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Chair

Mr. Leon Benoit

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• (1535)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone. I hope everyone had a good weekend in their constituencies.

We're here today to do a study on the state of the forest industry in Canada. This is a follow-up session from quite an extensive study we did about three or four years ago, at a predecessor of this committee. It's important to follow up when we've done a major study, so that's what this is.

We have with us today, from the Forest Products Association of Canada, Avrim Lazar, who is the president and chief executive officer. Welcome to you, and to Catherine Cobden, who is the vice-president of economics. Thank you both very much for coming here today to do this session. We're looking forward to your presentation of around 15 minutes. Then we'll get directly to questions and comments.

Go ahead, please, Mr. Lazar.

Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada): Thanks to all of you for inviting us. I know that after a long hard session, and with Christmas being, what, 20 to 30 minutes away...? Holding an extra special meeting at the end of the day is an act of generosity on your part, so we really appreciate it.

Canada's forest industry, especially all the workers across the country and the communities that depend upon the industry, appreciates it when parliamentarians show their concern for the industry. Certainly when I travel around the country and meet with the various communities, that's one of the questions I'm almost always asked: does anyone in Ottawa care about us?

Wherever I go, I can very happily say yes, there are many MPs, on both sides of the House, who really care about the industry. The opposition is asking questions and the government is trying to present initiatives to help us, so the industry is on the mind of parliamentarians, and that means a lot to the industry.

As many of you will know, we are now 2% of Canada's GDP. We account for 240,000 direct jobs. You can at least double that, maybe more, if you count the indirect jobs. It's employment for an awful lot of people. We sustain the economic backbone of 200 communities across the country. This is good news, but it's also difficult, because when the industry takes a downturn, those 200 communities suffer very deeply.

Many of you who represent forest industry communities will know that when a mill closes, it's not just a loss of a few jobs. It's the loss of the economic foundation, the economic backbone, of a whole community. The taxi driver has no business. The lunch counter has no business. The cleaning service has no business. The grocery store finds that no one's coming in. You can't go and work for your cousin because he doesn't have a job.

These one-industry towns suffer very, very deeply when a mill closes, and over the last several years the industry has had a difficult time. We've lost many jobs. Many mills have closed. During this time we were tempted to think that we were suffering through a perfect storm: a high Canadian dollar, the collapse of the U.S. housing market, a low demand for paper, and high competition from elsewhere. But as we began to go through these very difficult waters, it became obvious that maybe this is not a storm; maybe this is a changed climate. If you're sailing through a terrible storm, the right thing to do is to batten the hatches, hold on tight, have great fortitude and patience, and clear sailing is going to come. But if it's a changed climate, if it's a structural rather than a cyclical change, then holding on tight just isn't enough; holding on tight just means you're going to sink.

So what you have to do is gird your loins, look through the storm, and ask, "How has the world changed and how do we have to change what we're doing to be able to survive?"

Now, it's true that some things will get better. The demand for wood will return and the Americans will eventually start building houses again. I'd like to say that I know when the global economy will find its feet again, but apparently none of us knows that.

But it's also true that some things are going to stay difficult for us. We are going to have competitors growing trees in South America, where the conditions are better. The global demand for paper may go up, but the North American demand is going to continue to fall. As well, the Canadian dollar is likely to stay high.

Also, as in many industries, the conditions for success are hugely demanding. Pretending that we're suffering from a cycle or a bad time, as opposed to understanding that we have to respond to a changed circumstance that will be permanent.... That is absolutely necessary. When I was sitting in on these meetings trying to discuss what to do, it was very hard for many of the CEOs leading the companies to get beyond the tough times and the survival strategies, but the industry pulled itself together, both at the company level and all the way across.

We set ourselves four objectives for restructuring, transforming, and setting new sales levels so that the industry would be able to survive past these times.

The first challenge that we set for ourselves was to increase productivity. Of course, this is nothing new. In a commodity business you have to become more productive. For us, it was do or die. Those companies that could not quickly improve productivity simply shut down. We now have labour productivity that is 20% higher than the Canadian average. Our wood sector is one of the only sectors that is outperforming its U.S. counterparts.

The second thing we said we had to do was to become more diversified in our markets. We knocked on China's door and we knocked on India's door—we even went to our competitors—and we started selling newsprint into Brazil, lumber into China, and pulp into India. We've become Canada's most successful exporter. No one exports more to India or China than Canada's forest industry does. Since 2000, our exports to China have gone up 46 times. I was almost about to say 46%, but it's 4,600%. This was not a casual thing. This was a huge effort.

In addition to becoming more productive and learning how to export more aggressively outside the U.S., we also realized that we had to extract more value from every tree. If the Brazilians could go into their backyard and harvest a tree that they had just grown in seven years, and we had to lumber halfway across the wilderness—to harvest a tree and take it across Canada's muskeg and then process it—we needed to extract more value from every tree. We started to experiment with the extraction of bioenergy, bioplastics, and biofuels so there would be zero waste. Every single bit of the tree would be used, whether it's the chips, lumber, sawdust, or bark. We have, through R and D work and through experiments and new innovations, begun to become not just the pulp, paper, and lumber industry, but the pulp, paper, lumber, energy, bioplastics, and biopharmaceuticals industry. In other words, we have joined the bioeconomy.

With increased productivity, diversified exports, and more value extracted from every tree, the last thing we had to do was secure the western front. For us, the western front meant the constant attacks by the environmentalists. We had a bad brand in terms of environmental practices. We've been doing our work. We have more certified forests than any other place in the world does. We've improved our forest practices and reduced our greenhouse gases by more than seven times the Kyoto target—though I guess that target doesn't matter anymore.

