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## Standing Committee on International Trade

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EVIDENCE

**Monday, June 19, 2006**

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**Chair**

**Mr. Leon Benoit**

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Monday, June 19, 2006

• (1540)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):**  
Good afternoon, everyone.

We're here today, pursuant to Standing Order 108(2), to carry on with the study on softwood lumber.

We have as witnesses today, from Hill and Knowlton Canada, Gordon Ritchie, chair of public affairs. From Bowater Incorporated, the Canadian forest products division, we have Pierre Monahan, senior vice-president and president. From the National Association of Home Builders, we have Barry Rutenberg, member of the executive committee and board of directors, and president of Barry Rutenberg Homes. From the Canadian Lumber Remanufacturers Alliance, we have Francis Schiller, executive director, and he will be introducing someone else. From the United Steelworkers, we have Roger Falconer, director of strategic campaigns. Then we have from Max Meilleur et fils ltée, John Rolland, director general. and from Scierie Landrienne inc., we have Luc Dufour, president. There will be one presentation from that group.

We'll start with Gordon Ritchie.

**Mr. Gordon Ritchie (Chair, Public Affairs, Hill and Knowlton Canada):** Thank you, Mr. Chairman.

My name is Gordon Ritchie. I chair the public affairs practice at Hill and Knowlton Canada, which includes the B.C. lumber industry among its clients. But I should underscore the fact that I'm speaking today strictly in a personal capacity, based on my involvement in this file over—I hate to admit it—a quarter of a century and counting.

My comments will be based on the term sheet of the agreement announced in the House of Commons by the Prime Minister. I stress that because in these matters the devil always lies in the details in finalizing the agreement, and the Canadian negotiators will always have a tough time standing their ground against never-ending American demands. It seems the Americans regard an agreement as the basis for beginning negotiations instead of as a conclusion.

I would infinitely prefer to see free trade in this sector, or at least have the Americans abide by their free trade obligations. Regrettably, they've consistently refused to do so in the past. I'm referring to the Reagan administration, the George W. Bush administration, the George H.W. Bush administration, and the Clinton administration. They show no willingness to abide by their obligations today. The Department of Commerce and the international trade commissions have acted as the lackeys of the protectionists.

From the outset of the free trade negotiations, the Americans insisted on carving lumber out and managing this trade under the infamous memorandum of understanding of 1986. When that was terminated and the Americans lost their case before the free trade panels in the 1990s, they refused to pay back the duties until the softwood lumber agreement was concluded. This time around, the administration's refusal to stop collecting duties, let alone pay back the duties already collected, is a flagrant violation of their NAFTA obligations and the provisions of their domestic law.

Those concerned about setting a precedent are unfortunately closing the barn door long after the horse has galloped away. It's highly distasteful that a great power should behave like this and allow its national interest—as I'm sure Mr. Rutenberg will be explaining—to be subordinated to the greed of a handful of producers. But it would be even more objectionable for Canadian producers to continue to be penalized in order to make a theoretical point.

Some have argued before you that the litigation route is about to bring a favourable end to the lumber dispute. I respect their view, but everything in my knowledge and experience suggests that this is untrue. Litigation will only breed more litigation and uncertainty. In my view, it's in our interest to bring the litigation to an end and establish a stable framework for future lumber trade.

I am satisfied that this agreement, as laid out in the term sheet, is the best one that can be negotiated at this time. It is far from perfect, but it is acceptable. It ensures a reasonably stable market environment for Canadian exporters for the next seven years, and possibly longer, under a wide range of market circumstances, in return for measured restrictions in times of depressed prices, and expanding Canadian market shares.

I understand that two points are particularly contentious. The first is that the agreement leaves \$1 billion in the U.S., of which half is to go to the coalition. As I said to their faces across the negotiating table last year when I was representing a previous government, I do not believe they have the legal or moral right to one penny of these deposits. Nonetheless, we have for some time accepted the principle that we were prepared to hold our noses and pay it as ransom to free our industry to continue to supply American lumber requirements without future harassment.

The second contentious point arose when the agreement was reached and the coalition lawyers immediately announced they would remain very active scrutinizing every aspect of provincial forest management policies, including the B.C. market pricing reforms, to ensure that those cunning Canucks did not circumvent the agreement.

This is completely unacceptable. It was this sort of extraterritorial micromanagement and bullying that blew up the original memorandum of understanding in 1991. It would represent an intolerable sacrifice of Canadian sovereignty, both federal and provincial. This demand should be dismissed as overreaching by the most bloody minded of the coalition, and should not become the basis for breaking apart the deal.

So on that basis, I would urge you to support the agreement on the softwood lumber trade with the United States, as announced on April 27.

Thank you, Mr. Chair.

• (1545)

[Translation]

I am perfectly prepared to answer your questions, either in English or in French.

[English]

**The Chair:** Thank you very much, Mr. Ritchie. Thank you for keeping your presentation within the five minutes.

Now, from Bowater Incorporated, we have Pierre Monahan.

[Translation]

**Mr. Pierre Monahan (Senior Vice-President and President, Canadian Forest Products Division, Bowater Incorporated):** Mr. Chairman, Honourable Members, good afternoon. I would like to begin by thanking you for the invitation to appear before the House Standing Committee on International Trade. Needless to say, the topic on your agenda at this time is of critical importance to Bowater, the company I represent.

I would like to begin by saying a few words about our company. The head office of Bowater is located in Greenville, South Carolina. Bowater is a North American leader in both the pulp and paper and the lumber sectors. With the exception of our Korean facilities, half our assets are located in Canada and half in the United States. Our sales exceed 3 billion dollars and we have 8 000 employees, half of whom are in Canada. Our Canadian mills are mainly located in Eastern Canada, namely in Ontario, Quebec, New Brunswick and Nova Scotia. Although we export our products world-wide, the U.S. market is by far our most important and largest outlet.

Our industry is undergoing a major structural crisis and we are operating in a very difficult climate. In addition to the ongoing trade conflict with our southern neighbours, we must contend with a dollar that has reached record values, steadily increasing energy and fibre costs, as well as rising interest rates. Despite extremely difficult years, we have nonetheless invested more than 200 million dollars U.S. in our Canadian mills since 2001. We believe that investments of this magnitude were needed to maintain our competitive position.

Having said that, I submit that success in business requires more than investments. We need a sound business environment that is more predictable than it has been over the past few years. The Canada-U.S. softwood lumber dispute has lasted long enough. We are convinced that an agreement represents the best solution to a dispute that has not only cost a lot of money, but also required significant expenditures of non-productive energy.

We are in favour of an agreement, but not at any cost. The Framework Agreement now in place, as well as the draft copies of agreement documents we have examined, appear to be a good starting point. Things are not perfect, but we believe that this Agreement will allow Canadian industry to do what we do best, that is develop our companies.

We still have problems with certain parts of the Agreement's draft text. One of the most important issues deals with the flexibility associated with Option B. Regions that choose this option, that is a quota combined with an export charge that is lower than the export charge associated with Option A, will require a minimum level of flexibility to prevent undue disruption of their trade relations.

We do not wish to shy away from any obligations under this Agreement, but for Option B to be viable and practical, it must allow companies to adequately meet their customers' requirements, an obligation that is sometimes written into long-term contracts. We have made several suggestions to the government in this regard, but we have not yet heard whether they have been adopted by the government and accepted by the Americans.

Earlier in my presentation, I referred to Bowater's investments in Canada over the past few years. In 2002, we built a sawmill incorporating state-of-the-art technology in Thunder Bay. This is probably one of the most advanced sawmills in Eastern Canada. Given that this is a brand new mill and that we are only beginning to maximize its operations, its export history is quite limited. I am sure that you can appreciate that if Ontario were to choose Option B, an export quota allocation based on export history would present a major problem.

We are therefore asking the government of Canada to insist that the government of Ontario establish a reserve for new entrants in order to account for the new mills that were built in recent years. Such a provision would strengthen our support for this Agreement.

Another solution the government might consider in order to foster greater investments by companies would be to grant an investment credit to those that apply their refund of illegally-collected duties by the Americans to investments in their operations.

In short, the Agreement is far from being perfect, but neither is the world in which we operate. The time has come for Canadian industry to show solidarity in order to finalize the Agreement in such a way that it will enhance its viability to the greatest extent.

• (1550)

We have scored many points before international and U.S. tribunals and we believe that this Agreement incorporates them as well as can be expected. We must now seize the opportunity. If we do not, we may have to wait a long time before a comparable one presents itself.

I thank the Committee once again for its invitation to appear and I will be happy to answer any questions.

[*English*]

**The Chair:** *Merci, monsieur Monahan.*

We now have, from the National Association of Home Builders, Barry Rutenberg, for five minutes.

**Mr. Barry Rutenberg (Member, Executive Committee and Board of Directors, President of Barry Rutenberg Homes, National Association of Home Builders):** Thank you, Mr. Chairman.

My name is Barry Rutenberg. I'm a home builder in Gainesville, Florida, and a member of the executive board of the National Association of Home Builders of the United States—which we'll call NAHB.

I appreciate the opportunity to appear before the committee on behalf of the 225,000 corporate member firms and their eight million employees. The companies represented by NAHB account for more than two-thirds of all the softwood lumber used in the U.S., and lumber accounts for a larger share of the cost of home building than any other material.

Our views regarding the lumber trade issues are shared by other lumber-dependent industries in the U.S., such as manufacturers of furniture and pallets and lumber dealers, who have worked together under the umbrella of the American Consumers for Affordable Homes. Employment in lumber-dependent industries in the U.S. exceeds employment in the lumber-producing industries by more than 25 to 1.

