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Chair

Mr. Leon Benoit

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• (1340)

[English]

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

We'll start this 24th meeting of the Standing Committee on International Trade. Today we are dealing with the softwood lumber agreement signed by the governments of the United States and Canada on July 1.

We have as witnesses today John Brodrick, who is a project manager from Buchanan Lumber and also Mayor of High Prairie, Alberta—thank you very much for coming, Your Worship—David Milton, president of the Ontario Lumber Manufacturers Association; and from the Quebec Forest Industry Council, Guy Chevrete, president and executive director.

We will start, as usual, with short presentations. Please limit these to six minutes for each member. Then we'll go to the questioning, which will take place in the same order as the names appear on the list.

Mr. Brodrick, go ahead, please.

Mr. John Brodrick (Project Manager, Mayor of High Prairie, Buchanan Lumber): Thank you very much.

Before I start my presentation, I would like to clarify my position here today. I am the current mayor of High Prairie. I am, and have been, employed in the forest industry in Alberta for 40 years. I sit on the board of directors of the Alberta Forest Products Association as an alternate on the Alberta Softwood Lumber Trade Council. My views expressed here today are my own and lean towards my concerns as mayor.

High Prairie is a northern Alberta town that relies heavily upon the forest industry in the area for its economy and, in a large sense, its survival. The area's two forest manufacturing plants employ approximately 400 area citizens, and this number balloons to 600 to 700 in the winter harvest season. These two companies account for \$22 million in wages alone in our community, and another \$40 million in purchases and contracts throughout the area.

Good afternoon. Thank you for asking me here today, deadline day. I am not sure who put my name forward for this presentation, but hopefully you feel the same way after my presentation. You have heard many different views on the softwood agreement that's before us today. I will rehash some of what you have heard before you from the government, lumber associations, trade councils, companies, and

individuals, but I also hope to cover some new ground, if that's even possible.

First, let me say that this is not a deal that will bring peace to the Canadian industry. At this time, I would like to bring forward my concerns with the agreement.

Yes, this is a long-standing thorn in the side of the industry, and will continue to be if the two-year opt-out clause is allowed to remain in. The federal government has always maintained that they would not accept a deal at any cost. Why have they abandoned this crucial part of the negotiations at this time? A payment of a half billion dollars to the very companies that brought this action against our industry ensures that Lumber V is only an opt-out clause away.

In draft copies of the agreement circulated between April 27 and before July 1, \$250 million was to go towards the joint initiatives fund benefiting the North American lumber market. In the July 1 edition of the agreement, this amount was reduced to \$50 million, a very paltry sum. Also, \$10 million of the \$50 million of this money was to be allocated for dispute resolution, thereby leaving only \$40 million to enhance the North American lumber market. In the draft copies, \$250 million was to go towards meritorious initiatives in the United States identified by the U.S. government in consultation with Canada. In the July 1 agreement, this increased to \$450 million. So now we are helping the coalition once again, and the very communities where they operate and live, at the expense of our own communities here in Canada.

The fact that this agreement forces a company to sell their product and then at some time in the future they will be notified if they are in surge territory and will have to pay an additional 50% levy on the whole volume shipped in that period makes gambling in Las Vegas very attractive. If this agreement were signed today, under option A the industry would give up paying 10.8% and replace that with 15%, and possibly 22.5% if the surge mechanism is triggered. In today's market, this will be the death of many companies in the industry and will bring hardship to communities such as ours. Under option B and with today's market, Canadian companies would be restricted to 30%, not 34%, of the American market. Expect to see our lumber being turned away at border crossings.

Prime Minister Harper and his Minister for International Trade rushed to get this agreement in place as a political coup, and not as a business arrangement. That's where this whole deal falls apart. It is ever so easy to get a bad deal. It takes true statesmen and strong negotiations to get a good deal. Canada is winning all the major battles in litigation, and while holding four aces, we decide to fold. We must be the worst poker players on earth. A negotiation entails give and take from all parties. In this case, we give, the Americans take.

At this time, I would like to address a few of the statements made by certain officials of our government.

Mr. Harper has stated that this deal is the best ever for Canada, and that rejection would condemn the lumber industry to perpetual trade warfare. In fact, this agreement is what will guarantee perpetual trade warfare. An American industry initiates a trade action against a Canadian industry, and the following happens: the American industry for five years enjoys unheard-of profits because of the inflated market caused by their trade action; all their legal fees are paid back to them fivefold to tenfold; the communities that they operate in are beneficiaries of a \$450 million windfall for ball diamonds, soccer pitches, etc.; and their inefficient industry is guaranteed 66% to 70% of their domestic market, with no competition.

● (1345)

This deal in no way leads to free or fair trade. At the end of this agreement, be it two, seven, or nine years—and in my opinion it will be two years—we will be entering Lumber V. Meanwhile, don't be surprised when other American industries reach for this American dream, financed by Canadians, and start their own trade actions.

The reason this trade dispute has had such a long life is simply the fact that we have never gone that extra mile and secured a total victory, such a victory as we now have within our grasp.

As for Minister Emerson, your time spent in heavy-handed negotiation and threats to the Canadian industry to walk away from this file would have been better used to get Canada a deal that we would all readily support and sign.

I have spoken to CEOs in Ontario, British Columbia, and Alberta, and I fail to find one who likes this deal. Instead, their comments are along the following lines: "I can't fight the Americans without the federal government on my side"; "If I don't sign, what will happen the next time I submit a request for approval to Ottawa?"; and "I don't want to be the only one holding out, but I can't find out what other companies are doing".

So even if this deal goes ahead, it should be recognized for what it is—a very hollow victory that was obtained using questionable methods. This agreement will guarantee mill closures, and towns throughout northern Quebec, Ontario, and Alberta will see their unemployment numbers rise and their economies fall like never before.

In closing, I would like to thank the committee for the invitation. Also, I hope to see a full House when this agreement comes before Parliament.

Thank you.

The Chair: Thank you, Mr. Brodrick.

To Mr. Milton next, please.

Mr. David Milton (President, Ontario Lumber Manufacturers' Association): Thank you, Mr. Chairman.

I thank the committee for inviting me to appear here again. Although my association has a continuous and significant agenda involving the forest industries of Ontario, nothing is more important than the proposed settlement of the dispute with the United States over softwood lumber, and I am grateful, therefore, for the opportunity to be able to address you.

I speak, of course, only for myself and my association, but I suspect the leaders of other trade associations share my distress when we are the frequent focus of a government assault on critics of the proposed agreement. It seems odd, but apparently necessary, to begin with a reminder: trade associations exist to bring common views in a collective position; heads of associations represent and speak for their members. Members do not always want to speak individually, and they look to us to represent their views faithfully and reliably. If we were not doing our jobs, we would be replaced. The government might have noticed that none of us—the heads of the trade associations across Canada—has been replaced. When the government tries to divide us, saying it must speak with real decision-makers or that the real decision-makers and the trade association heads have different views, it does itself and us a disservice. It replaces a search for truth with demagoguery.

