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## Standing Committee on Natural Resources

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**Thursday, March 13, 2008**

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**Chair**

**Mr. Leon Benoit**

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•(1105)

[English]

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

We will start our final meeting, with witnesses at least, for our study on the unique opportunities and challenges facing the forest products industry.

Madame DeBellefeuille, are you looking to be recognized?

[Translation]

**Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ):**  
Thank you, Mr. Chair.

Before you start, I want to ask for a small favour. Can you give us a list of motions that have been tabled with the committee in chronological order, so you can see where we were at? A number of motions have been tabled but not called. On other committees where I have replaced members, a list of motions is tabled each week so that everyone can follow.

Would it be possible to have a list like that for next Tuesday, Mr. Chair?

[English]

**The Chair:** Madame DeBellefeuille, we do put out the lists every now and again. The order of the tabling of the motions or the order in which the motions are presented to the committee doesn't necessarily mean that's the order in which they'll be dealt with anyway. It's up to each member to decide whether to bring forth a motion.

For example, I was given notice this morning that at the end of today's meeting we will deal with a motion from Mr. Trost. It's up to each member, as you well know, to decide when to actually deal with a motion. They could be on the list for a long time—and some of them have been.

[Translation]

**Mrs. Claude DeBellefeuille:** I agree with you. This committee is quite convivial. If we had to consider Mr. Trost's motion and a motion from another member, which one would take precedence? To my mind, if we had to choose between two motions today, the one that was tabled first would take precedence. May I interpret it that way?

[English]

**The Chair:** Yes, Mr. Anderson.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** It might be in order just to mention that some committees have made a different decision about how motions are handled. There are some that have made the decision that they will only handle them in the order in which they come in, as part of the decision when they set up the committee.

We have not done that here. What we have agreed on is that the motions can come forward as the members bring them forward.

**The Chair:** Yes. It's pretty difficult to manage them in the order they are taken. For example, I've already been given notice that a member would like his motion dealt with. All of sudden, if we do it in the order in which they are presented to the committee, then members—

[Translation]

**Mrs. Claude DeBellefeuille:** That is not what I am asking for, Mr. Chair. I did not ask for motions to be tabled in chronological order. I simply asked for a list of motions that are currently under consideration. I agree with debating Mr. Trost's motion. I simply asked for a list of motions that are currently before the committee but that have not yet been debated.

[English]

**The Chair:** I will provide that. That's not a problem.

[Translation]

**Mrs. Claude DeBellefeuille:** Thank you.

[English]

**The Chair:** We do that occasionally, but I will do it. If you'd like it every time, we can do it every time.

•(1110)

[Translation]

**Mrs. Claude DeBellefeuille:** Not every time, just once a week.

[English]

**The Chair:** Great.

Let's get to the business of today's meeting. Again, we will be ending our meeting at a quarter to one to deal with the motion.

We have witnesses today. Thank you all very much for coming this morning.

We have, from the United Steelworkers, Bob Matters, chair, Steelworkers' Wood Council; and Joe Hanlon, president, Local 2693.

We have, from the Université Laval, Luc Bouthillier, full professor, Department of Wood and Forestry Science, Faculty of Forestry and Geomatics.

We have, from J.D. Irving Limited, James D. Irving, president; and Christopher MacDonald, director of government relations.

We have, via video conference today, from the University of British Columbia, David Cohen, professor, Faculty of Forestry; and Jack Saddler, dean of the Faculty of Forestry and professor of forest products biotechnology.

We will now go directly to the presentations in the order listed on the orders of the day. We'll start with the witnesses from United Steelworkers.

Of course you understand we'd like you to keep the presentation for your group to less than ten minutes. If two of you are giving presentations, make sure the combined time is under the time we have allocated. We have a large number of witnesses.

Go ahead, please, gentlemen.

Mr. Matters, you're starting.

**Mr. Bob Matters (Chair, Steelworkers' Wood Council, United Steelworkers):** Thank you very much, Mr. Chairman.

I am Bob Matters. I am chair of the Steelworkers' Wood Council. With me is Joe. Joe is going to go first and I will clean up.

First, some people question why steelworkers are concerned about the forest industry. Just as a quick history, IWA-Canada used to be the Industrial, Wood and Allied Workers of Canada. It merged with the steelworkers in 2004.

Joe and I represent workers predominantly in the sawmills and logging manufacturing all across Canada. That's what the steelworkers' role is today.

I'm going to let Joe speak to northern Ontario for a bit. Then, as I said, I'll clean up.

**Mr. Joe Hanlon (President, Local 2693, United Steelworkers):** I'd also like to thank the natural resources committee for the invitation. We made the same presentation to the finance committee yesterday.

I'd just like people to know that we recognize in the forestry industry the need to work to create a future and to sustain the jobs in Canada. But I want to speak a little bit in regard to the workers and some of the effects and impacts on them, and some of the solutions to help them get through this crisis. So I'll be directing my comments to the forestry industry in northern Ontario, which has been hit hard.

As Bob said, we're the United Steelworkers, representing about 280,000 members across Canada, 50,000 of whom work in the forestry industry. Our local represents approximately 3,700 members in the forest sector, in a number of communities across northern Ontario. These members work in woodlands operations, sawmills, plywood plants, wafer plants, remanufacturing plants, trucking, lumberyards, chipping operations, and equipment repair and sales—or at least they used to.

As we speak, we do not even have 700 members working. These workers and their families reside in communities that have been hit hard by the downturn, such as Hudson, Atikokan, Ignace, Thunder Bay, Greenstone, Nipigon, White River, and Dubreuilville, to name a few. We are talking about 3,000 people who are unemployed, people who have families, many of whom have lived most, if not all, of their lives in these communities.

The majority of these communities are one-industry towns. A good example is White River. In July of last year, Domtar curtailed its woodlands and sawmill operations, putting 240 people out of work. We are talking about 240 people who live in a community of 1,000 people, or 24% of the total population. Just imagine if Ottawa announced today that 24% of the people who live in this city are going to lose their jobs. There'd be mass hysteria and immediate help from the provincial and federal governments. But in northern Ontario, it's just a news story for a day or two.

One of the largest one-industry towns in Ontario is Dubreuilville, with a population of 900. Dubreuil Forest Products employs 340 workers, and announced last week that it would call back the employees who have been laid off since last November. It should be good news, but it's not. They're only going to be called back for about a month; the company wants to clean out the inventory and close the doors, with no indication if and when the mill may reopen.

The people of White River and Dubreuilville, and other communities who are affected by the same fate, deserve more. These are real people, real families, and real communities. In many of these small communities there are no other jobs. How can these small northern Ontario towns continue to afford to provide public services if no one can pay their taxes? How can these people and families continue to live there? They can't—their EI will run out and they'll have no other means of income. The bank will foreclose on their homes and they'll have to use all of their savings.

Perhaps it could be said that before that happens, they should look for work elsewhere. Maybe they can go out west. Well, many have left, but they also face problems. The equity they've built up in their homes is gone; their homes are worthless. The hard part is trying to find somebody to even buy it.

Another problem is when only one family member goes out west to work, who will deal with the social impact and the loneliness of raising your kids as a single parent?

Let us not forget the high cost of living out west, which is a huge challenge for someone who has had their credit rating affected because they could not pay their bills, taxes, loans, or mortgage. Right or wrong, many workers believed they could wait out the storm. They believed the operations might reopen. They believed the provincial and federal governments would not just sit back and watch all of these people, their families and their communities, be destroyed. They know now they were wrong.

Many have taken their severance pay in the hope of catching up on outstanding bills, or to use it to start a new life; but reality sets in very quickly when they find out that the government wants it. They can't pay anything off. They have to use the money to feed their families, because their own means of income, EI, is cut off until their severance is used up. How can we as a society take money away from those who need it the most, money they've worked for and are relying on—especially when there's a surplus in our EI fund?

Our workers are told they can be retrained. Many are upgrading their skills, but they continue to ask, once they receive the training, where are the jobs? Who is going to hire them? In the end, if they want to work, they'll still have to move.

These are a couple of stories from northern Ontario about job losses. These two communities lost about 600 direct forestry jobs. We are just a small local in northern Ontario. There are other steelworker locals, other unions, community leaders, and industry who can tell you the same story. There have been thousands of people who have lost their jobs in northern Ontario, tens of thousands across Canada.

Today is a start, but we need to ask, where have you been for the last two to three years? The devastation that has taken place in the forestry industry is not new. Government will hear from us today, but where were the public hearings that allowed workers and communities to give their input on the softwood lumber deal? Maybe if this had been done, the government could have negotiated a good deal for Canadians and kept working families first.

We ask the natural resources committee to ensure that the federal government pays attention to these people, their families, and communities, to union leaders, the forestry industry, and provincial governments. We need to work together. We need to listen. We need to move fast so that people can get back to work, instead of out-migrating, or being retrained in limited programs where there are no jobs and before any more lives or communities are destroyed.

• (1115)

As for a plan for the future, employment insurance needs to be extended and changed to ensure that severance pay does not take away or defer EI benefits. Taxation and regulatory policy need to be changed to encourage firms to develop new processes, find new markets, and create new products. Training facilities should be located in forestry-based communities. Companies should have to discuss alternatives to shutdowns, and we need the appointment of a jobs commissioner. Furthermore, we need a jointly sponsored provincial and federal fund to support forestry workers. Governments need to target job creation, and governments need to ensure that wages and pensions are protected from companies that declare bankruptcy.

Bob.

**Mr. Bob Matters:** Thank you, Joe.

Mr. Chairman, I'm going to keep on track. I have copies for everybody of an article from *The Vancouver Sun* of two weeks ago about 10,000 forestry jobs gone in the last year alone. Those are in British Columbia, the undisputed logging capital of the world, quite frankly.

Of the 50,000 steelworkers we represent, 20,000 are not working today. And as Joe said, the real sad part is that this is in real Canada; this is rural Canada, single-industry towns. Most often, when you have people displaced in one-horse towns, it's a real problem. That is not recognized, by and large, in the big communities.

I'm not going to go into a lot of the history. You guys have heard this stuff too many times already.

As far as the future, what we have to do is to deal with softwood—that is, the softwood lumber agreement. If the crisis we're facing currently weren't bad enough, the industry has been served poorly by policy-makers.

I'm going to remind everybody that days before a U.S. court ruled the tariffs illegal and ordered the U.S. government to give back all of the \$5 billion it had collected—all of the \$5 billion—this government accepted punitive terms in exchange for an 80% return, and a softwood agreement that is hindering provinces and the government from helping their citizens. The softwood deal has to be revisited. Quite frankly, we think it should be turfed. It has to be revisited first and foremost.