The legal victories achieved by Canada in the NAFTA process, at the WTO, and in the U.S. Court of International Trade were close to eliminating the current duties. There would be complete refunds, with interest, of the duties already paid. Finishing the litigation would establish important precedents and make it much more difficult for the U.S. lumber coalition to successfully petition for new duties. We are very disappointed by the willingness of the Canadian government to sacrifice those gains, jeopardize Canada's share of the U.S. market, and effectively provide a handful of U.S. companies with veto power over provincial forest policies.

The adverse impact of the proposed agreement will fall largely on Canadian companies and workers, but it will also affect U.S. home builders and home buyers. It would mean less affordable homes, use of less suitable building products, and business risk for builders facing less-certain supplies and prices.

When the agreement was announced, attention was focused on the fact that there would be no trade barriers in effect when prices were above the \$355 per thousand board feet. At that time, the price measure to be used in the agreement was about \$370, but it has already fallen to \$326. Prices in April and in the previous two years were inflated by record levels of home building. Home building is already slowing down, and over the next seven to nine years NAHB expects the average number of housing starts per year to be about 200,000 units lower than in 2005. Other economic forecasts expect even larger declines. In other words, the outlook is for construction at rates similar to 2002-03, when the average lumber price was \$308, despite duties of 27%.

In addition to the slowdown in home building, lumber prices will be under downward pressure from continuing improvements in lumber mill efficiency, increased imports from Europe, and wider use of engineered wood products such as wood I-joists and oriented strand lumber. Indeed, faced with the prospect of new barriers to imports from Canada, NAHB feels obligated to facilitate additional imports from Europe and the use of alternative materials.

Under the proposed agreement, lumber prices would probably be higher than they would be under a free market, but below the \$315 threshold where the most stringent fees and quotas would apply. That would mean a reduction in Canada's share of the U.S. market.

Provinces operating under option B, with a combination of quotas and fees, will face quotas based on a 30% Canadian market share. Since 1993, Canada's share of the U.S. market has never fallen below 33.4%. Provinces operating under option A would face high fees that will erode their ability to compete.

Some have argued that this agreement would provide stability and predictability. Agreements in 1986 and 1996 didn't do so, and this won't either. There would be quotas for some provinces under option B and for all covered provinces under the surge mechanism. The penalties for exceeding those quotas would be far more severe than under the SLA. The option B quotas would be tied to total U.S. consumption, which is constantly changing and inaccurately measured. Mills won't know whether they will be able to meet supply contracts without exceeding the quotas.

There are reportedly efforts to make the quotas less rigid—for example, by allowing a portion of the quota to be carried forward or back, but disruptions will still undoubtedly occur. Instability and uncertainty will be especially likely if there's a rush to complete a deal before the implications of the complex provisions are fully analyzed and if the agreement drafts are not open to public scrutiny.

It is also wishful thinking to expect the agreement to end conflicts and litigation. Because this framework would wipe out many of Canada's legal victories and dispense half a billion dollars to the U.S. lumber coalition, it will actually encourage future trade disputes during and after the agreement. There are no exit ramps and little reasonable expectation that a transition to free trade will be permitted.

We have worked hard to convince policy-makers in the U.S. that Canadian lumber is not unfairly traded and that barriers to lumber imports hurt U.S. consumers. Nearly every major newspaper in the U.S. has published editorials reflecting that view, and over 100 members of Congress have gone on record in support of the consumer perspective.

Whether or not the language of the agreement says so, this deal sends the message that the U.S. lumber coalition's claims are legitimate and that Canada has been at fault. We don't believe that to be true, and we don't understand why Canada would want to create that impression.

Thank you very much.

• (1555)

**The Chair:** Thank you, Mr. Rutenberg.

Now, from the Canadian Lumber Remanufacturers Alliance. We have Francis Schiller, executive director.

**Mr. Francis Schiller (Executive Director, Canadian Lumber Remanufacturers Alliance):** Thank you very much for this opportunity to appear here today. I'm here serving in my capacity as the executive director for the Canadian Lumber Remanufacturers Alliance. I'm accompanied by Monsieur Martin Béland, who is our Quebec representative.

Our group represents leading independent remanufacturers with operations in Ontario, Quebec, Manitoba, Alberta, and the Maritimes. In 2001, leading producers came together from across the country to create the CLRA. The objective was to give voice to the issues and unique circumstances confronting Canada's independent producers.

All too often, the "reman" perspective has been lost in forums dominated by tenure holders and large primary sawmill operations. To help you appreciate the role independent producers play in Canada's value chain, here's a little bit on what they do and what they don't do.

As a byproduct of manufacturing lumber, about 15% ends up as low-grade sawn lumber. This byproduct has very little value without further processing. For remanufacturers, this is the starting point. They take this low-grade lumber and further manufacturer it; hence they "reman" it. This is the key to remember: remanufacturing begins with sawn lumber, not logs. They buy this sawn lumber at arm's length and they subject it to further processing, be it a change in thickness, width, length, profile, texture, grade, or otherwise.

The output from this remanufacturing process is softwood lumber products that cut across all product codes, from basic 2x4s to window and door frame components and more. If it's a lumber product, remanufacturers make it. This is what remanufacturers bring to Canada's value chain: they maximize the extraction of the value of our wood resource. They do it by investing here in communities, and they employ Canadians.

All low-grade lumber needs to get remanufactured. The key question for policy-makers is, do you want to keep this in Canada moving forward, or do you want to export these value-added jobs to the U.S. along with the low-grade lumber?

The second important concept to appreciate about remanufacturers is why they are independent. As a group, remanufacturers do not hold Crown tenure, and they are not owned, controlled, or affiliated with tenure holders. Simply put, they do not cut down trees or process logs and they are not affiliated with those who do. This is what makes remanufacturers independent. Remanufacturers buy the lumber at arm's length from the primary producers; hence they're both producers and consumers of lumber in Canada.

As producers, Canada's remanufacturers have no allegations of subsidy against them in the current trade dispute. They're widely regarded as collateral damage or innocent victims in a trade war aimed at and being fought over tenure in logs.

We are not here today to complain about the process or the swift pace of negotiations. We support Canada's negotiators and we support ongoing negotiations. We want officials back to the table. We want and we need a deal as soon as possible.

When Minister Emerson appeared before you, he stated that Canada's independent remanufacturers have experienced disproportionate negative economic injury over the dispute period. This is very true. Since the dispute began in 2001, our members, depending on the region, have lost between 65% and 80% of their exports to the United States. In terms of Canada's total exports, to put this in perspective, when the dispute began remanufacturers accounted for between 7% and 10% of Canada's total exports to the U.S.; now we stand at less than 3%.

This is why Minister Emerson said we also have to make sure that remanufacturers benefit disproportionately moving forward. The deal needs to make provisions to address this reman or quota gap. If the status quo prevails, independent remanufacturing in Canada will die. These are not empty words; it's a fact.

We need the government to deliver on the April framework. It recognizes independence and makes provisions for a first mill tax rate for all remanufactured products. Although not perfect, it's a start.

I'd like to turn it over for a few moments to my colleague Monsieur Béland.

[*Translation*]

**Mr. Martin Béland (Senior Trader, Les Bois d'Oeuvre Beaudoin & Gauthier Inc, Canadian Lumber Remanufacturers Alliance):** Mr. Chairman, Committee Members, I represent Les Bois d'Oeuvre Beaudoin & Gauthier Inc. We manufacture products that we then export to the United States.

In 2001, we tried to have our rights recognized through the government of Quebec. We wanted to take advantage of the expedited review process offered by the Americans. Under this process, which usually takes six months to a year, we were in principle to have the opportunity of being exempted. That was also to be the case for the other manufacturers involved in the same field.

However, five years later, the Americans have not yet concluded this expedited review. A WTO report published in 2004 stated that the Americans had told the WTO representatives that they were going to conclude the expedited review in order for us to have the opportunity to defend our rights. In 2006, we are still waiting. Furthermore, Canada has not followed up on the WTO's recommendation. The question is why.

Under the present Agreement, Les Bois d'Oeuvre Beaudoin & Gauthier Inc. and the other manufacturers in the same position are not exempted. Our rights are not recognized. It is possible that an agreement be reached and that we choose Option B. In such a case, given the facts I have outlined, it is clear that we are entitled to our fair share of the allocation and that the unique situation of remanufacturers must be recognized.

•(1600)

[English]

**Mr. Francis Schiller:** No independent lumber remanufacturers appear under the current framework and its list of exempted companies. This is a needless loss for Canada, and we hope it can never happen again. Canada's wins on lumber have always been incremental—the maritime exemption, the exclusion of the border mills. On this continuum, independent remanufacturers from across all provinces are the next to get out. We are Canada's next big win.

In conclusion, your committee can help us right now. In your study on softwood lumber, support Canada's independent remanufacturers and say yes to keeping these value-added jobs in your communities and constituencies.

Conclude that Canada's independent remanufacturers should receive fair treatment in negotiations, including delivering on the first mill tax rate for all products covered in the dispute and a clear exit strategy like that available to the Maritimes and the border mills.

Conclude that Canada must make up for the quota deficit experienced by remanufacturers over the dispute period, and establish a special quota set-aside.

Recommend that independent remanufacturers receive a proportionate and fair share allocation of all federal resources and funding going forward, on this dispute and any future disputes.

Finally, we would request that you write a formal letter to the minister confirming that the deal must include a level playing field for Canada's secondary manufacturers and must contain no unfair advantage for U.S. remanufacturers.

Thank you very much for your time. We'd be happy to take any questions you may have.

**The Chair:** Thank you very much, Mr. Schiller and Mr. Béland.

Now, from the United Steel Workers, Roger Falconer, director of strategic campaigns, up to five minutes, please.

