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Chair

Mr. Lee Richardson

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• (1540)

[English]

The Vice-Chair (Mr. John Cannis (Scarborough Centre, Lib.)): I'm going to call the meeting to order.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Mr. Chair, I need about 10 seconds to finish a point of privilege.

The Vice-Chair (Mr. John Cannis): Was it from the last meeting?

Mr. Brad Trost: It's from the House of Commons. It will take about 10 or 15 seconds—maybe 20.

The Vice-Chair (Mr. John Cannis): If I understand, and maybe the clerks will correct me.... Are we permitted to carry a point of privilege from the chamber to committees? This is the first time I've heard of it.

Mr. Brad Trost: We can make it a point of privilege here. We'd be done by now, Mr. Chair.

The Vice-Chair (Mr. John Cannis): I'll have to ask the committee.

Mr. Brad Trost: It'll take 10 seconds.

The Vice-Chair (Mr. John Cannis): Go ahead.

Mr. Brad Trost: There was a point of privilege raised in the House. It has been dealt with, but the whips did make the point to me that I should probably raise it here.

Let me say that the member, my honourable colleague across the way, has behaved commendably and I have no complaints about that, but it should be noted that photography is not permitted in committee, and we should all remind our staff of that and other rules.

It's one of those small omissions; people sometimes forget. But as I said, the honourable member has dealt with the problem. I consider it closed.

The Vice-Chair (Mr. John Cannis): We consider the case closed. It was dealt with professionally and properly to everybody's satisfaction, so I'm pleased to hear that.

Again, I didn't know the rule, but we're certainly going to look into it just in case it happens in the future.

We're going to move on with our meeting. I've called the meeting to order. Our chair is temporarily held up, so I'll start. You'll excuse me if I don't have my reading glasses, but I'll do the best I can.

Pursuant to Standing Order 108(2), we have a study of Canada-United States trade relations in regard to an agreement on government procurement.

We have with us today witnesses from Vancouver via video conference. I'd like to welcome, from the British Columbia and Yukon Territory Building and Construction Trades Council, Mr. Wayne Peppard, the executive director.

Also, via video conference from Toronto, from the Canadian Auto Workers union, we have with us Angelo DiCaro, who is the national communications representative, and he is accompanied by Jenny Ahn, who is the director of membership mobilization and political action.

Welcome to our witnesses.

We're going to start with you, Wayne.

You have 10 minutes for a presentation. We'll try to stick to 10 minutes each and after that we'll go to questions from the committee.

The floor is yours, Wayne.

Mr. Wayne Peppard (Executive Director, British Columbia and Yukon Territory Building and Construction Trades Council): Thank you very much.

I want to begin by thanking the committee for this opportunity to appear.

The discussion regarding the Buy American legislation has prompted a debate across this nation that touches the very nerve of economic recovery, which, as of the numbers yesterday, is looking quite good. It is through the development of our regulated banking system and, some would argue, that of successful protectionist action that we have fared better than many other countries through the fallout of the global financial crisis precipitated in the United States.

In my research on this issue, I looked for the benefit gained or, at the very least, for a win-win. Certainly, by looking at the dollar value gained through reciprocated access to infrastructure funded projects, there is no doubt that the United States has gained an enormous advantage. Canadian business access to about \$1 billion of infrastructure spending in the United States pales with the \$25 billion of access gained by the United States to Canadian infrastructure procurement.

Ken Neumann, United Steelworkers national director for Canada, has noted that this debate is an opportunity for Canada to have its own Buy Canadian policy. Such a policy could be a win-win if it were to develop meaningful language to support Canadian manufacturing while continuing to be a part of an integrated and cooperative North American market. Mr. Neumann represents a significant voice of labour in the manufacturing industry in both countries. In the world of manufacturing, investment equals job creation.

I now turn my attention to the construction industry, because that is what I represent and where I come from. What is or is not in this agreement that speaks to the needs of construction workers or job creation in a migrant workforce market?

In my research and review of this committee's discussion of the issue in the committee Hansard, I note number of issues that raise concerns for me. The first concern I will address is that the benefits of access are lopsided in the extreme.

If the numbers quoted in the committee Hansard are accurate, and if we can be confident that our businesses will be accorded fair access, then this could be considered somewhat of an advantage, minimal or otherwise. However, it would seem there is still a degree of protectionism evident in the balance to the advantage of the United States, through the state and municipal procurement jurisdictions that it maintains.

Across Canada, the municipal procurement provisions in the agreement preclude the favourable treatment of local contractors or goods and service providers, and municipalities are further prohibited from seeking offsets. Many municipal procurement policies contain procurement provisions on quality, qualifications, training, safety, employment standards and, in some instances, fair wage and living wage policies. These social and legal commitments now stand to be challenged.

Union agreements that provide for local hiring or contracting-out language may be at risk. These are mutually negotiated agreements that benefit workers, their employers, and the communities in which they live.

I could not possibly be aware of all of the provisions for tendering and bidding in each of the American states, let alone their municipalities; however, I am quite aware that procurement policies and bidding practices vary from municipality to municipality, even here in B.C., let alone from province to province and across our nation. I am simply not sure that this agreement is well thought out, though it may well be a noble objective.

As for access to Canadian infrastructure project funding, most large prime construction contractors are controlled by U.S. investment or are U.S. owned and not restricted in any way. They currently bid on and are constructing Canadian infrastructure projects, including highways, bridges, and transit infrastructure, even though these are listed as exclusions.

