



House of Commons  
CANADA

## Standing Committee on International Trade

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CIIT • NUMBER 012 • 2nd SESSION • 40th PARLIAMENT

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EVIDENCE

**Tuesday, March 31, 2009**

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**Chair**

**Mr. Lee Richardson**

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•(0905)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** Good morning. We will continue our study of Canada-United States trade relations. This is the 12th meeting of this session of the Standing Committee on International Trade.

With us this morning, from the Canadian Council of Chief Executives, I see David Stewart-Patterson again—welcome—and Sam Boutziouvis; from the Canadian Manufacturers & Exporters, Jean-Michel Laurin, vice-president; and from the Canadian Trucking Alliance, David Bradley, chief executive officer, and Ron Lennox, vice-president, trade and security.

Mr. Bradley will begin this morning with a brief opening statement, followed by questions from the committee.

**Mr. David Bradley (Chief Executive Officer, Canadian Trucking Alliance):** Thank you very much for the opportunity, Chairman and members of the committee.

Very briefly, some background: CTA is a federation of the provincial trucking associations in Canada. We represent approximately 4,500 trucking companies from all provinces of all sizes, serving every industrial sector in Canada from manufacturing to retail, agriculture, forestry, high-tech, and natural resources. Our members are involved in all facets of the business from local pick-up and delivery to long-distance, cross-border movements. Our industry is the classic derived demand industry and one of the best leading indicators of economic activity there is.

Trucking is also the preferred mode of freight transportation in Canada. We haul about 90% of all consumer products and foodstuffs. In normal times we'd employ over 400,000 Canadians, and the industry's contribution to GDP is by far the highest of all the transport modes. Trucks aren't necessarily the cheapest mode of freight transport. It's our service that really sets us apart from the other modes: door-to-door, small shipments of time-sensitive freight. It's been said that the just-in-time inventory system and time-definite logistics have been built around the trucking industry.

For the purposes of today's discussion, it's important to note that two-thirds by value of Canada's trade with the U.S. moves across the border by truck. I am often asked the question about border delays these days. Before answering that, it is important to understand that North America and especially the manufacturing regions of Canada have been in a freight recession for at least two years now. Initially the reduction in volumes was a reflection of the impact of the appreciation of the value of the Canadian dollar and ongoing problems in the auto and forestry sectors, and that had a very

negative effect on southbound shipments. What had been the trucker's head-haul and the major source of the industry's growth for the previous 20 years was suddenly drying up.

The onset of the financial meltdown last fall and therefore the worldwide recession has only served to exacerbate what had already been under way for some time. A significant reduction in truck traffic across the Canada-U.S. border has occurred. For example, figures from the Public Border Operators Association show that in February of this year the number of trucks crossing between Ontario and Michigan and New York continued its downward spiral. The declines at the three busiest crossings, compared to the same month a year ago, were: Ambassador Bridge, down 35%; Blue Water Bridge, down 28%; and the Peace Bridge, down 17%. Overall, truck crossings at the PBOA facilities in 2008 were 10% below what they were in 2001. According to information provided to us by the B.C. Trucking Association, a similar trend has occurred at the three major crossings in that province.

As I said earlier, southbound freight has been particularly impacted. It's no surprise to the trucking industry that Canada now finds itself in a trade deficit situation. In 2008, U.S. imports from Canada by truck declined by 6% over 2007, according to the U.S. DOT, whereas U.S. exports to Canada by truck were actually up a modest 2.4%.

The Blue Water Bridge reports that trucks crossing into the U.S. were down 32% in January 2009 compared to a year earlier. Overall, in 2008 southbound trucks were down by over 200,000, or 22%, since the peak of 2004. In 2007, for the first time in decades, the number of trucks coming into Canada exceeded the number heading to the U.S., a trend that continues into 2009. I can tell you there is virtually no indication that a recovery in freight volumes is on the near-term horizon.

So when asked how the delays are at the border these days, we're currently not experiencing to the same degree the kinds of extended delays that have at times plagued the border over the past several years. But that should not be taken as evidence that all is well.

We have information from Transport Canada—I will pass around the charts—that despite the drastic drop-off in volumes, border processing times have barely changed. They are still hovering in a very narrow range, whereas we've seen freight coming down. Moreover, the current slowdown in trade is masking some of the problems arising out of the thickening of the Canada-U.S. border that has been occurring for the past number of years, in large part reflecting the impact of a series of measures introduced by the Department of Homeland Security and the U.S. Department of Agriculture, all in the name of enhanced national security.

No fewer than a dozen major U.S. security programs have been introduced. Other factors have also contributed, such as infrastructure limitations—Detroit-Windsor being a prime example—inconsistency between U.S. and Canadian programs, staffing issues, and no doubt an element of U.S. protectionist sentiment.

I'm concerned that when the economy bottoms out and we begin to see growth again, we will see a return to extended delays at the border. The proliferation of measures introduced in the name of security has driven up costs for trucking companies that move goods across the border. I'm referring to everything from supply chain security programs to new electronic means of submitting information to border agencies, to inspection fees for agricultural products, and to the cost of multiple security cards for truck drivers.

I'm not sure where the tipping point is, but we have to understand that if we keep heaping costs on transportation and trade, which the trucking industry inevitably passes down to its customers, there will be a serious threat to the competitiveness of North American-made goods and problems in attracting direct investment into North America. I think that's already been occurring.

Anything that impairs the efficiency, productivity, reliability of the North American supply chain will have a significant ramification for the Canadian economy, obviously, but also for the U.S. economy, given the high level of integration between the two. With the change in the U.S. administration, there may be an opportunity now to take a step back to see whether things may have gone a little bit overboard, or at a minimum, whether we can find ways to prevent yet another set of costly new requirements from being imposed.

Last week the new U.S. Secretary of the Department of Homeland Security made a number of comments regarding the northern border. Quite frankly, she didn't say anything that we did not already know: that there's a cultural change under way that will be reflected in the creation of a real border between the United States and Canada. Anyone who has been remotely involved in border issues since 9/11 knows that.

As Canadians, our concern should be what additional measures will be introduced on top of what already has been done over the past eight years to create that real border. The secretary's remarks would seem to indicate that what has been done to date is still not enough. She says that we should strive not to impact on trade, but not to “unduly” impact on trade. She talks about trying to avoid “an unnecessary division between our security responsibilities and our trade and travel desires”. What is “unnecessary”?

As I said a moment ago, and notwithstanding the above, the change in the U.S. administration still presents an opportunity for Canada. Is Canada well positioned to seize that opportunity?

In CTA's opinion, a new approach to U.S. border and trade issues is required. I do not for a moment underestimate how complex the matter of Canada-U.S. relations is. However, the Canadian approach of the past few years has in our view been too diffuse, and at times this has impaired our effectiveness in dealing with our partners to the south. Too many federal departments have had some stake or responsibility for some aspect of the border. We have found it a challenge just to find out who's who and to get the different people working together. We suggest that the federal government should consider the creation of a cabinet committee on the border and/or a specific ministerial or senior bureaucratic position with authority for all aspects of the border.

The results from the security and prosperity agenda and the North American Competitiveness Council have, in our view, been underwhelming. Perhaps the brightest period over the last eight years for advancing border issues arose out of the smart border accord of 2001; it was those few months right after 9/11. Perhaps what is needed now is a smart border accord 2009.

We should also be looking in the mirror and making sure, as Canada rolls out measures such as the electronic truck manifest, that we harmonize to the extent possible with the United States and don't impose new requirements that will complicate rather than simplify border crossing processes.

We know that the committee has an interest in the western hemisphere travel initiative. This program is but one of any number of programs that affect the movement of trucks between Canada and the U.S., and frankly, it is not the main one that causes me to lose sleep at night. The acceptance of the driver FAST card as a citizenship document was a very positive step.

The trucking industry has had ample opportunity to get the appropriate documentation. We've bombarded our members with information on the coming land border deadline, and there is absolutely no excuse, with the amount of material available from both CBP and CBSA, for a trucking company to claim it didn't know or didn't have time. Sure, there will always be those who refuse to listen, and I would not expect 100% compliance on June 1, but in terms of trucking industry readiness, I'm confident that we are well placed to meet our obligations.

• (0910)

Our concern over WHTI is what the impact on cross-border truck traffic will be if the general motoring public is not prepared for the new requirements. If the roads and highways approaching the U.S. border become clogged with traffic by unprepared motorists, then trucks will be stuck in the queue, unable to reach the commercial lanes and the border compounds. CTA has strongly encouraged CBP to put in place a contingency plan to address this eventuality in the days and weeks immediately following land border implementation. I can only hope that they've heeded our advice.

We've also consulted with the British Columbia Trucking Association, which has been closely following the preparations in B.C. for the 2010 Olympics. There's a common assumption that there will be high U.S. interest in attending the Olympics and that there will also be a short-term spike in cross-border truck traffic generated by higher demand for food and other products that the B.C. market obtains from the U.S.