**Mr. Roger Falconer (Director, Strategic Campaigns, United Steelworkers):** Thank you very much, Mr. Chairman. I'll do my best.

On behalf of the steelworkers, I want to thank you for this opportunity to appear before this committee.

The United Steelworkers is the largest industrial union in North America and the largest private sector union in Canada. We're also the largest union that represents forest workers in Canada.

We strongly oppose the current proposed softwood lumber agreement. We firmly believe there's ample evidence to suggest that the federal minister and the government are rushing the agreement on this issue for political purposes and strong-arming industry to move quickly to support a flawed deal. That is why we welcome news that there is a reprieve in the negotiations that will allow industry, governments, and other stakeholders time to fully examine the agreement.

There has been an appalling lack of consultation with key stakeholders in the lead-up to the framework settlement. First and foremost, it is our understanding that the prairie provinces and

industry were scarcely consulted at all. Further, as the largest union representing forest workers in the country, we say that we were not consulted. In fact, despite efforts on our part, the minister has not met with us or responded to a request for meetings since his appointment as trade minister.

Finally, we do not believe there has been any meaningful consultation by any level of government with forestry resource communities across the country. It is these communities and the workers that have largely borne the brunt of the softwood dispute, and their voices should be heard in the context of any settlement or proposed settlement. We strongly urge that the system of consultation with all stakeholders beyond the provinces and companies be established before any further softwood negotiations take place.

We believe that the only reason to sign off on this agreement is this prospect of getting back a portion of the illegally held money currently held by the U.S. Commerce Department. We respectfully submit that this is just not a good enough reason to lock Canada into what really is a short-term fix that not long from now will permit a renewal of U.S. protectionist measures.

While the softwood lumber dispute has had severe impacts for workers, communities, and small businesses, some firms have successfully beaten the tariffs and duties by massively ramping up production at most of their efficient mills. The softwood dispute has also left many otherwise profitable mills idle and left other firms grasping for investment capital since they have had millions of dollars tied up in duty payments. Remanufacturers and value-added operations have been especially and severely impacted by increased prices and by the upfront collection of duties at the border before they have the opportunity to sell their products.

This dispute has also encouraged Canadian firms to hedge their bets by investing in production facilities in the U.S. rather than investing in Canada, or by exporting logs to American mills. Ironically, these logs enter the U.S. duty free, while lumber from the same stands of timber are regarded as subsidized.

We submit that the elements of the softwood agreement with the United States that have been discussed do not form the basis of a good deal for Canada. First, the Canadian forest firms and the federal government, supported, of course, by hundreds of millions of taxpayers' dollars, are clearly already very close to winning the legal battle once and for all. The Americans were reduced to their last round of extraordinary appeals, which they have very little prospect of winning.

Secondly, the already significantly reduced levels of tariffs were not in themselves problematic for Canadian producers. By and large, the biggest source of the current difficulties in the industry today is a result of other factors, such as the rise of the Canadian dollar vis-à-vis the American dollar, rising energy costs, slumping prices, transportation costs, etc.

Thirdly, with this deal we are volunteering for a 5% tax whenever prices fall below \$355 per thousand board feet. Looking at 2004's record prices, this seems like a good deal, but this is a price level that was only achieved in six weeks of 2003. Further, many analysts do not predict prices to exceed this level again for quite some time in the future, essentially predicting that we will be in a permanent duty position for the foreseeable future, with no way out.

Fourthly, the deal includes a surge mechanism that serves to cap Canada's lumber exports to the U.S. market, placing a penalty for all the producers of a region, even if only a few producers push up regional exports.

Fifthly, Canadian producers will only get 80% of the illegally collected duties at \$1.10 for every U.S. dollar when the duties were paid at as high as \$1.60 U.S. The remaining 20% will go to the U.S., with half directly going to the producers, who initiated the unfair and unreasonable dispute in the first place, even though the WTO struck down legislation that rewarded U.S. firms for launching the protectionist actions.

• (1605)

Sixth, there is an unacceptable intrusion into Canadian sovereignty over our forest policy contained in the deal. It is absolutely unacceptable for the federal government to give the United States control over future forest policy decisions in a trade agreement, regardless of whether the provinces are prepared to accept such a deal.

Finally, with all this, there is nothing in it for the workers, communities, and taxpayers who have borne the brunt of this dispute.

We recognize that negotiations will not yield a perfect deal. However, we reiterate that the deal as it is presently constituted is not a good deal for Canada. The steelworkers believe that in return for the taxpayers' help in the legal fight to recoup these funds, firms should commit to investments in the areas of capital equipment to keep the industry efficient and competitive, including investment and moving up the value chain; people and skills to ensure that the industry continues to have a productive, well-trained, and highly skilled workforce; communities and infrastructure to provide strategic investment in the forest-dependent communities to ensure that forest-dependent communities can retain and attract workers, business, and investment, and where necessary, that families and the local economies are able to adjust in the face of industry restructuring.

Without these requirements, firms will continue to invest huge amounts of the profits they generate in assets in the U.S. or abroad, or in mergers and other acquisitions outside the industry. Recently, many Canadian forest companies have purchased assets in the U.S. and other countries at the same time as mills and plants are closing in Canada for lack of investment capital.

We reiterate that companies and industry should retain an obligation toward the people and communities where their operations are based. It is up to government to enforce this obligation.

In summary, the steelworkers want to thank this committee again for the opportunity to appear before you. We do not support the current agreement as it is being discussed. We do not believe it is a

good deal for Canada. We further submit that there needs to be a system of more fulsome consultation with stakeholders beyond the provinces and companies in any future negotiations.

Finally, we strongly urge the governments to take steps to ensure that included in any softwood deal with the United States are measures to ensure that there is ongoing and continued investment in the industry by corporations, to sustain future employment and security for the workers in forest-dependent communities in Canada.

Thank you very much, Mr. Chairman.

**The Chair:** Thank you, Mr. Falconer.

For the last presentation, John Rolland, director general of Max Meilleur et fils ltée. You can introduce Luc Dufour as well. He won't make a presentation, but perhaps you could introduce him.

• (1610)

**Mr. John Rolland (Director General, Max Meilleur et fils ltée):**  
*Merci, monsieur le président.*

My name is John Rolland. I represent Max Meilleur et fils, which is an independent sawmill. It's a bit of a tongue-twister in English. Luc Dufour, who's at my side, and who will be open for questions in French or English, represents his own sawmill group in the Abitibi. We're both here today as representatives of a group of independent sawmills in Quebec.

The group we represent accounts for about 20% of the total volume of sawn softwood lumber produced in the province of Quebec. This same group represents about 30% of the actual fiscal operations of sawmills of the province of Quebec. I think we're a clear picture of rural Quebec. Our mills are in every area from the Gaspé to the Abitibi to the upper Laurentians.

To continue with my presentation, one thing is clear. We are not here to talk about the deal as a whole. Our group supports the efforts by the federal government to come to a negotiated settlement, but we have some internal concerns, and our concerns lie in history.

Before they grouped together, the independent mills were some of the people who were worst hit by the SLA settlement of 1996. Some of the people no longer exist because of it, and others were financially hit in a very bad way. The reason we are here is to seek federal government support for being treated in an equitable and fair fashion. That is the reason for our presence here today.

We initially came forward about three years ago with a position that, if there was a quota system established—we were not sure whether there would be—each primary producing mill in Quebec have 35% of its production volume as a guaranteed quota. This position has not been supported completely by the provincial government. The Quebec government has come up with a hybrid program, which all of our members support wholeheartedly. It is not a perfect situation; it's a compromise. But it's one we want you to be aware of and would like you to support.



The first point is that we're looking for federal support of the Quebec hybrid system. We feel it is one that will get general support from our industry as a whole. The other point that's important in this hybrid system is that it's equitable and has flexibility. It allows for concerns Mr. Monahan mentioned earlier about flexibility, allowing new entrants access to the U.S. market.

What is it? What we are looking for is that 30% of the quota in the province of Quebec be on a first-come, first-served basis. The other 70% would be based on historical shipments. The 70% based on historical shipments should take care of any concerns firms may have with regard to their contractual obligations with U.S. customers.

When this system is in place, we think that over a seven- to nine-year period markets will change. We would like to see a revision of the historical figures of each firm on a yearly basis. This could be based on the prior year's shipments or on an average of the prior two or three years' shipments.

The other thing that is important to us is that this system have safeguards. There are two key safeguards we're looking for. The first is that if a firm has historical shipments and is not going to be using these historical shipments, they put them back in the pool or lose them.

The second point, which again was generated by the Quebec government, and we support them on this, is that the first in, first out system is really going to be permits. If my firm applies for a permit and I do not use the permit, there would be a financial penalty for its non-use.

• (1615)

What we're trying to do is to make sure we have a level playing field, so that no one can take advantage of the system. We have made Mr. Emerson's office aware of our position, and I think they have a full understanding of the system that the Quebec government is promoting. These points are key to preventing abuse of the system.

The last point is that, like all systems, we don't think it will be perfect, and the Quebec government has indicated it would be looking for an advisory board with regard to the day-to-day mechanics of this system, possibly revising it on a yearly or bi-yearly basis. And we would expect that our SUNITEQ group will have representation on this board.

Gentlemen, thank you very much for your time and for letting us bring our position forward. If there are any questions, we will be glad to answer them in French or in English, and you can address them to Mr. Dufour or me.

Thank you.

**The Chair:** Thank you very much for your presentation, Mr. Rolland, and to all of you. You know the importance of the issue, and I do appreciate your being here today.

We'll now get to the questions. I know there will be a lot of questions for all of you.