We speak for our members and we say what they want us to say.

When I appeared before you on May 31, I noted that my members were not averse to a deal, that the history of deals on the softwood lumber was not a happy one, and that the April 27 basic terms left a bit too much to the imagination. We would need to know a lot more before we could make an informed position on the deal.

We do know a lot more now, although I'm amazed how few of the questions I asked back in May have been answered. Here are some examples: Can Canada's overall market share in the United States under the deal exceed 34% because of the Atlantic provinces, which under the current terms are permitted to export to the United States every piece of softwood lumber manufactured there? Or, because British Columbia might opt for a graduated export tax and pay it in order not to be limited in the quantity of lumber it can ship, and assuming Ontario accepts a quota, will Ontario's volume of lumber shipped to the United States diminish because British Columbia may increase its shipments, restricted only by the export tax?

We still don't know, even after we have the so-called final text, how quotas in one province may be affected by export taxes in other provinces, but we do know that we are to be monitored monthly and that the operating terms—the so-called running rules—are not commercially viable. We know that provinces opting for quotas will likely never fill them, because we're in a seasonal business and the running rules impose severe penalties for exceeding quota in any given month.

We also know that the end of litigation means the elimination of our legal victories. When I appeared on May 31, I emphasized how important it was to us that those victories be preserved. We know now that a dispute resolution mechanism excludes the industry altogether, making us completely dependent on the Government of Canada to protect our interests for the duration of the agreement. We know that the duration has changed, that the deal is no longer for seven years but for two years, and that for those two years, and a year's standstill, which is not long enough to protect us from the dumping that follows inexorably, we will pay \$1 billion. And although the language of the April 27 agreement led us to believe that about half of that money would go to a joint initiative that might help the industry to cooperate with the industry in the United States, we know now that only about \$40 million will be committed to such an enterprise and that \$450 million will perhaps be the largest foreign aid package ever received by the United States, going to the President for him to spend pretty much as he pleases.

The Prime Minister and Minister Emerson have been telling everybody that the July 1 final text is faithful to the April 27 basic terms—only better. They say we will get more money back, without mentioning that because of the suspended extraordinary challenge, we're paying more money in, so that of course we're going to get more money back.

• (1350)

They say we will get it back faster, but they don't emphasize that we get it back faster because we get it from the taxpayers of Canada as an advance, and that the taxpayers of Canada are also advancing a billion dollars to the United States. It's not necessary to make a deal with the United States for the Government of Canada to advance us the duties the law says belong to us. In fact, we only ever asked for loan guarantees, which would not have cost the Canadian taxpayer anything.

So we know more now, although a lot less than we ought to know. It has not made us more enthusiastic.

The government says it was the best it could do, the best anyone has ever done. It is not the best anyone has ever done. As defective as the earlier efforts at managed trade might have been, they were better than this one. They were at least attempts at commercial sense; they had policy exits; we didn't pay a fortune for them, let alone a fortune to our opponents so that they can reload and in three years fire at us at will.

Enough of the propaganda and the face-saving; it's a very bad deal. Yet the OLMA has members ready to accept it because the threats of the government are impressive: no future help, no cooperation, no negotiations.

I said last time I was here that a lot of companies in Ontario would go out of business. That's more true than it was back in May. We're going to suffer. Taxpayers will have to help, more after failure than now while we have been succeeding.

The government has said on the one hand that NAFTA victories get us leverage to negotiate, but on the other hand that litigation has gotten us nothing and should be stopped. You can't have it both ways. We think the government failed to capitalize on the leverage.

Minister Emerson told this committee on July 31 he was surprised to get as much as 80% of our money back. Why? On April 7 the United States Court of International Trade ruled that the U.S. industry was not entitled to any of our money—not one penny—no matter what else might happen in the litigation. Then 20 days later, the government promised the United States' industry \$500 million of our money and another \$500 million for foreign aid to the United States, also of our money. Since they were not entitled to any of the money at all, and we're giving them a billion dollars, shouldn't we have gotten something more than two years of highly constrained managed trade in return?

I'll finish with still more questions. Will Parliament rescue us and give us immediately, as its first order of business when it returns next month, the loan guarantees that will enable us to finish the fight? Will it insist upon reinvigorating NAFTA instead of abandoning it? Will it promise to work with the industry instead of bullying it? For if Parliament will not do these things, we will capitulate to the deal—not support it or endorse it or cheer it, but we will capitulate to it—because we see no future and we have no choice. We ask Parliament to give us that choice.

Thank you.

• (1355)

The Chair: Thank you, Mr. Milton.

Mr. Chevrette, president and executive director of the Quebec Forest Industry Council, go ahead, please, with your presentation, sir.

[*Translation*]

Mr. Guy Chevrette (President Executive Director, Quebec Forest Industry Council): Thank you, Mr. Chairman.

Madam Secretary of State, Members of Parliament, allow me, to begin with, to introduce the Quebec forest industry and in so doing, show you that practically nowhere else is there an industry of such complexity.

We have both integrated and non-integrated companies, very large producers and very small producers. We also have large, very large and very small exporters. The softwood lumber sector currently includes some 110 members. We have border companies that use American timber almost exclusively and others that get almost all of their supply from Crown land in Quebec. We also have companies that operate in several different Canadian provinces.

I would say that about one quarter of the timber supply in Quebec comes from private wood lots. That gives you an idea of what the Quebec industry looks like and what that means for the people involved in it.

On April 27, a very large majority of our members voted in favour of the draft agreement, primarily because it promised seven years, plus an optional two years, of peace. There were other reasons as well. The fact is we were given to believe that flexibility would be part of the agreement, among other things.

On July 1, we changed our tune. We voted against the agreement and proposed four amendments. We shouldn't really call them that, if I understood what Mr. Wilson said this morning; we should instead be talking about minor changes or improvements. But whatever name we give them, the fact remains that we made four quite important points relating to the termination clause, the flexibility of the rules on exports, the anti-circumvention provision, and the measures relating to remanufacturers.

There were discussions—I won't say “negotiations” because I want everyone to be happy... However, in the letter Mr. Emerson sent our members, we noted the following improvements, clarifications or changes. I'm mentioning them because they did affect the vote taken on August 18.

First of all, we believed that a six-month, rather than 30-day, notice period was an improvement. For example, that kind of timeframe meant it would be possible to carry out awareness campaigns and outreach activities aimed at changing people's views. In any case, in this kind of battle, we believe six months notice is preferable to 30 days.