If the provisions remain at the \$8.5 million threshold, then there seems to be no advantage, however, as the project packages are broken down. Do the provisions of the agreement flow? Most contractors in the construction industry are small to medium-sized enterprises and are likely more concerned about their access through

subcontracting. I am not sure that many local SMEs would risk bidding into the U.S. market based on added costs of mobilizing equipment and labour, as well as the provisions of liability and bonding.

To illustrate this, I offer a few comments from some B.C. contractor associations. These are non-union contractors. In an interview with *Monday Magazine*, Greg Baynton, Vancouver Island Construction Association president, said that large local companies—which pale in size next to global giants—don't have the capacity to orchestrate bids for contracts that involve finance and operations components.

• (1545)

Vancouver's Island Equipment Operators Association president, Don Cameron, submitted the following statement on procurement options: "Large multi-national corporations will blow into town and misplace years of meaningful well-paying employment during construction, and then leave town and in their wake the skeleton of what was once a vibrant industry".

Construction contractor John Knappett wrote earlier, not in reference directly to this agreement but nevertheless a significant comment:

In simple terms what this means is that those of us who live, work and help build the community on Vancouver Island are about to get the heave-ho for a consortium of bankers and multinational contractors from far afield. Although some local procurement will certainly be done, such as buying gravel or hiring hourly dump trucks, the management and engineering jobs and the general construction contracts for all the sewage plants and pipelines will almost certainly be handled, like the Sea to Sky Highway or the Golden Ears Bridge, by one foreign company.

When one considers the carve-outs and the exclusions within the agreement, which include road construction, bridges, and transit, what other projects of any significance over \$8.5 million fall under major public infrastructure funding between now and September 30, 2011? One is left to wonder just exactly what benefit is to be found.

Is it jobs? One should not confuse investment in construction contracts with the same kind of job creation as in the manufacturing industry. When construction contracts proceed, temporary jobs are created under whatever provisions may apply for access to private or public funding. In construction, our concern is who gets the jobs.

I would ask that this committee give consideration to job opportunities for Canadians given the difficulty we have had getting Canadian workers into the American market and the impact of the foreign labour market as a result of both the American and the Canadian immigration legislation and policies. There are no provisions ensuring that either Canadian or American workers will benefit from the provisions of this agreement. The application of this agreement cannot be considered in isolation from these important and related regulatory regimes.

Is it mobility? We don't even have effective mobility and qualification recognition across Canada, let alone international foreign credential recognition. How will a provincial safety board or an employment standards officer chase an American employer that has violated legislation and returned to the United States? And at what cost?

Finally, I prefer that my tax dollars be spent promoting Canadian contractors and workers contributing to our economy and giving the estimated 12% unemployed and unregistered workers who have fallen off EI an opportunity to contribute to the Canadian economy—the spinoff benefit to the investment of our tax dollars.

When we look at this disparity regarding the benefits of access provided by this agreement—giving the United States access to in excess of \$25 billion of our infrastructure funding in return for access to about \$1 billion of the United States infrastructure funds when there are no guarantees that this agreement will create jobs for Canadian construction workers and their contractors—one wonders what the actual benefit is. All in all, this agreement appears to be an overreaction to a short-term concern, given the recent numbers on the GDP and the way the economy is moving and recovering at the moment.

Given that the Canada-United States procurement agreement includes the temporary provision to September 30, 2011, and the provision into fast-tracking on future permanent agreements, there must be a commitment to transparency and consultation throughout the negotiation process. I am unaware of any consultations with labour groups or worker representatives in our industry that led to this agreement. I can only hope that workers' concerns will be given full consideration should there be an expansion to the commitments with regard to any permanent agreements with any nation for government procurement.

A true Buy Canadian policy would incorporate language to support the development of strong local economies and of strong international relations that include the interests of both business and labour.

Thank you.

• (1550)

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): Thank you.

We'll go now to the Canadian Auto Workers union and Angelo DiCaro, who is the national communications representative, for another brief opening statement.

Mr. Angelo DiCaro (National Communications Representative, Canadian Auto Workers Union): Thank you, Mr. Chair and

members of the committee, for inviting my colleague Jenny and me to speak with you today.

On behalf of CAW national president Ken Lewenza, we extend our appreciation to the committee for allowing us the space to offer our perspective in regard to the multi-faceted Buy American deal that was recently struck between the federal governments of Canada and the United States.

We commend the committee for having organized these hearings. They provide a good opportunity for Canadians to better verse themselves on the important role that public procurement plays across each level of government with respect to economic and social development.

The Canadian Auto Workers union is Canada's largest private sector union. We represent over 225,000 members across the country in nearly every sector of the economy.

Over the past years, our union has focused a great deal of policy and campaign work on what we see as the underuse of domestic content policies when governments at all levels procure goods and services. Domestic content policies, when used properly, can be a strategic lever to encourage domestic economic and social development, particularly as that relates to maintaining a strong and vibrant manufacturing base in Canada.

Canada's economic climate in recent years, notwithstanding the devastating impact of the global recession, has led to a dramatic decline in Canadian manufacturing capacity and employment. The persistently high Canadian dollar, the current patterns of unbalanced global trade, and the absence of much-needed interventionist policies to spur economic growth beyond the government's stimulus program have contributed to the loss of over 550,000 manufacturing jobs since 2002.

Those are direct jobs. That number doesn't account for the associated spinoffs and supply-chain jobs that are reliant on them. Shockingly, there are more Canadians employed in the retail trade today than there are in value-added manufacturing.

We are aware that our purpose here today isn't to talk about the misfortunes of the domestic manufacturing sector. These remarks will simply provide the committee with the necessary context to better understand the lens through which we see this bilateral exemption deal in question.