The questioning starts with the official opposition, the Liberal Party, Mr. LeBlanc.

**Hon. Dominic LeBlanc (Beauséjour, Lib.):** Thank you, Mr. Chairman.

Thank you, gentlemen, for your presentations. They were interesting. As we've seen in many different panels before this committee, there certainly isn't unanimity on what might be the next steps, but every presentation certainly enlightens me and all of us on the committee.

Mr. Chairman, I had a series of questions, particularly directed to Mr. Schiller and the remanufacturers that he represents. It's been a concern of mine since the beginning of the whole softwood lumber dispute years ago. In my constituency there are a number of remanufacturers. I think I have some understanding of the rather unique circumstances in which they find themselves.

So I'd like to direct a number of questions to Mr. Schiller or to Monsieur Béland, *alors c'est à vous de décider*. And if there is time left on this round, Mr. Temelkovski has a question. If not, he'll do it after.

Mr. Schiller, my impression is that over whatever period of time one looks at, as a general concept exports to the United States have been at a record high in recent years, yet remanufacturers are telling me that their exports have diminished considerably. I'm wondering if that's accurate and, if so, why might remanufacturers have suffered a disproportionate effect, as Mr. Emerson admitted before this committee, although honestly trying to find a solution.

Why, in your view, is the injury disproportionate to other sectors of the industry? I'm interested if, in your view, remanufacturers are getting a fair share of the resources and of the consultation that the government is offering other industry sectors or provinces.

I know it's a complicated question, but do you feel included and adequately informed as the negotiations are proceeding? I'd be curious to hear what your views are on that.

Also, I've always thought there was some difference between remanufacturers that are tenure holders and remanufacturers who don't have tenure and simply buy low-grade lumber on the open market. I'm wondering if that distinction is real and can mean something for the government going forward.

My final question, Mr. Schiller, is what specifically can the government do to meet your association's concerns? What is the simple solution, if there is one, or what precisely would you propose to Mr. Emerson to solve some of the concerns you've outlined?

Thank you.

**The Chair:** Mr. Schiller, you have about four minutes for the response. I'm simply letting you know.

**Mr. Francis Schiller:** I'll do my best.

Thank you very much for your questions, Mr. LeBlanc.

In terms of the current state of affairs in the remanufacturers, the member is correct. Over the dispute period, generally Canadian exports to the United States have been setting record highs and taking record-high prices as well. Unfortunately for the Canadian independent remanufacturers, it's been the exact opposite.

There are three factors that really give rise to the situation.

One, the tax right now, or the duties, are being collected on entry value as opposed to on a first mill value. What this means is that if a remanufacturer buys a \$10 piece of 2x4 and further processes it and adds labour and transportation, by the time it gets to the border it's \$15, let's say, and he's taxed at the \$15 rate.

The second problem that's giving rise to this imbalance is duty pricing and practices. What's happening is that, for example, a producer in Toronto would be paying roughly the same price and sends duty in to remanufacturers in Buffalo. So what that means is the competitors on the Buffalo side have an innate advantage—just straight-out pricing.

The third factor that's giving rise to this imbalance is the fact that, over the dispute period, primaries have attempted to bolster their exports and ordered to make a bigger claim on the quota, so this has negatively impacted the availability of supply here in Canada.

So those three factors—the entry value, the duty and pricing practices, and the incentive for primaries to export as much as possible—have given rise to the large imbalance. That's reflected in the statistics, again. At the start of the dispute, remanufacturers accounted for between 7% and 10% of Canada's total exports, and now they're down to less than 3%.

In terms of the fair share of resources, we think that the government's funding levels speak for themselves. The government has provided well over \$30 million in industry assistance. Our group has received very little of that. We don't have any legal representation. We have one lawyer in Washington who works part-time on our affairs. As Mr. Béland mentioned, it's resulted in the fact that some of our legal points have been lost in the shuffle, and therefore some of our legal rights have been forfeited in the process.

In terms of remanufacturers' differences between non-independent or tenure-holding remanufacturers...the bottom line is, if you have tenure, you're not an independent remanufacturer; you're effectively a primary processor. So we believe that the government has to hold that line. To hold tenure is a choice that companies make. If they want the independent status, we believe that all companies can take the business decision to turn that tenure back over.

Finally, in terms of what we would like to see, in fact, our sector does have a solution, and it's unanimously supported across our operations across the country. We want to implement a pilot project, based on the maritime model. We'd like to implement a certificate of origin program to assist U.S. Customs process exports from independent remanufacturers here in Canada. We believe this will

help weed out circumvention, and in addressing American concerns on circumvention, I think it is the first step to having this group of producers' exports enter the U.S. without issue.

It's important to note that you've heard many different comments about legalities. The reality is that no legal victory will help this group of producers in Canada. No legal victories are really required, as technically they have no formal allegations against them. They don't participate in the programs at the core of the dispute. This has been certified by the provinces and the federal government. Effectively, they're just trapped in this, and until there's a will to move forward and move this group out, we're victims. The reality is that we can't afford to stay in this dispute any longer. That's why we strongly encourage the government to get a deal and deliver it for the industry.

I hope I've addressed some of your issues.

Perhaps Mr. Béland has something to add.

• (1620)

**Mr. Martin Béland:** We're a small company with no money for legal expenses. We went the route that was proposed to us. In 2004 we had a chance to get recognized and to be exempt, if the U.S. had complied with WTO. Canada just had to follow through on it; Canada did not do it. I tried to find out why, and I don't know why. Now, in 2006, we're still there and we're not exempt at all in the deal, so I'm trying to get some answers. It's hard.

**The Chair:** I'd like to thank you both for being so well prepared and so concise in your answers. It makes it easier for me and for everyone at the committee.

Now we'll go to the second round of questions. To the Bloc Québécois, Mr. Paquette.

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chairman.

I too would like to take this opportunity to thank you for your presentations. They were most precise.

I will put my question to Mr. Rutenberg, given that we do not often have the opportunity to hear witnesses from the United States.

Even though a lot of people in the softwood lumber industry would have preferred the negotiation route via the framework agreement, they told themselves that, despite the legal victories that had been won, they would never be able to come to an agreement with the Americans.

In your opinion, would it be possible to establish between Canada and the United States free trade conditions for softwood lumber? Free trade exists for virtually all other trading sectors.

• (1625)

[*English*]

**Mr. Barry Rutenberg:** Yes, if I understand the question correctly, it's can we have free trade in softwood lumber like we have in other sectors? It's a very interesting question.

I think it's possible. I thought Canada was getting very close in the legal system. I know that the United States government has taken postures and, in some people's opinions, has gone to duties that were higher for negotiating position. I know there's a lot of money and pressure on cashflows. However, you're so close that I hope you can see the course.

I'm quite concerned about two factors. I'm quite concerned that in the future you might have to start over. Canada might have to start over from the very beginning, and you would lose the trail of victories you have with NAFTA and the WTO in international courts.

The second factor I'm concerned with is that my personal experience—and I've been on this file for 13 years now—has not been wonderful with the coalition, as far as trying to come to a conclusion is concerned. I think that if you settle at this point with the agreement, as I understand it's proposed, you will have continued confrontation. I do not believe you're going to have the trade peace, which some people envision. I think they're going to have \$500 million, and they're going to use those funds to police you.

During the memo of understanding, I think they contested when the rail rates changed. You're not going to be in the period of trade peace that might be envisioned. I think you might be better off achieving that final goal of free trade by staying the course and staying with the legal action that you're currently pursuing.

[Translation]

**Mr. Pierre Paquette:** In your presentation, you talked about the way in which the price of wood is evolving in the United States. Are you convinced that the price will go down over the next few years? If not, will it remain relatively high? I had understood that it had gone from approximately \$365 to \$325 per thousand board feet in the course of a few weeks.

I would like to know what your analysis is of the American price for lumber over the next few years.

[English]

**Mr. Barry Rutenberg:** The random lengths composite index, which by the way also includes the price of U.S. producers.... It's just not Canada. Canada will be hitching their wagon, so to speak; they will be dependent upon the price the Americans sell for. If the Americans go lower, then Canada will have increased export taxes and export quotas.

Home building in the United States is getting softer, it's getting slower, and it's differing by region. In parts of Florida, where I'm from, major producers of housing are now offering \$50,000 to \$70,000 incentives to move completed inventory. Some markets are very good. Texas and the State of Washington are excellent. But if you look at the published reports of our national public firms, some are now reporting orders 20% to 30% less than a year ago.

We don't think this is short term; we think it's a gentle trend. We don't think it's a crash, but we don't think you can depend upon the prices you've had over the last couple of years. We think the prices will be lower over the next three-year period.

It's difficult. How good have the economists really been? I'm an economics major, but I wish we were that good. It's our real, honest

belief—it's my personal belief—that the American housing market is going to slow, and therefore the demand's going to come down. Since we account for two-thirds or better of the consumption of softwood lumber—commercial is more steel—I think you're going to see softness in your lumber prices. It's logical to me.

[Translation]

**Mr. Pierre Paquette:** Mr. Dufour, I am happy to see that even Bowater's representatives are sensitive to this reality. I had not thought of that aspect of the situation. It nevertheless is interesting to see that newly established plants are not able to fulfill the historical requirements. In the same way, an independent businessman who was unable, due to a lack of funds, to export to the United States during the dispute has no history either.

We sometimes hear people say that quotas can be bought. Was it meant by that?

• (1630)

**Mr. Luc Dufour (President, Scierie Landrienne inc.):** From 1996 to 2001, some companies had very little quota. It did happen that companies holding a lot of quota were bought out by people wanting to take advantage of this quota.