Also, the addition of a twelve-month period to the existing seven-year term—in this case, a further standstill after seven years — is an improvement, in our opinion. As regards the committee which will be looking at flexibility, we feel quite confident about that because we know that the Americans are already aware of flexibility issues as they relate to the export rules. We want to be able to honour our commercial contracts, and there is nothing really complicated about that. It doesn't cost anything. In fact, we are authorized to sell timber annually, and we see no reason why we should have to put up with these kinds of hassles on a monthly basis.

We believe that a committee acting in good faith could easily arrive at an agreement on this specific issue. Also, it is our intention to be active and positive participants in the work of this committee. We hope to be involved. In fact, Mr. Wilson's comments this morning lead us to believe the industry will be very closely involved in the flexibility committee's work. So, we have great hopes of being able to do that.

As regards anti-circumvention, I must say, to be perfectly candid with you, that we had less trouble explaining all that this would entail to the Americans than we did to our Quebec representatives. In our opinion, the anti-circumvention provision should apply specifically to softwood lumber, and not to the forest management system. Just before concluding my opening statement, I will explain the important difference between the two, as we see it.

● (1400)

If we leave a term such as “forest management system” in the legal text of the agreement, nothing would prevent the Americans, or even the government of a province, from using that to refuse any change in the management system, even one that has nothing to do with softwood lumber. On that point, we were unable to secure assurances from the governments concerned that a clarification would be added to the agreement to state that it only applies to softwood lumber. However, the Americans did give us that assurance. As a result, we were willing to place our trust in them on that point; I say that quite candidly. As regards the

remanufacturers, we simply dropped our request, as did the other national associations.

On August 18, the Quebec industry considered whether it would be better to accept a somewhat imperfect agreement or not have an agreement at all. The consensus was that we should accept the imperfect agreement, for a whole host of reasons. I will be happy to explain if someone wants to ask me that question. In Quebec, we are experiencing a major structural crisis. As one speaker said a little earlier, production costs are huge, wood fibre is the most expensive in the world, as are chips as well. So, we are going through a very serious structural crisis at this time. It is absolutely unprecedented. It is no longer a cyclical crisis solely attributable to the Canadian dollar. That is not the case. There are much more profound reasons for what we are currently experiencing. The federal government alone cannot resolve the structural crisis; our government must also take steps to address this issue.

In closing, we will soon be sitting down to look closely at this negotiation and take stock. I have to say that as far as the process goes, I think we need to look at ourselves in the mirror. The process is neither fish nor fowl. On April 27, our representative told us it was take it or leave it. But in spite of that, we waited and we were successful. During the morning of April 27, the CIFQ managed to get an agreement that calculations would not be based on one year only, but rather on an average covering the period from 2001 to 2005.

On July 1, we were again told we could take it or leave it. And yet we have been able to make changes since then—what might be called improvements to clarify the text. But there have been minor changes.

The fact is we cannot operate on the basis of ultimatums. Nor is it appropriate, in a process such as this, to be constantly taking advantage of the plight of an industry. I think we are going to need to sit down and talk about developing a much smarter and more meaningful process.

In closing, I want to say that I, personally, am very anxious to see the day when free trade will be something other than trade in legal services. I'm also anxious to see whether governments, which will have to develop mechanisms to manage the export rules, will see fit to avoid making the ground rules overly technocratic. If they do, it will cost an industry which is already having trouble making ends meet even more.

Thank you.

● (1405)

[English]

The Chair: Thank you all.

We'll go directly to questions now. We go to the official opposition, to Monsieur Proulx.

Mr. Marcel Proulx (Hull—Aylmer, Lib.): Thank you, Mr. Chair.

Mr. Brodrick, Mr. Milton, thank you very much for your presentations.

I'll address my comments and questions to Mr. Chevrette and one of my colleagues.

Thank you.

[Translation]

Good morning, Mr. Chevette.

Before I go any further, I would just like to quote from a press release issued on April 28 by the Quebec Forest Industry Council. It says:

Finally, the CIFQ is asking for confirmation that, as soon as the proposal has been accepted, any deposits that may have to be made at the border until the final agreement is implemented will be refunded at a rate of 100 per cent, and not 80 per cent.

Can you briefly tell me whether you were able to get agreement on 100 per cent reimbursement?

Mr. Guy Chevette: No, the rate remained at 80 per cent. As I said earlier, a whole host of reasons prompted people to vote the way they did. Some were just completely fed up and disgusted with the whole dispute. In other cases, their financial position is extremely weak. And as you know full well, others still have just asked for protection under the Bankruptcy and Insolvency Act. For them, these deposits will be a shot in the arm. Some people believe it's an excellent agreement for all kinds of reasons. I have heard a whole host of reasons given. If you ask me tomorrow morning what the main reasons for the positive result...

Mr. Marcel Proulx: Could I ask you that today, rather than waiting until tomorrow?

Mr. Guy Chevette: Yes.

Mr. Marcel Proulx: And what is the main reason?

Mr. Guy Chevette: Today, I would say it is primarily the fact that the industry in Quebec is having financial problems and that many members believe this agreement will be a shot in the arm. That is probably the main reason. For them, getting the money back quickly is a matter of survival.

Mr. Marcel Proulx: So, it's a short-term solution.

Mr. Guy Chevette: I believe you're right to think that given the current structural crisis, there will still be some restructuring in Quebec. Some companies will survive for a few extra months. However, that will not solve the structural crisis. Again, your point is well taken.

• (1410)

Mr. Marcel Proulx: Mr. Chevette, could you comment on the flexibility of option B and tell us what you're asking for, what you would have liked to see, and what you see in this agreement now?

Mr. Guy Chevette: In terms of a mechanism, we had to explain it to quite a few people.

For example, you can borrow from the previous month if you have used the full volume you were allocated for that month, just as you can borrow a certain percentage from the coming month; I believe it is 12 per cent per month. But in order to be able to honour commercial contracts, we requested a compromise, namely that we be allowed at least three months before and three months after, and that we would seek to develop an appropriate mechanism.

The goal is to ensure that companies abide by their annual quota. We could demonstrate that allowing the entire quota to be exported is an act of faith. If the thousand and one complexities related to

monthly standards mean a company loses 10 or 15 per cent of its export volume, we are no longer really talking about free trade. That is my personal opinion.

Mr. Marcel Proulx: Mr. Chevette, initially we were told \$4 of the \$5 billion would be paid back. At the time it was deemed to be fairly reasonable to pay the \$1 billion, since it meant buying peace for a period of five to seven years. But the reality is that peace is not even guaranteed for two years. You heard what Mr. Wilson said this morning. According to him, the six additional months that were secured to prolong the notice period are included in the 24 months. So we're talking about 18 months of peace.

Do you think that it is reasonable to sacrifice \$1 billion for 18 months of peace?

