr. DiCaro. You'll have to be quick to make it in time.

Mr. Volpe, go ahead, please.

Mr. Flavio Volpe: You started with the wrong guy.

If we're going to do what we do now, which is sell most of our cars to the U.S., it's not as important. If we want to be in a scenario where we build where we sell, then yes, we need to have more competitive incentives here because they just aren't competitive.

Mr. Brian Masse: Go ahead, Mr. Poirier.

Mr. Matt Poirier: My quick answer is yes.

The Chair: Okay. Thank you very much. I have to move on.

Mr. Martel, go ahead for five minutes, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you to all the witnesses for being with us.

Mr. DiCaro, last winter, we conducted a study on electric vehicles. One of the recommendations in the report was about the importance of building a strong supply chain, from ore extraction to lithium ferro phosphate battery production and electric vehicle production here, in Canada.

It seems that we are taking too long to build this chain in Canada. I would like to know what factors make Canada less competitive on the world stage in terms of producing these batteries.

[*English*]

Mr. Angelo DiCaro: If I understand the question, you're asking what factors make us less competitive. I would say—and maybe I will sound like an auto sector salesperson here—there's no reason why Canada can't be among the most competitive jurisdictions in the world.

When you think about all the ingredients we have—from natural resources to the existing capacity and networks, all the way up to maybe the most important asset, which is a skilled labour force—I think, as we said in our recent auto sector policy, which was released in August, Canada should be aspiring to be a powerhouse in this space. Critical minerals are just one key pillar of that strategy.

The time scales that are presented to us about how quickly and, frankly, how inclusively we bring these mining projects up to speed, including through careful consultation with indigenous communities in this space, are vital, so not doing that right could create a problem for us. I'll give the benefit of the doubt to government that we're moving in the right direction, but maybe in those cases not doing things properly could pose a problem.

● (1205)

[*Translation*]

Mr. Richard Martel: If I understood correctly, the factors you mentioned would allow Canada to perform better in the face of competition from other countries. Is that correct?

You mentioned some factors, but my question is the following: what would allow Canada to perform better in the face of competition from other countries? You say we should have everything it takes to do so.

[*English*]

Mr. Angelo DiCaro: That's right. I guess one of the key pieces is how we strategically put all of those components together. I think one of the dangers we face is that we're attempting to build a sector and see it grow significantly but absent is a coordinated strategy in which various policies will intersect with one another, from climate policies and purchasing incentives all the way to industrial strategies in manufacturing development.

I would invite others on the panel to weigh in on this, but in some cases some of the policy development we have been seeing suggests that there's a bit of a misalignment about what the goals are. I think one of the barriers we face in this case is making sure that we're all singing from the same song sheet and that all governments are coordinated as closely as possible to make sure this happens.

I would say that falls on us in a lot of ways. Of course an active government policy with investment subsidies, as has been the case for generations, will continue to be the case, and I think that's what the discussion is focused on today.

[*Translation*]

Mr. Richard Martel: That's interesting.

Unifor's mission is to keep the Canadian manufacturing sector strong. Could the tax credits in the U.S. Inflation Reduction Act of 2022 hurt the Canadian supply chain for zero-emission vehicle batteries?

[*English*]

Mr. Angelo DiCaro: This may be the most lucrative space there is right now in developing a clean economy. Canada has proven that we have the capacity to grow the sector. I think we have to not kid ourselves into thinking that every auto-making nation around the world has the same ambitions we do. The difference is that maybe a lot of those auto-making nations aren't equipped with all of the ingredients they need to build out full-blown supply chains within their domestic markets.

There's going to be a huge competition for these critical investments that will stabilize the industry, with the assembly mandates and precursor materials that will be coming online. Since we know that others also want what we want, making sure that we have ourselves in the game for all of those things is going to be vital.

The Chair: Thank you very much.

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

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you.

I'm going to go a bit quickly, and I will ask the various witnesses to keep their responses to about 60 seconds.

I'm going to start with Mr. Volpe.

We've talked a bit about supply chains. They just came up in the last answer by Mr. DiCaro, and Mr. Carrie had questions about them. I feel like you highlighted the fact that it's difficult enough to deal with a neighbour that's 10 times our size, but when we have “own goals” and economic blockades of things like the Ambassador Bridge, as we saw earlier this winter, what do they do to the supply chains that affect your industry and to things like just-in-time delivery? How do they affect our relationship with the U.S.?

Mr. Flavio Volpe: I think you know that I was the plaintiff on the emergency court order that cleared that blockage, and I did it on behalf of the companies I represent and some of my colleagues who are here before the committee.

I said then and I'll repeat now that if we don't have our security strategy and security tactics in line with those of the United States and we allow dozens of people to cost us hundreds of millions of dollars a day in our most critical industries, then we undercut our ability to sell to the Americans. We are part of their critical minerals and energy security strategy.