**Mr. Pierre Paquette:** I am pleased to see major players have such a concern. Is the Conseil de l'industrie forestière du Québec open to the possibility that independents or companies with newly opened sawmills might benefit from a more flexible quota distribution system than that which existed in the past?

**Mr. Luc Dufour:** I do not wish to speak on behalf of the Conseil de l'industrie forestière du Québec, which recently outlined its position on this matter. There are diverging opinions amongst the various companies. We have not reached a consensus, but we do agree on the principle.

**Mr. Pierre Paquette:** Mr. Ritchie, you were a negotiator for the previous government in the softwood lumber dispute. Are you in any way employed by the present government with regard to this issue?

Several people have asked us to find a way of preserving Canada's legal victories. Would it be possible to do so in the context of these negotiations with the Americans?

**Mr. Gordon Ritchie:** That would be extremely difficult, for the simple reason that that is precisely what the Americans are opposed to.

I view litigation as an instrument aimed at improving our negotiating position rather than as a means to achieve a final result, because this litigation is dragging on. However, our victories reinforce our negotiation position. Without these victories, I very much doubt that the American coalition would have come to the table to negotiate.

We cannot envisage an agreement that would not put an end to this dispute. It is somewhat like waiting for a bus: the longer you wait, the more you have invested, and the less you are prepared to walk. In the end, the bus does not come and you have to find some other solution.

I was very disappointed to hear the Americans indicate that with regard to this sector, and only this sector, they were not at all prepared to respect their legal commitments nor their own legislation. I do not approve of the Americans' approach. It is frankly despicable, but it is a reality that we must deal with.

[English]

**The Chair:** Thank you, Mr. Ritchie and Mr. Paquette.

Time is up. Again, I appreciate the focused answers.

Now we'll go to the government side and Ms. Guergis.

**Ms. Helena Guergis (Simcoe—Grey, CPC):** Thank you very much, Mr. Chair.

I would like to thank all the witnesses for being here. We appreciate your testimony today.

My first question is for Mr. Ritchie. I understand that you were one of the principal architects for NAFTA.

**Mr. Gordon Ritchie:** It was for the original Canada-U.S. Free Trade Agreement on which NAFTA was based.

**Ms. Helena Guergis:** It really is a pleasure to meet you. Thank you for being here today.

Mr. Paquette had a question for Mr. Rutenberg about free trade within the softwood lumber industry. Would you care to comment on that question?

**Mr. Gordon Ritchie:** From the historical record, it is very clear that the Americans, whether Democrats or Republicans, on the Hill or in the administration, are simply not prepared to agree to free trade in lumber, period. It is their view, and was their view from the outset, that it had no part in the free trade agreement. Under President Reagan it was carved out under a separate memorandum of understanding, and the agreement I negotiated necessarily permitted that understanding to continue to govern that sector.

When Canada terminated that agreement because of precisely the sort of micro-management they're trying to do again, a new administration was in power and took the same position. They violated the GATT, in those days, and the free trade agreement in order to come after Canada in a totally unwarranted fashion.

When they lost their cases before the panels—exactly the same scenario we have here, including an extraordinary challenge, which they lost—although they had the decency to stop collecting the duties, they refused to pay anything back unless and until a managed trade agreement was reached, which was the Softwood Lumber Agreement.

When that expired, again it was the same thing. They immediately came in with trumped-up countervailing duty and anti-dumping charges. When they lost before the panels I was shocked, and I'm not easy to shock, because at that point we were in intense negotiations with the Americans on the basis of an agreement not dissimilar from this. When the special trade representative of the United States, a cabinet-level officer, basically said that the United States was not going to respect its obligations under the free trade agreement, it was a disgraceful day in U.S. trade policy.

When the Commerce Department went on to make clear that they were under no circumstances prepared to return the deposits, indeed they claimed they could not return the deposits except under a special separate managed trade agreement, I regretted that. But I'm a realist, and my answer to Mr. Rutenberg is that I wish he were more successful back home in Washington in persuading the folks on Capitol Hill and in the administration to realize the kind of economic impact this sort of protectionist nonsense has on U.S. home builders and the purchasers of those homes. It's very bad public policy. However, he hasn't been successful, and the current administration has taken a posture that is even more opposed to any form of free trade than the previous one.

One can always live in hope. It is possible that there could be a dramatic sea change in U.S. politics, and for the first time in 25 years you could have a Congress and an administration that were prepared to play by the rules. But I see no evidence of that.

● (1635)

**Ms. Helena Guergis:** Thank you.

My next question is for Mr. Monahan.

In your remarks you explained that your mill was only a couple of years old, and you talked about flexibility under option B. Can you explain a little bit more what you mean about flexibility?

I think you also mentioned something about a tax credit for investment. Can you explain how you would see that working for us?

You talked about reserving quota volume for new entrants. Have you got some ideas on how that would work?

**Mr. Pierre Monahan:** On the first issue, the tax credit, what I have in mind is that with all those proceeds that eventually will come back to us, and taking into account that the industry is going through a major crisis and needs big reinvestment big time, the government could convert this to a big opportunity for us. Anybody could use part of the proceeds—because I'm pretty sure most of the proceeds will go against debt payment, but there will be some used for reinvestment because we need to reinvest to be more productive. I refer to productivity, lowering our costs, and not to volume. A good incentive could be that if we do invest, we'll have access to tax credits to help support investment. I think it's a great opportunity for the government and it would certainly be appreciated by the industry.

That takes care of tax incentives, because we need tax incentives. The American industry has tax incentives and the Brazilians have tax incentives to invest, so why not Canadian producers?

The second point is this. In terms of flexibility, Mr. Rolland explained very well what I had in mind. We deal with customers with whom we have long-term contracts; for example, Home Depot. Once a year we sit down with a client and agree to a volume for the year and then ship through the year. To live up to the contract we need some flexibility. In other words, if the day comes when you hit the wall with the quota, then what do you do with your contracts? We should take care of that issue in the mechanism to account for the quota amount. It's possible by a carry-forward or a carry-back within a period of time; if it's not quarterly, it could be annually. But we need flexibility to take care of those contracts we have with major customers in the States.

We are a good example of a quota for new entrants. We invested over \$90 million four years ago to build a new sawmill in northwestern Ontario. In our case, the only market that mill can access is the United States. We can't think about shipping to Toronto; we're too far away. If we don't get the proper quota, we jeopardize the existence of that mill. So of course I'm in favour. I'm speaking for myself, but I have to be in favour for other people too, and I think this problem is being taken care of. We all realize it's going to end up in the provinces' hands, but we'd like you to convey the message to the provinces somehow that they have to take care of new entrants.

•(1640)

**The Chair:** Just a very short question.

**Ms. Helena Guergis:** Just quickly, do you have any idea what your capacity would be now or what kind of quota you would have?

**Mr. Pierre Monahan:** Yes, it's well known. In our case, that mill has been in ramp-up mode for the last three years. We're now at capacity. Historically, to avoid anti-dumping measures, we've been shipping 90% and not 100% because of the low grades we have. We couldn't ship to the States and sell under our costs, so we've kept it in the market. But based on 90%, in our case we need 265 million board feet, and the Ontario government knows this as well.

**The Chair:** Thank you, Ms. Guergis.

Now to the New Democratic Party, Mr. Julian, for seven minutes.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you, Mr. Chair.

Thank you to each of the witnesses.

We've had uniformly excellent presentations through each of our hearings, and that excellence continues today. We thank you very much for coming.

I have four specific questions that I'll put out there, and if I have any time, then I'll come back to supplementaries.

First, to Mr. Schiller or Mr. B eland, you talked about how devastating this agreement is right now to lumber remanufacturers. We've certainly heard from some of your colleagues in previous sessions. Now Jamie Lim from the Ontario Forestry Industries Association said that she believes with this deal we'd lose 20% of mills across the country. Do you have any studies as to the job loss with the deal as is? We're not talking about a potential deal that somehow might be magically negotiated, but the deal as is. What might be the job loss for lumber remanufacturers?

Secondly, Mr. Rutenberg, thank you very much for your presentation. You've reminded us that we are extremely close to a final victory under the ECC, and that's important for this committee to take note of. You also mentioned the \$500 million—half a billion dollars—that would go to continued confrontation, to actually fuel continued confrontation if this deal were to go through.

I have received a lot of information from softwood manufacturers from British Columbia. One that I received a couple of days ago referred to the fact that duties will change monthly under this deal, and that actual duty rates will be calculated after the fact. The point that this person from Campbell River, British Columbia, makes is that trying to manage their business with a duty cost that changes monthly and is only truly determined after the fact will be disastrous.

So I'd be interested in the impact on your side of this very convoluted formula, basically running rules that are not commercially sustainable.

Thirdly, Mr. Falconer, thank you very much for your reference to raw logs. That's a real concern in British Columbia, as I know it is elsewhere in the country. Your belief is, I believe, that this will stimulate raw log exports. Do you have any figures in terms of job loss under this agreement that you could share with us?

Then finally, Mr. Ritchie, I enjoyed your presentation. I must say you were damning this agreement with faint praise. You did say it was the best agreement that we can see at this time, but you also talked about the flagrant violation of NAFTA and domestic law by the Americans, that the Americans had no legal or moral right to the money. You called it a ransom, the billion dollars that would be sent south. We call it the proceeds of trade crime. You said that the anti-circumvention clause is completely unacceptable.

So the question to you is this. We do have, as noted by Dr. Elliot Feldman, who is one of the real experts in trade law in North America, an ECC final appeal that is presently suspended by our government. If we continued with that ECC decision, it's non-appealable.