We've gone to almost 60% renewable energy in our mills. But we were not getting the credit we deserved. What we did was something totally radical. It has never been done before in Canada or anywhere in the world on this scale. We said to the environmental groups, “Do you guys want to do business?” There are 21 companies—big, multinational companies—and nine radical environmental groups, including Greenpeace and ForestEthics, and the Canadian Parks and Wilderness Society. We all signed the boreal agreement, forming a partnership for preserving the jobs in the forest, and at the same time preserving ecosystem values.

These four paths—making productivity jumps, diversifying our market, extracting more value, and changing the game in terms of

environmental reputation—made up our survival strategy. We're not just talking about it; we're well on the way to doing it. We need to continue to do many of these things.

That's about us. What about you? What about government? Faced with the same circumstances, governments have three choices. You have constituents, and you have communities suffering mightily. You'll hear some of my members, some of the unions, and a lot of the mayors saying, “Jump in and save us. We need you, government. You saved the car manufacturers. You have to save us, too.” And the temptation would be to try to subsidize, to support the status quo, to stop the bleeding, to stop the mills from closing. That's a lot of what you will have heard.

• (1540)

A second possible response would be to say this is a free market; the best thing we can do for these businesses, the best thing we can do for these towns, is let the marketplace prevail. The trouble with that response is that other governments aren't doing it. The United States, the South American governments—especially Brazil—Europe, and even China are investing heavily in their industry. So to say this is a free market would be to pretend that other governments are working within a free market. This would doom Canada's forest industry, because we could not compete with foreign governments.

So choice one was to subsidize the status quo; choice two, laissez-faire. The third choice was to develop a creative approach to supporting the industry, an approach grounded in transformation as opposed to the status quo, an approach whose objective is to accelerate the industry's adaptation and change process rather than to support the industry while it holds on tight. If this were a cyclical change, if this were a storm instead of a changed climate, I would have been here lobbying for support to get us through the storm. But because we knew it was a structural shift, that the climate wasn't going to come back nice and friendly but was going to stay fiercely competitive, what we came in and lobbied for was help to change the ship, to change our approach, to transform the industry under the four headings I've just shared with you.

To be fair to the government, that's exactly how they responded—with investments in R and D that helped us extract more value from every tree, investments in exports that helped us export to China and India, investments in bringing new technology to market readiness, and investments in helping us with our environmental reputation.

To be fair to the reality in which we work, the number of investments, while significant, are not as much as many of our competitors have gotten in other countries. So our basic message is that government is doing the right thing, but this is no time to slow it down, especially now when the economy is, let's say, on delicate feet. The question that all parliamentarians have to be wrestling with is whether this is a time to simply control the deficit or whether this is a time for massive stimulus. Where is the balance between these two?

Our advice, our recommendation, is modest stimulus. But make it very smart stimulus. Don't just throw money at problems. Invest it strategically. Our view is that the most strategic investment lies in focusing on those things that transform the industry, things that support the change, such as export development, R and D, environmental reputation, and green transformation.

That's what we're hoping to see from the next budget. More important, this is what we're hoping to see over many years. We're hoping the government will join us in understanding the long-term dynamics of transformation and play its part in supporting the industry's change of process.

I could go on for a very long time, but I won't.

● (1545)

The Chair: Thank you for your presentation.

We'll go now to questions and comments, starting with Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

Avrim and Catherine, thank you for joining us again. It's always a pleasure to have you come and update us on the forest industry as your organization sees it. Because you are the major organization in the forest industry in Canada, we appreciate your input.

I want to start out by complimenting you on a couple of things. First, in the deep dark days of the perfect storm, when everyone was asking the government for bailouts and handouts, the forest industry was probably the worst off and never at any time did you come with your hand out looking for funding. As a matter of fact, which so impressed me, you didn't even let the words "depression" or "recession" cross your lips. Instead you coined the phrase—and I think it was you, Avrim—that the forest industry was in a period of transformation. Indeed, you were. You knew a lot more about it than we did at that time when you started with that.

The other thing I want to say is that of all the industries in Canada—and I might be a little biased, considering where my riding is—that have worked with the government to develop new technologies and new ways of becoming more productive, etc., I don't think any industry has demonstrated a more visible success than the forest industry over the last five or six years. Everywhere we look we see leading-edge technology in our pulp mills, our sawmills, and our fibreboard mills. It's working, and when you talk about government investing, I think we've done really well. So congrats on that.

You talked earlier about the western front when you were describing the environmental activists. This is always challenging. I want to talk about the southern front and the constant challenges we've had from the lumber folks south of the border, the coalition of lumber producers. Over the years, despite having a softwood lumber agreement with the U.S., there have been so many attempts to try to confound our exports to the U.S. For the most part we've successfully fought them.

But we have another softwood lumber agreement coming up in the near future. I want to go back to the one we signed just a few years ago. Our friends across from us in Parliament are very quick to condemn that agreement and blame that agreement for the hard time the forest industry went through. We of course don't agree with that.

I wonder if I could have your view of the benefits of that softwood lumber agreement, and also maybe just a bit about what you see we should be looking for in the one that's coming up.

I'll stop there.

● (1550)

Mr. Avrim Lazar: Thank you for those kind remarks.

The softwood lumber dispute is one of the more, shall we say, aggravating elements of North America's free trade zone. Its roots are fairly simple: we have one marketplace and two systems. In the U.S., trees and forests are owned privately, while they're owned publicly in Canada. The misunderstandings that arise when a public resource competes with a privately owned resource in the same marketplace creates huge amounts of suspicion and has resulted in one softwood dispute after another.

At the time that the softwood lumber agreement was signed by the government, the industry received it with what could be described as mixed reactions. Our ability to trade...we had tariffs, we had quotas, and we weren't universally generous in responding to it. Time has proven that the government was right and that those of us who were complaining were wrong. Over the last several years, if we had not had this softwood lumber agreement, we would have lost far more jobs. We would have been in much bigger trouble with the Americans.