With respect to this particular deal, we want to express two areas of concern to you today.

Firstly, we are gravely concerned that this deal was negotiated and signed without tangible evidence that it will deliver meaningful and measurable benefit to Canada in terms of greater economic activity and job creation. We were dissatisfied to learn, after an informative and revealing conversation with representatives of the Department of Foreign Affairs and International Trade, that no cost-benefit analysis had been conducted to determine the strengths and the weaknesses of this deal for Canadians in terms of investment and jobs, both on the temporary and the permanent sides of the deal.

Whether Canada stands to benefit from this particular arrangement is entirely speculative at this point. Estimating annual U.S. procurement dollars, assuming Canadian companies will have the ability to access those dollars, and hoping those companies translate those dollars into economic growth here at home is a dangerous basis on which to establish a groundbreaking and game-changing trade deal.

Considering the gravity of this exemption deal on our collective ability to manage and control our economic fortunes, in both the short term and the long term, it would seem only logical that a thorough costing of this particular deal and the variety of alternatives would have been foundational in determining the actual value of the deal.

It's for these reasons that we find it very difficult to understand how the trade minister and other proponents of this deal can say with any certainty that this deal provides reciprocity of access between our two countries in the area of procurement.

• (1555)

Ms. Jenny J.H. Ahn (Director, Government Relations, Membership Mobilization and Political Action, Canadian Auto Workers Union): It's this issue of reciprocity that leads us to our second area of concern. For us, the idea of trade reciprocity has meant levelling the playing field of global trade with smart and managed trade policies. Trade reciprocity does not mean blindly and needlessly forcing countries to dismantle policies that aim to achieve positive social and economic ends. Trade reciprocity also does not mean abiding by the strictest doctrines of free trade at any cost.

We recognize the importance and near-universal use of domestic purchasing policies, especially in the area of public procurement. Many of our largest trading partners, including the United States, the EU, China, and Japan, which make up 90% of our trade in goods and services, consistently attach domestic content requirements to public purchases. These policies actively promote domestic economic development and also encourage foreign investment. These are also not all knee-jerk reactionary policies to the economic crisis.

Canadian firms competing on the global stage have had to respect these provisions, and they will continue to respect these provisions moving forward. The competitive landscape on this front has changed very little.

New Flyer bus in Winnipeg, for example, Orion bus in Mississauga, or Nova bus in Quebec will still have to respect U.S. content levels whenever a contract is won south of the border. Bombardier, as another example, will still have to utilize its various satellite rolling stock manufacturing plants around the world to comply with domestic content rules. Canadian shipbuilders will be restricted from exporting vessels to foreign markets.

In fact, Canada remains one of the few major world economies that does not actively utilize domestic content policies as economic levers, although there are some exceptions.

Under this deal, there will now be even fewer rules requiring suppliers to maintain a portion of investment in our domestic economy, and we are now stripping the rights of sub-national governments to enact such rules. We risk further exacerbating the decline in our manufacturing base.

We can provide a long list of examples to the committee of opportunities missed by government to ensure that at least a proportion of public procurement dollars flows back to the Canadian economy. The most recent example was Canada Post's decision to purchase nearly 5,000 new light postal vehicles from Turkey. The crown corporation attached no conditions in their procurement to ensure that the use of taxpayer dollars would spur economic activity in Canada.

However, there are also examples of Buy Canadian policies proving effective in leveraging meaningful economic activity in Canada in recent years. The City of Toronto's procurement of new light rail vehicles maintained a 25% Canadian content provision, which ensured Canada would receive a sizable share of the economic benefits associated with this record \$1.2-billion public purchase.

In 2008 a cost-benefit analysis of the deal indicated that over 1,000 Canadian jobs would be created if the winning bidder maintained a Canadian manufacturing presence, 10 times the number of jobs created if these railcars were to be imported from offshore. Additionally, the monetary benefits that would flow back into the economy totaled over \$400 million, about half the cost of the project itself.

Even more recently, a 60% Canadian content policy attached to subway car purchases in the Province of Quebec, in line with current Buy American provisions for rolling stock purchases, has actually resulted in a major Chinese railcar manufacturer offering to assemble these cars in Canada to comply with the Buy Canadian regulation. This is expected to create between 750 and 1,000 jobs for Canadian workers.

In our estimation, based on these specific examples and with an understanding of the competitive landscape for public procurement, this exemption deal only serves to limit the ability of Canadian governments in equalizing international trade relations and leveling the playing field.

• (1600)

As our provinces and territories must now abide by the rules and regulations of the WTO, it is even more imperative that our federal government take the lead in studying the merits of what a fair and reasonable Buy Canadian domestic content policy would look like for Canada.

We thank you for the opportunity to address the committee.

The Chair: Thank you.

Thanks for your timing in both cases.

We're going to move now to questions of our panellists. We're going to begin our questions with seven-minute rounds.

We'll start with Mr. Cannis.

Mr. John Cannis: Thank you, Mr. Chair.

Welcome to our guests.

I listened very carefully to the comments from all three of you. I'm going to focus primarily on two areas.

We know that the auto industry has gone through some bumps and bruises over the past couple of years. Governments in our country and the United States—I'm not going to speak about other countries—have stepped in to try to help out the auto industry, to the tune of us even having ownership. Really, I wouldn't call it ownership; it's a responsibility of the taxpayers here in this country.

I, too, became aware of this purchase—and I can't say it's a potential purchase, as I think it's a done deal—of the 4,800 units from Ford, if I understood it correctly. We'll be buying these vehicles from Turkey, where they are assembled. Am I correct so far with the information I'm providing?