We need healthy forests. We all know, and all of you guys have heard, about the pine beetle plague in British Columbia, which is starting to hit Alberta. The devastation is unprecedented. What we have to do is to redevelop a serious reforestation and intensive silviculture program. It isn't going to do anything for the markets today, but it can employ people today in their communities, keeping them active and keeping them buying things and supporting their communities in rural Canada. We need an intensive silviculture and reforestation program all across the country.

We obviously need to provide incentives for domestic manufacturers—not to do what we're doing today, but to do something different and better to get more value-added out of our projects.

As for the training that Joe and others talked about, we need to do some more serious training. But again, the key is to train people not for potential "what if" jobs, but to train them first and foremost, so that when this industry recovers—and it is cyclical and will recover, though it won't be this year, and maybe not even next year—all of our workers are properly trained to man the machinery and equipment to make this thing go when it kicks back again.

One thing that's been missing all across Canada is federal-provincial cooperation on log exports. Log exports are a crime against the citizens of Canada, quite frankly. We are exporting millions and millions of man-hours. The constant buck-passing, if you will, between the provincial and the federal governments has to stop. There has to be cooperation, so that we completely stop the export of raw logs and keep those jobs here in Canada.

One last thing I was going to touch on was the round-table summit. We do have to get all of the players from across Canada in the industry, and workers, to sit down and talk about what we can do, so that when this thing turns around, we are in gear and not idling. But we have to be in gear so that we can take off when this thing turns around.

Thank you very much.

•(1120)

**The Chair:** Thank you, Mr. Matters and Mr. Hanlon.

In regard to your last point, that is exactly the motion we will be debating at the end of this meeting, so it's very timely.

I go now to the second group of witnesses, one witness actually, from the University of Laval, Luc Bouthillier, full professor in the department of wood and forestry science, the faculty of forestry and geomatics.

Go ahead, please.

[Translation]

**Mr. Luc Bouthillier (Full Professor, Department of Wood and Forestry Science, Faculty of Forestry and Geomatics, Université Laval):** Thank you Mr. Chair, ladies and gentlemen, for welcoming me. As I only have 10 minutes, I will speak French, but during the discussion, I can answer in English.

[English]

The point is to be effective in my message.

[Translation]

The Canadian forestry sector is extremely important. The two previous witnesses made excellent presentations on the crisis we are currently facing. According to them, the crisis is having more of an effect on rural Canada. Bear in mind, however, that 85% of the population of Canada is in urban areas. This crisis has made us forget that Canada as a country depends on forestry, and that our forests can help generate wealth and confirm Canada's identity.

We are facing five challenges. The first one deals with streamlining. In a recent report entitled *Mission Possible: Sustainable Prosperity for Canada*, the Conference Board of Canada states that given international standards, our conventional industry must be streamlined and become significantly larger. Our companies will have to get much larger, which could mean going from 80 pulp and paper mills to about 15. You see the size of the job.

However, not only does our traditional sector need to get much larger, and to generate more economies of scale, but it must also be modernized. Finland, a forestry-dependent country par excellence that dominates the pulp and paper world, invested \$2 billion in the industry in 2007. Let's look at an economy of similar size: Quebec. That province invested a mere \$300 million in the forestry sector. That hardly covers maintenance of our old mills, which are 30 years old on average. In Finland, the mills are an average of seven years old. We are competing with them, and we have a problem.

We are facing three challenges: streamlining, modernization, and creating a value chain. We are no longer competitive because we have lost our competitive advantage along the chain, from the stump right through to the final consumer. We are operating on automatic

pilot. We must look at all opportunities for savings to reduce the cost of the raw materials, the cost of manufacturing and marketing, and to recover our competitive advantage in the context of a strong dollar.

If we rise to these three challenges, that will mean huge job losses. So that means dealing with a fourth challenge as quickly as possible: developing new products. Wood products are clearly the avenue to explore to develop new products. Non-commercial construction uses a mere 3% of wood materials. There is a huge market to conquer if we can emphasize the environmental properties of wood as compared to concrete, plastic and aluminum. Canada is a forestry country.

We must also develop green energy. Sweden is a very interesting case. Sweden has made a commitment to replace 42% of oil, particularly by making more room for wood, by the year 2020. By 2012, in the energy supply pie chart, wood should represent 12% of requirements. At present, it is a mere 3%. That is the target for 2012, in other words four years from now. Sweden will develop a technological lead that we currently have.

The notion of green chemistry, all of these products... A cellulose molecule is 10 times more complex than an oil molecule. You are aware of all of the products that we can make with oil, be they plastic, or synthetic chemical products. We can make 10 times as many. We are leaders in this technology. The Canadian government, through its granting councils, saw that coming. We have new wood products that use wood chemistry. All that is missing is the industrial development.

However, the real challenge is employment, and the previous speakers clearly pointed that out. For all of these people who lose their jobs, the situation will continue, because rationalization, modernization, and the search for enhanced productivity through the refinement of the value-creation chain will lead to job losses. We must find something to offer to these people, not only because we are sensitive to the fate of rural forestry communities in Canada, but also because we need these people to reinvent the forestry industry, to make it into a knowledge industry.

•(1125)

The manpower challenge is crucial. If you compare current figures to those of 2006, you can see that job loss is about 20%. Over the next year, we will probably realize that one third of jobs have been lost. Out of 300,000 jobs, that means a lot of people. But we need these people. Putting them into early retirement is a waste of talent and energy as well as a waste of money. It is very costly, especially given the fact that the age of the largest cohort of workers is between 35 and 49. It is true that in the pulp and paper industry, workers are slightly older. However, in the wood industry, we are dealing with young workers. We must benefit from their ingenuity and from the fact they have been sidelined to increase their skills.

A report published about a year ago by the Canadian Forestry Service painted a picture of forestry and the mill workers. This study shows that in the forestry sector, both in the mills and in the forest, workers without high school diplomas are the most numerous. The smallest number of workers with a technical diploma. In Sweden and Finland, it is exactly the opposite. The forest is recognized as a resource that can generate wealth. Workers in that area are valued.

We are facing a crisis. So I propose that we draw some inspiration from the Danish model and that we begin work immediately on a flexible security program. That will give the industry the flexibility at needs to streamline and modernize their operations. This flexibility will enable them to hire fewer people, but in exchange, they will be in a position to offer income security to people who have been laid off.

What will we expect of people who will be offered income security during the layoff period? We will expect them to improve their skills. They will have to receive training in order to develop their skills in the area of computer literacy. It is somewhat astonishing to see, in our plants and in the forests, the extent to which people are lacking skills to deal with the knowledge economy, which requires mastery of computerized tools.

Tailor-made training programs will also have to be developed. Considerable time is wasted when people who have been laid off are sent to develop the skills needed to draw up a resume. That is not what we need. We must also take advantage of the fact that these workers have in-depth knowledge of what happens in the mills. It is important to take advantage of this work stoppage in order to enable a few of them or the older ones to reflect on ways to enhance productivity. We must practice what management experts call organizational innovation. Good ideas to improve efficiency are close to the machines and not in the head of high-level planners.

In order to improve skills, we will need to focus on more community-based institutions. You should focus on joint undertakings between the unions and the companies. For the time being, the companies are looking for compensation and want to open collective agreements in order to reduce wages and benefits.

• (1130)

In exchange, workers are being offered a possibility, hypothetically, to keep their jobs. I think they should be offered to possibility to participate in the new forestry industry that will continue to manufacture basic products, but that will invest a new production base on what we call precision cut, green energy and green chemistry. To do that properly, we will have to benefit from our domestic market. Canada is an exporting nation, but in the case of developing new products, there is nothing better than starting with our domestic market to differentiate our products internationally.

Thank you, Mr. Chair, ladies and gentlemen.

[*English*]

**The Chair:** Merci, Monsieur Bouthillier.

We'll go now to Mr. Irving, from J.D. Irving Limited. Also here today is Christopher MacDonald, director of government relations.

Go ahead, please, gentlemen, for up to ten minutes.

**Mr. James D. Irving (President, J. D. Irving Limited):** Mr. Chairman, ladies and gentlemen, we appreciate the invitation to be here with you this morning to express our views concerning the forest products business here in Canada.

For those of you who don't know anything about J.D. Irving Limited, our head office is based in Saint John, New Brunswick. We've been in business for about 125 years. We're a fully integrated forest products company, from timberland through to lumber, pulp,

paper, tissue, and corrugated medium packaging. We're also in a number of other businesses, as outlined in our presentation. I won't take you through all the details.

Just as these other presenters have said, in the forest products industry we're going through a transition today unlike anything we've ever seen before, certainly in living memory. It's tragic and destructive, and its effects will be long-lasting. There's no doubt about that. It's a major restructuring.

We have the record-high Canadian dollar, as you folks are very much aware. If you're from rural communities or communities where your constituents depend on exporting for their livelihood, you know the pain that the Canadian dollar is causing us, certainly in eastern Canada. It's enormous. The volatility of high energy prices is affecting our transportation costs for bringing our goods to market. In the case of the softwood lumber business, there's a total collapse of the U.S. housing market at the present time.

At the same time, we're dealing with enormous change in competitors in the marketplace. The marketplace is shifting dramatically, and competition for skilled workers is intense. The knowledge-based economy is changing our fundamental world. That's fine; that's life; that's the world and we're prepared to deal with it. We have to deal with it because hiding our heads in the sand is not going to fix this problem.

The good news, at least in our particular case and for most of the Canadian forest products business, is that the markets are increasing globally for the products we're making, whether it's tissue, pulp, paper, or even newsprint. So there is opportunity out there, and there are opportunities for good, solid companies that are dedicated to making a difference.

The federal government has a major role to play in making sure we're there and we survive for the long term in this country. I give the federal government credit for the recent announcement made on carbon sinks. You included forestry in the carbon sink announcement this week, and that's a positive and important note. We hope the details that get finally published on this are extensive enough to be of value, and encourage and recognize good forestry practices that have been going on in some jurisdictions in this country for a very long time. We think that should be recognized.

Extending the capital cost allowance on the depreciation rate was another good move, and I'm going to talk a bit more about the importance of that in a second.

Clearly the federal government can't fix everything. A number of our policies are directly related to provincial regulations, whether it's management of crown land, local power rates, or infrastructure costs. Those are provincial problems or opportunities. But from the federal government's perspective, the ability to encourage capital investment is enormous, and we have to handle that in the proper fashion.

This shouldn't be done through subsidies; it should be done, as far as we're concerned, through the tax system. There are different ways to do it, but if you take some of the examples, in terms of scientific research and experimental development, there are things that are fundamental to our business.