At a time of very low prices, the number of means by which the U.S. could take action, including things like anti-dumping, are far greater. The stability and freedom from random attacks that agreement provided us actually saved our bacon. I wish I could say that everyone in the industry had figured it out when you signed it, but the truth of the matter is that government got it right. The industry is now of the view that given the continued market uncertainty, we would be best off with it being extended by at least two years.

I want to be very clear. There's almost nobody in the industry who likes the agreement. We don't like it, but it's a heck of a lot better than not having it. We are free traders; we'd prefer free and open competition. But the sad truth of the matter is that in Washington the people who work at monitoring Canadian activities and supporting the U.S. softwood industry comprise the biggest lobby. They have perfected the technique of harassing us, and that harassment has cost us huge amounts of money and huge amounts of business confidence. Having this certain regime—even though we'd prefer free trading—for another two years is what the industry has been asking for from coast to coast.

Mr. Richard Harris: Avrim, last year there were some optimistic predictions about the price of lumber from one of your members in particular, which I really liked to hear, but we haven't gotten there as quickly as we thought. As a matter of fact, the lumber prices are holding pretty much around—I don't want to know what they are today—the \$200 range.

● (1555)

Mr. Avrim Lazar: I don't look at lumber prices after noon because it disturbs my sleep. It's sort of like having coffee.

Voices: Oh, oh!

Mr. Richard Harris: Those lumber prices are 150% dependent on the U.S. market, or are they not? Do you see that changing ever, over the next ten years?

Mr. Avrim Lazar: Yes. Remember, I started with fancy talk about storms and climates, otherwise known as cyclical changes and structural changes. The collapse of the U.S. housing market is cyclical. Maybe they won't build mega-houses ever again. I don't know. So far, I don't see the shift in U.S. culture. But they will continue to live primarily in family dwellings, and they'll continue to build them using timber framing.

This means that you can pretty well predict the demand for lumber in North America if you look at population. As the population grows, more people grow up, have their own families and want a house. It's not happening now because the mortgage debacle in the U.S. that started this entire multiple double-dip near recession led to a huge overstock of housing in the U.S.

Until that is cleared up, people will not start building houses. But the demographic pent-up demand for houses exists. People are living with their parents. They're sleeping on their friends' couches. They've moved in with their uncle and aunt. As soon as they can get a job, and as soon as there is some return to economic growth, one of the first things they're going to want is a bit of privacy and their own house. The demand will then come back.

The Chair: Thank you, Mr. Harris.

We'll go now to the New Democratic Party and Monsieur Caron for up to eight minutes.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you, Mr. Chair.

And thank you for your remarks, Mr. Lazar and Ms. Cobden.

You mentioned that the forest industry accounted for about 2% of Canada's gross national product and employs some 220,000 people. Prior to the recession in 2007-2008, those figures were 3% of the GDP and about 300,000 people, respectively. Is that correct?

Mr. Avrim Lazar: The drop was a bit more gradual than that. It was actually 3% eight years ago.

Mr. Guy Caron: The forest industry has been stuck in a cyclical restructuring crisis for at least seven or eight years. When the recession hit, the auto industry got \$10 billion in loan guarantees and various other types of assistance. Let's do a comparison. I've looked at the budgets from 2006 up to now. We're talking about \$500 million or so at the most, and that doesn't include the pulp and paper green transformation program.

What is your take on the discrepancy between the assistance given to the automobile industry, which accounted for the same share of GDP but fewer employees, and the assistance given to the forest industry during the same period?

[English]

Mr. Avrim Lazar: That's a great question. The point of comparison that we think is valid is not the automobile industry; it's what other forest industries are getting in other countries. We don't compete with the automobile industry. As a forest industry we don't have a grounded view as to whether or not what was done for

the automobile industry was the right or wrong thing. But we know what we need, and we know that the degree of help for other forest industries in the United States and Europe is far more than we're getting in Canada. So do we want more? Yes, we want more. Do we dismiss the \$1 billion? We don't—not even a little bit. There are many towns that survived because of it.

Was the Canadian government's type of intervention very well targeted? Yes, it was. Would it have been better if we had received as much as our competitors? Yes, that would have been much better. Are we disadvantaged on Canadian jobs because Americans are getting more money? The answer is yes, we are disadvantaged. My members who have mills on both sides of the border are benefiting more in the States than in Canada.

[Translation]

Mr. Guy Caron: I like your answer. I think everyone can agree that certain areas got more support. For instance, the green transformation program helped certain parts of the industry. The flip side is that we have to look at where restructuring needs to happen. We are talking about paper and newsprint, where there is more competitiveness internationally speaking. I think everyone can agree on that. However, the green transformation program, which my colleague will talk about, targeted the pulp market and other kraft-related products more. So the newsprint industry really did not benefit from that program.

• (1600)

Mr. Avrim Lazar: I don't agree with you entirely there. Yes, most of the subsidies go to the pulp sector because that is in line with the program in place in the U.S. With the softwood lumber agreement, we are always threatened by

[English]

trade actions.

[Translation]

It was very important to create a program that was in line with the one in the U.S. to protect us from further

[English]

softwood lumber aggression.

[Translation]

But the industry is more or less integrated.

[English]

If you're making paper you're buying it from a pulp producer. If you're making pulp you're buying it from a lumber producer. So even though the direct help was not distributed evenly and was distributed to reflect what was happening in the U.S., it affected the entire industry.

I remember just before meeting with the Minister of Trade at the Rideau Club I had a bunch of my COs together. Some of the lumber guys were starting to get quite aggressive, saying, "Why should the pulp guys get this? We should demand our own." Then someone did the analysis, and it turned out that the entire industry agreed that this was the best we could get. If we had designed it simply in a vacuum as a green transformation, the details would have been different.