● (1210)

Mr. Arif Virani: Thank you, Mr. Volpe. I'm just going to move on. I apologize.

I'm going to turn to Mr. Kingston from the Canadian Vehicle Manufacturers' Association.

You and others have talked about a team Canada approach, and I couldn't agree more comprehensively. We see on things like tax credits a bit of a checkerboard, unfortunately. We see pretty aggressive stuff at the level of our federal government and we see somewhat aggressive actions taken by B.C. and the Government of Quebec.

We've seen a complete step-back on the part of what represents the largest auto industry in the country, which is in the province of Ontario, dating from the 2018 election. How do you respond to that kind of effort in terms of the team Canada approach you're promoting?

Mr. Brian Kingston: I completely agree. We need stronger consumer incentives across the board, including in the province of Ontario, the largest auto market we have in Canada. We do not have an incentive there. That's where our concern with the zero-emission vehicle sales mandate comes in, because the government wants to hit these targets and regulate sales, yet we have a patchwork of incentives that, across the board, are lower than what they have in the United States.

Mr. Arif Virani: I will turn to Ms. Cobden.

I agree with you completely on the green procurement piece. I feel, however, that there seems to be a bit of synergy now that we didn't see before. There's a very aggressive climate activist government in the United States dealing with a Canadian partner that's already taken a lot of steps and a lot of measures.

Where I would express some polite disagreement—and you can educate me otherwise—is with your statement that your industry is trade-exposed. My understanding is that with the output-based pricing system, the way the carbon price is calibrated is meant to protect trade-exposed industries such as steel.

Is that mechanism doing the work it's meant to do? If it's not, please explain to us how we could tweak it.

Ms. Catherine Cobden: To be clear, that is a construct of the OBPS, and we need to ensure that it does not.... I am putting on the table that it's quite critical that we continue to put our trade exposure centrally into the conversation about how the regulations are developed.

Currently we see proposals that are worrisome. However, we are going to be optimistic that we will remember the trade exposure of the steel industry as we look to update those regulations.

As you may be well aware, a Canada Gazette notice was put out on Friday. It didn't say “we won't modify your stringency and we won't reduce your standard”. Instead, it said that we would study it further.

What I want to put on the table in response is that we must remember our trade exposure. Otherwise the competitiveness hit on the industry will be insurmountable.

Mr. Arif Virani: I think I have about 50 seconds left. I will put something to Mr. DiCaro.

I think it's helpful to have Unifor here, particularly when the notwithstanding clause is being used pre-emptively by the Government of Ontario to affect unionized workers in the education sector.

Can you elaborate on your views on critical mineral battery production here in Canada and how we can empower domestic production to be developed further here?

Mr. Angelo DiCaro: Very quickly, I think we know there is going to be a lot of capacity needed in this space for battery manufacturing. As others have mentioned, landing these factories in Canada is going to be vital, not just for the growth of the supply chain domestically but also since, as you have to understand, there is going to be quite a bit of disruption because of this transition for workers who are currently building parts that are not going to be needed in these new electric vehicles.

These battery facilities are massive constructs that could have thousands upon thousands of people, and they serve as really important landing zones to support a transition. We need workers supporting what's going on rather than being victims of this transition.

The Chair: Thank you very much.

Monsieur Savard-Tremblay, go ahead for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I want to ask the same question as earlier, but in a slightly different way. It will be for Mr. Kingston this time.

Do you share this concern of a pending relocation, given the U.S. Inflation Reduction Act of 2022?

[*English*]

Mr. Brian Kingston: I think we're in a good place with our existing automotive footprint and the recent investments that have been announced. Canada is very unique and fortunate to have five OEMs investing in building vehicles in this country. That said, we have both an opportunity and a challenge. The challenge is with the battery assembly. The size and scale of section 45X make it extremely challenging for Canada to compete for new investments in battery cells and modules.

The opportunity is in critical minerals. The U.S., particularly through the Defense Production Act, is looking to secure—and you have to look at this through a security lens—a North American supply chain for these inputs. Canada, through the lens of the Defense Production Act, is considered the domestic source.

If we get our act right and together on critical minerals, we will have a huge opportunity here in Canada.

● (1215)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Do your members include manufacturers of heavy-duty vehicles, or are they all light-duty vehicle manufacturers?

[*English*]

Mr. Brian Kingston: Our members do manufacture medium- and heavy-duty vehicles as well, yes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I know there is concern about that.

There are many electric bus manufacturers in the Greater Montreal area.

Did they share concerns over this U.S. law with you?

[*English*]

Mr. Brian Kingston: I think the most important part for the larger vehicles is similar to what we're recommending on the light-duty side, as the U.S. and IRA put forward incentives for commercial vehicles. We should just ensure that on the playing field we're on the same level of what the U.S. is doing. Transport Canada has done some work on this and has an incentive in place, but we have to make sure that what we offer in that space is comparable.