Some of the other presenters talked about new products. That's what we need. We need to be creative and innovative. Finland is a great example. It's a small country, but that's where we go to buy our logging equipment and our paper machine equipment. That's where we go for our technology. We don't have any of it here in Canada, and it's a national disgrace. It's a shame.

We have to use the tax system to encourage that. Today there is SR&ED, but if you're not making any money and you do research, you can't claim it and get a refund. You should automatically get a refund. In the province of New Brunswick today, as I understand it, about 15% is refunded. If we spend a dollar, we get 15% back, whether we have taxable income or not. But we don't have that with the federal government.

• (1135)

Quite frankly, 20% or 15% is pretty measly in terms of not just the forest products business, but research in general in this country. We need to be really constructive, aggressive, and bold about encouraging research. We should take the shackles off. Let's really go at that. Put a cap on it if you want—so many million dollars a year per company, or something—but let's really encourage it. We should be innovative, and we think we have the opportunity to do that.

I'll talk about the available-for-use rules and half-year rules. This comes back to depreciation and the capital cost allowance. I don't want to make this any more complicated than it has to be, but people in this industry have to spend billions of dollars. We spoke about the \$350 million or so spent in one year against the \$2 billion or more spent in Finland in one year. That's criminal. We have to spend enormous amounts of capital to be up to speed with the new technology. We've got paper machines running this country that were built in the 1920s. That's no good.

In our organization, for the last 15 years or so, we have spent about 125% of our depreciation. A good company needs to spend at least 100% of their depreciation a year to reinvest in capital and technology. The North American average in the forest products business is about 60% at the present time. It's way underfunded.

That was all built around the ready-for-use rules. Today, if we make major capital expenditures in a pulp and paper mill, these are hundreds of millions of dollars, and they sometimes take two and three years to complete. We made this presentation before to the federal government, and we said, look, once you've committed to the project, once you've issued the purchase order, allow your auxiliary depreciation to start. It's a form of financing. We'll take depreciation. We can sell that depreciation to General Electric, if you will, or some other company. It's a great way to finance projects. The capital money gets spent. Yes, the federal government will get less income tax this year, but as soon as the depreciation is used up, there's taxable income available. Yes, it's a deferral in revenue for the federal government, but you get modern technology. You get new

plants. You have places for young people to go to work with all the skills we need.

We have to be creative. The capital cost allowance that's been put in place in the last year or two has been a good start, but it's only for a year or two. We're talking capital projects that take two and three years to build. We need some certainty. We need a longer timeframe. We need to get rid of the half-year rule, which means you can only take your depreciation for six months, regardless of when you spent the money, even if you had 12 months ahead of you. We should get rid of the ready-for-use rule, or put that in place, if you will, so we can take the depreciation immediately upon issuing a purchase order.

These are small details, maybe, but they have an enormous impact, and the subtleties shouldn't be lost on anybody.

Earlier I talked about training our workforce. There is big opportunity. This is a big issue. We need to get our workforce trained. Let's find a way to do that in such a fashion that it's productive, whether it's off of our EI payments or through some other method that allows for people to get properly trained. Encourage it. Encourage industries to be proactive.

We also believe, given the technological changes that are going on—which are enormous for the working man and management—that the federal government would be wise to put a tax-free incentive in for the first 5% for anybody making up to \$50,000. If the money comes from incentive-based pay, productivity-based pay, treat that as you would medical or pension benefits. Give everybody a little bit of encouragement to not fight it. Let's not fight the change. Let's not fight the system. Let's say, "Folks, step up here. We're going to change a lot of things. You're going to have to be a partner." Let's encourage those people and give them a little bit of a boost.

There are some other issues around biomass, heat incentives, energy policies. We think at the present time some of the energy policies—which are good—are restricted to using biomass to make electricity. If you just want to burn biomass—and for you folks, that means bark and sawdust and branches from the forest—or you want to make steam and reduce your oil input costs.... It's \$110 for oil today—my heavens—so we should be all over this one. Let's create a policy broad enough so we can use biomass not just for creating electricity but for steam and to reduce our costs. It's a big environmental boost. Why not? It's a smart thing to do from the government's perspective.



In conclusion, we'd like to make sure that we encourage you to really think about the tax issues. We don't believe in subsidies.

● (1140)

We'd like you to really think about helping the workforce transition, because it's critical. The government has a role to play through incentives and encouraging a very broad and progressive attitude about it, and helping things like cost competitiveness through better use of biomass and cogeneration. Also, you can help the provincial governments, I think, at least in the case of New Brunswick. We've had enormous cuts in the bureaucracy, to the point that we don't have enough people around to really understand what the competitive issues are and how we're going to deal with them locally.

This is not "one size fits all" in Canada. It's a complex country, a complex business. At least in the case in New Brunswick, somehow we need more support to say, "Folks, for you down here—the province with the biggest percentage of GDP from the forest product business—we're going to give you a hand to try to figure out some of these complex problems", because they are complex.

Thank you very much, sir.

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

We now go by video conference to Professor David Cohen, from the faculty of forestry.

Go ahead please, sir, for up to ten minutes.

**Dr. David Cohen (Professor, Faculty of Forestry, University of British Columbia):** Thank you for inviting me.

I hope you received my brief. I did get it in about ten days ago. Hopefully you have it, because there were some pretty pictures in there.

I'd like to take a step back a bit. Rather than talk about a specific policy there, I'd like to talk more about what's going on. There is a crisis going on in the forest sector in Canada. Rural communities are in deep trouble. I spent 12 years in a community of 850 people, and I empathize completely. But there are also things going on in the global industry. There are huge changes in the global structure of the forest products industry, and how we address the current crisis must take into consideration how we fit in with the new global competitive structure in the forest industry.

I'll try to keep this to about seven or eight minutes, but I'd like to talk about what's been changing globally and how that might affect this. I'll use the value chain, and I'll start with where the wood comes from.

We've seen a sea change shift in where the raw material wood resource comes from for the global forest sector. It used to come from northern boreal forests, forests in the temperate zone—Sweden, Canada, Finland—and it's shifted. It's shifted to plantations that are around the equator, where they can grow trees very quickly, they can grow trees very fast, and they can grow different-quality trees, such as eucalyptus, rubberwood, and radiata pine. Today over a third of all the wood resource comes from these plantations, and it's predicted that will go up to 50% or 60%.

Canadian market share of the wood products industry worldwide is declining, because we cannot compete with these fast-grown plantations. It takes us 50, 80, 100, 150 years to grow a tree. You can grow a tree in Brazil in seven years. We get about 2.7, 2.8 cubic metres per hectare per year. They get 40. It's just very difficult for us to compete.

So there's a shift in wood supply. Yes, our fibre has some advantages, but there have also been changes in the manufacturing, two big changes in particular.

First, we have used technology and computers to be able to take very low-grade raw material and produce very high-grade products. We've been able to do that through engineered wood products, using an I-beam and a floor joist instead of a two-by-ten. We've been able to do that by using aspen to make oriented strand board instead of high-quality Douglas fir to make plywood. We've done that in thousands of ways. Probably most important to Canada, by using processed control and computers we can make very good pulp from very lousy fibre. Our strength has been our very high-quality fibre. The problem is that you can take fast-growing eucalyptus, you can take fast-growing species, and make pretty good fibre. You can take recycled paper and make pretty good fibre. And they now use our pulp as an additive. If we make too much of it, the value of it declines tremendously.

The second thing in manufacturing is one word: China. China has taken over the wood manufacturing industry in the world. They are the largest exporter of furniture in the world, surpassing Italy in 2006. They are one of the largest plywood producers. They produce a third of the world's medium-density fibreboard. They export almost \$10 billion a year of value-added wood products, including hardwood flooring. If you go into a store and buy hardwood flooring, engineered wood flooring, or laminate flooring, chances are it's made in China. These are all wood products. China has become the manufactured wood centre of the world. Its biggest competitors are countries like Vietnam, which has increased from several hundred million dollars a year of exports to almost \$3 billion predicted for this year.

So these are our competitors. The manufacturing has changed.

The third area in which there's been tremendous change is the markets. The markets have been taken over by large retailers. And when I say the markets, I mean the markets in developed countries—Europe, North America. Whether it's Home Depot, or B & Q in Europe, whether it's Wal-Mart for clothing, whether it's such house-building companies as Pulte, Centex, or D.R. Horton, there's been tremendous concentration. And these companies demand certain things. They respond to aggressive environmental non-governmental organization attacks on various companies. Unfortunately, wood-producing companies in developed regions tend to be the prime targets of ENGOs, because they can't have much effect in a place like China or a place like Malaysia or a place like Burma.

So we have a situation that is really aligning to make it very difficult for us to compete in doing what we're doing. Our industry, in response, has put up the trenches. They're really in a situation where they're trying to defend their situation. They're playing a strategy of last man standing. They're saying if they can just survive this current downturn, they can go back to producing two-by-fours, they can go back to producing the commodities, and be very successful.

• (1145)

I know, based on some research we're currently involved in, that the European players are waiting for the U.S. market to pick up; then they will try to capture the top end of the commodity market and leave the bottom end for the Canadian producers because of what you previously heard: not enough money in research, not enough diversification, etc.

I'm suggesting we need to take a different approach. We need to address the immediate situation while putting on spectacles for a long-term vision. We have to be able to ask what we do to help the people struggling today, which is critical, making sure what we do leads to a better competitive structure in the future.

My fear is if we just look at survival, we're going to end up with some very large, very successful companies, a bunch of very small companies, and a lot of small towns with nothing: wood being logged there but moved to large manufacturing facilities. My deepest concern is to develop sustainable rural communities, and I think we have a tremendous opportunity to do that.

I want to get away from the idea of this barbell industry structure, which is happening in a lot of sectors, a lot of really small mom-and-pop operations, a few big ones that are huge, no small and medium-sized enterprises. I think those small and medium-sized enterprises are the ones that really drive successful industry structures. They're the ones that create jobs; they're the ones that pay taxes; they're the ones that innovate the most. They don't have the big bureaucratic structure.

What can we do about it? In my briefing I really came down to three things. One was to build capacity in rural communities, and I don't mean extending runways and putting in industrial parks. If I get one more phone call from someone getting my advice on putting a value-added industrial park somewhere in northern name-the-province, it'll drive me crazy. Putting in an industrial park doesn't

create capacity. Releasing the innovative entrepreneurship of the people who already live there does.

So when I talk about building capacity, I'm talking about building the human capacity: training and education, training to include manufacturing skills. We here at the Centre for Advanced Wood Processing are developing a program for wood manufacturing councils to upgrade the managerial skills of those currently working in the value-added sector.