So I'm wondering why you don't favour that approach of the ECC final appeal using the chapter 19 provisions for non-compliance that we have, as you well know. And what provisions around the fact that this deal has to see all the lawsuits withdrawn...and we've basically seen companies over the last few weeks voting with their feet. As of last Thursday, there were 112 filings of lawsuits by Canadian companies, and each one of those would have to be withdrawn for this deal to become operable.

I'm wondering how that influences the overall landscape of this deal, when companies are basically saying, "No, and we're going to put a lawsuit in to make sure we have a veto over this."

Thanks for answering those questions.

• (1645)

**The Chair:** Thank you, Mr. Julian.

You have about three and a half minutes for everyone to answer, so perhaps you could go ahead, Mr. Schiller.

**Mr. Francis Schiller:** To be clear, our group does not oppose this deal. We believe that the status quo is the surest way of ending value-added remanufacturing in the country and all of those jobs associated with that.

In terms of a response to your specific question, as to whether we have detailed analysis, no, we do not have a detailed analysis on job losses. Anecdotally, though, it's safe to say that around 60% of employment in independent remanufacturing operations across the country is down right now from the current status quo. So we need a deal to get back on a level playing field.

**Mr. Peter Julian:** But you said that not recognizing that it's within the agreement—and you said that the lumber remanufacturers are not recognized in the agreement—would mean that remanufacturers will die. What could be the potential job loss?

**Mr. Francis Schiller:** Just to be clear, independent remanufacturers are in fact recognized in this agreement and—this is notable—it's the first time independent operations have ever been recognized in the context of a formal agreement. That is a positive step; although it's not perfect, it is positive. So we are recognized in the agreement for the first time.

From our perspective, we don't have the luxury of obtaining legal opinions and we don't have the benefit of seeking legal recourse. From our perspective, that's a “let them eat cake” approach, because the reality is that this group of distinct producers in Canada doesn't require any legal victories. They're technically entitled to free access right now, and what we want is the government's will to say, look, we're going to get this group of producers out right away; we'll address their concerns and move forward and allow the debate to continue on those areas where there's a lot to discuss. But from our perspective, the issues of disagreement are not associated with independent remanufacturers.

**The Chair:** Thank you.

Mr. Rutenberg is next.

**Mr. Barry Rutenberg:** In the SLA we had quarterly quotas, and you knew ahead of time what they would be. This one, as I understand it, will have monthly quotas, and you won't know until afterwards. That can't do anything, I would assume, but increase volatility in the market price. Everybody here has seen the graphs of the volatility, and it's very significant.

Here is what happens if you're a consumer in the States, a builder, and you face volatility. Often I have to sell a house nine months ahead of the time I need the framing material, so it makes me more interested in alternative materials such as steel or concrete block, or it makes me more interested in wood from other markets. I would prefer to stay in North America.

The third thing that puzzles me is that in the States, even in Florida, we're losing remanufacturing jobs to what we thought were Canada and China. Maybe we're only losing them to China. I know

that in DC, Canadian trust companies are competitive in the DC market from Canada, and there are other things. There are stories I hear on my side on this, and parts of this are confusing and not clear, but I think that the shorter term, and knowing it retroactively, will increase the volatility, and that can't do anything for a stable market.

• (1650)

**The Chair:** Thank you.

Mr. Falconer.

**Mr. Roger Falconer:** I don't have any specific numbers. I can tell you that the raw log export problem is primarily a western Canadian problem. It's situated mostly in the province of British Columbia. Thousands of workers have lost their jobs over the last few years because the federal and the provincial governments are guilty in allowing these raw logs to be exported without being processed in the communities in which they're harvested.

Our position is that too many communities are being closed down. Local sawmills need the work, need to be processing these trees in Canada so as to support the communities, so that the communities can survive. That's our position—that those raw logs simply should not be exported. That's our position.

**The Chair:** Thank you.

Finally, we have Mr. Ritchie.

**Mr. Gordon Ritchie:** Thank you, Mr. Chairman.

Elliot is a great fan of litigation. Indeed, I've observed that most of the lawyers on this file are, as are their children, and their children's children.

**Some hon. members:** Oh, oh!

**Mr. Gordon Ritchie:** I have to admit almost personal culpability. When I not only drafted the extraordinary challenge procedure but convinced a reluctant Prime Minister that it was necessary to avoid frivolous constitutional challenges, I never expected, even in my worst nightmares, that the Americans would, first of all, use it every time as a routine appeal in the hope that eventually they'd win a lottery by having two crazy American judges in the process; nor, since that hasn't happened yet, that when they lost those cases, they would then refuse to abide by them, despite the fact that under U.S. law those are final and binding decisions.

Yet I would remind you that when you are putting it against Elliot's conjuring about this wonderful, glowing future—winning the next ECC—that we have already won the extraordinary challenge. We won it last year on the injury case, and that's the end of it. Legally, we won.

Eventually, we had to go before the United States Court of International Trade to try to get them to force the administration to obey their own laws. I guarantee that if, as I hope, a decision were to have gone in our favour, it would have been appealed and appealed. Further, if we were to have won all those appeals, and if the Americans finally decided they would actually obey their own highest court, then the following day the U.S. coalition would introduce another lumber case, this time with renewed determination and very possibly with further congressional action to make their own law even less favourable.

So consider the source on that sort of an observation.

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

Now we go to the second round and to the official opposition. It is Mr. Temelkovski, for five minutes, please.

**Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.):** Thank you very much, Mr. Chair.

I'd like to ask Mr. Rutenberg a question. We're negotiating with the Americans. All the appeals have been successful for Canadians and unsuccessful for Americans, yet at the end there's no agreement, or there's an agreement that is substandard or one-sided. Do you think that the American negotiators in the future will use this as a precedent for other agreements or for dealing with issues other than softwood lumber?

**Mr. Barry Rutenberg:** I'm afraid that it could be true.

We had people comment today that softwood lumber has been treated a little differently. Indeed, the cement agreement with Mexico that concluded a month or two beforehand did have exit ramps and a conclusion at the end of three years.

I think that within the lumber framework, which I certainly believe is a major trade disagreement between the U.S. and Canada, this would have a precedent. I don't know that I could say it would apply to milk or other things. I don't know enough to answer that question.

I think this could come back to haunt you. "Haunt" is the word I was thinking of, and I haven't come up with a better word. I think it would stay there, and it would be a ghost to you.

If you give it up now, having gone as far as you have, you'd get to start over. A lot of tuition has been paid and a lot of legal fees have been paid. I'm not trying to send every attorney's grandchild to college tuition free. If I were sitting on your side, I wouldn't want to start over.

As a consumer, let me make a point. You talked about \$5 billion. From the American consumer's viewpoint, for that \$5 billion or more since May 2002, you have to count the fact that we've also paid on all the domestic U.S.-produced ones. It's at least \$15 billion. The guys who do southern yellow pine have done it, and so have the cabinet people and the garage door people.

My personal estimate, and not the association's estimate, is that we're looking at \$25 billion to \$30 billion. It's spread over to the consumer since May 2002. It's huge money. I think part of my dream is that someday some of it may actually go back to the American consumer, but that's not where we are in court.

If you asked me about where you are, if I were you, I wouldn't want to lose the momentum that I have. You'd have to start over. In people's minds, the people in the Commerce Department and USTR, you're going to reinforce their position. I think that would be terribly unfortunate. If I was sitting on your side, I would consider it to be ill-advised, but it's obviously your decision.

• (1655)

**Mr. Lui Temelkovski:** Mr. Ritchie, maybe you can comment on the same thing.

Most of you have also said that we had to hold our noses when signing this. Whether you agree or disagree with the agreement, we've got to take the medication and move on. How much medication do we have to take? If it was \$1.1 billion or a \$1.2 billion difference, would we have not signed it?

I would say this is a negotiator's nightmare or a skill set that one would have to come up with. Where is the breaking point? Where does this direction come from? Does it come from Ottawa? Are the stakeholders around the table outside government directing the negotiators? If it's going to be half a billion dollars, maybe we'll give it to them. But where do we stop? Is there a slide rule here?

It must get awfully hot, as it does in this room, at those negotiations.

**The Chair:** Mr. Ritchie.

**Mr. Gordon Ritchie:** It does indeed get fairly warm, and as you will appreciate, I'm not one of the colder ones at the table. Sometimes I get pretty upset about this.

First, on the question you put to Mr. Rutenberg, I agree with everything he says. As I was joking on the way in, I thought his estimates of the adverse impact on the American consumer are, if anything, too low. Looking at it top down instead of building it bottom up, it has to be at least a \$15 billion U.S. hit for the American consumer, \$10 billion of which has already been pocketed by the U.S. industry through higher prices, and then they hope to get another chunk of the deposits in cash to add to it. I'm heartened to hear him say he thinks it's actually higher, that it could be \$25 billion.

I think that's lousy U.S. public policy, and if I were testifying before a congressional committee—which I won't be, but if I were—I would say to them they were headed down a very wrong track. But that's where Mr. Rutenberg should be instead of here—and he's done it, and his team has done it, and they're not calling the shots. When I sat down at that negotiating table last year or in earlier years, I couldn't feel the home builders' presence there. I could certainly feel the coalition's presence there.

On the precedent issue, I would just reiterate what I said before: that horse has left the barn. We won all the cases back in 1996 and we had to settle because the Americans refused to return the money. Despite the fact that a strong legal case could be made that they were under the legal obligation to return the money, they claimed they couldn't without an agreement that was acceptable to them—an agreement that was to the serious disadvantage of the U.S. consumer, but that for the Canadian producer was in fact a pretty attractive deal.