BCTA has been working with the Vancouver organizing committee and the City of Vancouver on the Olympic transportation plan. Clearly, it will not be business as usual in the downtown area during the Olympics, but simple measures like advanced communication of road closures and greater use of off-peak pickup and delivery should help mitigate the impact. At the border it will be critical that construction at the Peace Bridge crossing be completed on time and that CBSA deploy the staff necessary to process increased volumes and conduct closer scrutiny of people crossing the border, which we assume will happen. All of this is still a work in progress and it will no doubt be refined as we get closer to February 2010. But at this stage the trucking industry is not in a panic over what might happen during that two- or three-week period.

Again, thank you for the opportunity of addressing you today. I'd be pleased to respond to any questions you may have.

• (0915)

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

We'll go now to David Stewart-Patterson, Canadian Council of Chief Executives.

**Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives):** Thank you, Mr. Chair, and thank you for the opportunity to appear before this committee again.

I think the invitation in this case is particularly timely because just a week ago we had some 50 of our member chief executives meeting in Washington, D.C., for two days. We covered an awful lot of ground over those two days. Our meetings included sessions with folks like Larry Summers, the chief architect of President Obama's economic policy. We had another long discussion with Paul Volcker, the former chair of the U.S. Federal Reserve, now chairman of the President's Economic Recovery Advisory Board, and we were also privileged to be the first foreign group to meet with the newly confirmed U.S. trade representative, Ronald Kirk.

On the Canadian side, in addition to Ambassador Wilson, of course, we were joined by Environment Minister Jim Prentice, and also by Bank of Canada Governor Mark Carney, who discussed the latest developments in monetary policy, along with one of his counterparts, Governor Kevin Warsh of the Federal Reserve System.

We heard perspectives from both sides of the political spectrum. Republican Senator Lindsey Graham from South Carolina, as well as former Vermont Governor Howard Dean, chairman emeritus of the Democratic National Committee. We had some extensive discussions with our business counterparts, including Tom Donohue of the United States Chamber of Commerce, John Castellani of the Business Roundtable, and also John Engler of the National Association of Manufacturers.

Obviously, we covered an awful lot of ground, because that's just the beginning of the agenda, and I'd be happy to share insights we may have picked up on any specific topics of interest to members of the committee.

Let me begin by offering some reflections on three key topics: the fiscal and monetary response to the current economic crisis, trade and protectionism, and defence and security.

Over the past week or so, we've seen a couple of major developments in the United States, one dealing with the purchase of the so-called toxic assets as a means of stabilizing bank balance sheets, the other proposing a sweeping new approach to the regulation of the financial system in that country. The Americans we met with, I have to say, and this covered business, government, and academia, all made it clear that they saw, still see, Canada's banking system as perhaps the best in the world, a shining example of both good management and sound regulations. The result is, as they contemplate regulatory reform, that this is one sector where American regulations are going to be moving in our direction.

The critical challenge for Canada I think is to ensure that the fiscal policy of both governments aimed at stimulating our respective economies turns out to be mutually reinforcing. Both governments, of course, have passed major stimulus packages that are beginning to have an impact on our respective economies, but I have to say the broad range of additional measures being included in the budget recently proposed by President Obama in the United States is generating some pretty extensive controversy there.

The fundamental argument in the United States is not about the short-term measures that are being taken. Rather it's over whether the need for short-term stimulus can justify extensive new spending that will permanently expand the reach and cost of government and do all that entirely with borrowed money. The huge deficits being created by short-term stimulus alone are going to have some pretty painful long-term consequences in that country, both on taxpayers and on future economic growth. I think it's fair to say that Canadians know from pretty bitter experience that large and recurring deficits require a growing share of the tax pie just to cover the interest costs on growing public debt. I think the downside of what's happening in the United States is that it's not only going to be costs that are borne by U.S. taxpayers, but the future impact on U.S. economic growth obviously will spill over and have consequences for Canadians as well.

In the short term, of course, the more immediate danger to Canada's export-oriented economy is that of rising protectionism. Beginning tonight, the leaders of the G-20 countries will be meeting in London to assess their collective progress in dealing with the global economic crisis. Last November, they pledged to refrain from raising new barriers, whether to investment or to trade in goods and services. This week, as they meet, they're going to be faced with evidence from a variety of sources suggesting that in the few months since, at least 78 trade-restricting measures have been introduced by countries around the world, including 17 of the G-20 countries.

Canada, of course, has already been forced to deal head-on with protectionism in the form of the "buy American" provision that was included in the U.S. stimulus legislation. Canada's government and business leaders both worked hard to dilute that provision, and, I have to say, we had no shortage of allies in the United States. Indeed, the American business leaders who spoke to us in Washington last week were unanimous in denouncing the "Buy American" policy as short-sighted and counterproductive.

• (0920)

The Obama administration also clearly understands the importance of maintaining open flows of trade. I think we heard that from the President himself when he visited Ottawa. We heard it again, in spades, in Washington last week, but the White House cannot entirely contain protectionist sentiments amongst individual members of the United States Congress.

Protectionism, on the other hand, can and does trigger retaliation. The same legislation that included "buy American" provisions of concern to Canada cancelled a program allowing Mexican truckers access to the United States. This is an access that was originally guaranteed as part of the North American Free Trade Agreement back in the early 1990s and was delayed or restricted year upon year.

The cancellation of the pilot project that was allowing some access was incendiary for the Mexicans. Their government immediately countered with large tariff increases on a wide range of imports from key U.S. states. This, in turn, has touched off a political backlash in the United States. The Obama administration has already promised to take action within the next month to try to reverse that decision.

However, the pressure for protectionism, whether in the United States, here, or elsewhere in the world, is not going to go away. In hard times, people tend to turn inward. It's a natural reaction. But the

lessons of the Great Depression of the thirties are clear: putting up walls between countries simply guarantees that the economic downturn will get deeper and go on longer. So when the G-20 leaders gather in London, we will certainly be urging them to renew and extend the pledge they made in November and take additional practical action to prevent, to expose, and to roll back new barriers to trade in goods and services alike.

On the bilateral front, the barriers to the movement of goods and people between Canada and the United States don't always flow just from commercial concerns, of course. Since the terrorist attacks of September 11, 2001, the resulting expansion of security measures has led to a significant increase in the time and money required to cross the Canada-U.S. border. The result of the 2008 presidential election in the United States offers an important opportunity to reshape that bilateral relationship and make some progress on this front, I think, but Canadians should not expect any sudden unwinding of the American security apparatus.

As my colleague here mentioned, Homeland Security Secretary Janet Napolitano has made it very clear. She made a speech last week: the very real threats that preoccupy the United States haven't disappeared and are not going to go away anytime soon.

Our neighbour's attitude towards security changed fundamentally on 9/11 and Canadians are going to have to continue to live with the consequences of that. The most immediate consequence, of course, is the western hemisphere travel initiative, which clearly will proceed on schedule at this point and will require the use of passports, even for land crossings, starting this June.

That said, I think our two countries do share vital interests in seeing our border work as efficiently as possible. I think that's why we've seen provinces and states working together to develop things like enhanced drivers' licences as alternatives to passports. It's why both countries are making massive investments in border infrastructure. The most recent announcement here in Canada, of course, was the Blue Water Bridge. As well, it's why Secretary Napolitano had such a productive first meeting earlier this month with Canadian Minister of Public Safety Peter Van Loan.

In my view, the most encouraging development to come out of that meeting was the agreement to take a new look at the concept of pre-clearance at land border crossings. When you put up a customs post at the inbound side of a choke point like a bridge or a tunnel, it can make a big difference in reducing the congestion that otherwise piles up when the lineup has to go through the bridge or tunnel.

Negotiations to launch the first pilot project of pre-clearance at the Buffalo-Fort Erie Peace Bridge fell apart last year. It looks like that concept at least is back on the table. We'll have to see how far and how quickly it goes.

In the longer term, progress in dealing with border management really depends on the extent to which our countries trust each other's will and ability to secure our own borders. I think Prime Minister Harper made this point very clearly during President Obama's visit to Ottawa when he said, "There is no such thing as a threat to the national security of the United States which does not represent a direct threat to this country." That was a message that was very clear and went over very well in the United States.

I think President Obama was just as plain in his response at the time, when he said, "We have no doubt about Canada's commitment to security...". In this context, it is important to understand just how much value Americans put on our broader military alliance and cooperation. During our Washington meeting, we heard repeatedly and consistently a very heartfelt appreciation for the sacrifices Canadian men and women are making in Afghanistan in particular.

When we're fighting side by side with Americans against the Taliban, we're defending values that we share, values like respect for human rights and the rule of law. That shared sacrifice in the defence of fundamental principles is a foundation for mutual trust and respect. It's that mutual trust and respect that, in my view, make dealing with some of the day-to-day irritants and the more practical concerns like border management a lot easier to deal with over time.