That could be revised to do more basic training to teach people at the managerial levels who aren't in this sector some basic ideas. Train them, but use web-based and on-site course training. We need to use the current technology to make the best use of what exists in cities, as well as getting out to the rural communities or getting them to the facilities in the big cities. Training should include developing real business plans for real money.

The second thing is to focus on the total forest value. The crisis is with the wood, not with the forest. There are values in the forest that there are opportunities to commercialize. I did a talk a few years ago to the registered professional foresters associations, where you're supposed to look 20 years in the future. I'm convinced the forestry in B.C. will be incredibly economically valuable because of the water it produces, not because of the wood. Wood will be produced, but the most valuable resource will be water.

We don't know what the most valuable resource in our forest is going to be in 20 years: it could be water, it could be carbon sequestration, it could be biodiversity credits. But we have to manage so we can maximize the value of the forest, not of the wood resource, and that requires a bit of a different mindset.

So we need to focus on the value of the forest, and that's where the first nations people can come in, because they have a different understanding, and many of the local people have a great understanding. I'm in a project looking at a small town in the interior of B.C. With the large sawmills shutting down in the early eighties, what have they done to maintain a viable community? It's through those small and medium-sized enterprises, it's through going into snowcat skiing, but it's also through wood production, and that includes biofuel.

The third one is to support innovative small and medium-sized enterprise start-ups, right? It's very important to encourage business start-ups. Having worked with many provincial and federal programs, I have recognized that what tends to happen is if there's a failure, the program stops. Failures are not allowed. In real business, you start new products, and out of a hundred that make it through the first funnel, ten might go through the second funnel, three might be taken to market; if one makes it, it you've got a success.

We have to allow failures. If there's support of start-up businesses, one has to expect there'll be 30%, 40% failure. That would be a great percentage, 60%, 70% success rate.

• (1150)

Unfortunately, when there's government support, if there's one failure the program tends to get cancelled. We have to recognize that in the business community failure is part of growth. If we're going to talk about restructuring our industry, then this perception is necessary.

There are tremendous opportunities. The waste from the forest, the waste from wood manufacturing, is going to become more valuable. The waste currently is chips for pulp mills. Soon it's going to be fuel for bioenergy and material for pellets or new types of panels. We're going to have a different product range. We are going to have a higher-value product with more waste, because there will be more markets for the waste.

These are the three things I'm recommending. We try to build the human capacity in the rural communities, and that's mostly entrepreneurial business capacities and technical capacity. We need to focus on the total value of the forest and not just the wood. This is difficult, because our tenures are based on wood and not on forests. There are a lot of values that aren't wood-based. Supporting innovative, small and medium-sized enterprises and recognizing the changes that are going to happen with the waste stream gives us an opportunity to produce medium and small quantities of high-value product that can go into value-added manufacturing.

With that, I will close without having to get my warning on time.

• (1155)

**The Chair:** Thank you, Professor Cohen, from the University of British Columbia.

Our final presenter today is Professor Jack Saddler, dean of the faculty of forestry and professor of forest products biotechnology at the University of British Columbia.

Go ahead, please, sir.

**Dr. Jack Saddler (Dean of the Faculty of Forestry and Professor of Forest Products Biotechnology, University of British Columbia):** Thanks very much for the opportunity to talk today.

I want to pick up on some of the comments that were mentioned earlier. My colleague Professor Cohen said one of the main issues is that globalization is a reality. In Vancouver this week, I think we have Minister Lunn as a member of the GLOBE conference, which has about 10,000 delegates. Again, this is an indication that the environment and globalization is a reality.

I want to cover two main points. One is timeframe. I tend to use this example. At a university we look at a 40-year to 50-year timeframe, because if anyone has come through tertiary education, hopefully the education they pick up is relevant for about 40 or 50 years. The other point Professor Cohen made is that it takes about 100 years to grow a tree. We don't have a very good idea what that tree will be used for in that 50-year to 100-year time, so we have to be innovative.

There are multiple values from our forests. We've had very good experience with a group such as Greenpeace. If we're seen globally not to be managing our forests in an environmentally sensitive way, that has a big impact on our markets. If we're not seen as good stewards of this resource, we're not going to be able to sell many of our products. We know that's a reality.

My main punchline today is that we have to focus on the three Rs. Number one is recruitment. We mentioned the example of Finland. I think one of the problems we have in Canada is that many of our young people don't want to work in the resource sector. If you look at forestry, agriculture, even mining, which is very hot now, it's problematic to get young people into universities to do research in those programs. We have the statistics that tell us there's a problem getting people into forestry, agriculture, and mining. Considering that is Canada's bread and butter and that it will continue to be so, that's a problem. So the first R is recruitment.

The second one we've heard about is research. Our investment in Canada is terrible, so looking at how we can be innovative and the products we can get from our trees, we have a big problem. I think the current industry is struggling. If you look at the companies at the GLOBE conference, for example, it's not the traditional forest companies; it's the energy companies, the oil companies. There's a recognition that we're going to move away from a hydrocarbon economy, from coal and oil, to an economy based on carbohydrates. It's going to be agriculture and forestry. It's interesting that the research part of forestry may well come from outside the traditional forest sector.

I call my third R reinvention. We heard earlier about the cyclical nature of the forest sector. We're not in a cycle now, we're in a major sea change. We may come back a bit, but as Dave pointed out, if we're relying on market pulp or two-by-fours, we're not going to make it. We're going to have to be very innovative in terms of the products we get from our forests. More importantly, if you look at how the global economy is going—this bio-refinery concept—the same way we look at refining oil, we're going to have to refine biomass. We've talked mostly about oil—\$110. Within this 50-year timeframe, if I again come back to how long our students should be relevant, it's inevitable we're going to be making a lot more than two-by-fours from our forests.

I will finish with an example. One of the earlier speakers talked about Denmark. Denmark now gets about 25% of its electricity from wind. If you fly to Denmark, you'll see windmills. I heard the minister of environment say that the national flower in Denmark is the windmill; that's how prevalent they are. The more impressive statistic from Denmark is that 50% of all windmills sold globally are made in Denmark. We should be aspiring in Canada to not only use our resource in a very innovative and effective way, but to be the developers of the technology that we can sell to the rest of the world.

• (1200)

My punchline is that we need to concentrate on the three Rs: recruitment, let's get our brightest and best to work in the resource sector; research, we need to be innovative with the resource we've got; and reinvention, how are we going to reinvent the forest sector.

Thanks very much for this opportunity to give my two cents' worth.

**The Chair:** Thank you very much, Dean Saddler.

We will now go directly to the questions. In the first round we have Mr. Alhabra, Madame DeBellefeuille, Ms. Bell, and Mr. Allen.

For up to seven minutes, Mr. Alhabra.

**Mr. Omar Alhabra (Mississauga—Erindale, Lib.):** Thank you, Mr. Chair.

Thank you, everybody, for joining us here today.

As you know, the committee has been holding several hearings over the last few weeks on this issue. We're hearing a lot of similar messages on how to deal with this issue.

I have a few questions, and I'll start with Mr. Irving.

Mr. Irving, you talked about encouraging capital investment. I don't know about the committee, but I totally agree with you. You're suggesting that the best way to do it is through the tax system. The struggle I'm having is that, on the same page, you said the research and development tax credit is not working because a lot of these companies are not making profits, and you're suggesting a refundable scheme. We know that a lot of the companies are having difficulties making profits through downturns or start-up.

How do you suggest we encourage investment, if the taxes are not necessarily going to be a workable option, at least in the short term?

**Mr. James D. Irving:** We're getting into the tax business, so it can get very complicated very quickly.

There are two parts to it. On the research side, just pure research, I think that can be a refund. If they're not paying taxes, maybe it's a direct contribution back to the company, if they're doing bona fide research. That's the smaller part, although clearly it's big from the point of view of the long term, where-are-we-going point of view.

If you want to talk about the big capital projects today, let's take a pulp or paper mill, for example. You say you need a new paper machine that's half a billion dollars and you're not making any money or you're marginal. Normally you would depreciate it over a number of years. What we promoted with the federal government was that maybe it should be allowed to depreciate 100% for tax

purposes over two years, right away. You issue the purchase order New Year's Eve that year, December 31, and you qualify for half your depreciation that year. If you're a taxable company like General Electric or somebody else, this is a form of finance. Sell the tax attributes to General Electric. They'll have a lot of cash all of a sudden, and that is going to finance this installation.

**Mr. Omar Alhabra:** You're suggesting the best way to encourage private investment is through the capital cost allowance.

**Mr. James D. Irving:** Yes, because grants, or whatever you want to call them, get very messy very quickly. We need very good technology today. You're not going to make the quality and productivity standards you need with old junk.

We should be bold about it. We fiddle around the edges. We go for a year or two and give 10% or 20%. We should be bold. We're not aggressive enough, certainly not to compete in the global market from this point of view.

**Mr. Omar Alhabra:** Professor Cohen, I enjoyed your presentation.

The question I have for you is that a lot of your recommendations are for the long term, but what do you suggest we do in the short term? We have heard from you, as well as the United Steelworkers here today, in fact all witnesses, that there are current challenges faced by communities, rural communities, especially one-industry communities. What can we do? I'm talking from a federal government perspective. What can we do to work within this transition period?

• (1205)

**Dr. David Cohen:** The first thing is to recognize that you can't save them all. It's not going to go back to the way it was. Not all the communities are going to exist. Not all will stay the same size. What you want to do is give the communities the capacity to make those struggles that will let them survive. That's why I talked about the human capacity building to allow the training, education, supports, and start-up businesses. It's those kinds of things.

I don't think it's going to do a lot of good to pay everybody while they're laid off, until we figure out what to do with them. I don't think it's going to help solve the problem. Facilitate their finding their own solutions, because the solution in a town in northern Quebec is not the same as a solution in a town in coastal British Columbia. One size doesn't fit all. Different people have different skills and different abilities. Different communities have different resiliency. For some it works by developing a community forest and expanding that way. I'd say supporting community forests is one way of helping communities find different ways of managing forests to be more sustainable for that community.

It's trying to empower the local people and give them a hand up rather than a handout, which I guess is a cliché, but I'm a professor, so I use those.

**Mr. Omar Alghabra:** Thank you, Professor.

Mr. Matters, do you want to follow up on that? I'm also interested in your thoughts on the community fund that was announced a month ago and whether you have seen any of it helping any of your membership.