When you talk about the size of the ransom, again it's sort of Santa Anna; you have to remember the history here. I obviously am not prepared to discuss what went on while I was at the negotiating table last year, but I can tell you it's a matter of public record. But in 2003, many governments ago, very serious consideration was given to an agreement in principle that was going to split the deposits not 80-20, but 52-48. It was a smaller volume of deposits, but that was looking at basically splitting the kitty in half. This agreement—as I say, I have to hold my nose to support it—is a bit easier to support at 80% than at 50%, and with the U.S. industry not getting 48%, but instead getting half of the remaining billion dollars.

This is not theology; this is not Utopia; this is a very difficult trade situation in which you're dealing with an extremely powerful U.S. political lobby. As Mr. Rutenberg will attest, he has more members, but I suspect this industry is putting more money into presidential campaigns, and I know they can get more signatures on a senatorial letter to the President on 24 hours' notice than anybody else I've ever seen. So it's a very powerful industry, and it is dictating the U.S. position on this.

● (1700)

**The Chair:** Thank you, Mr. Ritchie.

Mr. André, you have five minutes.

[*Translation*]

**Mr. Guy André (Berthier—Maskinongé, BQ):** I would first like to thank you for your presence here and for agreeing to answer our questions about softwood lumber.

Mr. Monahan, my first question relates to export charges. Option B is a little complex. Quebec tends to lean in that direction, but the ceiling is very strict. Option B sets a quota, which could be harmful to certain companies wishing to bid on certain contracts. This option could impact quite negatively on some of them. If this option remains strict and allows no leeway for other avenues, what consequences might this have for Quebec's lumber industry?

Mr. Ritchie, you say that we are ready to sign this agreement, but that it has some deficiencies. We did however win our cases with regard to softwood lumber before the NAFTA panel. This new agreement continues to say that according to certain allegations made by the Americans, Canadian industry benefits from subsidies. Should they not simply be excluded?

I have a question for all of the witnesses. According to certain rumours, the reimbursement of the four billion dollars that lumber companies have paid out in countervailing duties over the years would only begin starting next April. All kinds of delays and procedures are being invoked to justify this delay, which could harm the industry yet again.

The Bloc Québécois has proposed loan guarantees as temporary assistance for the industry. If this situation were to last a few months longer, how would the industry be able to go on? Certain companies might go bankrupt within a year if they do not get this reimbursement.

● (1705)

**Mr. Pierre Monahan:** I would like to state at the outset that our company is in favour of Option A, given the specific position of one of our mills in Ontario. We have done calculations and drawn up market hypotheses based upon the predicted sale prices that have been published. Indeed, Option A would cost more in terms of taxes, and its impact is more negative.

That being said, there is consensus in Quebec with regard to Option B. The caution with regard to this option relates to the flexibility of its administration.

Let us take the case of Home Depot. A customer tells me that he would like to get delivery right away of what I was supposed to send him next month. I will not be able to make the delivery because I have already reached the set quota. They even went so far as to suggest that we be levied a penalty, that we be granted a given period of time to make the necessary adjustments and that the calculations be adjusted later. If I make the necessary adjustments within a 12 month period and if I respect my quota, there should be no penalty. If I go over my quota, I will have to pay a penalty. Let us be given the necessary flexibility to be able to satisfy our customers' needs, because, otherwise, we will lose contracts. Option B must provide for this flexibility that would allow us to accommodate our customers.

**Mr. Gordon Ritchie:** With regard to the matter of precedents, which also covers the domestic issue, frankly, softwood lumber has always been a little bit apart from the rest, just like milk is here in Canada. I therefore am hoping that this will not affect the other relationships there are between our two countries. There are however no guarantees in this regard. To date, no other industry in the United States had the will nor the political weight to convince the American government to completely set aside its legal commitments. But there are no guarantees.

Secondly, you and I both read the agreement in principle and nowhere do we see a concession on the part of Canada with regard to subsidies purportedly granted to our softwood lumber industry. I can tell you that when I was at the negotiation table, the premise was to reject outright any allusion to subsidies to our softwood lumber industry. We have seen that every time this matter has been put before an independent arbitrator, we have won.



That being said, this in no way prevented the coalition from repeating over and over that Canadian softwood is subsidized and, big surprise, its allies in Washington believe this to be true. Nothing in the agreement will change that.

I would have liked us to be able to include in the agreement that everyone accepts the fact that the softwood lumber industry is not subsidized, but we have not said that that was the case.

Finally, with regard to the reimbursement issue, I have no good news for you in this regard. It is crystal clear that the Americans will drag out this process, just like they did the last time, when we had to wait more than eight months for payment of a much smaller amount. This time, we will have to wait quite a while.

It is not for me to give you an answer to your question with regard to guarantees for the affected industries. Personally, I believe that we could mount quite a solid case in that area.

[English]

**The Chair:** Thank you, Mr. Ritchie.

*Merci, monsieur André.*

Now we'll go to the government side. Mr. Lemieux, you have five minutes.

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thank you very much, Mr. Chair.

I'd like to put this brief question to you, Mr. Falconer.

If I heard correctly, yours is the largest union representing forestry workers. When you were giving your presentation, you were quite categorical in your view on this agreement. We've heard from many witnesses over these past few weeks and, much as there is today, there has been a variance of opinion on the softwood lumber deal.

Under the trade action, I think there certainly is consensus that the lumber industry has suffered. It's suffered terribly from many perspectives, certainly from the cost of litigation and from the cost of paying duties. The outcome has been that some companies have had to close their doors. There has been a loss of work under the current situation.

My concern is that you were very categorical in condemning this agreement, and yet I think there are positive aspects to it. For example, there's stability for the market and stability for business in particular. On the business side, you know that if you're trying to slay too many dragons at the same time you have to decide where to focus your efforts and how to balance one against the other. I see that this deal offers stability to businesses and, in doing so, offers stability to the workers. When you have a company that's stabilizing, or when you have an industry that's stabilizing, I think people have confidence now in their company and they have confidence in the longevity of their term of work. As well, this \$4 billion in duties coming back to the lumber industry, as we heard today, will help pay the debt that has to be paid and will also have a stabilizing effect on companies.

To come to my question now, there's no doubt that there's probably an information network that exists amongst the lumber industry and amongst workers. I'm sure they're hearing the variation in opinion that we hear here, including that there are good things that

this deal offers. There are concerns too. I'm wondering how you communicate what I see to be positives to your workers. I'm wondering if you could comment on what I've just said, which is that there are positives to this. And I'm wondering how you communicate that to the actual workers in this industry.

● (1710)

**Mr. Roger Falconer:** Well, actually, we communicate to members by listening to their concerns. Their concerns are about the future. You talk about stability and communicating stability. Well, we talk about that all the time. We want the communities in which our members work and live to remain active, to remain open. Most of these mill towns are single-industry towns, so they depend on the forest resources to maintain the community.

What we'd like to see are the things that have been said around this table. I like some of the things I've heard; some of the things I haven't liked. The one thing that has been communicated pretty clearly is that if we allow this deal to go ahead as it's made up right now, it won't provide us with the stability that you're talking about. It may provide us with some short-term benefits, but it's not clear what we're going to have. If we allow the Americans to dictate to us about access to their market—and I've heard different speakers talk about this—there's a disregard that American legislators have for our sovereign rights, which we've negotiated as part of a deal.

Our members have every right to expect that the moneys that were imposed illegally, and have been found in every realm so far to be imposed illegally, should be returned in total to those communities. You say, "Well, we'll just give them \$1 billion", but it seems to me that \$1 billion in these communities would go a long way to providing better conditions for people who are being jeopardized by the same exports of raw logs or the duties imposed that prevent their mills from being run.

The second part of that is that we have a real concern about the \$4 billion that's coming back to the industry. What we want is some kind of guarantee from those companies that the \$4 billion or a portion of it will be reinvested in the Canadian forest industry. As you said, our goal is the same as yours: we want to make sure there's a survival into the future.

If you look at how the Americans ignored us, if you take that one aspect.... The Americans are ignoring our wins, whether under the NAFTA panel or at the WTO. They've ignored them and they keep ignoring them, because they're hoping they'll frustrate us by waiting us out. What we're saying is that we don't think it's worth giving up when we're so close to the end.

Now, I've heard some people say that even if we win this, the next week or the next day the American coalition may put in another brief. What we have to go forward with is that we're right. And it's for the future, because if we give up now, when we try to exercise our rights in the next NAFTA.... If the government agrees to this deal, and if, God forbid, in seven years' time the coalition puts in another challenge, or if even before then it puts in another challenge—

• (1715)

**Mr. Pierre Lemieux:** I think one of the differences is that this will return \$4 billion to the industry, as opposed to the illusory idea that this could end any minute now, and we may get \$5 billion or we may not get \$5 billion. That's where I see some stability being offered.

Actually, I'd like to just, in the remaining moments—

**The Chair:** Thank you, Mr. Lemieux. You're out of time, and we're out of time for the witnesses.

I'd like to thank all of you very much for your presentations today and for your answers to the questions. They were very well done and much appreciated.

I will suspend the meeting for two minutes to allow the witnesses to leave the table. Then we have a motion to deal with, and we'll deal with that.

• (1716)

(Pause)

• (1720)

• (1720)

**The Chair:** I'd better start by reconvening the meeting here. We have a motion to deal with.

Mr. Paquette, would you go ahead and do what you'd like with the motion? Move it, if you'd like, and give us a bit of an explanation of what this is.

I do want to say that it is extremely unusual to have a committee report done in the form of a motion. In the past, any time I've been involved, there has been a report written by the researchers, based on the testimony heard. That report carries through the process, is debated at committee, and then goes on to the House.

But I understand that your motion is in order, Mr. Paquette, so go ahead, please.