Mr. Angelo DiCaro: That's correct.

Mr. John Cannis: Okay. If I am supporting a company here—non-Ford, for example—any auto company here in Canada, and my industry is hurting, can you explain to me why I would go there and buy vehicles that I could buy here, vehicles that I believe meet Canadian standards and that will do just the same job? If I'm mistaken, please tell me so. Why would I go elsewhere and buy them? Can you give me any good reason? Are the prices the same? Are they comparable?

Mr. Angelo DiCaro: I guess you raise a good question. In our opinion, there really is no good reason. That's not to say that some particular vehicle models to satisfy a public procurement like this are not better than others in terms of the specifications of the public procurement requirements; the issue is about maintaining some content level to ensure that a reasonable portion of that procurement does circulate back into the Canadian economy. That strikes us as the most fundamental part of any public procurement, including in this case.

With the Canada Post procurement specifically, there are a lot of question marks around it. I can't answer some of your questions about it because I wasn't involved in the procurement. We were under the impression at the time that one of the Canadian models, the Windsor Town and Country model, was shortlisted as one of the vehicles satisfying the procurement project. That's been debated a bit publicly.

In this case, we would have much preferred the contract to come to Canada, although again, I don't want to speak too much more on it without knowing the specifics of the procurement itself.

I hope that satisfies the question.

• (1605)

Mr. John Cannis: If something like this were to happen in the United States, do you think it would unfold as it did in Canada?

Ms. Jenny J.H. Ahn: If something like this took place in the United States, I believe it would not have unfolded in the same way. Unfortunately, we don't have a procurement policy that enforces a certain level of Canadian content where taxpayer dollars are being spent. The United States, for many decades now, has had the kind of policy ensuring that procurement and taxpayer dollars are used to bring back at least some of that into their economy.

These are absolutely two different scenarios. Unfortunately, this has not played out to support the Canadian economy and to have Canadian jobs staying here.

Mr. John Cannis: To the best of your knowledge, are we in Canada reaping zero from this procurement, these 4,800 units? Are we benefiting in any minute way? Are we benefiting from this purchase in any way?

Mr. Angelo DiCaro: In terms of the value added, the production of these units, no, we are not.

Mr. John Cannis: Are we benefiting in any other way? In terms of maintenance support or parts or I don't know what...?

Mr. Angelo DiCaro: There was a notice about the particular up-fits that were going to be conducted in terms of putting decals on the cars and things of that nature. We have yet to get any confirmation that this work will be produced in Canada either.

Mr. John Cannis: My last question is to Mr. Peppard.

You indicated that you weren't involved in the negotiations. We asked the minister, who was kind enough to meet with us the other day, and he indicated that stakeholders were involved—the Canadian Federation of Independent Business. We had a statement from Mr. Buda who said that they weren't involved in the negotiations. So for me, and for my constituents who are asking me, what really happened? Were they involved or were they not? Do you know? As a third party, can you clarify it for us?

Mr. Angelo DiCaro: I'm sorry, but I don't....

Oh, I'm sorry. You were talking to....

Mr. John Cannis: You say you weren't involved in the negotiations.

Mr. Angelo DiCaro: Yes.

Mr. John Cannis: We were told—

Mr. Wayne Peppard: I can say—

Mr. John Cannis: Go ahead, please.

Mr. Wayne Peppard: I can say that through the reading I have done of the committee Hansard and everything that I read on the site, the only thing I saw was that there were large business associations involved in the consultation process. I spoke with our director in Ottawa. At no time has he been aware of any of us or the labour groups having been involved in any kind of consultation on this.

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

The Chair: That was very well done. Thank you.

We're going to proceed now to Monsieur Laforest, *pour sept minutes*.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good afternoon, everyone.

First off, I have a question for Mr. Peppard. I want to hear your thoughts on my next comment.

The committee has heard from a number of people in the business world. They told us they were concerned that U.S. companies competing with Canadian and Quebec companies could take advantage of the ignorance of governments in the United States. U.S. government procurement opportunities will now be accessible to Canadian companies. Governments in the U.S. will be very attentive to U.S. companies, which could take advantage of governments' ignorance of international trade or international legal instruments' present points of view that are solely in their favour. That could result in contracts being awarded to American companies, even though they may not be in full compliance with, if not in violation of, international trade rules.

• (1610)

[English]

Mr. Wayne Peppard: I would suggest that we're sleeping with a giant here. The large international companies and those that operate out of the United States of America know very well how to play the rules. As I said in my statement, the subcontractors and those who will be responsible for delivering to the prime contractors are going to be the ones who are left out.

In the United States of America, it's a very large industry. They know how to work their industries, and in fact, their procurement policies that are held within the states and at the municipal level are going to interfere with any Canadian involvement.

[Translation]

Mr. Jean-Yves Laforest: I have a second question for you, Mr. Peppard.

On the whole, do you think the agreement is good or bad? What is needed to make it better?

[English]

Mr. Wayne Peppard: I think I stated at the end of my presentation that had there been some consultations with our groups, for example, the labour groups, some changes could have occurred. I think this is basically an agreement that was made in the heat of a significant economic event that happened in the last year and half to two years.

With all due respect to what has been going on in the United States and the Buy American policy and trying to get in with a Canadian allowance in order to get into it, we're giving up far more than we're going to gain. I'm very much afraid that if this is negotiated into permanence over the next 12 months we'll be significantly impaired by it.