[*Translation*]

Mr. Guy Caron: Is it fair to say that, since 2006, most of the assistance that the Conservative government has given to the forest industry has, by and large, been in the form of medium- and long-term measures related to research and development and marketing development for forest products? No direct assistance was provided immediately to deal with the crisis—or at least very little.

Mr. Avrim Lazar: Yes, the vast majority of the assistance was for the long term. There are two reasons for that. First of all, we, in the industry, believe that was the most beneficial type of assistance, but also—

[*English*]

if you just go with a straight subsidy, we would have been much more vulnerable to the softwood.

Mr. Guy Caron: Foreign subsidies, for example, wouldn't have been positive for, say, the newsprint mills to actually receive.... Because of their difficulties it was hard for them to get the market rate to refinance their debt, right?

Being able to get, say, a loan guarantee from the federal government, to be able to restructure, to be able to refinance and restructure into new products, different products, to reach different markets, wouldn't that have been a positive approach in your mind?

Mr. Avrim Lazar: We looked at loan guarantees, and the trade lawyers—believe me, we've been through this more than once with my members pushing on me—are pretty clear. If a loan guarantee gives you a real benefit that is calculable, it's actionable under the trade agreement, and that way our hands are relatively tied.

The one thing the government has done, but hasn't done well enough, which would really help in those areas, is accelerated capital appreciation. That is a huge improvement because then you can bring in private capital—and in some ways it's better than government money. You see a fast return because of accelerated capital appreciation. You don't get investments in things just because there's government money, but you actually get it strategic. The government has provided us with accelerated capital appreciation year after year, but it only extends it one or two years at a time. These are capital projects that require five or ten years' planning.

We end up doing what's fast to be done as opposed to what's strategic to do because of the one-year extensions.

We had similar problems, though not as bad, with the green transformation money; it had to be spent very quickly because it was under the.... I don't remember what it was called—Canada Works? There were five million signs; you'd think I'd remember what the program was called.

Mr. Guy Caron: I have time for one last quick question.

My final question is this. Seeing what's happening right now and what was happening not long ago with AbitibiBowater and now with White Birch and NewPage, for example, do you agree that we're still somewhat in the storm, still not out of there?

Mr. Avrim Lazar: Yes.

I'll be very clear. I'm not here to say that things are good. I'm here to say that it's not a storm; it's a changed climate. White Birch,

Abitibi, they're not dealing...of course, the dollar is disastrous for them. They're not dealing with competition. They're dealing with a structural change; they're in a business in which demand is going down. The storm came, it dropped, and now it's slowed down. They have to change business models.

• (1605)

[*Translation*]

The Chair: Thank you, Mr. Caron.

[*English*]

Mr. McGuinty, you have about eight minutes.

Go ahead, please.

Mr. David McGuinty (Ottawa South, Lib.): Thanks very much, Mr. Chair.

It's good to see you again, Mr. Lazar.

Mr. Avrim Lazar: I hope I wasn't blathering too much.

Mr. David McGuinty: No, that's okay. You've been great.

I think one of the reasons we called this meeting today was to examine just how far we've come since the last report of three years ago. I wanted to focus on the report. I'm sure your team had quite a bit to say about that in terms of input and testimony, and I'm sure you watched it carefully. I'm sure you've read the report many times.

An awful lot of money and time went into that report, that process. I wasn't part of it, but my former colleagues who I've spoken to have told me it was a very big effort.

Some 23 recommendations flowed from it. I'm not going to ask you to be an Auditor General, but can you help? If you can't do it today, for example, maybe you can give us an idea. How many of the 23 recommendations have been implemented? You've just touched on ACCA. This committee asked for a five-year guaranteed lockdown commitment for ACCA. You've continued to get one-year commitments, which makes it very difficult for planning.

Can you give us an idea...? Of the 23 recommendations, in your estimation how many have been implemented?

Mr. Avrim Lazar: We could go through them, but as you said, I haven't done the audit against recommendations.

I can tell you some of the big ones that really stick out that I'd love to see us...or I could talk about long-term planning for capital projects, because short-term capital projects usually aren't what you need.

One calls for an overall framework. I don't remember how it's worded in the report, but it says let's not do stuff one piece at a time. Let's develop a vision shared between government and industry of what's needed to keep the jobs in the forest industry, and let's use that vision, that framework, that concept, to have a long-term steady plan of transformation. So that's a big one.

Another one we'd like to see action on is rail service. The report noticed that we are dependent upon an unregulated near monopoly for rail service. That so many, 80%, of our mills are captive to one rail line dramatically increases our cost, not just in freight rates but also in service. While the government did the right thing in doing a rail service review and in announcing a mediator for the implementation of it, it has all taken years and years and we still haven't seen any impact on the ground. We've had years and years of process. We don't have the results in terms of requirements for service and we still have rate problems.

Those are two big ones that are not being dealt with.

On the R and D, the government has been generous, but not as generous as our industry competitors have been. Again, both the R and D and the export development money is all the right stuff, but it's given two years at a time, which leads to uncertain planning and a lack of business confidence.

Mr. David McGuinty: On a go-forward basis those are three areas your members would like to see addressed?

Mr. Avrim Lazar: Yes.

Mr. David McGuinty: Would you be able to help us come to grips with the 23 recommendations? Would your team be able to pull something together for us? It doesn't have to elaborate, just to say yea, nay, maybe, halfway, one-third of the way, no way—because it's very difficult for us to compare what we've seen proposed.

Mr. Avrim Lazar: We'd be happy to do that, and where circumstances have shifted we'll even note where we'd like....