**Mr. Bob Matters:** Thank you.

As far as immediate help is concerned, I take a bit of exception to the professor's comment about paying guys while they're laid off not helping. What this government has to do first and foremost is ensure that workers stay in those communities.

Concerning the notion that communities may sink or swim, if given the tools communities are always going to fight to the last breath to swim, not to sink. Communities aren't going to cut their own throats. They're going to keep coming after the provincial government, the federal government, and anybody else to get help to survive.

We have to ensure that the workers stay in those communities and can survive in those communities. So I agree: don't just give them cash; don't just give them EI and say fine. Certainly we can extend EI if it's necessary, but more importantly tie it to the stuff other folks were talking about, training and education, so that they are available to be a resource when things turn around—because they will. We all know they will; everyone agrees they will. We hope it's tomorrow, but it's not going to be.

I'm sorry, the second part of the question was...?

**Mr. Omar Alghabra:** It was about the community fund.

**Mr. Bob Matters:** The community fund is a fantastic idea. I appreciate the idea, but I haven't seen a single thing yet. I think it was, frankly, a mistake to simply say we're going to hand over some money with no strings attached, with no real plan, when there should have been the extra work to go in. We've all seen and heard about it: subsidies or handouts are great if you're starving to death, but they don't do anything for planning, and they don't do anything for security.

There should have been more strings attached. There should have been some real stuff attached to that.

**Mr. Omar Alghabra:** Thank you.

Do I still have time?

**The Chair:** Your time is actually just up, Mr. Alghabra. Thank you.

We go now to the Bloc Québécois, to Madame DeBellefeuille, for up to seven minutes.

[*Translation*]

**Mrs. Claude DeBellefeuille:** Thank you, Mr. Chair.

Thank for your testimony.

I imagine, Mr. Cohen, that when you asked us to look at the nice photographs in your document, you were not referring specifically to

the degrading Victoria's Secret advertisement. I find it unacceptable, today in 2008, to see a company still using such a degrading image of a woman. I hope that it was not this photograph that you wanted to draw our attention to.

What concerns me a great deal, is that since the beginning of our study, all the witnesses agree that we have to step up our efforts in the area of research and innovation. We must develop technologies that allow for the creation of quality specialized products if we want to stand out and be more competitive on the market. All witnesses, almost without exception, demanded or recommended that the government provide greater support for technological research and development in order to diversify the creation of new products.

Mr. Bouthillier, you stated that the technology exists and that Canada is a leader; you also referred to green chemistry. If I understood you correctly, you say that it is not really necessary to invest in research, which really surprises me, coming from a university professor. I would like to give you the opportunity to tell people that on the contrary, it is important to continue and increase investments in research, both in industry and in educational institutions.

• (1210)

**Mr. Luc Bouthillier:** Thank you, Mrs. DeBellefeuille.

Indeed, it may seem surprising to hear from a professor that research is doing well. Of course, more could be done, but the impression is and I will say this in English:

[*English*]

for many people in Canada it seems that the forest sector has no future.

[*Translation*]

It does have a future and it is already underway because the major granting agencies had the prescience or the shrewdness to fund several development initiatives for new products.

Before, a new product in the forest sector had a life of 50, 60, 100 years. Now, between the time when a product emerges and the time when it reaches market maturity, between 7 to 10 years elapse. We need to pursue this research effort.

To relaunch the forestry sector, there are already... In the area of smart paper, the SENTINEL network has developed all kinds of bioreactive papers. The problem lays with transferring this technology in order to create opportunities for wealth and employment.

**Mrs. Claude DeBellefeuille:** So you are saying that the ideas are there and that the technology is ready, but we still need to bridge the gap toward marketing on a broader scale, with the goal of making this technology marketable and usable for the industry.

Mr. Bouthillier, I am going to interrupt you. Perhaps we can come back to these questions.

Mr. Irving, in the last budget, \$260 million were allocated to research in the oil industry for the study and development of carbon dioxide capture and storage techniques. In addition, \$300 million were allocated to the development of the CANDU reactor and laboratory in Chalk River.

As a businessman who works in the forestry sector, what do you expect from the government? There are still a few days before March 31 and the government still has a portion of the surplus that it could distribute before deciding to use it all to pay down the debt. As an industrialist, how much do you think the government should allocate to the sector for innovation-oriented research and development?

[English]

**Mr. James D. Irving:** As a businessman, given the state of the oil business and the state of the forest products business, I think we should get a great deal more than the oil business, because we have a lot bigger troubles, so we'd encourage the federal government to be very generous.

Look, research is one thing. You have a whole lot of people out there today who are starving to death in the business. They're looking for the next meal. It's very hard to think about retirement when you're thinking about trying to get enough just to live today. That's the crisis, and everybody has a very short fuse.

That's the reality around the research, to get people motivated to step in.

You're asking how much money. God knows. I don't know how much. It will take a lot, but there are good models in a lot of other countries, as the professor said—for example, Finland. That's a great model. We shouldn't reinvent the wheel. I don't know what the amount is. It will take a substantial amount, but we should commit to it. The forest products business has been here for a hundred and some years. It's been a big employer in this country and has created a lot of tax dollars. We're at a point in time that's very difficult. This point in time will change, but we should try to put enough money there, whatever that amount is. I don't know what it is.

•(1215)

[Translation]

**Mrs. Claude DeBellefeuille:** Mr. Irving, you say that it will take a lot of money. That means that what is being offered now is insufficient. I am thinking of the advantage that oil companies have in the form, for example, of the accelerated capital cost allowance. As part of the \$260-million carbon capture and storage project, the companies will be able to take advantage, in addition, of a substantial acceleration of the capital cost allowance.

I notice that you are asking for more money for the development of innovative products and an accelerated capital cost allowance. So you are asking for the same support that the oil patch currently receives.

[English]

**Mr. James D. Irving:** Excuse me. I missed something in the translation. I'm sorry about that.

**The Chair:** Madame DeBellefeuille, do you want to ask your question again?

[Translation]

**Mrs. Claude DeBellefeuille:** What I was saying, Mr. Irving, is that the oil companies received financial support to develop green technologies along with an accelerated capital cost allowance. In your recommendations, you ask for the same thing, that is, more money for development as well as a capital cost allowance system.

That is what is currently available to the oil patch. I don't understand why these conditions are offered to oil companies but not to the forestry sector.

Do you agree with me?

[English]

**Mr. James D. Irving:** I'm not up to speed totally on what the programs are for the oil industries out west, but the oil activity in Alberta is concentrated in one small part of Canada. Forest products are spread across the country, virtually in every province and in thousands of small communities.

Should we get as much or more? I would think, given the present state of things.... And we shouldn't forget here that this is a renewable resource. Once we've dug all the minerals out of the ground and extracted all the oil and extracted all the gas, there is nothing there but a hole. But when we cut the tree, harvest the tree, we plant another tree, and so on in perpetuity, whatever that will yield. It's a great long-term investment for this nation. I think there's no limit to the amount of money we need to spend on that support to get there.

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

Merci, Madame DeBellefeuille.

Ms. Bell, you have up to seven minutes. Go ahead, please.

**Ms. Catherine Bell (Vancouver Island North, NDP):** Thank you, Mr. Chair.

Thank you again to all the presenters. This has been a very good study.

We're hearing a lot of recurring themes, and we heard it again today in the group that's before us. Some of what I'm hearing is that Canada has been very short-sighted in terms of encouraging investment in research and development, and that's led to where we are today, with a crisis on our hands, and 30,000 job losses in the forest sector across the country. We're hearing about the impacts on rural communities, many of which are in my riding of Vancouver Island North. We're very forest-dependent. I come from a logging family, so I understand the cyclical nature, and I've always said this is much bigger than what I ever remember my father experiencing in his work life.

One of the things we're also hearing is there is a market out there and we need to adapt to this changing market. Right now there seems to be a market for our raw logs in Asia, yet we're not manufacturing any of those logs here, and that's created a lot of the downturn. A lot of the companies are not based in Canada, and I wonder, from anyone's experience, what does that mean? If the companies are not investing in our country, they're basically taking the money and running. What does that do?

I had a motion in this Parliament to stop raw log exports, but also to encourage value-added manufacturing, whatever that could be. We're hearing that training is important, and we also heard about investment in fuel, in biomass.

This government just invested a lot of money in the grain ethanol business. I just want to know if you, Mr. Cohen and Mr. Irving, believe there should have been more money invested in the forest biomass research and development. Because in the grain and corn ethanol business, the prices are going up, and the building of those facilities is actually collapsing in the U.S. I'm just wondering if that's going to happen in Canada, as well. Yet we didn't see any money for the forest industry investment.

Also, for Mr. Matters or Mr. Hanlon, with regard to the community trust fund that I think was given to the provinces with no strings attached, as you mentioned—and who knows where that could end up—has there been any uptake by your membership or communities, that you're aware of, with requests to get any of that money into the hands of workers for some much-needed assistance?

I'll just start with those two questions.

• (1220)

**The Chair:** Mr. Cohen, you may go first, please.

**Dr. David Cohen:** Okay.

Before I start, I'll just take 30 seconds to tell you that I purposely included that photo because it was a full-page ad in *The New York Times*—I'm responding to the previous questioner—and I find it reprehensible, but it seems to be acceptable tactics by certain organizations to attack the industry in Canada. I included it because of its reprehensible nature and to show that it seems to be acceptable if it's for a good cause but not acceptable if it's not for a good cause. I find it very distasteful, and that's why I show it, but it was a full page in *The New York Times*, and they found nothing wrong with it. I'm glad it was noted.

In terms of the question on ethanol, I think too often governments want to spend money and get results right away, without coming up with a plan or studying what the best way is. The little bit I know on producing biofuels tells me corn is not a good investment of energy for the amount of energy one gets out of it, and we need to look at other sources.

There are two reasons I think corn is probably not the way to go. One is that we should be looking at using waste to generate energy, not creating alternative uses for food products. Because waste currently has very little value, to me it makes sense that we look at it as a way of producing fuel, as opposed to using something that has value.

We're seeing global inflation on food right now, and one of the reasons is the push to get fuel to produce fuel. It's creating hardship—tremendous hardship—in developing countries. In China we've seen the price of meat go up 30% or 40% in the last year, and the government's had to put price controls on food.

So I would agree with you completely, and I would say that rather than jumping in and saying wood's the answer, we need to do the research to find the most viable answers for Canada on a broad scale in terms of biofuels, and not just focus on one area. Then we can start spending the money in that area, and we should base it on how many units of energy it takes to convert it to a unit of energy. If it's one and a half to one, it's not a good investment; if it's 0.1 units of energy to produce a whole unit of energy, that's a good investment.