[*Translation*]

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

[*English*]

The Chair: Mr. Masse, go ahead for two and a half minutes.

Mr. Brian Masse: My question is for Mr. DiCaro and Mr. Kingston.

I am concerned about the consumer incentives. The U.S. has $7,500 U.S. federally, which is about $10,000 Canadian, and $4,500 is going to go to used batteries. We have zero. There is now another $500 U.S. one, which I didn't realize.

I want your thoughts on that. I'm being told it's going to distort our market and also keep used vehicles in Canada. That doesn't even take into account, as has been noted, that we don't even have Ontario participating at all.

Let's go quickly to Mr. DiCaro and then over to Mr. Kingston.

Mr. Angelo DiCaro: This is a great place for discussion. We would say that, no, the current incentives are not adequate for trying to incubate and grow this market, which are going to be vital to both jobs and our economic prospects. We've called for a $10,000 purchase incentive from the federal government. That's doubling the current iZEV incentive. That also opens the door for provinces to do more. We have to do everything we can to close that gap on price.

Mr. Brian Masse: Go ahead, Mr. Kingston.

Mr. Brian Kingston: I completely align and agree with what Mr. DiCaro said. We've been calling for a $10,000 federal incentive. That would put us on par with the U.S.'s $7,500 tax credit. The introduction of an incentive for used vehicles would be extremely helpful, as would incentives for home charging, which we do see in the IRA. It's a serious cost facing Canadians and Canadian households that want to buy an EV. We need something like a tax credit to encourage the installation of home charging. We have much work to do on this front.

Mr. Brian Masse: Do you think not having these incentives will actually distort our market? I know, for example, that a lot of people will sell used vehicles in the United States. How do we reach our targets if all of our used vehicles eventually end up in the United States?

Mr. Brian Kingston: We operate in a totally integrated North American market. That is the foundation of this industry. That's why it's so important that we align with the U.S. in every space possible, including on things like purchase incentives, to ensure that we don't create distortions and that we move in lockstep with the Americans in this transition to electrification.

Mr. Brian Masse: The Prime Minister did promise to do this in Washington, and I'm told by my colleagues in Congress and in the Senate that they're a bit irritated about it.

Thank you very much, Madam Chair.

The Chair: Thank you, Mr. Masse.

Go ahead, Mr. Baldinelli.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

I'd like to thank all the witnesses for being here today. These conversations are quite interesting and timely, with the economic statement coming out on Thursday.

I'd like to get into the questions.

Like some of my colleagues here, I come from an area that has an auto manufacturing facility. It's in St. Catharines, just next door. I spent four summers working at the General Motors powertrain facility. My new vehicle has an engine that was manufactured in St. Catharines. I also have, just across the river, a powertrain facility in North Tonawanda.

As we see these movements towards investments being made in battery cells and modules and new powertrains, from a selfish standpoint, I'd like to see investments being made in St. Catharines and continuing there. At one time, when I was going to university, we had three plants going with three shifts and 10,000 workers. Now we're down to one plant and 1,200 workers. We'd like to get back to that notion. I'm not sure whether it was Mr. Volpe or one of the other panellists who talked about how Canada needs to lead and not simply respond.

You made an interesting comment, Ms. Cobden. You mentioned that the IRA takes an enabling approach, particularly on the manufacturing side with driving investment and pulling in investment, whereas on the Canadian side, we're almost seeing more roadblocks. With some of these vehicle tax credits for having critical minerals, we're looking at 40% content in 2023, 50% content in 2024 and 60% content in 2025. Are we almost too late? I don't think we even have the ability to supply the kinds of critical minerals to meet these kinds of deadlines.

How can we get to that process, to Ms. Cobden's point, and that enabling approach? You said this may be an opportunity for us to re-establish or reimagine our relationship with our largest trading partner. Can you tell us a bit more and maybe provide some comments on that?

● (1220)

Ms. Catherine Cobden: I'd be happy to. Thank you very much for the question.

As it pertains to the United States and our relationship—and again, I think this is why the committee plays such an important role in keeping an eye on that—this is an opportunity. I want to make sure we all see what we see in the steel industry, which is that climate policy is now becoming trade policy for the U.S. We must keep pace and be there in lockstep with our largest trading partner. Certainly that's what I meant about that opportunity to rethink how we can re-engage as team Canada, all on the same page, in furthering our approach.

Now, as it pertains to the balance question and whether we have the balance right, we are taking a carrot-and-stick approach in Canada, and the U.S. has just a carrot. We're not against sticks. Sticks have a place, no question, but they need to be at a pace that's reasonable and commensurate with the rate of change we're going through as an industry. Otherwise, we'll have no competitiveness left.

If I may, I have one more point. I think we could think through whether we can measure our competitiveness as we do this transformation, and have targets not just for the environment but potentially for our competitiveness as we move along.