I think, actually, both halves would find it useful, because government gets credit for what it's done, which is a lot, and you guys get to remind them of what they haven't done, which is also a lot.

Mr. David McGuinty: Yes, except that this is not about the government or the opposition. I think it's about the folks you've talked about in over 100 communities right now who are very frightened about their future. It would be important to know. It would also be very helpful to know from your sector....

Twenty-three recommendations is a lot of recommendations. It would be nice to know if the three you've just mentioned are your top three in terms of where to go next.

I know recommendation number 1 from the report was that the Prime Minister would convene a national summit with all stakeholders. This Prime Minister has not convened a national summit on any industrial sector since becoming Prime Minister. In fact, I don't think he's convened a national summit on anything, despite parliamentary reports, despite votes on the floor of the House of Commons, despite calls for it by the Council of the Federation.

It would be really helpful for us to know whether these are the top three for the sector that ought to be addressed first. The vision thing, the rail service, and the R and D support, which is not as generous as for competitors—are those the three?

•(1610)

Mr. Avrim Lazar: It's pretty close, yes.

It's market development; environmental reputation; R and D, not just in the labs but bringing it up to commercial scale; rail; and continued long-term dependability of accelerated capital depreciation. And we would like another couple of billion dollars for green transformation, but given the fiscal times, we don't think it's the right time to ask for it.

Mr. David McGuinty: Could you talk a little bit about environmental reputation for the sector?

Mr. Avrim Lazar: Sure. It's got two pieces to it. The first is obvious: that the sector's acceptability in the marketplace depends on its environmental credentials. It used to be that most people thought environmental problems were industry's fault. It's no longer true; most people now hold themselves personally accountable as well as holding industry accountable. You'd think that would be good for the industry, but it's bad for us because when people buy something, they judge themselves on whether or not they're making a responsible choice. We had to change our brand, which was quite negative environmentally, in order to sustain our place in the market.

In addition, because it's gone through such hard times, the industry has a bad reputation with investors. Investors think, "The Canadian forest industry? Oh, you've got to be kidding." Without that investment, all the government programs in the world won't save us. We had to do something to say to the whole world that this is an industry that gets it; this is an industry that's capable of bold moves. What's bolder than getting Greenpeace to hug the head of the forest industry on national television? What shocks the brand more than 21 multinational forest industry corporations together with the most radical environmental groups saying that we are in a uniquely Canadian experiment? We're going to stop fighting and start figuring it out.

Mr. David McGuinty: From an environmental reputation perspective, what you're saying, Mr. Lazar, is that for the natural resources sector, in this case the forestry sector, environmental reputation has a very big bearing on consumer choice. You're also saying that environmental reputation has a profound impact on the markets in terms of investment choices and decisions made by institutional and individual investors.

Mr. Avrim Lazar: Toyota sold more SUVs because of the Prius than they sold Priuses. It labels itself as a company that gets it.

Mr. David McGuinty: So environmental reputation is not an aside in your sector?

Mr. Avrim Lazar: In our sector it's part of our good name. All business is dependent on social capital, dependent on brands. Whether it's your customers—we're going to have a huge shortage of employees—whether it's recruiting young people, recruiting employees, work satisfaction of our existing employees, confidence of our investors, confidence of provincial governments that control the resource. All of those things depend on our brand, on our good name, and because we work in the forest, they depend on nature. Our capacity to demonstrate that we can do it respectfully is a big part of our good name.

The Chair: Thank you, Mr. McGuinty.

We go now to the five-minute round, starting with Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair, and thank you, Avrim and Catherine, for being here today.

Just a couple of things. Having been on the committee when the report was written a few years ago—and it seems like only a few years ago—one of the things we noted is that Minister Lunn did have a summit around the time the report was produced. A number of the forest industry executives, coordinated by FPAC, came to Ottawa to discuss and look at the long-term vision for that. So I'd suggest that there was at least a discussion, a summit, convened by the minister at that time. That was one thing that I think was very positive and led to a number of changes and government initiatives.

Another thing important to note is the billion dollars in the community adjustment fund, which is made for forest communities to help them transition to, in some cases, other forms of industry or value-added, or those types of things, but specifically associated with the pulp and paper green transformation fund. In my riding, AV Nackawic was a recipient of pulp and paper green transformation money. They've done a significant amount of work for environmental improvements at their operation there, their dissolving pulp operation. One comment they made to me was that our Canadian program was head and shoulders above the American program, which was only a subsidy, as opposed to the Canadian program, which was intended to improve environmental performance; otherwise, you didn't get the money.

Would you care to comment on that?

• (1615)

Mr. Avrim Lazar: Sure, and I have publicly many times.

The U.S. program was basically cash in the pocket, without any change in behaviour. So the American companies were rewarded for using green energy, which is a fine thing, but they didn't have to use any more green energy. They didn't have to change anything; they just got a pile of money. They were able to take that money and do what they wanted with it.

Now, the piles were so big that a lot of them paid down their debt and became more competitive than we are. If you're not that smart, but you've got huge piles of money, even an unstrategic program has a lot of good.

Our government spent the money much more strategically. In the industry, we did not get access to that money unless we made an investment in a Canadian mill. So we could not take the money and pay down our debts, or go home, or get into another business. We had to invest in a Canadian mill, and that investment had to be an environmental improvement. So we got a green dividend, in the sense of environmental progress, and a job dividend, insofar as we were upgrading our mills. That was much more strategic than the U.S., and it helped offset the difference in the amount.

If you had asked our members if we would have preferred that you had just shovelled cash at us, probably we would have said, yes, please, but as a taxpayer, I'm very respectful of what you did.

Mr. Mike Allen: Concerning the accelerated capital cost allowances, one of the dynamics in the conversations we had when we did the accelerated capital cost allowance was the kind of timeframe you put on that.