● (0925)

It also paves the way for deeper cooperation on mutual security, as Secretary Napolitano recognized last week when she invited thoughts on a vision for what we would like our shared border to look like 20 years from now.

To conclude, Mr. Chairman, the global economic crisis has made it vital for Canada to work closely with all our partners around the world. In particular, I think it has created an important need and opportunity to strengthen our bilateral relationship with the United States. In assessing this opportunity, we do have to recognize that the new President has an awful lot on his plate. His hands are full. Therefore, it's up to Canadians, as friends, neighbours, and allies, to take the lead in proposing how we might take that relationship to the next level.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Stewart-Patterson.

For our final comments we're going to turn to Mr. Laurin from Canadian Manufacturers & Exporters.

Please go ahead, Mr. Laurin.

**Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers & Exporters):** *Bonjour.*

Thank you, Mr. Chair.

Thank you, members of the committee, for the opportunity to testify on behalf of Canadian Manufacturers & Exporters this morning on your study of Canada-U.S. relations. We're glad we're able to provide input to your study.

Before I get started, I'd like to say a few words about the association that I have the privilege of representing.

[*Translation*]

Canadian Manufacturers and Exporters is the leading trade and industrial association in Canada. We represent manufacturing and exporting businesses in every Canadian province and industrial sector. Manufacturing and exports in Canada are the two major sectors of our economy. Manufacturing represents 16% of GDP and exports 21%.

In Canada, manufacturing represents \$605 billion in annual manufacturing shipments. We're talking about an industry that occupies a very large position in the Canadian economy. Last year, we had \$483 billion in export sales. That represented nearly two million direct jobs across Canada.

[*English*]

On the issue that's being discussed today, I think your study matters a great deal to us because Canada-U.S. trade matters a great deal to Canada, and obviously to our members who are responsible for the bulk of our trade with the United States. Some 39% of manufacturing production in Canada is sold in the United States. So almost half of what we make in our plants is sold in the United States. It's actually our main market. We sell more to the United States, more of our industrial production to the United States, than we sell to Canada. And 78% of Canada's goods exports are sold to the United States, so it's our main trading partner, as you know. If you exclude oil and gas, 72% of industrial shipments, industrial exports, are sent to the U.S.

In fact, our exports to states like Michigan, Illinois, New York, California, Washington, Ohio, Pennsylvania, Minnesota, and Texas, if you take them individually, to each one of these states, are greater than our exports to our second-largest trading partner, which is the United Kingdom. Not only do we export more to Texas than we do to the U.K., but we export more to New Jersey than we do to Japan, we export more to Tennessee than we do to China, we export more to Montana than we do to Mexico, and the list goes on and on.

But I think some stories need to be told. I think when we go to Washington and when our members go to Washington, the story we need to take across as much as possible is that Canada-U.S. trade matters a great deal for the U.S. economy as well. You know, Canada is a top destination for American exports. The U.S. sold \$260 billion worth of goods to Canada last year alone. Actually, U.S. exports to Canada are \$38 billion greater than American exports to Mexico and China combined. So we're talking about a pretty extensive trade relationship and a pretty important market for U.S. manufacturers and exporters.

Exports account for 13% of the U.S. economy, so it's still a large part of the U.S. economy, and actually, U.S. exports have been one of the strongest parts of the U.S. economy if you look at the last five years. They've been able to count on exports as a source of growth for their economy. You often hear about the growing trade deficit when you go to Washington, but if you look at U.S. manufactured goods and their trade with countries with whom they have a free trade agreement, they are actually a trade surplus. When you talk about countries like Canada and other countries with whom they have trade agreements, they're in a trade surplus when it comes to manufactured goods.

I think a key message we also try to take across is that Canada and the U.S. make things together. We estimate that approximately 70% of Canada-U.S. trade is within one industrial sector, and 40% approximately is within one corporation and within companies that are affiliated with one another. About a third of our exports to the U.S. are composed of goods that were previously imported from the U.S. In other words, we import components from the U.S. and we export finished goods to the U.S., and you can make the reverse argument as well.

Another story we can tell Americans is that when you look at American exports to individual provinces, they're often greater than countries for which...you wouldn't think there would be such a large export market. For example, American exports to Ontario last year were greater than American exports to China and Germany combined. So that's a pretty important market, and the list goes on and on. If you take Manitoba as another example, American exports to Manitoba are greater than American exports to Russia.

In terms of our priority issues when it comes to Canada-U.S. trade relations, I think obviously—and David alluded to this in great detail in his presentation—the U.S. government's response to the current economic crisis and the measures that are put in place to make sure the economy can recover quickly are certainly a priority issue for our members overall. When you talk about border conditions, which I know is an issue you're taking a look at more specifically, 79% of our members in our annual survey report that reducing regulatory impediments to shipping across the border is one of their policy priorities. So obviously this is a very important issue for us.

In terms of other issues, I know you're also looking at the western hemisphere travel initiative. I know our members are concerned about this coming into force this summer, or actually this spring. We're concerned this could mean longer border delays for our members. Depending on staffing levels and how much time it will take for travellers to cross the border, even though they might have larger staffing levels, we're concerned that the traffic will just build up on the roads leading to the ports of entry, and that could mean a very bad summer and maybe even a bad fall in terms of border delays. This is definitely an issue for our members, given that a lot of businesses operate on a just-in-time basis.

● (0930)

I think when you look at other issues that are upcoming in the U.S., our concern is that a lot of the new border security requirements are going to have a detrimental impact on North American supply chains. We've seen an increased number or increased proportion of inspections at the border, and my colleagues from the CTA alluded

to that earlier. And that's happening despite the fact that our members have invested quite heavily over the last few years in the new trusted shipper programs, whereby if you invest in that program, if you qualify, if you're a partner against terrorism or you're a partner in protection, you should have lower inspections and your goods should have an easier entry into the U.S. market. Despite that, our members are reporting more inspections at the border.

I think another priority for us is making sure that, as much as possible, we work jointly with Americans at having a perimeter approach to security; in other words, do a better risk assessment of goods entering our ports and things that are entering the continent so that we can make fewer inspections at the land border.

We're also concerned about new mandatory cargo reporting requirements that are coming up in the U.S. because that adds to the cost of doing business. We're also worried about new border inspection fees, oftentimes originating from other departments than DHS but that are being administered by the Department of Homeland Security and Customs and Border Protection.

Finally, as I said earlier, border delays are certainly of great concern to us because they affect delivery schedules and our ability to compete "just in time", and they always end up hurting Canadian businesses more than anyone else.

Another issue that needs to be raised—I don't think it's part of the agenda for your meeting, but I wouldn't be fair to my members if I didn't raise it—is the "buy America" requirements that were introduced in the stimulus package. We're obviously concerned with that. We're working very closely with Ambassador Wilson and the staff at the Canadian embassy in Washington. Our members have been feeding us information. Obviously, I think the issue has died down a little bit in the media because of some of the administration's comments, saying that this would not be in contravention with any of their trade agreements. On the other hand, a lot of the procurement that this stimulus spending will fund is going to be done by state and municipal governments, which are not covered by any trade agreements. So, actually, we're consulting with our members to come up with as precise information as possible to make sure we can feed that into our colleagues and allies in Washington.



Just to conclude, one of the key messages that I think we need to take across when we go to the United States is reinforcing the notion that Canada matters to the U.S., because we make things together. We're part of integrated supply chains. I think David rightly said that we're partners in security as well. Our defence industries are very closely integrated. Actually, Canada supplies a number of innovations and solutions to the U.S. defence sector that they wouldn't be able to access if Canada wasn't a key ally for them.

We need a better coordination of programs and policies. For example, both governments have developed new frameworks to look at product and consumer safety. I think in many cases it would make sense to have better integration of these programs and policies. I think we need more constructive dialogue, not only between governments but also between legislators. I do know the work of the Canada-U.S. Inter-Parliamentary Group has been pretty helpful in doing that, and I know some of your work will be very helpful as well.

I think it's important to coordinate with the Canadian embassy in Washington because they've organized a number of advocacy initiatives in the recent past that we've taken part in. I know some of my colleagues in other associations have as well, and I know some of our members that have plants and operations in the U.S. have been pretty active in driving across those messages to U.S. legislators.

Finally, I'd like to say that, as you complete your study, you can count on the cooperation of Canadian Manufacturers & Exporters. Actually, since very recently, we have an office in Washington. We have an adviser to our president, who's based there, who knows a lot of the U.S. trade associations, which, as David mentioned, can be key allies in driving across some of the messages we need to drive across in Washington.

That concludes my comments. I look forward to your questions.

Thank you.

• (0935)

**The Chair:** Thank you, Jean-Michel.

It was a great opening. I think that gives us a good basis for discussion.