[Translation]

Mr. Jean-Yves Laforest: Thank you.

My question is for Ms. Ahn or Mr. DiCaro.

You said that, unlike what is happening in the U.S., we do not really have very clear procurement policies on this side of the border, either in Quebec or in Canada. I would add that—and please tell me whether or not you agree—it is as if the current government were really afraid of always challenging the U.S. administration.

But there are some rules. You said that there needs to be some balance. You started off by talking about a bilateral agreement. You

said there needs to be some balance in terms of the compromises and benefits on each side. The fact that we do not have very clear procurement policies puts us at a great disadvantage.

I would even go as far as to say that this is very similar to what the Conservative government is doing right now, in terms of giving loan guarantees to forestry companies. Furthermore, officials from the department of international trade have told us that it was very clear that these loan guarantees could be applicable under international agreements, so long as they do not give a company a greater advantage.

I would like to hear what you think about all that.

[English]

Ms. Jenny J.H. Ahn: Yes. What we'd like to see is where the trade is more balanced. There is not a balanced trade agreement or a procurement policy. There is something in Quebec, and then there was the example that I spoke of as well in terms of the procurement policy that the City of Toronto passed recently, over the last couple of years.

But outside of that, in terms of other provinces and in terms of other municipalities across the country having a balanced trade approach or a procurement policy where we see taxpayer dollars being used back into building the Canadian economy, we don't see that, quite frankly. I guess that's the piece here. We feel that especially where there are taxpayer dollars they should be used to benefit the Canadians who have given those dollars. Of course, we need those dollars to come back to enhance and stimulate our economy.

There are examples of fair trade deals. We've seen that in the past with our Auto Pact, but unfortunately that's been dismantled. There is an example of a clear procurement policy, but that's only where we've seen it in the City of Toronto. We'd like to see something like that expanded or even see an improvement on where the City of Toronto has started to have that procurement policy, because that's just a small piece. For example, Toronto has a 25% Canadian content policy. It could be much higher than that. Why would it be only 25% of Canadian dollars that would be used back here?

I think my colleague is going to add a little bit more to this piece as well.

• (1615)

Mr. Angelo DiCaro: Yes, very briefly. I don't want to take up too much time since there are two of us here answering this one question.

Specifically on the issue of balancing trade, when all of this stimulus funding from the United States has come and gone and has dried up, at the end of the day the United States will have a very progressive and very well-established procurement policy on transit vehicles, let's say. So for Canadian companies—and there are many of them—that decide they're going to put in a bid for any of these contracts down the line, nothing is going to stop the United States from having them exercise that policy.

Conversely, if we were to tender a project on transit, this now, under the WTO, would be opened up for free bidding from anybody, including the United States, whereas, you know, a similar policy doesn't exist here. This is just one example of how there's an imbalance in terms of the existing procurement policies.

The Chair: *Merci.*

Now we'll go to Mr. Julian.

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

Thank you to our witnesses. All three of you are offering very substantive testimony and raising very substantive concerns. Hopefully we can consult with you regularly on the trade committee, because you're providing a lot of important information.

I certainly noted the criticism that all three of you had about there being absolutely no cost-benefit analysis at all around this deal. It seemed to have been done on the back of a napkin.

I wanted to address specifically Mr. Peppard's issue on the municipal procurement policies, because Minister Van Loan said on Tuesday, when he appeared before the committee, that municipalities almost all ran broad, wide-open procurement. I think many of us around this table were concerned about that comment, because he didn't offer any facts to back it up.

Mr. Peppard, you're actually saying that many municipalities have a wide variety of conditions around municipal procurement. You mentioned living wage or fair wage policies. Could you comment a bit more on the procurement policies in place that are threatened by this agreement?

Mr. Wayne Peppard: Yes, most certainly. I can speak to my own community in Burnaby, where in fact we do have a fair wage policy, and I know that this was brought up at a recent council meeting.

There is some concern that has been exhibited as to what effect it would really have, because when you read the act, there's nothing explicit. When you read about the offsets, the offsets could be read as actually applying to fair wages, to local procurement. If you're trying to excite the economy of your local community with your own contractors, service providers, and goods providers, then those may be at risk.

Mr. Peter Julian: Thank you for that. It's important to note that Burnaby, British Columbia, was proclaimed by *Maclean's* magazine as the best-run city in the entire country, so their policies obviously pay off for the benefit of their citizens.

Mr. DiCaro and Ms. Ahn, I'd like to go on to the issues you've raised around Buy Canadian and the fact that we've lost about 550,000 manufacturing jobs in this country over the last few years. Apologists for current government policy like to say that Canada makes things together with the United States, but when you cite these figures, the reality is that Canadians make things less and less. That's a fundamental reality.

Since domestic procurement policies do make that difference, and since they're in place in virtually every industrialized country, I'd like to ask you why you think government policy has been so backward on a Buy Canadian policy. Could you, as well, offer that list of missed opportunities to us? I think it would be useful for committee

members to have the list of the opportunities government missed to create jobs and stimulate the value-added jobs that most Canadians want to see.

• (1620)

Mr. Angelo DiCaro: I think there are probably a number of reasons that the Canadian government has been reluctant to establish domestic content policies that are in line with other jurisdictions we trade with. In some cases, to us it feels as though we keep this mantle of being the Boy Scout on international trade issues and we're going to stand strong and fast by the doctrines of free and unchecked trade. At the same time, that's absolutely not the process adopted by other countries that are our major trading partners, so it's a bit of a head-scratcher on that front.