I think wood would probably come out fairly high on that, but I don't know that much about it; probably someone like Jack might know a little more, but that would be my response.

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

Could we have Mr. Hanlon or Mr. Matters on the second question?

Mr. Matters, go ahead, please.

**Mr. Bob Matters:** If I can just take one second first, Catherine mentioned log exports. I don't think it gets enough play here, and I've got to tell a two-second story.

The largest private landholder on Vancouver Island—and I won't name the company, as they're currently suing me, and I don't want my second lawsuit—is responsible for about 80% of the log exports. They closed down their last manufacturing facility. If you can imagine this, you have a company that has nothing but private land and is only in business to do two things: first and foremost, sell those logs off short—sell them off short—and second, sell good stuff for real estate.

I know Mr. Irving would love to have a sawmill to which he can direct nothing but grade A prime logs 24 hours a day. With this company owning some of the best land in British Columbia, selling only the best logs in the world, that company could put nothing but number one prime grade A logs into his sawmill and have the biggest competitive advantage over anybody because he's only got grade A stock going in—nothing else.

They closed the manufacturing plant. They've got no manufacturing left.

All they wanted to do is export logs. There's something wrong with that in Canada. We heard the professors talking about how the rest of the world is taking our product and how we're being overrun. They're not exporting crap—excuse me—they are exporting only the very best logs, and all of British Columbia and all of Canada is being exported. I'm sorry; I just had to say that with respect to log exports.

With respect to the community trusts, there is some stuff going on, but as the professor has already indicated, most of the stuff is.... God bless the communities; they're trying to survive. He used the example, and I know it's true, of a couple of communities that are building longer runways so that they can bring more tours in from Europe without having to stop in the major centres first. As I said earlier, when communities are trying to survive, they'll do anything for the long term; they'll look anywhere for dollars and cents. God bless them. Some of the initiatives may look good on paper, but those dollars being spent on building that runway, making it longer, aren't doing anything to create jobs for those guys and keeping them working in the communities. That's the problem.

• (1225)

**The Chair:** Thank you, Mr. Matters. Thank you, Ms. Bell.

We go now to Mr. Allen, for up to seven minutes. We are looking forward to your questions, sir; please go ahead.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you, Mr. Chair.

I have so many areas we could go in. I think I'll just go in two of them. One is innovation, and one is regulation.

Mr. Irving, you talked about spending 125% of your depreciation on capital improvements, over the last number of years. From what we can understand from previous witnesses, I don't think this has generally been the case in the industry. They have not kept up with capital improvements.

If industry has not kept up and we want to encourage them to invest as quickly as possible, does extending the accelerated capital cost allowance for a long time achieve that objective? Or are we going to get more of the same—few actual investments? That's the first one.

Second, with respect to innovation, it's one thing to replace your capital and another to innovate. Can you tell us how much of that 125% of new capital has been based on innovation, as opposed to simple capital replacement?

**Mr. James D. Irving:** Mr. Allen, there are two parts. Maybe we're a little unusual. I guess we are in regard to reinvestment. It has to do with what Mr. Matters was saying about closing down the facility and exporting the logs. Some other folks have talked about small and medium entrepreneurs. This gets back to having a big corporate structure that has a global view of the world, which is fine. The capital moves around the world, and that's what's happening here. We told the provincial government in New Brunswick that we've lost a lot of world-class companies. They didn't leave the business; they just left New Brunswick. These people have deep pockets, but they're big and they have the capacity to invest.

You have folks like ourselves, who are much smaller but local. New Brunswick is home, like the Maritimes and the state of Maine. So for us to shut a facility down causes a lot of heartache. We know the people. We know the communities. We agonize over this, and we try to limp through.

We try to invest as much as we can to make sure we're competitive, because we know we cannot run our businesses with old equipment and technology.

This is one the federal government is not going to fix. It's going to be that whatever they do, they do for everybody. To answer your question, encourage the tax system to support this. If you are a private company, for a lot of entrepreneurs and smaller and mid-sized companies, raising capital is a big job. If you're large, you'll raise capital around the world on the stock market. If you're much smaller, if you're private, the capital comes from the banks or it comes from your private equity investors or your cashflow. That's why I get back to the structure of financing. If you want to invest, if you want the technology, you need to create a vehicle for it. That's why I think the tax system is a good way to do it. There are opportunities to finance things.

It's not going to happen that you didn't invest and you're still in business. You're either going to invest or you're going out of business. That's what is happening in this country today. There's no question about it.

Is that satisfactory on the first part?

• (1230)

**Mr. Mike Allen:** Yes, and the second part is, what component would you say? Is it based on innovative products, or is it capital replacement just to keep up?

**Mr. James D. Irving:** Look, we're a small company. New Brunswick, the whole province, makes less than 0.5% of the world's forest products business. We're part of that, so put it in context. Yet we have patents pending for tree research. We're planting more trees than anybody in Canada, certainly on a private basis. We've been at it for fifty years. We bought the first online supercalendar for making the equivalent of coated paper. We installed it three years ago. We're pioneering great innovation and technology in the logging business. We're using some of the management training systems that you folks were talking about a minute ago—Lean Six-Sigma and advanced computer technology. The most sophisticated forest logging you can do today, we are doing in New Brunswick.

Are we spending? I can't give you the exact split, but I can tell you we're spending millions of dollars training our folks on the best technology. Again, the tax system should support that. It doesn't today. If you want to take somebody to upgrade their skills, they really should be on unemployment to qualify for federal money. But if you have employees who need upgrading—and we're spending millions of dollars to do it, with the latest technology—you don't get any support for it.

These are the creative, bold ideas we need to think about.

**Mr. Mike Allen:** How much time do I have, Mr. Chair?

**The Chair:** You have two minutes.

**Mr. Mike Allen:** I want to go quickly to the regulation side of things. We're trying, at least at the federal level, to cut red tape as best we can by fall 2008. What are some of the things we can be thinking about at the federal level and I guess in a relationship with the province? Maybe you can just give some examples of some of the regulatory aspects you run into that governments—federally and provincially—could help you with.

**Mr. James D. Irving:** The federal regulations from the forestry perspective are really driven around the big environmental issues—water, air, and so on. In order to understand where we're going to go vis-à-vis our outputs on air emissions and Kyoto, and what all this is going to mean to us, we need clear direction. We can't fuss forever here, if we're going to make decisions.

At the big federal level, it's a lot of bureaucracy—water permits today and air...and my God, it's an enormous number of people, with what we're trying to accomplish. We'd like to be, both on a provincial basis and a federal basis, very much outcome-based. Tell us where we have to be. Leave us alone. Let us go and do it. If we don't do it, then hit us with a fine, whatever it's going to be. But don't try to manage it day to day.



Particularly on the provincial level, I know this is not about provincial regulations here, but we have an enormous amount of red tape, and I think it's the same across the country. We need to get away from that. It's just strangling the country from a productivity point of view.

Outcome-based....Tell us where you want to be. Don't change the regulations every five minutes, because we can't keep up. It takes a lot of bureaucracy, a lot of cost to keep up. Get it clear and then live with it for a period of time so we can settle down, and hold us responsible for the outcome, not the day-to-day management of it.

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

We go now to the second round, for five minutes each.

Mr. St. Amand.

**Mr. Lloyd St. Amand (Brant, Lib.):** Thank you very much, Mr. Chair.

I'll be splitting my time with Mr. Tonks, so could the clerk perhaps cue me at the two-and-a-half-minute mark?

To the panel members and to committee members as well, Mr. Boshcoff and I sit on two committees and we were engaged in the committee from nine o'clock to what we thought would be eleven this morning. It turned out to be eleven-thirty because of a vote. So we apologize for our tardiness, but it was unavoidable.

To you, if I may, Mr. Hanlon and Mr. Matters, vis-à-vis the community fund, to what extent was your sector consulted before the community fund was introduced?

**Mr. Joe Hanlon:** There was no consultation, no discussion.

In regard to the fund, I was talking to the mayor of Thunder Bay yesterday. The federal government and the provinces haven't even sorted this out in regard to how much money Ontario is going to get.

The other point is we have to recognize that this is for manufacturing also. It wasn't just people in the forest industry. So we're talking about a forest crisis, yet a lot of the money in Ontario will be going to manufacturing—not that they don't need it, but what has happened to the forestry in regard to this?

So on the fund, there should have been dialogue, there should have been discussion. Before it was announced there should have been consultation to find out where the money is going to go, because our members continue to ask us on a daily basis about when this money is going to be there. It's not there.

• (1235)

**Mr. Lloyd St. Amand:** If I may, then, again to either or both of you, with respect to Mr. Irving's recommendation, or one of his recommendations in terms of skill-building, he suggests that the Government of Canada should establish a non-taxable category of employee income, whereby a tax-free bonus of up to \$2,500 would be paid to employees who have demonstrated productivity. I presume Mr. Irving means that not just in forestry, but also across the board.

You perhaps haven't had time to consider that. What would be the reaction of your membership to a proposal like that?

**Mr. Bob Matters:** To be fair, you're correct, this is the first time I heard about it, so this is just, boom, off the top of my head.

Any time we can participate in great results sounds interesting, first and foremost. Secondly, when you think about it, I know what would happen. We'd have collective agreements open up all over the world and there'd be a new base, and the new base would be much lower than it was, but if you do better, you're going to get more incentive.

So there would immediately be an issue with us around bases, wages, etc., and there would obviously be a huge impact on the taxation system and income from the result of that.

It's interesting, but I'd be very cautious.

**The Chair:** Mr. Tonks.

**Mr. Alan Tonks (York South—Weston, Lib.):** Thank you very much, Mr. Chairman.

Thank you to all of you for being here and to those speaking with us from British Columbia.

Mr. Irving, thank you. In my constituency you have a plant, and it's very engaged in community-based work with non-profits on retraining, skills upgrading, and so on. I thank you for that. It isn't often recognized that you have made a very close relationship between community building and trying to use the local resource—human—and bringing that together with the natural resource, and bringing high-value-added activity.

This morning I was at a meeting, Mr. Chairman, and the chairman of that meeting was talking about what happened during the war when we transformed our whole production capability to a war footing, and people were mobilized to meet that need.

The description of climate change as being tantamount to an international and global catastrophe as we speak has been refuted on the one hand but more often is recognized as a real threat. All of you have talked about how your particular interests vector into being part of a strategic response to climate change. In particular is the opportunity lost for restructuring the forestry industry and the opportunity now to see Finland, to see what's happening in Europe, to recognize the trends in China and India, and to see what we've been doing wrong.