Mr. Guy Chevette: On that point, our members have different opinions. Some say it will cost just as much to wait two or three more years. That's the calculation some have made. Personally, I have said so often that's a lot of money to pay per week that I can't deny it. In fact, Mr. Proulx, you may even have a press clipping that talks about that. So, I'm going to be consistent and say that in my opinion, that's a very high price.

Furthermore, Mr. Emerson's letter states that the Americans intend to make a firm commitment as to their intention not to prematurely terminate the agreement. I've negotiated my whole life and I believe that good faith is something that you take for granted initially but that must be proven subsequently.

Mr. Marcel Proulx: You feel comfortable because you've negotiated with the Americans and they understand you when you're talking about softwood lumber. But am I also to believe that the Americans will give you what you want without Canada making the request?

Mr. Guy Chevette: Based on what was said this morning, I'm assuming that adding a clarification in the agreement does not systematically require an amendment. Rest assured that I noted that fact. Indeed, I have every intention of obtaining the Minutes of Proceedings.

Mr. Marcel Proulx: We'll be very pleased to provide them.

Now, before I'm told to stop, I want to ask a hypothetical question. If there were loan guarantees in place and the government continued to provide assistance with litigation, do you believe there would be support for the agreement? Would you like to keep going?

Mr. Guy Chevette: Would the result of vote have been the same? Well, I can tell you that there would not have been as broad a consensus if there had been real loan guarantees in place. The previous government had said it would provide such guarantees following the election. Since it lost the election, we were never able to benefit from that program. We went to see Mr. Bernier, who told us he would have to consider that it was part of his budget. I personally met with Mr. Bernier. He told us he couldn't do it and that he preferred to negotiate. But I think you're right: the result of the vote would not have been the same.

Mr. Marcel Proulx: Unfortunately, the Chairman is preparing to cut us off. So, I will let someone else have the floor, and come back later. Thank you for your candour and honesty.

[English]

The Chair: Monsieur Paquette, go ahead, please, for seven minutes.

• (1415)

[Translation]

Mr. Pierre Paquette (Joliette, BQ): Thank you for your testimony, which is quite troubling. When you hear this, you clearly understand that part of the industry is supporting this agreement practically by default, because it can't see any light at the end of the tunnel. It makes you wonder just how much support there really is for this agreement.

Before continuing, I would like to put a question to Mr. Chevette and Mr. Milton, so that the information is on the record. I want to point out once again that we checked with the Office of the Auditor General: loan guarantees do not appear in the votes. This is not an Industry Department expenditure and, consequently, there is no mention of it anywhere in the votes. That is one of the many half-truths, not to say something else, that have been bandied about regarding this issue.

Mr. Chevette, I would like to come back to the process itself. I'd like to read the final paragraph of a letter Mr. Emerson sent to members. It's somewhat paradoxical:

The government has involved your industry and the provinces in every step of this process. I am aware that it was a long and complex one, and I want to thank you for your cooperation thus far.

According to the Minister, it seems the process was perfect. We were told over and over that the industry was consulted and involved, and that the provinces were as well. Indeed, you used a particular expression... And I basically said the same thing—using different words—to Ambassador Wilson this morning. Throughout this process, we have had the sense that it was take it or leave it. Even when we were talking about relatively minor technical amendments, it really seemed that changing the text to reflect industry concerns was something the government found extremely painful. You mentioned that the process needs to be revisited.

In your opinion, does this “do or die” approach detract from your ability to express your concerns and make changes to the agreement so that it is less imperfect?

Mr. Guy Chevette: It's a question of deadlines. What happened on April 27 is a good example: we were given 48 hours to consider the proposal, and it was take it or leave it. But we operate according to certain rules. Our bylaws require a minimum of three days notice to call a special general meeting, setting aside all the rules. It really doesn't make any sense. We went along with it, we abided by the rules and were able to negotiate a few minor changes on the morning of April 27. But the day before Canada Day, once again we were told we could take it or leave it, and we had to hurry up and make up our minds. Really! We got together on July 11 and explained our reasons, but the fact is we were heavily pressured!

I agree with Mr. Wilson that it is not a good idea to drag out discussions indefinitely on a single issue. However, it is important to take the time to explain to other industry leaders what the ground rules are, particularly in light of the difficulties Quebec is currently experiencing and the current structural crisis. People want to try and

figure out whether this can save their skin or not. You have to take the time to explain things. Perhaps we'd have taken the time. I will certainly be submitting written comments about the process. I don't want to conduct this post-mortem on my own. I'd like to do it with my association's international trade committee. We will be sure to let all parliamentarians know what we went through and how we think the process should work.

I said earlier that free trade had become trade in legal services. The astronomical cost of ensuring the rules are enforced, supposedly to avoid disputes, is absolutely ridiculous. We are spending a fortune in legal fees. By that, I certainly don't mean to minimize the work carried out by our legal advisors in that area, but we are talking about astronomical costs to enforce a rule that is supposed to be very simple. I get shivers up my spine when I think of the kind of technocratic rules that are going to be developed to manage the export quota rules. It's pretty obvious: it will be one form after another, and we're going to be asked to justify hiring 50 or 100 officials. Who is going to pay for all this? Well, the industry is going to have to pay, and the rest will go to the provinces. That is basically what it says in the text. Can we possibly arrange things so that the provinces have to pay more and it costs the industry less?

Mr. Pierre Paquette: Well I hope you'll send us your post-mortem report, as you said. I think some thought has to be given to all of this.

Mr. Milton, you concluded by saying that you hope Parliament will give the industry a choice. I'd like you to elaborate on what you mean by that. Exactly what choice would you like Parliament to give the Canadian and Quebec lumber industries?

• (1420)

[English]

Mr. David Milton: Certainly. The choice that I'm referring to, Mr. Paquette, is the choice that we started out with, one we thought we had from the very start of this adventure, which was the return to complete and full free trade and our absolution against these allegations: you're subsidized; you threaten us with injury; you're injurious to us. The pact that we made among ourselves in Ontario—and I will suggest that we were in the forefront of galvanizing the Canadian version of the alliance to meet the allegations—was that we know we're not subsidized, we know we are not injuring the United States, so let's have our day in court, and an independent court of competent jurisdiction will uphold that we are right.

Now we are on the cusp, right on the edge of the last two or three pieces that we need. Whether or not there's a deal afterwards, a conclusion, what we ask Parliament to do for us is to have the legal process fulfill itself, to make the pronouncements. That's it. If at that point the only resolution with the Americans is that we don't really care whether you are subsidized or you're injuring us—that was all a facade—and that what we really want to do is manage trade, then we'll open that discussion then. As we've always said in Ontario, we're not averse to a deal, but we are not accepting of a deal in which the allegations made against us are so trumped up that we feel we have to bail out because it's the end of the line and we've run out of money.