I can tell you, too, about the real, direct, and smart use of procurement dollars through the City of Toronto. Jenny mentioned the \$1.2-billion light rail contract, but prior to that there was a tender for refurbishing subway cars. With the leadership of the City of Toronto, that also ended up going to a Canadian firm because of the benefits associated with manufacturing in Canada and the return on investment to taxpayers. That seems like a logical argument, but it was those policies that actually saved Canada's last high-tech railcar manufacturing facility.

If we're going to compete on the global scale for both public and private dollars in these projects, we have to take real stock of the strategy that we're going to employ and what industries we want to lead in. If we think we're going to let the market decide, and then may the best player win.... It seems that this approach has failed us so far, so I don't see why we would continue down that path.

Mr. Peter Julian: Thank you.

I'd like to go on to the issue of the loss of quality of jobs and the loss in the quantity of jobs, as well as the economic benefit of having smart procurement policies in place.

Mr. Peppard, you mentioned that it's not just the quantity of jobs we're losing, but that when we open up procurement to foreign companies, we're also losing Canadian engineering jobs and other jobs that tend to have high pay and be of higher quality. I'm wondering if you could comment on that a little more.

As well, could you comment on the issue of whether, in the last few years, we're seeing more companies bringing in temporary foreign workers who are not subject to the kinds of checks and balances, health and safety regulations, and minimum wage legislation that they should be subject to?

I'll ask at the same time, Mr. DiCaro and Ms. Ahn, for you to comment on the economic benefit you mentioned from the rule of ten, whereby there were ten times the economic benefits in the Toronto streetcar contract from having a Canadian content requirement in place than if we had simply shipped the contract out of the country, which seems to be current government policy. Do you have any other studies that show the benefits of having domestic procurement policies, including the actual benefits for Canadian taxpayers and Canadian communities?

Those are my final questions to both of you.

Mr. Wayne Peppard: I'll go ahead and cite two recent examples here in the province of British Columbia that have given us some trouble.

One was the construction of the new ferries. We have had a very vibrant shipyard industry in the province of British Columbia for many, many years. What the Province of British Columbia did was to go to Germany and have those ferries built in Germany at the expense of the shipbuilding industry here in the province of British Columbia. I suggest to you that in the United States, under their procurement policies, that would never have happened. They protect their industry, their shipbuilding industry.

The second one is that yesterday I was over in Esquimalt, where there was a \$5.5 million crane that Public Works had purchased through a Finnish company but that had been manufactured in China and shipped over here. There are 25 Chinese workers waiting to put it together on the docks in Esquimalt. None of that funding flows back to this community or this country, none of it.

Those are two very special examples.

On the other side of the coin, what we have seen with regard to foreign workers coming in was on the rapid transit line—a federal investment project as well—that was built out to the airport before the Olympics. We found out that many of the workers brought here from other countries under the term “specialized”, the loophole that's used by big business to get people into the country, were working for less than \$5 an hour.

We had to chase this issue, as no one else was monitoring or enforcing it at any stage of government involvement, whether federal or provincial. We went after that. We brought it forward and have been consistently fighting for it. There are many examples of that on the Golden Ears Bridge. We found Filipino workers who were seven, eight, or nine to an apartment. It's these kinds of people who drop through the cracks. They're the ones who are forced. Then when they're left here, after those projects are over, as temporary foreign workers many of them are falling into the underground economy rather than returning home.

We have a lot of problems that develop around investment. We have to look at the whole array of it. We have to look at all of the regimes involved when we invite the world to come to work here.

•(1625)

The Chair: Thank you for those answers.

We're going to move now to this side of the table and hear first from Mr. Holder.

I think we're probably going to have a brief second round, but if you want to split your time, Mr. Holder, I'll leave that to you. You have seven minutes.

Mr. Ed Holder (London West, CPC): Thank you.

I look forward to splitting my time with Mr. Trost.

I'd like to welcome our guests to today's meeting.

The very first question out of the gate today was rather interesting, because I really look forward to the time we start talking about our “Buy Turkey” procurement agreement, in which case we can get into

that dialogue about what the approach should be to protect all interests. I know we'll do that thoughtfully.

Mr. Peppard, thank you for your comments. I must say I was encouraged when you talked about the economic recovery looking quite good. I salute you for that and for your acknowledgement of it.

However, I wasn't quite sure of your views, because when you first commented, it sounded at one level as if you supported less protectionism, because you talked about access. Could I get a very brief comment from you on that? Do you support less protectionism? I'm just trying to get a sense of that, sir.

Mr. Wayne Peppard: I would support what my brother and sister at the CAW said regarding that, which was that a smart Buy Canadian policy doesn't have to do with protectionism. It has to do with how we're going to excite and strengthen our local, provincial, and federal economies.

If that involves making trade relationships under a Buy Canadian policy rather than in response to a Buy American, Buy Turkey, or Buy Anywhere Else policy, first we have to say that we must have a good Buy Canadian policy that actually works, so that when I pay my taxes, I know they are going to be putting Canadians to work first—not necessarily always, but first—and giving the option for those moneys to be spent here in Canada with our contractors and service and goods providers.

Mr. Ed Holder: Thank you.

I'd like to make reference to Michael Buda from the Federation of Canadian Municipalities, who said, “The vast majority of municipal procurement in Canada is actually open, just like the vast majority of procurement in the United States and at the state level has been open”.

Mr. DiCaro, I have a question for you. Did you support the government's decision to invest in General Motors and Chrysler?

Mr. Angelo DiCaro: Workers did support that.

•(1630)

Mr. Ed Holder: Pardon me? I didn't hear that.