Mr. Tony Baldinelli: That's excellent.

Go ahead, Mr. Kingston.

Mr. Brian Kingston: I don't think we're too late. I say that because, particularly when it comes to critical minerals, the United States has put in place very strict sourcing requirements as they try to decouple the battery supply chain from Asia largely and from China in particular. Canada is the only location from which they will be able to source some of these minerals to meet these higher stringencies.

I think the opportunity is there, but you've heard the challenges. It takes 10 years to approve a new mine, and there's a huge infrastructure spend. A lot of things have to happen. The opportunity is enormous, but they have to happen now.

Mr. Tony Baldinelli: That's great.

Now, when we look at some of the initiatives—and there was the comment on pulling investments as opposed to the carrot-and-stick approach—we have an article from October 6 in which a gentleman, Michael Belenkie of Entropy Inc., says, “the American production credit is superior to Canada's incentives for carbon capture”. He goes on to say, “We will not invest material amounts of our financing in Canada unless they fix this problem. We will take our capital and we will invest in projects with a strong bias towards the United States.”

That's the great fear I think we all have. How can we get to a point where Canada isn't left behind? Have you supplied any kind of recommendations in advance of the economic statement?

Ms. Catherine Cobden: I would say we're back to the carrot and stick analogy again. I'm going to overuse this, I'm afraid.

On the carrot side, we need to be strategic. Let's focus on the system-level solutions that can actually help many industries, such as heavy industry, decarbonize. Rather than individualized incentives, what about working to ensure we get affordable hydrogen? What about working to ensure that our CCS incentives match those of the States? For sure, CCS and hydrogen have the opportunity to play a significant role in decarbonizing our economy.

What I'm advocating for is a laser focus on where the best incentives are that can help us along the journey.

Mr. Tony Baldinelli: Go ahead, Mr. Kingston.

● (1225)

The Chair: Be very brief.

Mr. Brian Kingston: We have provided the input. I'd be happy to share it with the committee. It focuses on the SIF program as well as matching the U.S. on EV adoption.

Mr. Tony Baldinelli: If you could do that, it would be great.

Thank you, Madam Chair.

The Chair: Thank you very much.

Mr. Miao, you have five minutes.

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

Thank you to all the witnesses for their appearance today at the standing committee.

Mr. Poirier, one thing Canadian manufacturers and exporters strive to accomplish—the 2,500 manufacturers you work with—is maximizing opportunity.

Given that the IRA has implications for a variety of different sectors, can you give the members of the committee an idea of how some of the manufacturing will benefit from this new act signed into law? How can the Government of Canada help manufacturers realize their maximum potential following the signing of the IRA?

Mr. Matt Poirier: That's a great question.

We've been focusing a lot on auto. That's what a lot of these proposals are targeted towards. All of manufacturing is being peeled away. We have energy production, mining and auto. Canada's response to the IRA needs to take into account all of these other sectors of the manufacturing industry, as a whole. That would be our primary concern.

I look at this rather simply, too. The U.S. has turned on a shop vacuum to suck up incentives, and we're standing here with a dustbuster. We have to make a decision. Are we going to try to match it or at least compete with that, or are we going to let all the investment go south?

When we focus on this, we have to take into account all the sectors, and particularly envision the SME manufacturers that are going to be part of these supply chains. They might not be able to avail themselves of programs like the SIF. That's why we're focused on not just matching the U.S. programs with our equivalent programs, but coming up with new ones to account for all of these new incentives that have been thrown out there by the States.

Mr. Wilson Miao: Thank you.

Would any other witness like to add to this?

Go ahead, Mr. Kingston.

Mr. Brian Kingston: Our emphasis has obviously been on auto and how to respond to the specific opportunities that may arise for new investments in Canada. We think the best approach to doing that is using the existing programs we have. Use the SIF. Make sure that if a company is considering Canada, we are offering a package comparable to what they could receive in the United States. You can calculate it relatively easily through this section 45X production tax credit.

That's the key. We have to be offering something comparable if we even want to be in the conversation.

Ms. Catherine Cobden: May I weigh in as well?

Mr. Wilson Miao: Yes, of course.

Ms. Catherine Cobden: We haven't specifically talked about this yet around this table today, but there are a couple of other features in the IRA programmatic suite, if you will. They are worth considering and get to your question about ensuring we're maximizing benefits and moving forward.

One is the application of support mechanisms specifically for the operation of these climate solutions. In Canada, a lot of our programs are targeted towards capex. In the U.S., they've extended the envelope to also focus on opex. I think there's good value in that. That would be very helpful in Canada.

The final point I want to make is about another benefit of the IRA for all industry. The U.S. is now turned on, and we should see breakthrough solutions come forward. We may want to be strategic in Canada and think about what we can do to foster adoption as those breakthrough technologies come forward.

Mr. Wilson Miao: Thank you.

I'd like to address the following question to Mr. Volpe.