Peripheral to that, of course, are the loan guarantees that were requested from many quarters over many months simply to allow us to continue the legal cases to their conclusion on the understanding that the people of Canada would ideally receive 100% in return, once all was said and done. We want a guarantee so we can get our money back.

Those are the two things we've been asking Parliament for.

The Chair: Thank you, Mr. Milton.

Time is up, so now we'll go to the government side. There will be three members asking questions, gentlemen. They're all going to ask the questions before we go to responses, so just note the questions.

We'll start with Monsieur Paradis.

[Translation]

Mr. Christian Paradis (Mégantic—L'Érable, CPC): My question is addressed to Mr. Chevrette.

Mr. Chevrette, thank you for your testimony. There is no doubt the industry is very well served by someone like you. You describe the situation facing the Quebec industry clearly and succinctly for the benefit of people who know less about what is going on than you do. I understood you to say that you will be preparing a report. We will study it carefully. There is no doubt that there were several possible courses of action and the government had to follow one it felt it was appropriate.

I want to be sure I understand your testimony. Although you may want to comment on certain aspects of the negotiations, it is important to emphasize that some demands made by the Quebec industry were met. I'm thinking here of the termination clause and other points, such as the standstill provision.

But I just want to be sure I understand. Does the Quebec industry see this agreement as a shot in the arm? You said that there were many different reasons why people voted to accept it, and that it wasn't just a matter of money. Some demands were met.

[English]

The Chair: Mr. Lemieux, go ahead, please.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you.

Before I ask my question, there are two key pieces of misinformation I'd like to correct. The first has to do with termination.

This morning we heard that the agreement was in effect for 23 months, and then there was a one-month notice. Then Mr. Julian brought up that it's 18 months. What he didn't bring up is that there is then six months' notice. Industry asked for this change, and it's a good change for industry because it gives them more time to react to the situation that's unfolding.

But what's key here is that in both cases it's 24 months before the agreement is terminated. I bring it up because I think Mr. Julian needs to be more forthright on this matter. When we read 23 months, he made no mention of the one-month notice. In fact, he cut off our ambassador when he was answering that question. When the

ambassador answered the question fully, Mr. Julian summarized it and said "18 months". No, that isn't what the answer was.

So I encourage all of my colleagues when we're talking about important clauses like termination to speak in full sentences. When you say "18 months", add the six months' notice. And while you're at it, you could also add that there's a 12-month standstill at the end of that 24-month termination part.

The second thing I'd like to clarify is a comment that was made on benchmark prices. A comment was made that at current benchmark prices, industry would be paying more in tariffs than under the current American tariffs. But there are some facts that need to be brought to light. The first is that the U.S. is going to be recalculating this tariff this year, and it's going to be raising it to 14%. Under the new agreement, Canada will collect the money, not the U.S. treasury. It's important to note that. And the tax rates will not be subject to yearly changes.

So again, when we're talking about these important clauses, we need to talk in full sentences so that people have all of the information.

My question I'd like to put to Monsieur Chevrette is this: could you highlight for the committee some of the key benefits to the lumber industry that you see this agreement offering?

Thank you.

• (1425)

The Chair: Mr. Cannan, to end the questioning before we go to answers. You have now about three and a half minutes left.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Is that including answers?

The Chair: Including answers.

Mr. Ron Cannan: I'll go right to the answers, then. Let him answer.

The Chair: Okay, go ahead then, gentlemen, with the answers.

Mr. Chevrette, I believe it was directed to you initially.

[Translation]

Mr. Guy Chevrette: With respect to the points raised by Mr. Paradis, I addressed them at the outset but I will quickly review them again.

First of all, the addition of a 12-month period after seven years is a positive change, from our perspective. A term of six months, rather than one month—even though that doesn't change the 24-month timeframe—is a positive change as well, because it allows us to take action and possibly change the direction the wind is blowing in. Those six months will allow us to engage in discussions, negotiations, ad campaigns and basically do whatever we need to do by way of communication.

As regards the flexibility committee, that, too, is something we see as being positive. There is no doubt in our minds that the Americans already know quite enough about flexibility. In fact, we ourselves went and explained to them how important it was where commercial transactions are concerned. We can assume that they know something about this. The Americans will certainly be discussing this with their own industry, which is already well aware of the issues.

The Americans have assured us that we will be heard as regard anti-circumvention. The goal is really to concentrate on softwood lumber, not on the forest management system. You know what that involves. A province could argue that in the agreement, it talks about "forest management systems" and that as a result, it can't make any changes. Let me give you an example. If a change were to be made with respect to pulp wood, which is worth maybe 25¢ a cubic metre, and pine beetle wood in British Columbia, they might be able to argue that our forest management system has changed. That would penalize us, even though it has nothing whatsoever to do with softwood lumber.

As for your question about the benefits of this agreement, I already answered that extensively in my reply to Mr. Lemieux.

[*English*]

The Chair: Would either of you other gentlemen like to answer the questions that have been put so far?

[*Translation*]

Mr. Guy Chevrette: You're talking about pricing? You say that the provinces will get the money, but the fact remains that it's the industry that pays.

[*English*]

The Chair: Thank you.

Mr. Cannan, you have time for a short question, if you'd like to ask a short question.

Mr. Ron Cannan: I just wanted to clarify the aspect, Mr. Brodrick, involving Alberta and the Alberta lumber association. You said you're speaking from a personal perspective. Did the association bring a position to the table as well?

Mr. John Brodrick: They were here on July 31, and I'll let that stand. No, I'm here as mayor of High Prairie.

Mr. Ron Cannan: As far as looking at the two options we've heard is concerned, it's like Monty Hall with door number one or door number two: number one, the agreement we have, with the Alberta government, the Ontario government, the Quebec government, the Atlantic provinces, and the ambassador has indicated that industry's coming onside; versus the uncertainty of going down the path, as we've heard, of three or four years before we probably get the money back. Do you still settle with going that route rather than taking the bird in the hand?

• (1430)

Mr. John Brodrick: Exactly. If the only question were, do you want this deal, and if you don't we'll go back to Washington, carry on litigation, and try to get you a better deal, that's where we'd be today: at the second choice. But we haven't been given that choice. We've been told by the government, take it, or we're walking away and leaving you an orphan. That's the problem.

Mr. Ron Cannan: But if you have nobody to negotiate with at the other end...? That's the option we have at the other end as well, so I think it's the best deal in the situation.

Mr. John Brodrick: I think we've heard three times now that "this is the final...". Every time, they go back and get something else. I don't agree with that.

The Chair: Thank you.

Now we go to Mr. Julian from the NDP for seven minutes, please.

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

Thank you for your presentations as well.