I would just like to say at the outset that we do have other business to deal with today after hearing from the witnesses. We have a couple of motions before the committee. I think perhaps I'll suggest we try to get through the first round, that is the greatest number of members allowed to speak within an hour, and that'll leave about 15 to 20 minutes to deal with business at the end. I think that should do it.

So with that, I'm going to, again, thank you for the opening statements, and I'll turn to the vice-chairman, John Cannis, to begin the questions. And we'll try to keep them to seven minutes, with questions and answers. Thank you.

Mr. Cannis.

**Mr. John Cannis (Scarborough Centre, Lib.):** Thank you, Mr. Chairman.

Let me welcome you once again, gentlemen, as we move on to this study. Thank you. More so, let me thank you on behalf of all of our constituents, because they are asking us these questions as well, since their daily livelihoods and their jobs are dependent on what happens with the meetings.

For example, David, you talked about what happens with the truckers association, the manufacturers, etc. We need to respond to our corporate constituents as well, the small, medium-, and large-sized enterprises, who want not just to do well but to survive.

In listening to your comments, I was really puzzled, and I don't know what message to take back to them. I'm going to be all over the map here for a moment, only because there were several things that were mentioned here.

David, you talked about your most recent meetings in the U.S. It seems to me there's some wonderful messaging. The Prime Minister's message was positive on security, for example, complemented by the President's. It seems that's where it stops, because I don't think the Americans have come out of this 9/11-George W. Bush bunker mentality. We all welcomed the message.

I want to ask one question and get a quick response, please, if I may. We have a committee here in Canada dedicated to seeing how we can enhance, improve, support, whatever, this wonderful relationship we have. Is there such a committee taking such a study on? We hear statistics of "we are", "they are", "greater numbers", and "greatest trading partner". Are they putting as much emphasis on this relationship as we are? Could I have just a quick response to that?

• (0940)

**Mr. David Stewart-Patterson:** I think they are a much bigger part of our external relationships than we are of theirs. That's an imbalance that is inevitable, given their impact on the global economy and the broader global security situation. We're never going to be as big an issue in Washington as the United States relationship is here in Ottawa. That's the reality we have to live with.

**Mr. John Cannis:** Okay.

You talked about Secretary of State Napolitano and her positive comments. I haven't heard too many positive comments. Maybe they might be positive, but they don't lead in a certain direction. When they talk about what our shared border would look like 20 years from now, that's so silly. If I take that back to my constituents, the first thing they're going to say, my dear friends, is can you address the problem today?

For example, post-9/11, I know that we, as a government, were very serious and very proactive to move forward with investments and new technology to create the smart border. We made a quantum leap forward. We were way ahead of the Americans. We know that. They weren't prepared. Yet again, we were getting the criticism that we weren't doing enough. Why is that, David?

**Mr. David Stewart-Patterson:** If I think back to those days, they were obviously shocked by what had happened to them. They were reacting very strongly.

The positive side of what happened in the immediate aftermath of 9/11 is that we did have very strong personal relationships develop at the top. I think that led to an extraordinary degree of cooperation through the original bilateral smart border accord. I think that's what there's an opportunity now to recapture. That's where I take some comfort from the words that President Obama and Prime Minister Harper exchanged in February. That's a necessary signal to start moving things in that direction. Trust is something that builds up over time. I think we do have a substantial record of cooperation over time in a variety of joint initiatives.

From a Canadian perspective, now is the time to try to push for the next layer in cooperation. We have an established record on the military side, a binational command through NORAD. We really need to explore the potential for a binational approach to managing our shared border. I don't think that's necessarily going to happen in a single go. It will take pilot projects. It will take a buildup of trust over time, but I think that's the concept we have to work towards in the short term. It may not achieve its full flowering for 10 or 20 years, but we have to start somewhere. That was the intention of the original smart border accord. You start with manageable chunks and you build up a stronger pattern of cooperation over time.

**Mr. John Cannis:** We can accept that, and that's a great start. So there have been the positive comments by both leaders. Investments have been made. What would you say would be the third plank? There's probably a fourth or a fifth as well.

We have our leaders setting a guideline or sending a message to their nations. We have investments that are going in. I'll ask about the stimulus package in my last question. What would be the third plank, in your view, that would need to be done? We're down there. I know our committee is down there. Our Senate committee is down there. We're meeting people. We're engaging them. We're telling them what's factually true in terms of what we've done. Are we getting on first base with that?

**Mr. David Stewart-Patterson:** I think what you're talking about in terms of the relationship between legislators is an important part of that.

As a business community we've been very active with our counterparts in the United States, both in a bilateral and a trilateral context, but these days it's particularly important to link the fact that we both have a serious economic problem. We both face the same kind of challenge, and working together on issues such as security is going to be essential if we're going to make progress on bringing our economies back to a more competitive base and getting ourselves back into a growing, rather than a shrinking, situation as quickly as possible.

I think making that case to your counterparts by saying that we have to make the security work because it's essential to making our economies work is a very powerful argument right now, but it has to come from every level. It has to come federal to federal, state to province, and business to business. We all have to do our part on that.

● (0945)

**Mr. John Cannis:** I think Sam....

**Mr. Sam Boutziouvis (Vice-President, Economics and International Trade, Canadian Council of Chief Executives):** Mr. Cannis, this is a very important question.

We do need to add that President Obama's cabinet actually has two former border leaders as senior members in his cabinet. One is Secretary of State Hillary Clinton and the other is Janet Napolitano.

Janet Napolitano has indicated that she wants to learn about the northern border; she knows most about the southern border. Secretary Clinton knows about the northern border. There are tremendous opportunities here to take advantage of the presence of these two leaders in President Obama's cabinet to actually leverage where the Canada-U.S. relationship should go.

Second, with the greatest of respect, we do need to go in with ideas. Canadians do need to lead with respect to where they want the Canada-U.S. relationship to go. That is simply an axiom of Canada-U.S. relations that has developed over the 150 years since—

**Mr. David Stewart-Patterson:** It flows from the asymmetry of their being more important to our strategy than we are in their big picture.

**Mr. Sam Boutziouvis:** Again with respect, we had an opportunity. The Americans did suggest the idea of perimeter security in the early 2000s. We did not go down that route. At the time that idea was before us all. It was an idea we all considered. We recommended it as a business group to the government; we did not go down that route.

Now Secretary Napolitano is asking what our shared border might look like in 10 or 20 years. We should develop and marshal our arguments together. You should go out and consult and determine what we as Canadians think the border should look like within 10 to 20 years. Pre-clearance and shared border management are fundamental precepts or concepts whose meaning we should think about. We should be answering very tough questions about our relationship going forward.

**Mr. John Cannis:** Thank you, Mr. Chairman.

We should invite Secretary Napolitano to Canada, then, and maybe engage that way.

Thank you, sir.

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

Go ahead, Monsieur Cardin, for seven minutes, please.

[Translation]

**Mr. Serge Cardin (Sherbrooke, BQ):** Thank you, Mr. Chairman.

Good morning, gentlemen. We've had the opportunity to meet with the Canadian Manufacturers and Exporters on a number of occasions, as well as the Chief Executives. This is the first time in a long while that we've heard from the Canadian Trucking Alliance.

Ultimately, you depend somewhat on the chief executives, manufacturers and exporters. The pace of your business has declined significantly; it's the border that's causing you major problems.

Has the process been quicker than previously since certain measures were implemented? How could the situation be improved?

[English]

**Mr. David Bradley:** That's a big question to answer. I would say that there has not been improvement. If I were to compare things with the situation on September 10, 2001, no. We've seen a definite thickening of the border, and this is having an impact on the trading relationship and our ability to compete, not only as a country but as a continent, with the rest of the world.

What to do about it is a complex matter. Obviously, we have to be marketing, trying to convince Americans that we are important to them—not as important in the economic relationship as they are to us, but that we are important. However, Americans at the political level as well as at the business level are rather pragmatic people. We tend at times—maybe it's a bit of our inferiority complex—to put a lot of our energy and attention into making them aware that we exist and that the border is important, and we don't go much beyond that. When we're dealing with Congress, when we're dealing with legislators, we have to bring solutions. A congressman is there to introduce bills and get laws passed, and we need to bring them something.

I don't know that we need to look very far. In the first iteration of the security and prosperity partnership, the game plan was to say that there are no silver bullets, so let's come up with a comprehensive list of things that need doing. None of these measures may appear to be particularly important, not the sort of thing that's going to catch headlines, but in combination these things will have a practical impact upon improving the situation at the border. What happened with SPP over time was that it was felt that we couldn't deal with 350 issues, even minor ones, and that we needed to come up with our top three or four. At that point, we lost focus. There is no big silver bullet, and we end up talking about things that may matter in the future, but we're all living with today.

I think we need to engage the United States on many fronts, but we need to put solutions, practical solutions, on the table. We've missed some of that, and we've tried to re-engage them by telling them how important we are to them.