Mr. Angelo DiCaro: Yes, the Canadian Auto Workers did support that.

Mr. Ed Holder: I applaud you for making that determination. It's rather interesting, though, that when some 80%-plus of our exports go to the United States, the Canadian manufactured position....

I'm trying to understand the consistency in your argument that at one level it's okay to have a Canadian-only policy because it serves interests, but when it serves our interest to export, you make that determination. As we say en français, “*Je suis un peu confus*”. Maybe you could explain that inconsistency.

Mr. Angelo DiCaro: Sure. That's no problem. When we're talking about establishing a Buy Canadian policy similar to policies in other jurisdictions, we're specifically talking about public procurement. We appreciate that a tremendous amount of private investment goes back and forth across borders; we do support managed trade and we would love to see the Canada-U.S. Auto Pact return.

But if the question is whether we would be in favour of shutting out markets to people who choose to buy foreign goods or Canadian-made goods, that's absolutely not what we're talking about. Buy Canadian policies are to guide public procurement to make sure that at least a portion of that procurement comes back to the Canadian economy.

Mr. Ed Holder: While I agree with your position, sir, when you say we certainly do not want to shut out our markets in the United States, I would say for the record, with respect, that I do find some inconsistency between the two points.

I will tell you that Jean-Michel Laurin from the Canadian Manufacturers and Exporters said, "It should be said that provincial and territorial procurement markets were by and large already open to American companies". Canadian companies were used to facing competition. I would even suggest to you that the business people we've had around this table have said: "You know what? We have great workers in Canada; give us the opportunity and open the doors, because we haven't had that door open. We can compete and we can compete successfully".

Go ahead, Mr. Trost.

Mr. Brad Trost: Thank you, Mr. Holder.

I will follow up on where Mr. Holder was going. You stated that \$25 billion in Canadian procurement is now open to the United States, but when talking with Mr. Julian, you also said there were some protections in place for Canadian procurement at the local level.

Do you know how much procurement, in dollar value, was protected from the Americans? I'm assuming the fair wage probably wouldn't have stopped in the United States, because they pay more than \$5 an hour for most of their work down there. Do you have any idea of a dollar-value number on what was actually protected?

Mr. Wayne Peppard: No, I do not.

Mr. Brad Trost: You're more or less taking the broad sum and then guesstimating that something was protected. That's the way I'm understanding it.

Mr. Wayne Peppard: I was working from the information that I gathered from the discussions that occurred in the committee Hansard.

Mr. Brad Trost: It's understandable. It's not always easy to get some of these very difficult numbers.

You've mentioned that you both supported the Auto Pact as the idea of a good trade agreement. Over the last 20 or 30 years, have you seen any other trade agreements, or even interprovincial agreements, that the Government of Canada has executed that you would consider good trade agreements? I'm assuming the upcoming ones from Colombia and the softwood lumber one, etc., would probably not fall into that category. Can you give me some examples of ones that would?

Mr. Angelo DiCaro: Each trade agreement that is struck needs to be validated and needs to be understood on its own merits. I don't think it's a shock to many people on the committee that not only the CAW but the progressive trade unions in Canada have raised an eyebrow at some of the trade agreements that have been struck, especially within the last 20 or 30 years.

Oftentimes we're not involved in the process of negotiating these trade agreements. We would have a tremendous amount of input that we could provide, I'm sure, in negotiating these deals.

Mr. Brad Trost: But you do realize that trade agreements need to have good give-and-take. I remember the criticism about the trade agreement with Norway, because of shipbuilding. With Colombia, the reason is supposed to be human rights. With the United States, we got a bad deal. On softwood lumber, we got a bad deal. I suspect there will be something coming up with Jordan—and for the record, that was sarcasm in my voice.

I'm just not quite sure what you consider a good deal. I understand what you were saying, but that's the exact same point I'm making: that the union movement tends to be skeptical of almost all trade agreements.

• (1635)

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

I think we will try to do a very quick second round. We'll begin with Mr. Brison, for a quick five-minute round, and then go to Mr. Allison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much to our witnesses for joining us today.

I have a couple of questions.

One is about the \$1 billion versus \$25 billion lopsided nature of this agreement in terms of \$1 billion of new access for Canadian companies versus \$25 billion of new access for U.S. companies. I would agree with you that there doesn't seem to have been a substantial and granular analysis of the access in terms of dollar value. Our questions, both to the minister and to the officials, bore that out; in fact, the government had not done that level of due diligence.

So I'm concerned about this deal and share your concerns. However, I want to explore a little more your proposition to have more Buy Canadian proposals. I would have felt—and I do feel—that reducing, not increasing, barriers between our two economies is actually disproportionately in the interests of Canada. If you consider the degree to which we depend on their market versus the degree to which they depend on our market, it stands to reason that reciprocal measures—protectionist measures—would disproportionately hurt Canadian companies, because of that disparity between our relative dependence on each other's markets.

I'd really appreciate your help in explaining why some sort of reciprocal Buy Canadian measure is in the interests of Canadian companies. I can understand in some ways why it might be in the interests of the U.S., because they have very substantial markets. I would argue against it, and I would feel that any artificial barriers to trade between our countries will cost jobs in both countries, but I really don't understand the benefit of protectionist measures from a Canadian perspective. I'd like to hear more justification for that.

Ms. Jenny J.H. Ahn: Our position is not to say “close the borders” and not allow access from other markets, especially the United States. What we are saying is that when there are public dollars, they really should be spent back home. We're not saying that 100% of public dollars need to be spent here; we're saying that we need to have a certain level of Canadian content or Canadian work. Then, of course, we understand that there will be work given to the United States, for example, because of our close relationship with the United States.