I was looking through some of the statistics published on your website. It says that in 2018, automotive parts shipments were worth over $35 billion and the industry employment level was over 100,000.

Do you have an early or rough estimate of how these figures may be impacted in future years by the IRA? What is the rough timeline for when your members might begin to feel the impact of this new act?

The Chair: That's a long question. We need a brief answer.

● (1230)

Mr. Flavio Volpe: The characterization that the IRA is going to negatively affect the industry is not one I agree with. There are threats, so to link a prediction on employment.... I'd rather link our prediction on employment to investments that have been announced by the five manufacturers in Canada in the last 18 months, and to the ones we think are going to land in the next six to 12 months. That's going to have a positive effect, because you need more people to make more stuff.

Mr. Wilson Miao: Thank you.

The Chair: Thank you very much.

We have Mr. Seeback for five minutes.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): I want to expand a bit on where Mr. Baldinelli was going.

It seems to me that we're in a very reactive space in Canada on a lot of these issues. We don't have a cohesive strategy to deal with the myriad of issues coming up, whether it's manufacturing vehicles or manufacturing steel.

We're talking about the IRA. To me, it raises these questions: Does Canada need a far more focused approach to all these issues to preserve manufacturing in this country? Do we need a real strategy from the government on EV manufacturing, a critical mineral strategy, an energy strategy that keeps energy affordable and a strategy on affordability? You were talking about the OBPS and these kinds of things.

At the environment committee, I asked whether Canada had costed out the EV structure to build the EV network across Canada. I was told, no, they haven't done it. Where's the long-term thinking?

Catherine, Brian and Matt, would you comment on that? I think it's critical that the government revise how it's doing this piecemeal stuff and come up with a robust strategy to preserve Canadian industry.

Ms. Catherine Cobden: Certainly, strategies need to evolve and keep pace. As I tried to reference in our remarks, we've seen a big shift. Something really big has happened with the IRA in the U.S., so we need to be very strategic in our response to that.

As for the evolution of our strategy, I think you're right. The area we need to put some urgent attention on is industrial competitiveness as industries transform in a net-zero economy. How are we going to do that, measure that and ensure it's happening?

Mr. Kyle Seeback: Brian, I think you said there's a new American approach to manufacturing and industry. The IRA is not just a bunch of tax incentives. To me, it's an overhaul of how they're doing business. I think we need a similar approach in this country that's not just reactive with some tax credits here and there.

Mr. Brian Kingston: Yes. The U.S. is taking a new approach to industrial policy, and that's what we see articulated in the IRA.

I would argue that we have to go even further than a strategy when it comes to auto and the EV transformation. We need action. We know what needs to be done. We need to double our electricity capacity. We need far more charging infrastructure. We need to provide incentives to consumers. It's not as though we need to come up with a new strategy. We need action on the things that have to be done to make this transition possible and feasible.

There has to be coordination among all the different government departments with a role to play in this—Environment Canada with advancing a sales mandate, Transport Canada with incentives and NRCan with charging infrastructure. Let's pull that all together and start moving with some urgency to make this transition happen.

Mr. Kyle Seeback: Go ahead, Matt.

Mr. Matt Poirier: I think I was going to get whiplash nodding in agreement.

For years now, CME has been calling for an overarching industrial strategy for Canada. To Brian's point, we have that.

The Monique Leroux report consulted with industry and all the players last year. It's on the shelf collecting dust right now for some reason. There's a blueprint included in there to give Canada the industrial strategy it needs to coordinate all this activity. We can move away from the reactive, responsive “chasing cars” attitude or standpoint of industrial policy and actually have a plan so that when these things come, it's just about calibrating and reacting rather than having a whole “the sky is falling” attitude.

Mr. Kyle Seeback: You're saying that the road map exists and what we actually need is action.

Mr. Matt Poirier: Yes.

Mr. Kyle Seeback: We had CN here, and it took 10-plus years to get a container yard done. How much of a problem are the gatekeepers that are making all these projects almost impossible to put forward?

I'll take a quick answer from any one of the three of you, or from all three

● (1235)

Ms. Catherine Cobden: I can take this.

We don't build new steel plants, unfortunately. Perhaps it would be great to do so. What we hear from people who supply to us is that the approvals process is highly problematic and takes decades. It needs to be reviewed for us to find the right balance among engagement, consultation and finally execution.

Mr. Kyle Seeback: I know I'm out of time.

Matt, could you please submit that report you mentioned to the committee?

Mr. Matt Poirier: Yes.

The Chair: Thank you.

Ms. Dhillon, please go ahead for five minutes.

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

I'll start my questions with Mr. Volpe.

As you know, Minister Ng always works to ensure that Canada has reciprocal trading relationships with its trading partners. In the automotive sector, during the manufacturing assembly process, parts cross the Canada-U.S. border numerous times.