● (0950)

[Translation]

**Mr. Serge Cardin:** I have one last question to ask before handing over to my colleague. Do you mean that there is no place for meeting and ongoing discussion to solve the trucking industry's problems at the border?

[English]

**Mr. David Bradley:** I think maybe that's part of the problem. There are all kinds of processes that are presently under way, all kinds of fora where these things are discussed. The problem is the coordination, bringing the departments together. In the last few years, I've had four or five ministers tell me they're the one responsible for the border, which means nobody really is. We need to have better coordination, a less diffuse approach and a plan of attack.

I think the way to do this is to come up with an accord, as opposed to a process for the sake of a process.

[Translation]

**Mr. Serge Cardin:** I'll now hand over to my colleague.

[English]

**The Chair:** Mr. Guimond.

[Translation]

**Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** The fact is that the border is causing a lot of problems. Waiting times have gone from a few minutes to a number of hours. That's a major problem. You talk a lot about the need to develop common policies and bilateral approaches with the United States, but you also have to take into account the fact that we are linked to Mexico through NAFTA. However, you didn't talk at all about Mexico in your remarks.

What do you think about NAFTA and Mexico? We know that that country is a major economic partner and that it has problems at the border with the United States.

**Mr. David Stewart-Patterson:** Indeed, Mexico is an essential partner in the North American context. NAFTA has been around for a number of years. The Canadian Council of Chief Executives operates like a secretariat for the North American Competitiveness Council. These are business people from the three countries who have given various opinions to the leaders of the three countries in the trilateral context of the Security and Prosperity Partnership of North America. We talk and work a lot with our counterparts and we've discussed matters with the three governments in an attempt to find trilateral solutions. Borders are still one of the central issues in those discussions. We currently don't know what the future holds for the trilateral process, but we hope it will continue in one form or another. We'll see what happens.

For the moment, Canada must hold bilateral discussions with the United States because the problems at the Canada-U.S. border are different, in a number of respects, from those at the U.S.-Mexican border. So we have to try to find solutions in Canada to solve our problems at the border. We can also have trilateral discussions, but first we have to focus a little more on bilateral discussions. That will produce results more quickly.

● (0955)

[English]

**The Chair:** Thank you.

Mr. Julian.

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

Mr. Patterson, it's good to see you again. We disagree on many issues, but I think there are some issues that we may find agreement on and which I'd like to explore.

First is that you may have heard, in testimony we received before the committee a few weeks ago, that the entire budget for product promotion for Canadian products in the United States—this vast market that is our biggest trading partner—is, we found out a few weeks ago, \$3.4 million. That's for a market of 250 million people. It's smaller than the promotion budget for a medium-sized firm operating in the Lower Mainland. So to start off, I'd like to ask you, do you think that is lamentably low, particularly in comparison with other jurisdictions—the European Union, for example, which for only its wine industry provides a promotion budget of \$125 million?

**Mr. David Stewart-Patterson:** I think there's a philosophical element there. To what extent should governments be responsible for marketing companies' products? When you're talking about a budget, you're talking about the government budget. I suspect that Canadian enterprises selling into the United States are spending considerably more than that promoting their goods and services in that market. I think for the most part, if a company wants to sell something, it's the company's responsibility to do the selling.

That said, I don't think as a country we're successful enough in expanding our base of exporters. The notion of government assistance is more important for companies that are trying to grow and break into new markets, whether in the United States or elsewhere.

**Mr. Peter Julian:** Are you saying neither yes nor no?

**Mr. David Stewart-Patterson:** I have to speak from the perspective of large enterprises, and in that context it's important to recognize the extent to which trade flows are linked to investments. Canadian companies on the large end have become very enthusiastic investors abroad. Canada as a country is a net investor abroad now, as opposed to attracting investment here.

The two-way flow is important, but as companies invest, one of the points that was made by one of my colleagues here is that a large portion of the trade is within a sector, within supply chains within a sector, and even within individual firms that have operations on both sides of the border. I think we have to understand that the trade relationship goes much beyond the basics of not selling anything in the United States and needing to explore that market. We need to understand the broader dimensions of this and the investment flows as well as the trade flows.

**Mr. Sam Boutziouvis:** Mr. Julian, just to follow on David's comments, we were on the record and strongly supportive of the Canada-U.S. enhanced representation issue that was initiated several years ago. Are more resources required? We supported more resources being applied to the Canada-U.S. relationship.

The concern we have is that there are some ideas out there about how to raise those resources, whether from government revenues or by applying some kind of tax at the border that would be paid for by some of the people who are shipping. We're totally against that, and I'm sure David and the truckers are on the record as totally against such an initiative, which would gather money so that it could be spent to enhance the Canada-U.S. relationship but would be paid for by people who use the border. We're not in favour of that.

**Mr. Peter Julian:** Okay. Sorry, I'll have to cut you off, just because I have a bunch of other questions.

**Mr. Sam Boutziouvis:** Sure.

**Mr. Peter Julian:** We also heard in testimony that essentially the government has backed off any interventions with the new administration on the WHTI, so it will come into effect in June. This is eight months before the Vancouver Olympics. We essentially have this huge challenge now with only one-quarter of Americans having passports, and at the same time the WHTI being fully implemented at a time when in the Lower Mainland of British Columbia we're trying to attract as many American tourists as possible.

Do you feel the government should have done a lot more to avoid what is becoming a tourism calamity? As well, we heard evidence from the Canadian Tourism Commission that supplementary budgets haven't been allocated to ensure Americans are aware of what the new requirements will be going back into the United States.

I'll ask a further question and then turn things over to you, Mr. Bradley. Thank you for appearing before our committee.

You mentioned the SPP. Essentially you said, charitably, that it has underwhelming results. I'd like to attack it from another standpoint. The SPP was purportedly around border issues and then became this multi-headed monster that attacked a whole series of regulations, a lot of them that protect Canadians, and sought to bring in lower standards in areas that had nothing to do with the border. At the same time as you have the SPP, we have this thickening of the border, which, as you mentioned, has not been helpful at all.

Setting the SPP aside and refocusing on border issues and the thickening of the border through measures such as you mentioned, do you feel a cabinet committee on the border is the best way to go, that the SPP has been detrimental to the border in addition to being detrimental to a whole range of other areas? Thank you.

• (1000)

**Mr. David Stewart-Patterson:** Do you want me to—

**Mr. David Bradley:** Which one do you want to answer first?

**Mr. Peter Julian:** Perhaps you could answer first and then back to him.

**Mr. David Bradley:** Okay, that's fine.

I wouldn't say that SPP in itself has been detrimental to the border. I think the process, obviously, has not been able to stem the roller coaster that the U.S. has been on in terms of security measures. I think it's a case that SPP lost its focus, whether that's because it took on other things as well.... I think even on the border we were too preoccupied with notions of perimeter at a time when there was no appetite in the U.S. for the perimeter. We needed to be spending more time dealing with the nuts and bolts of what actually happens at the border. We lost that focus and moved into more philosophical types of discussions at 60,000 feet, which are important, but really weren't what SPP was set up to do in the first place.

**Mr. Peter Julian:** So do you agree that we need to set that aside and focus on border issues?

**Mr. David Bradley:** Yes. I think one has to be careful, though. I think you have to have a bit of a broad net around what you mean about border issues, because it moves into other policy areas at times, and I wouldn't want to restrict that. Certainly for me the border and trade go hand in hand, and we need a strategy that encompasses both of those. But you're moving into other areas of social policy, and I'm really not sure exactly what you're referring to there, so maybe you can put those sorts of restrictions on it.

Yes, we need to be focusing on getting goods into the United States.

**Mr. Peter Julian:** Thank you.

Coming back to the WHTI....

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

**Mr. David Stewart-Patterson:** I'll try to give two quick answers.

The SPP was deliberately designed to deal with the boring and the incremental, and the first year it concentrated on much more practical stuff because there was no appetite for big ideas. As time went on, the leaders—certainly the private sector, the competitiveness council—started asking for more thoughts on the strategic level, and that was the direction they were moving in.

On tourism, Canada worked very hard to get delays in the implementation of the WHTI. We did get some delays, in cooperation with our American allies. Those delays in turn have allowed some of the efforts by, for instance, the provinces and states to start developing things like enhanced drivers' licences and expanding availability of options for travellers. I am worried there won't be enough of those available in time to make a difference in terms of this year's implementation.

On the other hand, I have to say I think we are facing a tough time on the tourism industry this year, but it won't just be because of the WHTI; it's going to be because of the Canadian dollar and the state of the economy as well.

I'd go on, but I want to respect the committee's time.

•(1005)

**The Chair:** Thank you.

Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman, and welcome to our witnesses. I will be sharing my time with Mr. Cannan.

It's a good discussion here this morning, gentlemen. I think there are a couple of issues that we're still not quite reaching out and grappling with. We have a number of priorities at the border. I think every nation on the planet has a lot on their plate today, business especially, but every nation and every area.