One of the things we were very concerned about was wanting industry to invest, whether it be the forest industry or any other industry, which is sort of why we did that. So we have had a scaling down in the last couple of years, and then we extended it again.

If you're trying to create an incentive for companies to invest through a program like that and you make it permanent, and then they decide to not invest for years and years and years, have you really benefited the economy and benefited their operation?

I understand the planning horizon. I do get it, because in big capital projects you really need to have some kind of planning horizon. But how can you balance that decision to make companies move on it, as opposed to just leaving it open-ended and they decide to invest maybe 20 years down the road? That's the challenge we have as a government.

Mr. Avrim Lazar: I understand the challenge. But I have to respectfully—when you say “respectfully” it means it's not going to be a nice answer; I don't know how we've managed to twist that language so badly. I have to respectfully reply that, seeing as we've extended it year after year, it would have been more effective if the government had decided on five years, six years, seven years, or ten years to begin with, because we're not getting the maximum benefit by offering it year by year.

I'll be clearer. It's a great thing, and we're grateful for the year by year; it's just that the cost-benefit for Canada could have been much better if that planning horizon had been longer.

The Chair: Thank you.

Thank you, Mr. Allen.

Mr. Anderson, go ahead.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I want to thank both of you for being here today.

Today there was an article...I think one of the managing partners of Brookfield Timberlands talked about a potential super cycle in 2014-15 and extending from there. Do you have any comments on that report, or are you familiar with it? Do you see that kind of thing taking place, or is it too early to tell?

• (1620)

Mr. Avrim Lazar: Predicting the economy these days is a really hard thing. We know there's going to be a global fibre shortage. Of that we're very certain. We think there will be a price peak for lumber, followed by a drop, and for us, one of the key things is not to overreact on either side.

One of the things the Chinese are most worried about with us is that we're there holding interminable dinners with them and selling them stuff because the Americans aren't buying it, but we'll abandon them as soon as prices and demands go up. So it would be very important for the Canadian industry—and I'd say for the government—not to lose sight of the importance of diversifying our customer structure, and to stay in China, even though the prices go up.

I saw the report. I didn't read it in detail. Due to the pent-up demand sitting there, as soon as you take all the surplus capacity off the marketplace, all of a sudden people haven't been producing; they've been responding to the surplus that's there. But the global economy has not been the most predictable of phenomena, so who knows?

Mr. David Anderson: I will go in a little bit of a different direction.

You have been proud of the environmental adjustments you have made in the boreal agreement. I want to know how that works a little bit more, on a practical level. We have a situation in Saskatchewan right now where industry is gravely concerned about the application of a woodland caribou recovery strategy. They're questioning both the science and the application of the strategy.

When things like this happen, do you actually expect your boreal agreement partners to be there to defend industry?

Mr. Avrim Lazar: We certainly do. The agreement is quite long and detailed. It sets the terms and conditions for engagement, but it is the responsibility of all signatories to defend the jobs and to defend the caribou.

Mr. David Anderson: In a situation like this, where the application could potentially shut down resource development in a huge area, are you ready to respond? Or is it a situation of this being a small enough part of the market that some places will need to make sacrifices and other places will step up and defend the industry?

Mr. Avrim Lazar: We're ready to respond. When I say "we", I mean the industry and the environmental groups.

When we're dealing with this politically, the environmental groups in, say, Manitoba and Saskatchewan would say that huge amounts of intact forest have to be left for the caribou. Industry would say that no one is going to find another job if we shut the mills, and we have to leave the caribou aside and harvest what we need. What the boreal agreement says is that both sides have to sit down, not to fight it out but with maps. We have been doing this in Ontario. We've been doing it in Alberta. We're starting in Quebec. We have not started in Saskatchewan or Manitoba yet.

We sit down with maps and say, okay, here's the forest: this is the fibre supply and this is the caribou habitat. Is there a maximum solution that minimizes the impact on caribou and minimizes the impact on jobs? Can we find the sweet spot?

Sometimes you can protect the caribou with really no loss of jobs.

Mr. David Anderson: Is your process fast enough to be able to respond? You talk about these processes. I can see people sitting and talking while they need to be responding.

Mr. Avrim Lazar: We can speed it up. We have chosen areas where the risk to the caribou is highest or where the economics are most dire. We have focused on them.

One of the reasons—

Mr. David Anderson: It would seem that your focus on this issue should be in Saskatchewan.

Mr. Avrim Lazar: One of the reasons we can't do it all at once, frankly, is that we just don't have the funding. You'll notice in our request for the next budget that there is an extension of the LEAF

program. A specific request is that the program be revised so that we can use it for problem solving in the boreal. That is exactly how we would use the money. We would use it to accelerate the planning process.

We need government funding for what we call a solution space. We cannot use industry money to pay for the environmental groups. They just get too uncomfortable. What we need is government money. We're getting some from—

Mr. David Anderson: Should the taxpayers be paying for that if industry won't and if the groups themselves won't?

Mr. Avrim Lazar: The taxpayers are the ones who are going to pay for it anyway if you try to do it through regulation. We'll give you better solutions, faster, that will be more enduring. We're not talking about megabucks. We're talking about a couple of million dollars a year. And it will accelerate the process.

If the government invests in the solution space that brings us together, we'll spend all the money on doing our homework and on actually negotiating. That's a place where you could have a very practical impact right now. Some of my companies operating in those areas have asked us to accelerate that. We're trying to find ways of doing it.

• (1625)

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

Monsieur Lapointe, for up to five minutes. Go ahead, please.

[Translation]

Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP): Thank you, Mr. Chair.

I find this willingness to sit down and find a solution with industry representatives and environmentalists quite positive. It is wonderful.