We talked about a national round table. Would you take it that we could, in that round table, focus strategically on what the forestry industry can contribute to climate change, in terms of biomass, biofibre, and all of the technology and the commercialization, and the challenge that we have to do this quickly? Could you see that national round table at least taking that kind of a theme from forestry, bringing people in and highlighting it so that government then could have a list of recommendations that would be a strategic response, and using the round table to do that, from each of your perspectives? The university perspective would be on research and development from capital formulation, so that we have a total response.

**The Chair:** Unfortunately, Mr. Tonks, your time is more than up, so we'll have to have extremely short, really concise responses if we could.

Let's start with Mr. Bouthillier. Go ahead.

**Mr. Luc Bouthillier:** Of course the answer is yes, and we have to stress the fact that with forest products, whether it's bio-refinery, energy, or forest products commodities, there is a competitive advantage for Canada to emphasize the fact that while you are using the forest, you are improving the situation of climate change. But we have to express to the consumer that there is an advantage to buy a green product made from the Canadian forest by Canadian companies through Canadian workers who are highly skilled and trained.

• (1240)

**The Chair:** Okay.

I think we'll have to go to the next round here. We are short of time.

We'll go to Monsieur Ouellet.

[Translation]

**Mr. Christian Ouellet (Brome—Missisquoi, BQ):** Thank you, Mr. Chair.

Hello, Mr. Irving.

My question is for all witnesses, and I hope you will be as brief as I am. Messrs. Irving, Matters, Saddler and Bouthillier, you referred to the domestic market. If you had only one recommendation to make to the government with a view to relaunching our domestic market, what would it be? We have completely lost the construction sector; steel is everywhere. We have also lost our market for secondary paper products, and we are in the process of losing our market for wrapping paper. We're losing everything. What is your recommendation? You have 30 seconds.

Mr. Irving.

[English]

**Mr. James D. Irving:** Fix the tax system. Get the depreciation right, quick.

[Translation]

**Mr. Christian Ouellet:** Thank you.

Mr. Bouthillier?

**Mr. Luc Bouthillier:** The building codes prohibit construction using wood in forestry-based countries like Canada.

**Mr. Christian Ouellet:** I don't agree with you and I am an architect.

**Mr. Luc Bouthillier:** I'm referring to commercial construction.

**Mr. Christian Ouellet:** Six-storey buildings are authorized.

Mr. Saddler, what is your recommendation to the government?

[English]

**Dr. Jack Saddler:** We need strong leadership right now. If I look at it, the forests belong to the province. One of our problems is that we're caught in this federal-provincial divide. Effectively, we need strong leadership, someone who is going to say "This is the vision for our forest sector". It's not there right now. I think the federal government can provide that leadership for the short, middle, and long term. We need that vision.

[Translation]

**Mr. Christian Ouellet:** Thank you.

Mr. Cohen.

[English]

**Dr. David Cohen:** I would define the domestic market as Canada and the U.S. Anyone in the industry knows how important the U.S. is. I'd say the best recommendation is to look outside, as opposed to internally. Quit standing at the mill and looking at the forest; start looking at the markets and the competitors.

The second thing is to recognize that we need different people looking at solving the problem, rather than the same people who have been looking at it for many years. We need a different set of eyes looking at it.

[Translation]

**Mr. Christian Ouellet:** Mr. Matters.

[English]

**Mr. Bob Matters:** The short answer is that in the immediate term we need to have that summit to get all of these ideas together. But in respect to the last question, the summit has to stay focused on jobs in rural communities. What I call the green stuff could be a secondary item, but certainly if you focused on that it would take away from the overall issue of the round table. As the previous speaker said, we need to get immediate leadership, both on the provincial and federal level.

[Translation]

**Mr. Christian Ouellet:** Mr. Irving, you referred to biomass. Could biomass become a major domestic market?

[English]

**Mr. James D. Irving:** No. Look, with biomass you could burn all the trees in Canada trying to make any amount of electricity. This is an add-on. It's a competitive advantage. We shouldn't waste a scrap in the forest. We should burn it for biomass. If we can turn it into biofuels, that's a good add-on to an existing pulp and paper operation. But it's an add-on.

I don't think it's going to become a primary product, because the cost of the fibre is too high. Maybe if oil gets higher, it will come into its own. Fundamentally, for the bio-business, the technology that's out there is not developed yet. It's coming, and we encourage all of that; we want it to happen. But it's not here today. And I think it will be a bolt-on to an existing pulp and paper operation, let's say.

In terms of biomass by itself or burning for energy, we should use whatever we can. But there's not enough out there to meet all our energy requirements as a country, if that's what you're thinking.

[Translation]

**Mr. Christian Ouellet:** Mr. Cohen, wood composite materials are an up-and-coming sector and they have been developed in universities, including yours. Why do these materials not make it to our domestic market?

[English]

**Dr. David Cohen:** Actually, the products are, but they're not necessarily made here. The problem is that by doing composite materials and engineered products we're taking low-quality fibre and making high-quality products. People can produce low-quality fibre cheaper than we can. As we get more sophisticated products, it's cheaper to make them in Brazil, Uruguay, and Chile and ship them than for us to make them. Because our costs are higher, and a lot of it's the trees.

We see a lot of these products. I-beams have replaced over 70% of the structural flooring from two-by-tens in the last fifteen years. OSB is one of these products, and it's pretty much taken over from plywood, at over 70% of the market share. That's something we produce a lot of. We see a lot of these composite products. We're seeing more of them being developed, but they go where they can get the cheapest raw material supply, and that's not here.

•(1245)

**The Chair:** Thank you.

Merci, Monsieur Ouellet.

We go now to the final questioner for today, Mr. Comuzzi, for about four minutes.

**Hon. Joe Comuzzi (Thunder Bay—Superior North, CPC):** Thank you, Mr. Chairman.

I know I won't get time for all of the answers, so I'm wondering if it would be proper for one or two of the witnesses to table the information that we'll need to come to a decision. Would that be in order?

**The Chair:** We can ask them to do that, yes.

**Hon. Joe Comuzzi:** I'm talking particularly about Mr. Matters and the logs that are exported out of the country. I agree with what you said, but I would like more facts. You don't necessarily have to name the companies, but I would like to know about how many logs and how many companies are involved in shipping out raw material for other countries to manufacture.

Can you provide that?

**Mr. Bob Matters:** If I did so immediately, it wouldn't be accurate, but I can certainly have something e-mailed here, probably this afternoon.

**Hon. Joe Comuzzi:** Oh, no, it doesn't need to be that fast.

**Mr. Bob Matters:** It's important; I can have it here this afternoon.

**Hon. Joe Comuzzi:** This is the government. We work a little more slowly.

Let me correct Mr. Hanlon on his references to northwestern Ontario. I think we need facts on this. As of 10 o'clock this morning, the Ontario government still had not signed on to the community program we announced. The nine other provinces have signed on, and Ontario still hasn't signed; they've promised to sign. Yet, as you know, the province is in forestry, and we can't do anything of any consequence until Ontario signs on.

We're willing and able, so get off our backs on that issue.

Secondly, on the softwood lumber, I happen to have been on both sides of the fence at various times. I was on that side during that debate and then I was excommunicated.

Let me be absolutely clear. I don't agree with the agreement that we made, but I voted for it. I voted for it because every company that I had in northern Ontario, and Mr. Boshcoff will agree, had to have that money that was released by the United States in order to continue operating.

You can argue this as much as you want. It's a fact of life: they would have been out of business a year and a half ago, rather than buying the 12, 15, or 18 months they got because that \$4 billion was released. It's not debatable, and I don't want to take the time, because I want to talk to Mr. Irving.

I have three questions, Mr. Irving, that are absolutely critical. Hopefully a resolution will be passed after this meeting, but one of the things we are concerned about is that we really have three forestry businesses in Canada: one in British Columbia and Alberta, one in Ontario and Quebec, and one in eastern Canada. You would agree, I think, that any decision we make must bear in mind that there are certain differences in each section of the country and that those should be taken into consideration when those decisions are made.

**Mr. James D. Irving:** Absolutely. It's not one size fits all.

**Hon. Joe Comuzzi:** That's right.

**Mr. James D. Irving:** It's a complex business, a complex country from that point of view. There are differences, and they need to be recognized.

**Hon. Joe Comuzzi:** We just found out last night that the pine beetle has just been 85% eradicated, so that may be off, which is good news.

•(1250)

**Mr. James D. Irving:** The pine beetle is 85% eradicated? I didn't realize that.

Is that in B.C.?

**Hon. Joe Comuzzi:** Yes. We'll get that report for you.

The other area, Mr. Irving, on which there has been a lot of debate at this table, concerns bigness versus smallness: a small, individual town, the single-industry town that I think is prevalent in your area, versus the concept that you need huge mills in order to be successful. I think you are the perfect example of the small industry, small town. Would you talk about that to us, sir?

**Mr. James D. Irving:** I don't think that necessarily everything has to be a super mill on all scales; it depends on the product. Clearly you need to be of a certain scale in some products, but in the case of the lumber business, maybe a medium-sized mill is more efficient because of the resource, the transportation distances, and other local advantages that you might have. So I don't think every mill has to be a super mill. With something like a pulp mill, which is in more of a really global business, you might have to get to a bigger, different scale.

Communities are more and more realizing that it is the region: as opposed to one community, it's two or three communities. Today, with the great roads we have in most towns, you can travel 30 miles to work. A lot of these small communities are consolidated. Two or three mills become one mill. I think we have to encourage the communities to have that mindset.

**The Chair:** Thank you, Mr. Comuzzi. Your time is up.

**Mr. Joe Hanlon:** I just need to make a really quick comment. It takes two sides to negotiate, and I'll be on the federal government's back and the provincial government's back until our members start getting the money that's been promised to them.

The second point is that if the industry was in dire straits before the softwood lumber deal, maybe there should have been loans from the federal government to help the industry out to get through that and get away from negotiating a bad deal that affects our members, affects the provinces, and affects everybody else. There were other ways of getting around it, other than negotiating a deal.

**The Chair:** Okay. I'll now get to the motion.

I'll start by thanking all the witnesses for being here today. I appreciate it very much. They were very worthwhile presentations. We'll let you leave table. We have to get to a motion, and we have less than ten minutes to deal with it.

Thank you again, very much, all of you. It's much appreciated.

Now we'll go to Mr. Trost.

**Mr. Bradley Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair.

Before I fully read my motion into the record, I want to give some acknowledgement here.

Even though this is under my name, this is very much a joint effort of more than one member. Mr. Allen and Mr. Harris have taken the initiative for the Conservative Party on this side. Mr. Comuzzi....