We're either on the verge of some larger problems or we have an opportunity to settle some very big issues that we already have, and I wonder if we can't hopefully take this as an opportunity. Maybe the slowdown in trade would allow us to go back to a discussion—and I just want some quick comments on this—on a perimeter in North America again. It was an idea that always intrigued me. I've been listening to the discussion here that it was too big an idea at the wrong time, but maybe it's the right idea at the right time.

Quite frankly, I'd say the majority of our companies—anyone who's dealing with Homeland Security or crossing the border today—have fenced compounds. Most of them have secure operations. There's no reason, especially for a number of products—and the first one I would think of is softwood lumber. We realize we have to wait for a turn in the economy before that market really recovers, but certainly there's no threat to softwood lumber. You have your phytosanitary work done, it should be able to leave the mill and cross the border. If they want to stop to check the driver and his papers, fine, but they don't need to check the load.

I'm a little concerned that we're talking about doing pre-clearance on our side of the border instead of doing pre-clearance at the manufacturer, whether that's the sawmill or the factory or wherever it is. I'd just like to have a comment on that.

**Mr. David Bradley:** I think you referred to some comments I made with respect to perimeter clearance. First, let me say that were we able to reach that point, obviously we would support it.

I think, though, we need to better define as Canadians what we mean by perimeter clearance. Over the years lots of people have said to me that they have it in Europe and it works there. Well, they also have a joint parliament, and I don't see the United States sharing power with Canada. So we need to define if we're talking about a commercial border, those sorts of things, and maybe those things are sellable.

I also agree that as bad as things are today, it's going to be an even more competitive world when we start to come out of this. As a country we need to take this opportunity now to ensure—whether it's on the tax side, through the supply chain, whatever the case may be—that we're able to compete and gain more than our fair share in the economy that emerges from this crisis.

So I agree with you on that, but again I think we need to go with specifics to the United States about what we're talking about and not platitudes. We need to have a plan. It has to have specific tasks in it and specific things that need to get done.

**Mr. Gerald Keddy:** I just have a comment, and then I'm going to turn the rest of the questions over to Mr. Cannan.

A comment was made by Mr. Laurin, I believe, on manufacturing. I crossed the border for 21 years with goods, and I can tell you the first tractor trailerload that we ever put across in 1976 was a heck of a lot easier than the last one I put across in 1998. There's no comparison. The border has become thicker. But our argument with our American partners was always that we do build things together, that there's always an advantage in it for them. If you have phytosanitary issues, if you have trade issues, if you have security issues, it's beneficial for them. I think that's the sound argument that we can make every time, that it benefits both of us. It's not what benefits us, because the Americans will look at it and want to know what benefits them, and I don't think that's a point that we can ever, ever forget. So I think those points on trade with Ontario, trade with Manitoba, and what they mean to those individual manufacturers or states is one that we should never overlook.

I know Ron has an acronym that he wants to put on the table.

• (1010)

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Keddy, and thank you, Mr. Chair.

To our witnesses, thank you; again, great discussion. I truly believe this isn't a partisan issue. It affects not only Canadians but North Americans from all walks of life.

Representing a constituency in British Columbia, I know the importance of those three borders. Mr. Julian alluded to the Olympics in 2010. We've had a lot of discussions with PNWER, the Pacific Northwest Economic Region, and working with our Canada-U.S. committees. We continue to work in British Columbia with the enhanced driver's licence, and in Ontario. There's still some push-back from the security and privacy issues, but we're trying to find other ways. We are in integrated supply chains. The manufacturing association of Champion boats and just-in-time manufacturers rely on ground transportation to get through on a daily basis.

In terms of being pragmatic and practical, Mr. Bradley, I like your idea about coming up with some sort of solution. When constituents come to me with complaints, I say, "Great, but I don't have all the answers. What's the solution?"

You talked about a smart border accord. We were just coming up with some ideas for SMART as an acronym for, perhaps, "secure moving and rapid trade", or "saving money and reducing threat", something along those lines.

How do we bring everybody together here? What's your vision for us as a committee, when we travel down next month to meet with our counterparts, in terms of helping to move this from a concept to reality?

**Mr. David Bradley:** I think you're off to a very good start. You've given it a name and a purpose, which is something that people can grab onto.

I think there's plenty of brain power there, within the private sector and within the public sector, but it's important to get those people who live the border every day, from either perspective, to come up with the list of practical measures that can be undertaken to make the best of what is already a bad situation.

I was in Washington two weeks ago, talking to legislators from all parties. It was clear: anything that smacks of a reduction in security—forget it.

Again, part of the beauty of coming up with practical solutions is that they're not big political issues in the first place. If they can make a value-added contribution to improving the border, then perhaps we can move it up. Some were left over from the first smart border accord. They didn't get completely dealt with.

I don't think it will be a big effort for us to come up with solutions. However, it will be complex. It has to be complex; the border is not simple. The solutions will not be simple. They won't be the kinds of things that are necessarily of great interest to most people in the public. They won't catch headlines, but they will have an impact.

**Mr. Ron Lennox (Vice-President, Trade and Security, Canadian Trucking Alliance):** Some of these things are local, as David alluded to. I'll give you an example.

A process took place a couple of years ago—I think it was called "The 25% Challenge"—at Detroit-Windsor, the busiest border crossing in the world. It wasn't about big ideas and grand schemes for moving trade across the border. It was about things like better traffic management, better staffing at peak periods of time, better signage, and things like that. I think it was relatively successful. It involved the right people at the local level. It involved the truckers. It involved customs on both sides of the border. It involved the local police who managed the traffic.

I think some of these solutions can happen at the local level, right across the board.

**Mr. David Bradley:** That process worked very well and it was the only time it was ever used.

We were given the mandate as a trade community to improve throughput at Windsor by 25%. Now, initially there was a lot of toing and froing about metrics—how we count it and all that mumbo-jumbo—but at the end of the day, whatever we did, whether it was, I don't know, 22%, or 23.5%, or 26%, it worked.

• (1015)

**The Chair:** Thank you.

**Mr. Ron Cannan:** Mr. Chair, I'm wondering if the committee could further discuss this later on or perhaps take that as our action plan on the agenda as we move toward our trip to Washington.

Thanks.

**The Chair:** Mr. Murphy.

**Mr. Brian Murphy (Moncton—Riverview—Dieppe, Lib.):** Thank you, Mr. Chair and members of the committee.

Witnesses, I want to thank you for your testimony. But with apologies to the other witnesses, I do want to direct my questioning to the Canadian Trucking Alliance. I really have no choice, as I represent a riding, greater Moncton, that has vast trucking interests, with Robert Irving's Midland Transport and Wes Armour's Armour Transportation Systems, and not far away, the McCains, so there is quite a culture of trucking and transportation where I come from.

So not surprisingly, the issue of the enhanced driver's licence and smart cards has in fact been a front-page story. The Province of New Brunswick recently decided against jumping into the fray with respect to the enhanced driver's licence and smart cards and is waiting for a regional approach, much as the maritime provinces have always acted in unison in some measure. HST, the harmonized sales tax, is a good example.

I guess what I'm asking you, Mr. Bradley and Mr. Lennox, first of all, is whether it's a doable and laudable goal to go to the enhanced driver's licence and smart cards. We know that the Province of Quebec has recently concluded an arrangement. British Columbia is testing it. Manitoba appears to be on the verge of coming out with it.

I'm struck, Mr. Bradley, by what you said, in what was perhaps the most quotable quote of the meeting, that you have dealt with so many ministers responsible for the border in your time, it makes you think no one is actually in charge.

When I see the patchwork quilt on this small issue—which should be resolvable—and I see the differing results and the fact that really only one province is ready to go, Manitoba, and I see the maritime provinces, for whom, as Mr. Keddy says, transportation across the border is incredibly important, it strikes me there's a role here for either your organization, that is, the private sector—and obviously I think you're going to tell me you're working on that to help the provinces—or maybe yet another department, such as the inter-governmental affairs secretariat, to help the Government of Canada facilitate the provinces concluding these deals.

I know that my friends from the Bloc would think that the Quebec government is *stella inter pares*, and probably better than other provincial governments. I think all governments in Canada are pretty

well equal, and if Quebec can do it and Manitoba can do it, New Brunswick and Nova Scotia can do it.

So I guess the question is, have you canvassed your members and lobbied provincial governments on issues with respect to the privacy concerns regarding smart cards?

Also, the response from my provincial government has been such that if one applies for these, in most cases, the program is almost as onerous as applying for a passport. So why bother doing it? The only result is going to be a modest cost to the consumer. The average price is \$30 to \$50. A passport is, what, \$87?

Second, have you impressed upon the federal government the need to educate, cajole, or help the provinces achieve this goal, which I think—and you can disagree with me on this, or expand on it—would be a small measure that would improve or facilitate the situation at the border?