But when we talk about having managed trade or about still having a relationship with other countries and other markets—with the United States, for example—what we don't understand is why our government cannot look at representing the good of the Canadian economy and, quite frankly, Canadian workers.

We see what happens when we have good jobs here in Canada. For example, let's look at the auto sector. If we were to maintain auto jobs, which are well-paid jobs, we know that the value added from one auto job is approximately seven spinoff jobs, so it's not only about job creation or retaining jobs, but also about the money that comes back into the economy. When we look at the aerospace industry, we know that from one aerospace job there are approximately eight spinoff jobs.

We believe there is a bigger picture of trying to keep as many of the jobs here, but again, when we're giving examples and talking about procurement policies, we're not saying that 100% of that work needs to stay here. We recognize that some of this work will go to the United States.

This has been working in years past with the United States, but as we have seen more job losses in the manufacturing sector, we want and need the government to recognize how we can ensure that we can keep some of those jobs here while still having that relationship with the United States at the end of the day.

• (1640)

Hon. Scott Brison: If we were to bring in Buy Canadian proposals, do you not see the risk of that increasing the pressures on the largely protectionist U.S. Congress to bring in more barriers to our access? Have you factored in, for instance, what the Canadian job losses would be in our highly export-driven economy if the actions to protect our relatively small Canadian market led to reciprocal actions in the U.S. that cut off our access to that huge and incredibly crucial market?

Mr. Angelo DiCaro: I appreciate the question, and I think there is an ideological bit to this, too. If Canada said tomorrow that it would institute a Buy Canadian policy for rolling stock, for example, similar to, or even to the letter of, the current Buy American policy for rolling stock, there might be differences of opinion on that. But I would have a very hard time seeing how the United States could then justify triggering a trade war when what we had done was to equalize the playing field in that particular industry.

Hon. Scott Brison: I have just one final thing to say.

I agree.... As a former minister of public works, I was involved in government procurement and there are particularly.... The aerospace industry was mentioned. There are strategic industries, defence and aerospace among them, where domestic procurement, government procurement, is absolutely essential to help validate a company's

products and help enable them to go abroad and sell those products. I mentioned strategic industries like defence and aerospace, where I think we can do more.

We can adhere to our trade laws and agreements, but sometimes I think we run the risk of being a little too much like Boy Scouts on this. We can go a lot closer to the edge on some of these things in our practices, as other countries do.

So I agree with you on the point that in terms of strategic industries there is a role for government procurement as part of the effort to build national champions and that other countries potentially do a better job of that, but thank you very much for your intervention.

The Chair: Thank you.

Thank you for the reference to the Boy Scouts. I won't go there.

Mr. Allison, you can take us home. Wrap this up. You have five minutes.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you very much.

I want to thank our guests for being here today.

Wayne, I have a question for you. I can appreciate the comments about large companies coming in and maybe bringing all the people with them, and what have you, and about our not having a lot of jobs. I just want to know if that's the exception or the rule.

In the small town that I represent, a number of years ago there was a large project for a nursing home. One of the benefits of that project was that, while outside contractors came in, a lot of the subtrades were actually done by people from town. Maybe the Olympic experience was a little different and the timelines were rushed and that wasn't there, but would you say it is the exception or the rule when companies come in that local subcontractors have an opportunity to do that? Maybe that's part of how we need to look at this thing as we move forward.

What would you say your experience has been overall, Wayne? Were the Olympics an exception or standard practice?

Mr. Wayne Peppard: Well, I most certainly don't want to be seen to be saying that the use of foreign workers is something that I wouldn't want to see. I recognize the demographics that we're facing in our industry. I would like to see the public infrastructure funding going to procurement at least have some basis on which it's going to excite the local markets in order for those people you're talking about in your small communities to be able to thrive as well.

I was talking about going over to Esquimalt yesterday and seeing the crane that came from China. When I'm talking to an apprentice who is out work... For example, the iron workers on the island have about a 50% unemployment rate right now. It may look good on the Lower Mainland, it certainly isn't over there. When I go up and talk to the apprentice from Nanaimo who's standing there, he's saying, “What's the point in me taking an apprenticeship if this is going to happen?”

I've been at this job for about six years now. I've seen this eroding more and more. I've seen the large companies coming in. They're using the labour market opinions and the specialized business access to our markets to bring people from other countries here to do the work that we can do. I can understand doing that if we have a hot economy, as we had before it all fell apart two Novembers ago. Those were very heady times here in British Columbia. We needed everybody we could get.

But if that's also going to become the norm during the times when the economy goes down, then we're not training our people to the qualifications that we're going to need to maintain our competitive market, even here at home. That doesn't reflect well on either the federal government—whichever government's in power—or on the provincial government that allows that to happen and doesn't have the monitoring and enforcement to ensure those things are going to happen through the legislative packages as required.

•(1645)

Mr. Dean Allison: Thank you very much.

The Chair: Thank you.

With that, we will come to the conclusion of this round of witnesses.

I again want to thank our witnesses from Vancouver and from Toronto for joining us today. This has been very useful.

At this point, we will conclude this portion. Thank you again for appearing.

Mr. Wayne Peppard: Thank you very much.

Mr. Angelo DiCaro: Thanks very much.

Ms. Jenny J.H. Ahn: Thank you.

The Chair: I'm going to ask the committee to just hold on for a few minutes. I'd like to have a brief in camera session on future business and on wrapping up this procurement study.

[Proceedings continue in camera]

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