Can you please tell the committee what prior concerns the automotive parts manufacturers had that were alleviated with the signing of the Inflation Reduction Act, and about the changes you saw before and after?

Mr. Flavio Volpe: Thanks for the question. I get the nature of committees here. Sometimes I don't get the questions because the answers might be a little too frank.

We had a problem. The problem was that the American administration suggested a proposal for EV tax credits that was going to wipe out the Canadian auto sector. We worked very hard to change that EV tax credit, which was discriminatory against products that came from here. We worked with Minister Ng and Minister Freeland, but I think it needs to be said—and I know people don't like to hear these things—that nothing changed until the Prime Minister personally went to Washington and said publicly that this was unacceptable and that we needed a change.

We then worked together for the next six to eight months to get that change to include Canadian parts and cars. We explained directly to the White House that Brian's members are American companies invested in Canada buying 50% of their parts and 50% to 60% of their raw materials from the U.S., so their drawing a line was silly.

I think we ascribe a whole bunch of sophistication and value to American plans. I spend a lot of time in Washington. I spend more time talking to Republicans than Democrats because there is no traction to get with Democrats when we need to change things. In that, I'm always struck by the fact that the only things that matter are local politics and the upcoming mid-term election and/or presidential election.

I disagree with the premise that we're competing with and reacting to the U.S. This goes for every government that has preceded this one since Confederation. We're not going to set a policy; we're a market that's one-tenth the size of the U.S. That will cause the U.S. to react to us. I mean, it's silly. It's silly when you sit on one side of the House, and it's silly when you sit on the other side of the House.

If we talk about what we're doing, over the last 18 months, two parties at two different levels of government—three parties if we include Quebec—have been on a hell of a run with investment in the industry that I and a lot of my colleagues here represent. There's no piecemeal reaction here. There are two levels of government in three different parties working together for the biggest investment run in the history of the automotive sector since Confederation.

Ms. Anju Dhillon: Thank you so much for your candid response, Mr. Volpe. I will follow up with another question.

Given that the Automotive Parts Manufacturers' Association supports its members—who employ countless Canadians—how do you expect the implications of the Inflation Reduction Act to impact the number of Canadians employed? Do you think the number will continue to grow?

Mr. Flavio Volpe: I think it will continue to grow, but I share the concern of my colleagues, both there in person and on the phone, with specific regard to section 45X. I think what we need to do as a country—and I think we are doing it actively on a per-file basis—is properly inventory the impact of this unprecedented American credit on battery production, and then, on the companies we are chasing, make sure that we have a competitive offer.

We're doing that. This isn't my blanket support for the minister responsible. I said the same thing to the Premier of Ontario. Last time I checked, the province picks up half the bill. It's not a partisan issue and it's not a question of whether we need a grand strategy. If we want to land Volkswagen, we need to have the best package to land Volkswagen. If we land Volkswagen, there will be more cars to be made in this country, more parts to go into those cars and more people to make those parts.

I think we're doing well. I also think we should stop using terms like “gatekeepers” and “approvals”. In our business, you assemble land, you assemble capital, you make an offer and an automaker wins. It's land-use planning. Those rules have been in place and they've worked in our sector.

I see a few of my colleagues here representing the OEMs. It's been a while since we opened a new plant, but I don't remember seeing anything remotely close to decades for that type of investment. We're talking about months. It works at the municipal level. That's why auto parts makers, which are in hundreds of communities across this country, work with the municipal governments as well.

● (1240)

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

We'll move to Monsieur Savard-Tremblay for two and a half minutes.

[*Translation*]

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

We will probably have time to hear only one of the witnesses' answers. I invite whoever would like to do so to answer my question.

We talked about minimum requirements for battery content. Based on what we know of the U.S. law, it also mentions a minimum amount that can be recycled. Would it also be in our interest to develop a recycling strategy?

[*English*]

Mr. Flavio Volpe: Can I answer that?

[*Translation*]

Thank you, Mr. Savard-Tremblay.

[*English*]

I think you've hit on something very important. We do need a strategy. In spite of the fact that we are one of the biggest resources of the critical minerals that go into battery production, there is a finite amount of those materials that we can extract in any given year to go into any number of batteries. Those vehicles all have a shelf life. What we will start to see is a volume of vehicles—eight years, 10 years, 12 years out—that will go to scrap. With that, what do we do with those batteries?

It's early days. We should lead this. We represent a very proud Canadian company called Li-Cycle, with operations in Kingston and Mississauga, that is the exclusive partner of LG and General Motors in the recycling of those critical materials through the manufacturing processes. I think what we need to do, and what bodies like this would be wise to do, is bring in experts like Ajay Kochhar, who runs that company. Ask him what he's seeing in the market, what that company is experiencing, how they plan to ramp up their capacity and what that cluster looks like. It is an important part of the future of zero-emission vehicles, and I don't think we've hit it yet.