**Mr. David Bradley:** First, let me say that one of the issues we have faced as an industry since 9/11 has been the proliferation of cards. If you want another quotable quote, what I used to say when I'd come before this committee, or whatnot, is that we're all going to need George Costanza's wallet—if you remember his filing system to keep all of these cards in.

Those who watch *Seinfeld* thought it was a good quip. Those who didn't, hadn't a clue what I was talking about.

What we have done—and I'm talking about the trucking side of things—is to try to move both governments, frankly, towards a one-card concept. We have focused on the FAST card, because in our business we require a security background check. That is part of the FAST card. It's also part of the hazmat program. It's part of the transportation worker ID program and it's part of WHTI. So the key for us, and what we argued for under WHTI, was that the FAST card be used as a citizenship document. The guy using it has already undergone the FBI/RCMP security check. Why make him do it again? Why make him get another piece of paper?

Happily, in this case, the process worked and the United States has accepted a FAST card as a proxy for a passport or other citizenship document. So in a sense we solved our problem. Now that's not to say that every truck driver has a FAST card; we think they should, but for whatever reason, some don't. So they're going to have to either have a passport or an enhanced driver's licence, as the case may be.

I hear your arguments about the enhanced driver's licence in terms of the cost, and why not just have a passport—although the Canadian passport is a little bulky and doesn't fit nicely into your pocket, and that sort of thing—but for the average traveller, I think that's where the real interest lies, that is, in the enhanced driver's licence. Our problem, or the problem for our people, has been solved, for the most part, through the FAST card program.

• (1020)

**Mr. Brian Murphy:** Is that it? Okay, thank you.

**The Chair:** Thank you for the question.

Mr. Holder, welcome back.

**Mr. Ed Holder (London West, CPC):** It's nice to be back. Thank you very much. *Muchas gracias.*

First, I'd like to thank our guests for being here today.

My dad was a truck driver, and he was probably the best economist I knew. While he didn't finish grade eight, he said that if you want to understand the state of an economy, follow the trucks. He said they were the best gauge of the status of the economy, because trucking is like the first responder and the first to feel the slowdown, and I think he had it right.

Mr. Bradley, I know we focused a lot on trucking today, and I think that's quite appropriate, but I thought your comments were exceptionally sobering in terms of no recovery in the freight volumes in the short or near term.

I did want to make one comment. In one of your more recent comments, you said we need to get “more than our fair share” as it relates to border trade. Actually, I think we do get more than our fair share in relation to the United States, but, frankly, as a Canadian, and as someone who exports, I'd like to get a whole lot more than our fair share. I never believe in fair share unless I'm winning really big.

I'm trying to get a sense of the practical approach we need to take, and I'm going to presume that, through some of the communications that you are providing to us, you are going to give us your thoughts—and I know we have through this assembly—on some of the focus points that you would like us to particularly focus on.

I've not done a trade mission to Washington, so as one of the newer members of this committee I would say I'm going at this with some open eyes, but I also understand, and I've heard the comments made from a number of committee members, the importance of having a really clear plan and having a focus.

Actually, Mr. Laurin, I think you made the comment about how important it is that we take the lead.

So I'd be interested, just as a broad comment, if there was one issue each of you had that we should take the lead on—from your perspective—in clear, precise terms. It can be a short sentence, by the way; we don't need to make them all long, and I don't mean that to be rude; I apologize, I didn't mean that as an offensive comment—

**An hon. member:** Because you want to be long.

**Mr. Ed Holder:** Because I'm long, that's right.

But in a sentence, what's your number one point, the message that we need to take to Washington, and, presuming you can help us, who are some of the folks you think we should speak to when we're down there? What's your number one point, the message you'd like us to take to Washington?

**Mr. David Bradley:** I'd like you to go with a detailed plan, but that's obviously not going to happen right away. I think the one point I would like you to make with Washington, to emphasize to them that the way the border was supposed to work was supposed to be on a risk assessment basis, keeping in mind that 99.9% of the people, goods, companies, truck drivers that move across the border are safe and secure and pose no threat. What we were supposed to get out of this process was a more secure but also a more efficient border than we had on September 10, 2001, because we had problems before 9/11. We've gotten away from risk assessment into a situation where we almost check everyone, everything, all the time. That's impossible and it's grossly expensive to do that.

• (1025)

**Mr. David Stewart-Patterson:** If I may, I think I'd suggest there are a lot of very practical issues that are already on the table and can be picked up fairly easily. I think the most essential thing right now is to focus on the process and deal with an issue that's been raised here: who's in charge? We've got a complex bilateral agenda to deal with. It's going to go a lot better if there's a lead player with clear authority on both sides.

That can come from the security side, as it did immediately after 9/11, with the smart border agenda, where we had Minister Manley and Secretary Ridge developing a clear partnership, with clear authority. It can come from the commercial side, as we've seen with the evolution of the security and prosperity partnership. Originally, that kind of reported up through three different ministers to the leaders. In its latter years, it condensed down and the leaders gave clear authority to our industry minister and the commerce secretary, and his equivalent in Mexico. In other words, the SPP was being driven much more by what can we do to make our economies work, and that was where the authority resided. But one way or another, I think there needs to be a clearly established leadership from the top, but clear authority to an individual within each government to make things happen, with whatever agenda we choose to address.

**Mr. Ed Holder:** Who do you think is in charge on the Canadian side, sir?

**Mr. David Stewart-Patterson:** Again, within the SPP, it has been done with our industry minister as the lead player, the commerce secretary in the United States, and the equivalent minister in Mexico. That's a trilateral process.

As we are launching a new process, that's something we have to work out. If the key issues are going to be on the security side, maybe we have to talk about Minister Van Loan and Secretary Napolitano. That's one of the key decisions we have to make. The moment we get into two and three and five ministers, all with responsibilities, I think that's when you start to lose momentum very quickly.



I think you need leadership from the top, the President and the Prime Minister, but clear authority should be given to a lead person within each cabinet to drive whatever agenda we choose to pursue together on a bilateral basis.

**Mr. Ed Holder:** So that's your number one issue: leadership.

**Mr. Jean-Michel Laurin:** I agree with my colleagues that leadership is key to governments making any sort of significant progress on those issues.

For your upcoming visit to Washington, one key message I'd like you to take to legislators in the U.S. is that, really, we make things together. When you think about Canada and the United States, we're talking about integrated economies.

I'll tell you why this matters. There are two types of issues. One is the actual bottleneck at the border, the physical infrastructure and the need to have pre-clearance and other types of measures that will help facilitate trade at the border. What actually impacts Canada-U.S. trade are the new requirements that have been put in place to cross the border. So it's not the physical infrastructure but rather the compliance requirements that are required of companies.

A lot of those are directed toward imports. When U.S. law-makers and the American public look at these measures, they think they have to make sure, for example, that products that come into the U.S. are secure. They're thinking China. They're thinking overseas economies. But these measures always end up affecting Canada more than any other trading partner.

They understand that we do make things together and that there is a pretty good business case for better risk assessment of goods entering the U.S. But let's make sure that the safe stuff from Canada is facilitated and that we direct our energy toward things from other parts of the world. Those are really the goods that American consumers are more concerned with.

I think that would help tremendously in making progress on those issues we've been discussing today.

**Mr. Ed Holder:** Thank you.

Do I have one more moment, Mr. Chairman?

**The Chair:** Very short.

**Mr. Ed Holder:** Thank you.

Mr. Boutziouvis, you made some comments around "buy America", and you talked about a couple of the U.S. cabinet members who understand our border. I'm particularly concerned about "buy America".

When you talk about these negotiations, if you want to negotiate you often have to base your argument on the other party's self-interest. I'm concerned about how well the Americans understand that relationship with us. To make our meetings in Washington more effective, I'm wondering if we need to provide the U.S. with better talking points. I heard some comments, which I think Mr. Laurin also made, about the amount of trade that various states do with us.

From the standpoint of their self-interest, do we need to provide them with their education? Left to their own interests, I'm very concerned about how they will view us and whether we'll get our fair attention.

• (1030)

**Mr. Sam Boutziouvis:** I'll let my three colleagues, who have been primary speakers, comment. But I can certainly say you have raised a very important point. This is a new team in Washington, and they have yet to put in place their undersecretaries. There's a new cabinet and a new President.

We have heard time and again that Canadians need to go down there and educate, educate, and communicate. You need to bring up the issues again. You need to re-establish the importance of the Canada-U.S. relationship, from the Canadian perspective, with our U.S. counterparts. You need to tell them exactly, as Mr. Laurin did in great detail this morning, where we trade, who we trade with, and where the number one trading partners are. You have to keep doing it again and again, every two years, every four years—all the time. We need to continue to communicate.

On "buy America", I totally agree with my colleague, David Stewart-Patterson. We not only directly provided advocacy in the United States, we collaborated with any other business group that would hear us on the message that this would be counterproductive; increased protectionism does not protect anybody.