**The Chair:** Mr. Trost, actually move the motion first, and then you can....

**Mr. Bradley Trost:** I'll move the motion, and then it can be discussed.

I'll move the following motion, with one small grammatical change. I move that the committee has heard evidence from a number of representatives of the forestry industry and believes that it would be in the public interest for the Minister of Natural Resources to convene a round-table conference on the future of the Canadian forest industry.

**The Chair:** Thank you.

Now we'll have the discussion.

**Mr. Bradley Trost:** My apologies, Mr. Chair.

I just want to say thank you to my fellow members who worked on this. This idea actually was not mine; it was Mr. Comuzzi's. Since he's not a regular member of the committee, he asked me to move it. Mr. Allen and Mr. Harris have also been working on pushing this forward.

**Mr. Lloyd St. Amand:** What about David?

**Mr. Bradley Trost:** David, coming from southern Saskatchewan, is still learning what a tree looks like. We're very patient on this matter.

Basically, the rationale behind this is very simple. I think we're doing a good job here in committee. I give credit also to Mr. Boshcoff for pushing to bring this issue forward. We're doing a good job in committee to produce a report that will be helpful to the industry, an industry we have responsibility for.

After the witnesses, particularly on the one day when we had repeated calls for a round table, I feel that this needs to be moved to a higher priority level, to a more visible level. I think this would be a way of getting more buy-in from more parties higher up in the food chain. This could be done rather non-controversially, and there could be positive recommendations. We've laid some of the groundwork here, and it could roll forward. Hopefully, it will be accepted by all committee members.

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

We have a list with four members on it already.

Mr. Alghabra, go ahead.

**Mr. Omar Alghabra:** Thank you, Mr. Chair.

I want to thank Mr. Trost for submitting this motion. I certainly support what it's trying to accomplish. From what we heard from the witnesses, we know that a round table is certainly an important recommendation.

My concern is that this might be pre-emptive. We've just been conducting a comprehensive study. This may be one of the recommendations that will come out of the study. In fact, if we just leave it as a round table, without a framework as to what areas to focus on and what areas to consider, which I think our report will include, then it would just be a symbolic gesture and would pre-empt our report.

I wonder if Mr. Trost would delay this or would be willing to accept the fact that this recommendation could be part of our report. As it stands on its own, I think it would be pre-emptive. Right now it would be incomplete and not comprehensive enough or substantive enough for us to proceed with.

Thank you.

• (1255)

**The Chair:** Mr. Trost, you've heard the suggestion by Mr. Alghabra. Do you want to respond?

**Mr. Bradley Trost:** I'm not off-the-top opposed. I would like to hear from the other two parties. I'm interested in more of a consensus resolution than anything. I would like to hear from the Bloc and the NDP, if they're thinking along similar lines, and put this later, perhaps at the end of the report. I would like, if possible, four-party buy-in if this is going to go ahead.

**The Chair:** I'll just tell you who is on the list. There's Monsieur Ouellet, Madame DeBellefeuille, Mr. Boshcoff, Ms. Bell, and Mr. Tonks.

From the Bloc Québécois, Monsieur Ouellet, you are first on the list, but either of you could respond.

Go ahead.

**Mrs. Claude DeBellefeuille:** It's okay.

[*Translation*]

**Mr. Christian Ouellet:** Thank you, Mr. Chair.

I'm going to echo what has been said. We feel that it is not out of order, but it is not necessarily important to discuss this now, to decide whether or not it should be part of a report. If the report were to be drafted in one, two or three months, it is clear that it would not work. However, this is not the case. This is our last meeting and we're beginning the report immediately.

We will therefore continue to work on the report as soon as we get back. I don't see a big difference between taking this position today and casting a shadow on our report, because it will appear as though that is the only important subject. It is definitely one of the things we will address in the report, but other important topics will be addressed as well.

I'm worried that it will give the impression, after so many weeks of work, that this is the only important thing and that the report is not important. Personally, I find that the timing is wrong, it is too quick. This is not how a committee should work. I understand that the motion was introduced a long time ago, but it is too late to adopt it.

[*English*]

**The Chair:** We're running out of time here.

Madame DeBellefeuille.

[*Translation*]

**Mrs. Claude DeBellefeuille:** Mr. Chair, I agree with my colleague. When Mr. Trost explained his motion, I was struck by something in particular.

Mr. Trost, you said that your proposed round table would bring together major industrial players. But what struck me in the study that we have done is that the small and medium-sized players are important and that they are the ones who will help get small communities back on their feet.

I see that we do not have the same concept of the usefulness or the role of this round table. Therefore, I am not in favour. I will go with Mr. Ouellet's statement that it is a good recommendation to suggest for the report.

[*English*]

**The Chair:** Ms. Bell, then Mr. Boshcoff.

**Ms. Catherine Bell:** Thank you, Mr. Chair.

I'm inclined to support the motion in one respect, because we have heard that there is a crisis, and a crisis basically means there is an emergency out there. My problem with it is that I do want to see the report, and I would have liked this to be one piece of the report.

There was a similar motion passed yesterday in the finance committee that my colleague Mr. Mulcair also pushed for in that committee. That motion was passed to be part of the report, and that's a similar study to this.

That's just so people understand that it's not coming just from this committee, and also the natural resources minister could, if he

wanted to, without us telling him to start this round table study immediately.

If we're going to ask for a round table to happen from this committee, I would like to have, as others have said, a framework to it as well. But I am inclined to support the motion if we had those things.

● (1300)

**The Chair:** Madame DeBellefeuille.

[*Translation*]

**Mrs. Claude DeBellefeuille:** Mr. Chair, point of order.

For the blues, the motion that was adopted yesterday by the finance committee was tabled by the Bloc Québécois, not by Mr. Mulcair. The addition concerning the summit was tabled by the NDP. I want this to be clear.

[*English*]

**The Chair:** Mr. Boshcoff and Mr. Tonks—quickly, because we really do have to wrap this up.

**Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.):** Thank you very much.

I appreciate the awareness of the need for this coming now, and many at this table certainly have talked about this for 18 months, minimally. Nonetheless, as we prepare our report, any one of us could come up with ideas that have been discussed and determine that this is something that we should vote on now. I have held back, and I know that other colleagues have, in the spirit of cooperation for this report.

Just for the record, I will be amending or suggesting when it comes in the report that it's clear that, notwithstanding what my colleague has mentioned about the smaller-scale thing, this level has to be convened by the Prime Minister to indicate the seriousness of the forest industry to the nation.

Thank you.

**The Chair:** Mr. Tonks.

**Mr. Alan Tonks:** I think it's great that the motion is being brought forward. I hope we have a consensus that part of our report will include a summit. The motion should be tabled. This will give our researchers the opportunity to help set the agenda for the summit. It won't just repeat the deputations we have; it will attempt to strategically focus on some of the bigger issues that have come up. This is a good move. I hope we can table it and have our researchers use it as a guide.

**The Chair:** Mr. Comuzzi is next, and then we have to wrap this up.

**Hon. Joe Comuzzi:** Thank you, Mr. Chairman.

I asked Mr. Trost to put this motion out now because we all realize the disaster that is facing our forestry industry. Perhaps we're a little late in putting this motion and getting someone at the table, other than politicians, to decide on the future of the forestry business.

In anticipation of this motion being discussed, some of my colleagues and I have been talking to different people in the forestry industry across Canada. I'll mention three or four of them.

From the University of Toronto, Dr. Doug Reeve, a world-renowned researcher in recovering boilers, is ecstatic about this. The Suzuki Foundation has given us two names. Richard Phillips, a world-renowned researcher in biofibres, is willing to cooperate. The companies in Finland that are leading-edge in biofibres are willing to be cooperative in this endeavour. I was talking to the CIBC and the World Bank on the areas of financing we should be looking at as a government, and those areas we should not be looking at.

It's important. I hear what everybody is saying, but I don't think we can wait until the process goes through the parliamentary channels. This is something the minister should see, and maybe a group of people at this committee should take it to the Prime Minister's Office. It's that important.

**The Chair:** Mr. Harris, we have to close this off.

**Mr. Richard Harris (Cariboo—Prince George, CPC):** Why don't we just vote on it then?

**Mr. David Anderson:** Yes, bring it back.

**The Chair:** Yes. We have to end the meeting. We can bring it back at the next meeting after the break.

• (1305)

**Mr. Bradley Trost:** I am prepared to table it and bring it back after the next meeting.

**The Chair:** Mr. Anderson.

**Mr. David Anderson:** Have you adjourned?

**The Chair:** No, I haven't adjourned.

Mr. Trost has offered to table the motion. I will go directly to a vote if there's no discussion on that.

**Mr. David Anderson:** There's one issue that other committee members are aware of. Mr. Boshcoff and I have talked, and he would like to have another meeting on transportation issues with regard to forestry. The suggestion has been made to perhaps do that on the Tuesday we come back.

We need to be aware that this may put our report off for a meeting or two. We need the opposition's cooperation on that, but the other members are aware of it, so I'm wondering if we can go in that direction.

**The Chair:** Mr. Trost has a tabled a motion before the committee that the debate on the motion do now adjourn.

[*Translation*]

**Mrs. Claude DeBellefeuille:** Everyone is speaking at the same time, Mr. Chair. The interpreter is unable to follow.

[*English*]

**The Chair:** The motion is for the debate to now adjourn, which means we will bring this back at the next meeting.

[*Translation*]

**Mrs. Claude DeBellefeuille:** Okay, this is the motion tabled by Mr. Trost. What about the motion concerning the extension? Is that all right?

[*English*]

**The Chair:** All right. I hear the will of the committee. You want to have that other meeting. Is that agreed by the committee?

**Some hon. members:** Agreed.

**The Chair:** We will do that.

I haven't adjourned yet.

**Mr. Omar Alhabra:** I need the committee members to hear this, because it's really important. The researchers have two weeks to work on the report.

**Mr. Jean-Luc Bourdages (Committee Researcher):** We have one week to work on the report, and one week for translation, basically.

**Mr. Omar Alhabra:** Right. But I want to make sure the researchers can work on the report even if we hear more witnesses. If we stop the researchers from doing the report to wait to hear from the witnesses, we'll be delaying the report production by at least three weeks.

**The Chair:** The clerk has indicated that we won't be able to get it done by the twelfth if we have this extra meeting.

**Mr. Omar Alhabra:** But can't we draft the report, work on the report?

**The Chair:** Yes. You can certainly work on the report.

**Mr. Omar Alhabra:** We can prepare it. We may need to add just a few paragraphs. Okay.

**The Chair:** We'll approach it that way.

Agreed.

The meeting is adjourned.









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