[*Translation*]

**Mr. Pierre Paquette:** Thank you, Mr. Chairman.

Let me first begin by saying that it is true that this is unusual, because we normally go through the researchers. But let us however say that this is not a first, since last week, the Standing Committee on Agriculture and Agri-Food passed a motion that was tabled as a report, and this same document was even adopted by the House of Commons last week. What we are attempting to do is therefore not impossible.

I drafted this motion because we probably will not have sufficient time, before the summer recess, to get a bone fide report from our researchers. I am told that Thursday, most probably towards the end of the day, we will be adjourning for the summer. That may not necessarily happen, but I would like to see us leave at least some trace of the fact that we heard witnesses during our first two meetings and that they did come and confirm a certain number of things.

If you will allow me, I will quickly read through this and make a few comments.

Based on the testimony heard, the Committee on International Trade recommends that the government:

1- Take the time needed to conclude a final agreement that meets the expectations of the Canadian softwood lumber industry, since it will be in effect for 7 to 9 years;

I believe that everyone would be in agreement with that.

2- Uphold Canada's legal victories before NAFTA tribunals and ensure that the agreement does not include any reference to the American allegations of presumed subsidies to the Canadian industry and harm to the American industry;

To my mind, everyone would be in agreement with that as well.

3- Ensure that the anti-circumvention clause is worded so it preserves the provinces' ability to amend and enhance their forestry policy without the risk of American reprisals;

Several witnesses brought this matter up. As a matter of fact, Mr. Ritchie mentioned this here again today. He said that this was perfectly logical and that the Americans had even tried to infer that it would be necessary to keep an eye on the provinces' forestry policies. The idea here is therefore to ensure that this clause, aimed at preventing the circumvention of the agreement, not be drafted in such a way as to in fact grant veto powers to the American authorities over our forestry management.

4- Ensure that under Option B, which stipulates export taxes and export ceilings, the ceiling is not so rigid as to prevent companies from obtaining and honouring major contracts in the United States. A flexible ceiling could be provided in various ways: carry forward of unused part of a quota to the next period; possibility of exceeding the quota by "borrowing" from future periods;

This is exactly what the representative from Bowater explained to us a few moments ago.

5- Ensure that under Option A, the Canadian industry is not excessively penalized for sudden and temporary increases in softwood lumber exports to the United States. In this case also, the necessary flexibility could be provided in various ways;

6- Take every measure to ensure that Canadian companies receive with interest their due share of countervailing and anti-dumping duties within 90 days of the conclusion of the agreement and not of its coming into force.

You are aware that in the agreement there are countless things that are required for its coming into force and that could take up to 180 days. This would mean that 90 additional days would be added to the 180 days already provided for. We must therefore ensure that 90 days after the conclusion of the agreement, companies will have been paid their due share of countervailing duties.

Without this commitment from the American authorities, the government should present a loan guarantee program, covering all the amounts owed to the companies. The Committee reiterates that, for the purposes of a general audit, loan guarantees are not regarded as an expenditure.

7- Be extremely vigilant in obtaining an effective mechanism to resolve disputes over the interpretation of the agreement.

Everyone has requested this.

8- Ensure that if, for technical reasons (computer system not yet ready, for instance), regions that chose Option B must be subject to Option A, these regions are not required to pay the tax levels stipulated under Option A, but rather those under Option B.

This would occur in cases where technical problems would prevent the execution of Option A.

That this motion be tabled in the House as the Committee's report within the next 24 hours.

The clerk suggested that it be 48 hours. That is not a problem for me. What matters to me, is that the Committee table some initial reflections. If the agreement were not signed before our return in the fall, then we could resume this work.

There then are the issues there is consensus on and that we have heard during the course of our first hearings. I therefore move the adoption of this motion.

• (1725)

[*English*]

**The Chair:** Thank you, Mr. Paquette.

Is there debate on the motion?

I do want to point out that I, for one, have to leave right at 5:30. I have an appointment. I know there are others, as well.

Debate on the motion.

Ms. Guergis.

**Ms. Helena Guergis:** I have a quick question.

I'm not up on all the procedure. I have two motions here that actually deal with that report, so maybe they should be amendments to Mr. Paquette's motion.

The first one has a change in it.

**The Chair:** Okay.

So, Ms. Guergis, which motion do you want to deal with?

**Ms. Helena Guergis:** Both of them.

On the first one, I'd have to make an amendment.

**The Chair:** I understand. They're two entirely different motions.

**Ms. Helena Guergis:** Do you want to start with the suggested amendment, then?

**The Chair:** Go ahead.

**Ms. Helena Guergis:** Okay. The first one would be to amend the preamble such that the section that says "based on the testimony heard" would be replaced with "based on some of the testimony heard".

**The Chair:** Do you consider that to be a friendly amendment?

**Ms. Helena Guergis:** I do.

**The Chair:** Monsieur Paquette, would you accept that as a friendly amendment?

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, I am presenting my motion simply because we do not have enough time to do a complete report. The parliamentary secretary's proposal, as well as the other one, would have been valid had we had time to draft a real report or if we are to come back to this in the fall. I have no problem with the process, but since the House will most probably rise on Thursday, we will not have the opportunity to carry out the entire exercise we have been charged with.

This is why I would prefer that these issues be dealt with separately. There is a motion. It is a contribution from the Committee to the government's reflection with regard to the framework agreement. We would have preferred to have produced an in-depth report flowing from a process such as that suggested by the parliamentary secretary, but we clearly will not have sufficient time for that. These are therefore two completely different processes.

I remain prepared to put my motion to a vote.

[*English*]

**The Chair:** We're actually looking for comments on the amendment to your motion, Monsieur Paquette.

Are there any other comments or debate on the amendment put forth by Ms. Guergis?

**Mr. Pierre Lemieux:** I have a comment on the amendment. I think adding "some of the testimony heard" is important.

As we've heard today, and as we've heard on other days that we've been here, not all the testimony has aligned. We haven't had everybody on the same side of the equation. Instead, we've had some people, such as today, outright against the softwood lumber framework agreement. We have had some who have been absolutely for it. And we've had some witnesses who have expressed a variety of opinions. There are things they're in favour of, either slightly in favour or slightly against, and some concerns here and there.

I go back to the question that I was asking Mr. Falconer about being too categorical. We're being very categorical by saying "based on the testimony heard". To me, that leaves the impression that all the witnesses were in alignment and that based on what we've heard here....

So I think the word "some" is important, because it gives justice to the different types of opinions we've heard on the software lumber agreement.

I actually think it's a good motion.

• (1730)

**The Chair:** Thank you, Mr. Lemieux.

Are there other comments on the amendment to the motion?

Monsieur Paquette, do you have anything?

Let's go, then, to a vote on the amendment.

**Ms. Helena Guergis:** I have a few other amendments. Should we do them all at once, or do you just want to do them—

**The Chair:** No, we have to deal with them one at a time, Ms. Guergis.

We will proceed.

(Amendment negatived)

**The Chair:** Now, we're back to the main motion.

Yes, Ms. Guergis.

**Ms. Helena Guergis:** I wanted to propose another amendment.

The last paragraph is: "That this motion be tabled in the House as the Committee's report within the next 24 hours". I'd like it to be replaced with: "That this motion be tabled in the House as the Committee's interim report, until such a time as a full and balanced report can be prepared".

**The Chair:** You have all heard the amendment put forth by Ms. Guergis. Is there debate on that amendment?

Mr. Reid.

**Mr. Scott Reid (Lanark—Frontenac—Lennox and Addington, CPC):** Yes, there's been a lot of commentary in this committee to the effect that the committee hasn't had time to prepare a full report. I can see the value of trying to make that clear in the substance of the report itself. Normally I'm on another committee—the Standing Committee on Procedure and House Affairs—and we are struggling similarly with trying to get something wrapped up quickly. I think one doesn't want to present these things as being something other than what they are. I could be wrong, but I think there's a general consensus that this is something that's being done because of a lack of time to draw up something that's more complete.

For example, I think by definition it could not have included the testimony that was heard today, given the fact that the motion was written before the testimony of the various witnesses today. So it's not possible that the report could have incorporated those comments. Indeed, as a practical matter, we know that the committee Hansards take some time, so it seems to me a fairly logical to include something of this nature when one is dealing with a report that is temporary. That way, the House will know what it is dealing with, and we ought to be full and frank in what we propose in these committees.

**The Chair:** Thank you, Mr. Reid.

Is there any other debate or comments on the amendment?

Mr. Lemieux.

We are running out of time here. It is now 5:32 p.m., and I know I have an appointment to meet and others do. So we have to see a very quick end in sight, if we're going to carry through with this at all.

So Mr. Lemieux, go ahead.

**Mr. Pierre Lemieux:** I was going to say that I agree that we do not want the House to think that this is the report coming from the committee, but rather, that this is something other than a report coming from this committee. If we feel we're being constrained by time, that should be made clear, because it's an important point to be brought out when we're reviewing this amendment put forward by Mr. Paquette. Actually, I agree with what you said.

**The Chair:** Ms. Guergis, you have said you have other amendments you want to put forth.

**Ms. Helena Guergis:** I have suggestions, yes.

**The Chair:** We're going to have to deal with these at the Wednesday meeting, because as I said, I have to go.

Yes, Mr. Maloney.

**Mr. John Maloney (Welland, Lib.):** I know that you have to leave at 5:30, but we have two vice-chairs who can take your place. We can proceed today and get it done.

**The Chair:** There are others who have to leave as well. We're beyond the scheduled time.

**Mr. Peter Julian:** I move that the—

**The Chair:** Actually, I move that the meeting is adjourned.

The meeting is adjourned.

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