**Mr. David Stewart-Patterson:** Again I'd reinforce the fact. The American business community I think is a very strong ally of ours in this one because they understand the extent to which their commercial interests depend on a smooth flow of goods and people across our shared border. We've been able to work very effectively with our counterparts on the trilateral agenda and on the bilateral agenda, and obviously when we're taking on measures that restrict trade, they are very powerful allies when it comes to dealing with folks on Capitol Hill. But as my colleague said, given the nature of their political system and the changeover in the senior ranks of their departments every time there's a new administration, Canada can never let up in its communication efforts.

**Mr. Ed Holder:** Thank you, Mr. Stewart-Patterson.

**Mr. David Bradley:** I would just add that when you walk into the Canadian embassy next week or the week after, you're going to see a map of North America with all of that data in terms of how much we buy from the U.S. by individual product. It's excellent. They do a great job on that.

**Mr. Jean-Michel Laurin:** Just to answer your question very quickly, the issue of "buy America" is changing very rapidly. Working with our U.S. counterparts, we have asked for clarifications on how the rules are going to be interpreted. We've asked that of the Congressional Budget Office and the U.S. trade representative.

I don't know when you're going to Washington, but we'd be more than happy to provide you with an update in terms of where things are going. We're also getting input from our individual members with individual cases we can bring to U.S. lawmakers. I think there's something in it for them.

I think if they want to roll out this infrastructure money and infrastructure spending very quickly, if they put in very stringent "buy America" regulations, some of the U.S. manufacturers are going to have to find new suppliers for some key components. In many cases, Canadian companies can provide solutions that are not available elsewhere in the market. In other words, we innovate. We have innovative companies that can provide customized solutions that are not available anywhere else. I think they would be shooting themselves in the foot...but as my colleague said, we've had a pretty good working relationship with associations in the U.S. We've been driving those messages across, but I think it's important that we continue doing so as the plan is rolled out and as the regulations are being issued.

**The Chair:** That pretty much takes care of that round and the next one for that side.

We'll wrap up here with two quick comments, first from Mr. Guimond, and then we'll close with Mr. Murphy. Take about two or three minutes each if you could. Thanks.

[*Translation*]

**Mr. Claude Guimond:** Thank you, Mr. Chairman.

You organized a summit in Washington. A delegation of Bloc Québécois members recently went to Washington. The members returned very concerned about American protectionism. On February 19, the American President came to Ottawa. A big show was organized, and we have to admit that there was a lot of window dressing. Knowing that you are people of action, what actual steps should the government of Canada take right now to improve trade with the Americans?

You can each answer me in turn.

• (1035)

**Mr. David Stewart-Patterson:** That's a very complex question. It's hard to pick only one action that should be taken. As I mentioned to your colleague, it's first a matter of leadership. We have to have clear authority in each country to find solutions. It's the process that has to be improved first. Solutions to the practical issues will come. First, the mandates of the ministers in each country must be clear.

**Mr. Claude Guimond:** So it's a matter of leadership.

**Mr. Jean-Michel Laurin:** I would say the same thing as David. A few years ago, we talked about the Smart Border Declaration. Some positive things happened six or seven years ago. At the time, there was clear leadership on both sides of the border. In addition, the relationship between the two partners was good on both the individual and team levels, and so on.

We could give you a host of measures that the Government of Canada and the U.S. government should take. If you're interested, we can definitely send them to you. My colleagues have written a number of documents on the subject. Ultimately, those measures will be implemented if there is clear leadership on both sides. I think the comments—

**Mr. Claude Guimond:** So it's still a matter of leadership.

**Mr. Jean-Michel Laurin:** The comments by my colleagues from the Canadian Trucking Alliance are quite clear in that regard. Many people are involved. It's a complex issue that affects the industry, international trade and the Canada Border Services Agency. We have to work together and adopt a coordinated approach, particularly when we go to the United States. The Americans expect us to take the lead on these issues and to have a coordinated approach and concrete measures. We have to propose solutions and sit down with them in a spirit of cooperation.

**Mr. David Stewart-Patterson:** We also have to have a positive approach. We have to tell the Americans that we don't just have complaints, but solutions to suggest as well.

**Mr. Claude Guimond:** Mr. Bradley.

**Mr. David Bradley:** Precisely.

**Mr. Serge Cardin:** My colleague asked you what you had to say about the United States. The G20 summit will be held on April 2. If you had to address the G20 today, what advice would you give those people and our representatives who will be in attendance, to get the ball rolling again?

**Mr. David Stewart-Patterson:** We've just written a letter to Prime Minister Harper, which was published yesterday, and I can't give you any details on that subject. Protectionism is very important issue not only for Canada and the United States, but for the entire world as well. That has to be a topic of prime importance in London.

**Mr. Jean-Michel Laurin:** We have to be sure we send a clear signal to the G20 and say that we're going to keep our borders open to trade and that there won't be any recurring protectionism. However, the American industry can sign that declaration, but... The U.S. Congress has considerable legislative authority. That is why your trip and your efforts to educate American legislators and to inform them better about the impact of those measures can make a major difference.

In the context of the G20, we must ensure that markets remain open to trade and that we don't witness a return to protectionism, which would worsen the economic crisis and the recession. That's our priority in the short term.

**Mr. Serge Cardin:** Thank you.

[*English*]

**The Chair:** Mr. Murphy.

**Mr. Brian Murphy:** I would just like to drill down on the enhanced driver's licence. I get the trucker's position on smart cards. Certainly, there's been uptake on them. Has there been sufficient uptake on these others? Is there something at the federal level that should be done?

Secondly, with respect to the enhanced driver's licence, is it a laudable goal? It's certainly more than just a trucker issue. Is it just more convenient for people to go skiing at Sugarloaf in Maine? Is that the only reason we're talking about these things, or is it something that's integral to easier flow across the border for citizens, business, and goods? I want to hear something on the enhanced driver's licence, because the people back home are asking about it.

• (1040)

**Mr. Ron Lennox:** As you have pointed out, it's only in B.C. that we've even reached the stage of a pilot project. I can speak only for the trucking industry, and we haven't promoted it very heavily within our membership. It seems like a good option, but as an industry we feel that we are prepared with the options we have before us. We have the FAST card. There have been almost 100,000 of those issued to Canadian drivers, if I'm not mistaken. CBSA could confirm that number with you. In addition to that, for drivers who don't want a FAST card, they can use a passport. Sure, we would support it if it meant getting passenger traffic across the border more quickly—that would be a good thing for us. But it's not a top-of-mind issue.

**Mr. David Stewart-Patterson:** There are a couple of pieces to that. On the one hand, the more we do to make it easier for people to get a document that will let them cross the border conveniently, the better. On the other hand, I think there is an issue of proliferation of cards. At the consumer level, I'm worried that the enhanced driver's licences aren't going to be ready in sufficient quantity to prevent back-ups this summer, and I'm not sure how long the implementation period may be.

Moreover, with the enhanced driver's licence at the consumer level, as with commercial accreditation like FAST or NEXUS, what's really important is that there have to be clear benefits if you go through the effort to get the enhanced documents. You have to make sure that they get you through the border faster and that people see it happening, feel it happening. Ultimately, that's what's going to convince people to go through the extra effort to get those documents. That's what's got to happen if we're going to get smooth traffic on any of our border points.

**Mr. Sam Boutziouvis:** Mr. Murphy, fewer than 30% of Americans currently have passports. A much higher percentage of Americans have a driver's licence. So the thinking—which we

strongly supported through our members of the North American Competitiveness Council—was that under the western hemisphere travel initiative, there should be at least one other piece of documentation that would be acceptable for travel between Canada and the United States. The enhanced driver's licence was seen as a viable alternative, especially for short-term travel between various states in the region.

The simple addition of proof of citizenship as a criterion for you to get your enhanced driver's licence was deemed to be a very important imperative. The Department of Homeland Security in the United States, only recently, or within the last 18 months, said this was actually a viable strategy to proceed with when putting in place an effective strategy under the western hemisphere travel initiative. They supported the B.C.-U.S. state initiative, as well as other initiatives.

Broadly speaking, at least as far as the North American Competitiveness Council is concerned, the more provinces who set up arrangements with U.S. states to put in place an enhanced driver's licence program, the better.

**The Chair:** Thank you.

I think that's going to have to conclude this, because we have other business.

I want to thank everybody for coming today. It was very useful, very helpful.

Mr. Bradley mentioned a chart that one can see when entering the Canadian embassy in Washington. I think it's available in brochure form as well, so we'll try to get it for the committee by the next meeting, or as soon as we can. It's a very useful chart, as Mr. Bradley suggested.

In any event, gentlemen, thank you for appearing today.

I'm going to take one minute, if I can, to switch over, and we'll go in camera for the other business session.

Thank you.

*[Proceedings continue in camera]*

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