At times, there has been not so much a contradiction as much as an imbalance in everything you have said so far. On the one hand, you said that what the government decided to do was very clever. But, on the other hand, you said that, in comparison with our biggest competitor, the United States, the government did not do enough.

How could we have been clever while, at the same time, doing enough to offset what was happening? How much would that be investment-wise? In your expert opinion, how can we do that without having a slew of complaints on our hands because of the lumber agreements? There has to be a way to find a balance.

Mr. Avrim Lazar: Those are excellent questions.

I must point out that it is not just a matter of balancing intelligence and money. It is also necessary to avoid

[English]

a deepening of the deficit. Where is that bliss point between investment, deficit control, and strategic...?

Mr. François Lapointe: That's what I'm asking. How can we be clever but do enough, and not do more in a stupid way?

Mr. Avrim Lazar: Our answer is that there are two parts to the current government programming. There is A base, which is old programming, and B base, which is new transformative stuff. If the government has to cut, we're saying look at the legacy programming. But the new programming, which is the stuff for environmental reputation, market development, green transformation, and all of that stuff, should be continued, not cut, because it's all sunset, and some of that stuff could be enhanced.

I'll give you an example. The IFIT program is for bringing new technology to market readiness. I think it was \$100 million. We had applications....

What was it?

Ms. Catherine Cobden (Vice-President, Economics, Forest Products Association of Canada): It was \$2.5 billion.

Mr. Avrim Lazar: That's projects ready to go.

Mr. François Lapointe: Without having tons of problems, without tons of whatever....

Mr. Avrim Lazar: Yes.

That could be refurbished. I'm not saying \$2.5 billion, but it could certainly be \$300 million or \$400 million. It would be used in a way that transforms the industry—for R and D, in the labs, the forest products innovation institute. Again, the funding has been extended, but it could be extended for a longer time, because research programs take time, and it could be increased very usefully.

[Translation]

Mr. François Lapointe: Very often, people—and not just people in your industry—say that research and development support is always yearly. But that does not seem to work. When a researcher starts working on something complicated, they need to know whether they will be funded for two, three, four or five years, the period of time necessary to produce something. That is a handicap for the lumber industry. You need to know the amount of research funding you are going to get for the entire period required to find applications for your research, without having to go and ask for the money every year.

[English]

Mr. Avrim Lazar: Yes, and I'll go one step further. Unlike many other research programs, this one translates into jobs quickly. We used to have the universities, the institutes, and the industry all apart. Now we've integrated all the research institutions under one, under the guidance of the industry, so the research is focused on things that have the most impact on jobs. It's very highly leveraged in terms of economics.

[Translation]

Mr. François Lapointe: Do I have a minute left, Mr. Chair?

[English]

The Chair: You have a minute and a half.

[Translation]

Mr. François Lapointe: I want to discuss a second aspect. In my riding, there are some good players who have done a lot to diversify. Maibec, for instance, has worked hard. And despite everything, they are worried about being able to survive, given how long it is taking the Americans to get back on their feet.

We have heard some legal opinions, but do you think that we could put minimal levers in place if things go wrong? We don't want to lose that expertise. We need to help them hang on for another two years, because when things pick up again, we will need those players who are already on the cutting edge of wood product transformation.

According to some legal opinions, it would be possible to help them hang on through a loan guarantee, which would help them survive even though they are in rough financial shape.

Would you be in favour of taking a transparent approach and setting up a program to keep these people afloat if the situation in the U.S. lasts another two or three years? That would keep them from going under during that two-year transition period, which, unfortunately, seems quite likely.

• (1630)

[English]

Mr. Avrim Lazar: We've been debating loan guarantees for many years inside the industry. We have two problems with them. One is—and we don't say this outside that much, but it's the truth—if you have three companies and two of them can make it without a loan guarantee, they don't want the other company to be helped through, because there's overcapacity, and in the end we want to come out of this terrible time stronger and more competitive. All of my member companies have agreed not to ask for loan guarantees, not because they're not suffering—they'd love the loan guarantees—but because in the end the loan guarantees are inevitably subject to parts of the political process and they stop the normal transformation of some people going out of business and others having a better time.

The other is that we're absolutely certain that they are actionable under the softwood lumber agreement.

[Translation]

The Chair: Thank you, Mr. Lapointe.

[English]

Mr. Trost, you have up to five minutes.

Mr. Avrim Lazar: We can talk more later.

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

It was interesting when you were talking earlier about how the Canadian industry had responded under pressure by becoming more interested in the whole bioenergy aspect of forestry by going to China. What occurred to me when you were talking about that was if our companies—the Canadian industry—are taking steps to be more competitive, quite naturally other countries and our competitors are going to be dynamic as well.

So with that in mind, what do you see that we as a government can do to assist you in keeping these edges? Our competitors are going to look and see what you've done, going into China, and think that if the Canadians can move that much into China, why can't they? If the Canadians can do stuff with bioenergy, why can't they?

So how do we keep being at the leading edge of those areas that industry has identified? Is there anything we can do, or just cheer you along?

Mr. Avrim Lazar: First of all, the majority of the responsibility has to rest with the industry to do it. Yes, you can extend the programs in which you're speeding up transformation, replenish the IFIT program, which is just about empty now, with another \$300 million, extend the funding for R and D, extend the funding for environmental reputation, extend the funding for market development.... Just don't take your foot off the accelerator for transformation.

The government cannot buy this transformation and it cannot make us transform, but you can accelerate it with these programs, and again, we understand that you may have to cut stuff. We're saying if you're going to have to cut stuff, cut stuff that supports the status quo. Don't touch the programs that support transformation.

In fact, we go one step further to say expand the programs for transformation at the expense of programs that support the status quo.