I certainly agree with Mr. Brodrick when he says the government keeps coming back; I wouldn't say necessarily they get something else. We started off on April 27 with a seven-year firm termination clause that's gone to 23 months on July 1. Now we're at August 21 and it's down to 18 months. Article XX, as Mr. Wilson confirmed this morning, says that after 18 months after entry into force, either party may terminate this agreement. That's not including, of course, the fact that the United States can pull it on basic allegations of non-compliance at any time.

So when the government says this is a stable agreement, I'd certainly admit it looks like a stable, and more and more it's starting to smell like a stable; I certainly wouldn't say it is a stable agreement in any way, shape, or form.

I'd like to come back to your presentations; they were excellent. I'll start with Mr. Brodrick.

You raised some really serious concerns about what the impact of this badly botched negotiation and this badly flawed deal could be in your community and your region. I'd like you, if you could, to respond with a little more detail: what you're hearing in your community, and what kinds of consequences could happen in your community and your region if we tried to ram this deal through.

Mr. Milton, you raised two very important issues. One was the issue of the running rules. I'd like you, if you could, to go into a little more detail about the various punitive measures that happen retroactively and how they could impact a business. You talked about the quotas being set on a monthly basis, but I'd like you to go into more details, because we heard this morning from Mr. Wilson that there have been no changes to running rules.

You also followed up on the revelations by Mr. Feldman that \$450 million is going to the White House. You have to think there must be some reason to try to ram this through. Maybe the Conservatives want to help their Republican friends. I'd very much like to hear a little more detail there.

[*Translation*]

Just to conclude, Mr. Chevrette, I have to say I'm really sad to hear that the Quebec industry has been treated so badly by this government and is now divided. You said that loan guarantees would have changed the Quebec industry's approach to this agreement.

If, as expressed by the vote we had here barely an hour ago, loan guarantees were provided over the next few days, would that change things, in that it would be possible to provide the Quebec industry with the assistance it so badly needs?

[English]

Mr. John Brodrick: To address your concern about High Prairie, at this moment the pine beetle has been found within 100 kilometres of our town. So you can see our concern.

One of the responses I heard at an earlier meeting today was that the anti-circumvention clause would look after that, that it would allow us to address the pine beetle. Yes, in the forest management regulations themselves it likely would, but it doesn't give us any more wood to ship across the border or any more right to ship any more wood across the border. What do we do with it? That's the problem. Alberta is going to be in the same position as B.C. is in right now.

Actually, I did attend a pine beetle summit in Calgary that was put on by the provincial government. They flew us out to B.C., and I met with some local mayors out there. With the devastation, they're standing around scratching their heads; they don't know what to do.

It's not only the lumber part of it either. It's siltation, dead forest, forest fires, floods, the whole shooting match. If you don't have ground cover...

In a couple of the towns, they had a wilderness tourism industry that they were really working on. I'm sure I don't know anybody in this room who'd want to camp in a dead forest; I sure as hell don't. That's one of the things.

How would it affect our town? We're a very small town of 3,000 people, though we do service approximately 17,000 in the surrounding area. But if you get rid of 600 jobs, I don't know what we'd do. I really don't.

• (1435)

Mr. David Milton: Let me talk about running rules for a minute. There's the vision of what they should be, if you had to have them what they would be, and what you think you have.

It was the expectation in Ontario for the longest time that if you were going to cut a deal, if you were going to get a deal, it would not be very much dissimilar to some of the previous deals where there has been allocation of a border measure as a quota.

You're a company. You're assigned a quota on the basis of something—export experience, percentage of volume, production—and that's your quota. You may be constrained that within every 90 days you have to ship a certain volume and you can't go more or less than 5%, you can't accumulate, and you can't roll over. My colleague Monsieur Chevette talks about the same things and the discipline that companies have had. Even small and medium-sized companies can deal with that.

The running rules as we know them now are adjustments monthly, surge mechanisms, certain percentages you can carry forward. Some you can carry backwards, but you can't add them up, and these can't be subtracted. What happens during the end of a period of time? I'm being ludicrous and hilarious to the point that they are so difficult to understand because they're not written down anywhere. Running

rules are invisible. They're not well known. Everything you think as you answer the question speculates something else. You say, "Well, what if...?"

My suggestion is that if you have to leave 10% or 15% of your ability to ship on the table in any month, in any quarter, in any period of time, that's far more than the margin your firm makes. So the running rules themselves will finish you, let alone every other thing. But complying with just the running rules alone can finish you.

But \$450 million to the White House is an allegation that has been suggested. I'm happy to be party to it, because being able to speculate that it might be true may raise the attention of people to say, where is this \$450 million designed to go? What are meritorious initiatives? Let's have a little look at this. What's the list of the merit?

The vision of the industry at the one time when we were talking about a deal was to improve the market for forest products within North America. We were prepared to put money into that initiative, and we in fact—the Canadians—were prepared to take the lion's share, the first largest percentage of it. All we needed was the concurrence of the United States and a mechanism.

Thank you for your time.

[Translation]

Mr. Guy Chevette: If loan guarantees were to become available within four days and loans were guaranteed at 80 per cent, I would call another vote.

[English]

The Chair: We'll go now to round two.

Mr. Boshcoff, you have five minutes.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): *Merci.*

Mr. Milton, first of all, thank you for answering that first question: what should the deal have looked like, and what should we have got?

I will ask three questions, one of each of you.

The Ontario government acquiesced on Friday, and based on the statement that there were improvements to the deal since—and this is how I calculate—we went up from 84 months to 23 months and then we rocketed to the top of 18 months. Wait, that's not an improvement. So I'll let you try to answer: what improvements?

Mr. Chevette, the anti-circumvention clause is of particular concern to northwestern Ontario. Regional energy and regional pricing is the same across the province in Ontario. Northwestern Ontario produces energy cheaper than the rest of the province. There's been a movement for industry, and particularly the forest industry, to get some help that way, and I'm wondering how the clause will affect it. Also, in the same way with respect to plant modernization and worker support, could we deal with anti-circumvention for those categories?

Your Worship, when we talk about refunds and errors in calculations with no appeal mechanism, how would your association still be able to support such a deal, knowing that if it made a \$1 million, \$2 million, or \$3 million error for Alberta, you have no recourse to collect that or to settle that dispute?

Thank you.

•(1440)

Mr. David Milton: I would have preferred, Mr. Boshcoff, if Ontario had remained silent about the position of the Government of Ontario apropos the deal. I read the words, as we all did, and I can speculate only.