The Chair: Mr. Kingston wants to get in with a quick answer.

Mr. Brian Kingston: Very quickly, I'll note that we have currently in development in Quebec an industry-led battery recycling program. The batteries are extremely valuable. They have huge value in being recycled, particularly because of the critical mineral shortages that we potentially see on the horizon.

I'd be happy to share with the committee details around that program, if that's of interest.

The Chair: Ms. Cobden is anxious to throw two words in there.

Ms. Catherine Cobden: All I want to say is please don't stop at batteries. Consider the cars that are produced, the washing machines and everything else in steel. We recycle all of that. We could definitely benefit from that type of strategy.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you for the clarifications.

[*English*]

The Chair: We have Mr. Masse for two and a half minutes.

Mr. Brian Masse: Thank you, Madam Chair.

Mr. DiCaro, I remember the days when former CAW, now Unifor, was bashed because of the so-called costs of having investment in workers. Now we see ourselves with a massive labour shortage, which hasn't been raised here today. It's a significant one, even for investment. I'd like you to share your opinion on how important that is.

We're going to bring in dental care for Canadians soon. We need pharmacare. How important are those structures when you're negotiating an agreement? How important is it for keeping and retaining trained workers in your workforce when you have employees who are actually paid a living wage? How much less turnover do you have from that, and how much more efficiency and productivity are there?

For years this was always used as a club against the unions, which said it was too costly to keep these workers here and we're losing to Alabama and so forth. At the same time, we still have some of the best retention now. I think that's a clear asset coming into the next wave of a shortage of labour.

● (1245)

Mr. Angelo DiCaro: As someone who has to manage the spreadsheets when we're costing collective agreements as we go into bargaining with the automakers, I can tell you that two factors usually come into play when we're looking at the cost variables. One is the dollar and the other is Canadian health care. We don't have to pay the way the Americans do. That makes us incredibly competitive. Social programs are not only good in general as society-building policies and programs; they also indirectly serve as a useful attraction tool.

It's one of the things we've prided ourselves on, despite some of the darkest days we saw in the industry more than a decade ago and, frankly, despite going through a generation of watching the manufacturing sector get tossed aside like it was an old, tired sector that we needed to move beyond as part of the evolutionary economics of Canada. Now we're all kind of talking in different terms, which is interesting as well. We've managed to maintain what are good jobs with good wages and good benefits. That has not deterred investment in any way that we've seen.

Mr. Volpe recognized, too, that the run we've been on in the last two years has been incredible. There's been $16 billion of new investments, and a lot of that going to unionized facilities means that we're not a barrier. It means that our cost structures are totally competitive. We have an opportunity to do something really great in this sector as well.

The Chair: Thank you very much.

Mr. Carrie, you have four minutes.

Mr. Colin Carrie: Thank you very much, Madam Chair.

Mr. Kingston, you brought up something that I wanted to delve into a bit. You mentioned the U.S. Defense Production Act. One thing I learned from working with the Americans was that the Americans put security and trade first. When I was working with them, we did this beyond the border action plan, which was about security and competitiveness. We really focused on NEXUS, FAST and radio-frequency identification in order to streamline the border.

If we started to work strategically with the Americans, how would that improve our competitiveness from the defence sector? I'm wondering if you could enlighten us on that.

Madam Cobden, I remember the steel and aluminum tariffs. I think a lot of that had to do with defence and the dumping of Chinese steel. It was something we should have gotten ahead of, but again, they put their security first, which is their right. The Five Eyes were taking so long to manage that, and it's about a buildup of trust.

How can we leverage that part of it? I think we have such good-quality products here with steel and aluminum, but I just don't see any action in that regard.

Mr. Brian Kingston: I agree. It's really important to always view U.S. diplomacy and international relationships through a security lens, because that's how a lot of foreign policy is dictated. That's where things like the Defense Production Act are so important. We can show the Americans that we are a trusted, secure supplier in this pivot as they try to onshore more of this manufacturing and things like critical minerals and CHIPS. We've seen the CHIPS act pass. Canada does have a role there, and we're recognized in the DPA as a domestic source. No other country is. I think we really need to double down on that and show them that we are a reliable, trusted partner and can play a key part in this supply chain transformation.

Mr. Colin Carrie: Well, I think we can do it all, but again, I'm concerned because of the investments. Everybody's making the investments now, across the board, in Canada and the U.S.

Madam Cobden, you mentioned that a lot of these investments are generational investments. Maybe framing it with the U.S. Defense Production Act and Canadian steel quality.... As you said, there's Gerdau and the recycling part of it. How could we make an impact in the United States by building back that trust with the Americans as far as security goes? It's about being able to, for example, make sure that our supply chains, such as the rail between Canada and the U.S., will not be blocked for long periods of time and being somebody who's really dependable. How would that help our competitiveness?