I'll preface it by saying it wasn't a very strong accolade. It was almost a case of saying we are doing this because we need to say something, but I would not say it was done in glowingly supportive terms, such as other provinces had done. I suspect that it came down to three things at the end: that there was some reiteration of the United States agreement, some side letter describing that they're actually going to go to seven or nine years or whatever it was; that there would be the commitment to facilitate the discussion to clarify the running rules—this would be very important and a strong incentive for Ontario, as everyone there is confused and concerned about that—and at the end, it may have been some carrot apropos the private lands in Ontario. There are private lands and private log issues in British Columbia principally. There are significant private lands in Ontario as well.

So those three things would be my speculations as to why the lukewarm acceptance from Ontario was provided near the end.

[Translation]

Mr. Guy Chevette: As regards the anti-circumvention clause, I am not denying that this could be of some significance in Ontario. However, the agreement has not been signed yet. So far, we've only heard about it, and yet the press attaché of the Minister of Natural Resources and Wildlife in Quebec is already saying that because of this agreement, he won't be able to make this or that change in the forest management system. The agreement has not even been signed, and people are already using it—hence the need to clearly define and circumscribe the softwood lumber agreement, and avoid talking about the forest management system in general.

[English]

The Chair: Mr. Brodrick.

Mr. John Brodrick: First, our association hasn't come out in favour of this agreement. I guess we're the only association that hasn't officially come out.

We held an industry-wide meeting. Everyone was asked to attend; not everyone did, of course. We had a vote, a round table, nothing official. It was 10 against and 5 for the deal. We came up with a position, that certain conditions had to be met before we'd support the deal. Those conditions haven't been met yet.

The Chair: Thank you.

Your time is up, Mr. Boshcoff.

We'll now go to Mr. Vincent for between four and five minutes.

[Translation]

Mr. Robert Vincent (Shefford, BQ): I've been in attendance since this morning and have been trying to understand how the government could have made the decision to conclude this agreement with the United States. The unions have given their testimony and do not support this agreement. I heard the comments made by Mr. Brodrick, Mr. Chevette and Mr. Milton. According to the mayor, this agreement was negotiated by the worst negotiator

and poker player he's ever seen. I don't understand how the conservative government could possibly think it has secured the best agreement in the world. Since this morning, we have heard people say that this is the worst agreement they've ever seen in their life.

How can people possibly believe that this agreement suits everyone to a tee, when everyone who has come before this Committee has said exactly the opposite? How can you assert in the media that people support this agreement, when no one here has said that they do? I really don't get it. Someone is going to have to explain to me who is really going to benefit from this agreement. If it's not benefiting anyone—either the unions or the industry—just who exactly will benefit from this agreement?

•(1445)

[English]

Mr. John Brodrick: I'll address that, if you don't mind.

Before I gave this speech over to the interpreters, I omitted one paragraph. I'd like to read that in at the moment in answer to your question. It's not something I do lightly:

Before I proceed any further, I would like to clarify a couple of personal points. I think it is very important. I will be 63 this coming November. I have voted for only four federal political parties in my lifetime: the PC Party of Canada, the Reform Party, the Alliance Party, and lastly, the new Canadian Conservative Party. I realize a person's vote is a very private matter, but before continuing I think it is important to bring out the fact that I am here to address this agreement and not to bash any political party. This is a bad agreement.

[Translation]

Mr. Guy Chevette: Mr. Chairman, I'm going to try to answer that. I aim to reflect the views of the members of the council that I represent. If, for all kinds of different reasons, our members voted democratically to support this agreement, and they prefer this agreement to what we have now, in all honesty, I have to present their views. And that is what I'm trying to do.

The final press release issued by the CIFQ quotes the CEO, who says this in the final sentence:

It is now the responsibility of every exporting firm to respond individually to Minister Emerson, because it is their money that's involved [...]

The Quebec industry decided to do what I came before you to report, presenting all the nuances. I sincerely believe that the Quebec industry prefers this agreement to endless litigation. They have had it up to here. I said earlier that many are completely disgusted and fed up. And I must admit that this free trade agreement, used and abused as it has been from the very outset, is really quite pitiful. It certainly doesn't encourage people to believe in harmonious trade.

As far as we're concerned, good faith negotiations are the only way to go. If the current government moves in the direction of good faith negotiations, if it enforces the agreement properly and avoids repeated litigation, if we can put an end to this trade in legal services and sit down and talk in order to find solutions that will benefit the economies of each of the parties to this agreement, then we will be happy.

[English]

The Chair: Mr. Milton, a short answer.

Mr. David Milton: I'd be happy to, with a short answer.

Who profits? Certainly not those Canadian industries that have invested their time and effort in addressing the allegations that were put originally. Those allegations were: you're subsidized, and you're injuring us. Those are different from a deal; the deal does not speak to those at all. The deal is a handicap against Canadian industry—I'll suggest more so than against just the forest or natural resources industries, but against every industry that might in the future rely on the tenets of NAFTA, which are pretty much purged and finished now.

The Chair: Thank you, Mr. Milton.

Now to the government side, and Ms. Guergis.

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

I'd like to thank the witnesses for their testimony.

I just have a couple of things that I wanted to point out here.

I'm not sure if you've had an opportunity to review any of the testimony from witnesses who have come before the committee in the past, but I think it would be a really good idea, in particular taking a look at some of the testimony from Gordon Ritchie, who of course was one of the original drafters of the Canada-U.S. Free Trade Agreement, which NAFTA was based on. Some of the comments that came from him, I think, you would find very helpful, because he goes right back to the very beginning of all of this. In some of his testimony, he commented on how the United States had, from the very beginning, never intended to ever include softwood lumber under NAFTA. In fact, there were times when a memorandum of understanding was drafted to exclude softwood lumber.

So within this agreement we have here, the deal that our Minister Emerson was able to negotiate, it has a dispute settlement mechanism in place. There are some who have said that having this dispute mechanism in place is worth signing on for alone, because there is a procedure there. I'd be happy to outline that for you at a later date, because I know our time here is limited. I'm wondering if you've had a chance to take a look at that dispute mechanism, and if you have some comments for us.

Also, I see a lot of misinformation flying around the table about the meritorious initiatives and the binational council. First, on the \$500 million that will be going back to the coalition, let's remember that the coalition is made up of individual small business people, and that money will be disbursed to them. These are negotiations, and the negotiations, of course, had to end at some time. That's just the way it is. Everybody wants to think that maybe they can get one more thing, but that's not always the case. Sometimes it has to end; negotiations do have to end.

The meritorious initiatives, or the \$450 million that's going into those initiatives, is something that is going to be done and determined in consultation with Canada. I think it's really safe to say, and I'll even wager a pretty lofty bet on it, that as far as any money out there between Canada and United States is concerned, we're going to be watching very closely where it goes and what decisions are made as to where it will be going.

Also, just to talk quickly about the binational council, you must see that there are some great benefits to having a binational council where there will be industry representatives from both countries, where they will sit and work together not only to better the agreement that's in place but also to build trust between the two countries, to build upon the agreement, to work towards what will happen after the seven years. And perhaps they'll make the decision and recommendation to make it the full nine years.

So I'm wondering if you would care to comment on any of those great items that I have outlined for you here.

• (1450)

The Chair: Are those directed to anyone in particular, Ms. Guergis?

Ms. Helena Guergis: Not anyone in particular.

The Chair: Okay, Mr. Milton, I saw your hand first.

Mr. David Milton: Perhaps I could start, please.

On Gordon Ritchie and the memorandum of understanding, this is a long file. I started doing this in 1982. Gordon Ritchie and I have been at this a long time, as have several others.

The original Canada-U.S. Free Trade Agreement specifically excluded lumber as a freely traded item. We wonder sometimes whether or not lumber has ever been freely traded, given the disputatious nature from 1789 and from Aroostook, all the way through. Dispute settlement was our hope; it was our promise; it was the thing that our colleague, Ambassador Wilson, did wring out of the United States at the eleventh hour within NAFTA, so that the dispute resolution mechanisms there, under the two various chapters, would be to the benefit of settling a dispute. It appears in the context of today that they don't work particularly well if you give up on them when you get near the end.

Will the new settlement dispute resolution mechanism work better in the context simply of softwood lumber? Pardon me, but I'm from Hearst, and you've got to prove it to me.

On the matter of meritorious initiatives in consultation with Canada, can I volunteer, please, to have my name put forward with a list of those people who will sit and have a look at what the things are? I would very much like to know what those things are before they're actually commissioned. Our fear is that while something can be cast as a meritorious initiative because you've rebuilt something in a stricken area like New Orleans, it will have gone through an awful lot of political hands to get to that point.

Thank you for the time.

The Chair: We're out of time. We'll have to go to the final individual in the second round.

Mr. Julian.

Mr. Peter Julian: Thank you, Mr. Chair.

Mr. Brodrick, following up on your comments around the trade associations that have come forward, Alberta certainly is not alone. There's Saskatchewan; we've had the Ontario associations, and most of B.C. Very clearly, the trade associations have stated that they have huge concerns with these badly flawed negotiations.

I wanted to pick up on a couple of points to finish off.

Mr. Milton, you mentioned the irony of this government's refusing any loan guarantees to the softwood industry, yet it's willing to have taxpayers cough up an advance—basically coughing up a second time through EDC—to provide a certain amount of money back to the companies. I would like you to comment on the proceeds of trade crime, the billion dollars that's going to the United States—Canadian money—which we all know is illegal. At every stage in the courts, it very clearly has been seen to be illegal.

By rewarding the American industry for this trade crime, basically tapping them on the head and saying, yes, here's a billion bucks for your troubles for committing that crime, do you think it increases the probability of a lumber war? Does it basically increase the war chest that this industry will have to come back at us with?

Mr. David Milton: Yes, in fact I do, and I'm looking forward to fighting Lumber V at some point in the future before I retire. Because we're going to get one. I can imagine that even if the term of the agreement goes nearly to its seven years, somebody will pull a trigger someday because something has changed, and we'll be back into it again.

I know that many of our colleagues in the U.S. softwood lumber coalition are astute business people. They understand the virtue of solidarity among themselves with a single focus, and they have been terrier-like for a long time on going after this file, not being diverted. I can't imagine that they will change their point of view. In fact, they will be galvanized to new heights because some of the funds that are going to be returned to them in the name of individuals who signed on will be captured and set aside for the preparation of the next time around.

I can't imagine perfection in the deal as it's structured, as complicated as it is, where something won't fall apart and trigger another round in the future. That was the thing we'd all hoped to avoid.

• (1455)

Mr. Peter Julian: So this agreement, if the government did try to ram it through, would actually increase the probability of instability in the industry and another lumber war.

Mr. David Milton: It will cause further destabilization.

The Chair: Monsieur Chevette.

[*Translation*]

Mr. Guy Chevette: I would just like to address some of those questions, including the one raised by the Parliamentary Secretary to the Minister of International Trade and Mr. Julian.

I know the kind of thing you have to do, because I went through this in a previous life. But whatever you do as parliamentarians, I would ask that you not forget the industry, regardless of your individual political positions. The industry I represent needs a shot in the arm. That is no secret. I beg you to give us that shot in the arm. Use whatever means you prefer, but do what you have to do to make it happen, setting aside calculated political moves. I am begging you, as parliamentarians, on behalf of the Quebec industry which is in very dire straits, to take the needed steps to help it stay alive.

Thank you.

[*English*]

The Chair: Mr. Brodrick.

Mr. John Brodrick: If you don't mind, I'd like to answer a previous question.

You mentioned that it was small American business. Out of that \$500 million, a half billion dollars, International Paper stands to receive \$150 million. I also have here Plum Creek, also a member of the coalition. It is the largest and most geographically diverse private landowner in the nation, with more than eight million acres of timberland. I wish I were that small.

The Chair: Mr. Julian, you have 15 seconds, if you would like to ask a very short question. Or shall we move on?

Mr. Peter Julian: No, I always take my 15 seconds.

[*Translation*]

Mr. Chevette, you talked about four amendments. In fact, in three of the areas, there was no amendment or change made. The only change that was made involved the termination clause, which went from 23 months to 18 months, and a standstill provision that is slightly longer.

Is the industry disappointed to see that these demands, which were really quite reasonable, were ignored or at least not supported by the government?

Mr. Guy Chevette: As I said a little earlier, 6 plus 18 equals 24, just as 23 plus 1 equals 24. According to our analysis, it is better to have a six-month than a one-month timeframe, because it allows us to do certain things. We can organize public challenges. We can conduct ad campaigns to protest against the termination of the agreement. We can organize demonstrations at the international level, but at the same time, we, too, may want to terminate this agreement. In fact, I was unaware of the fact that British Columbia had asked to reduce it to 24 months. We only found that out later, when we were told on July 1 that the period had been cut back to 23 months. We were very disappointed because, in our opinion, seven years of peace was fantastic. The fact is that people are fed up with having to pay. Our small council spends \$5 million a year on legal fees, and that doesn't include what every individual company pays for this infamous treaty. We're talking about \$10 to \$15 million for Quebec alone. In the case of British Columbia, it surely amounts to \$25 or \$30 million. And there is also Alberta and Ontario. It has become prohibitively expensive to carry on supposedly much more orderly trade at the international level. It's completely ridiculous, if you ask me, and that's why any course of action that involves negotiation is preferable to legal disputes.

• (1500)

[*English*]

The Chair: Thank you, Mr. Chevette, and all of you, gentlemen. I appreciate your coming today, again.

We have one more meeting. I would ask the witnesses, if possible, to be at the table in a couple of minutes. Thank you again.

This meeting is adjourned.

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