● (1250)

Ms. Catherine Cobden: I think it's crucial that we basically continue the journey of convincing the Americans—or not really convincing them but reminding them—that there's no better partner for them than Canada. We have the resources. We have the aluminum and steel. We have the energy. We have the transportation networks. We share the longest border.

I think there's an undercurrent at this table today that you've heard from us: Let's use this IRA as an opportunity. We have a shared vision on climate now. That's a new shared thing that we have with the United States that we should be exploiting fully to our advantage, because we really, truly are the best partner for the United States.

Mr. Colin Carrie: Just quickly, how important is it for us to get these generational investments within the next year or two? My concern is that they're going to be made in the U.S. if we don't get them right away.

Ms. Catherine Cobden: We are extremely pleased that we've made the generational investments we've made, and there are more to come. Every steel company in Canada is looking to be net zero by 2050. It's a big stretch, so there will need to be more. I don't think we need to believe that the time horizon is just one or two years. We believe that some of this will take much longer to achieve. We're waiting on technologies and that sort of thing, as you know.

It's urgent to act, but we also need to remember that some things will take longer than just a couple of years.

The Chair: Thank you very much.

We will move to Mr. Virani for four minutes.

Mr. Arif Virani: Thank you very much, Madam Chair.

I have two questions. I want to involve Mr. MacKenzie in the discussion. He's been sitting there quite patiently.

In terms of Toyota, Mr. MacKenzie, we've heard a lot in the last couple of hours about the $16 billion in investment, which is really generational for the auto sector. We know that Toyota has been in southern Ontario since 1997. In 2019 you opened a second plant to promote the RAV4.

Can you talk to us a bit about Toyota's decision to continue their investments in southern Ontario in the auto industry, and what the success we had with fighting back on build back better has meant to the industry, including the electrification of the auto industry, and to Toyota?

Mr. Scott MacKenzie: Thank you for that. There's a lot to add there.

Our investment cycles are a bit different from some of the announcements in this last year and a half, but that doesn't mean we're not actively looking at opportunities in Canada. It certainly doesn't mean we're not committed to the Canadian market and manufacturing cars in Canada.

Today I'm at our manufacturing plant in Cambridge. We're currently launching the new Lexus RX, which is obviously a very prestigious model for us. We'll be starting production on that a bit later this month. That's a significant investment, but we haven't really talked about it publicly. It's not attached to any public funding.

For us the business moves on. We've launched two models in the last year. Our business and our future here are pretty secure and pretty certain, but that doesn't mean we're not looking at other opportunities. Yes, the industry is electrifying. Yes, Toyota is electrifying. We already make hybrids here. We've been making hybrids here for more than a decade. As we transition to greater levels of electrification, whether it's battery electric vehicles, plug-in hybrid vehicles or whatever it happens to be, we're pretty confident that we'll land those investments here.

You need to remember that Toyota is the largest OEM in the world, with the largest OEM in Canada by production volume. We're also 25% of all North American production for Toyota. We'll get ours: We're competitive. We're a competitive operation here.

The IRA is concerning for everybody. Before that was introduced late this summer, I would have said that future investments in Canada, apart from the ones that were already announced by some of the other OEMs in Canada, were going to continue. Right now there's a bit of a pause just to understand what the landscape is going to look like. Assuming that's not a threat and that at some point it gets resolved, I think our future looks very good.

Mr. Arif Virani: Mr. Volpe, I would invite you to comment on something that we've heard repeatedly. To borrow Ms. Cobden's phrase, because I thought it was an accurate one, climate policy is now trade policy. You talked about the fact that since Confederation, we've always been dealing with this economic titan at our southern border. I think that's right, but I think the environment has entered the equation now, and there's an alignment.

Can you talk about what that holds for the future of our discussions nation to nation? How do we emphasize, when we're dealing with those meetings with American senators and congresspersons, how economically viable and environmentally sustainable Canadian industry is?

● (1255)

Mr. Flavio Volpe: I'm going to throw you a curveball in your speed round. I think there are two things here. Yes, definitely we've seen American industrial policy geared to investments in shifting the carbon discussion. In our industry and in other industries that are major emitters, they're making major investments in companies that will change their path and/or processes that reduce that.

We've told both governments to be aggressive but also cautious. We have very aggressive targets in Canada and the U.S.: 50% electrification in the U.S. by 2030 and 100% by 2035 in Canada. I've been on the record many times as saying that we're not going to get there. It's not for not trying, because we're all going to try, but the conditions and infrastructure aren't in place to do it.

If we're still transitioning out of internal combustion and fossil fuel production, let's also remember that we are major players in both of those. If we're going to tell the Americans to stay away from Chinese critical minerals, then we need to give them assurance that we can help supply the energy needs they require in that transition.

The Chair: Thank you very much.

Thank you to our witnesses. We've received some fabulous information today, and it's very much appreciated.

Thank you, committee members.

I move adjournment.