Mr. Brad Trost: Again, the fascination with your expansion into the Chinese market made me also wonder if there are other markets out there that Canadian lumber has not necessarily looked at before.

Let me ask this. Is the industry identifying or thinking of other places to go? If the answer to that is yes, are they merely technological and cultural issues that are preventing going forward? Or are there trade issues that the government could be involved in? For that matter, are there technical, cultural issues that the government could help the industry overcome as far as expanding to more markets?

Mr. Avrim Lazar: Good question. Just one correction. We all talk, and I do it, about exporting lumber. Our biggest export is always pulp. We export tons of pulp. We export more pulp to China than we do lumber, more pulp and paper to India than we do lumber. So let's not forget—

•(1635)

Mr. Brad Trost: So whenever I said lumber, include lumber and pulp.

Mr. Avrim Lazar: Yes, and me too, because I've been saying lumber as well. But it's good to remember that those markets are hugely important for the pulp and paper industry as well.

The next big one is India. We're already the largest exporter from Canada to India, but we haven't even begun to tap its potential. It's a paper-using country. There's such a big population that we can sell a lot more wood as well: construction wood, wood for bookshelves, wood for interiors. There's huge wood potential, but there is enormous pulp and paper potential. So India is the next one.

We've been working hard at Korea. And anywhere in the emerging economies where there's an emerging middle class, we think we have a big market opportunity.

Now, on the trade side...signing free trade agreements, working on the Asia-Pacific thing the Prime Minister announced, working on a trade deal with India.... Even on Europe, there are trade barriers into

Europe, which, if we get the Canada-Europe free trade deal, will help.

So those *démarches*—

Mr. Brad Trost: You're saying all of our major trade initiatives—India, the EU, Korea, etc.—would help your industry if we were able to successfully engage.

Mr. Avrim Lazar: Yes, and sometimes it's a very small barrier, but there's one mill that would stay operating. There was one mill making cement bags that couldn't get into Egypt because of a trade barrier. By removing that trade barrier, that mill keeps going. So even though it's a small percentage of the economy, it's a whole town.

Ms. Catherine Cobden: And I think it's obvious, but I'll just add as well that we're just at the tip of the iceberg of the opportunity in China. So it's quite critical that the work that has been going on there continue. Of course, working with the Chinese, one of our main lessons has been the criticality of the government-to-government relationship and how that is a really important interface for us and a role that you do play.

The Chair: Thank you, Mr. Trost.

Mr. Gravelle, you have up to five minutes.

Mr. Claude Gravelle (Nickel Belt, NDP): Thank you, Mr. Chair, and thank you to the witnesses for being here today.

I'm glad you mentioned that the mayors, the union, and the communities need our help, so we would really like to hear from these people.

Just a couple of months ago I had a mill operator come into my office in Sturgeon Falls. He was telling me a story about having to lay off his employees. This is a mill that was run first by his father and now by him. It's been running for decades and they've never laid off anybody. But now they've had to lay off their workers because of the black liquor subsidies that the American companies are getting. He had a whole slew of clients in Quebec, but because of the black liquor subsidies, they are now buying their lumber in Maine.

There are a lot of Goulard Lumber in northern Ontario and in Canada. I'd like to know if your association represents them.

Mr. Avrim Lazar: For the most part we represent the integrated companies. We have a few single sawmills, but not many. The reason for that is that they find it easier to be represented by their provincial associations. In all our representations to Parliament, we consult with the provincial associations, and we have their full support.

Mr. Claude Gravelle: Okay. In other words, you represent the bigger companies.

Mr. Avrim Lazar: That's correct.

Mr. Claude Gravelle: So you wouldn't be representing the Goulard Lumber mills?

Mr. Avrim Lazar: We represent some of them directly; we certainly represent their interests.

Mr. Claude Gravelle: Okay. Of everything that has been said here today, what can specifically help a company like Goulard Lumber or many little companies in northern Ontario?

Mr. Avrim Lazar: Goulard Lumber and all the little companies depend upon access to the U.S. market, even if they don't sell directly to the U.S. If we don't have access to the U.S. market, then all the big companies are going to flood the Canadian market. They are dependent on keeping the softwood lumber agreement, even if they think their market is in Canada. If the other lumber companies can't get into the U.S., it's going to depress prices in Canada. They depend on selling their chips to the pulp industry. The money that is spent on transforming the pulp industry and its ability to not be dependent on fossil fuels and become more self-sufficient, both economically and environmentally, creates a client for the chips from the lumber industry.

I can go on, but the truth is that while you may be independently owned, you don't get to live independently because the industry is actually integrated.

• (1640)

Mr. Claude Gravelle: In northern Ontario, since 2006, we've lost 34,500 jobs. That's over 40% of the workers.

Global Sticks, near North Bay, is shut down. Resolute Forest Products in Thunder Bay had a five-week layoff on November 24. There are some imminent layoffs in Terrace Bay. The list could go on.

When this happens in small communities that are dependent on one industry, it's devastating to the local economy. It's not like there are other jobs to go to. The U.S. government provided over \$6 billion in IRS refunds without conditions to its forest companies in black liquor subsidies. These companies use the subsidies to lower prices, undercutting Canadian barrels by as much as \$10. Through its pulp and paper green transformation program Canada has provided \$1 billion, with investment conditions, for its own companies.

Wouldn't you agree that this is an insufficient response to very damaging U.S. measures?

Mr. Avrim Lazar: I certainly would much prefer to get \$6 billion, and if not \$6 billion, then \$4 billion, or \$3 billion, or \$2 billion.

As I've said many times, we're not going to be anything but respectful of \$1 billion well spent, but we're also not going to pretend that it's sufficient compared to what our competitors are getting.

Mr. Claude Gravelle: So you're satisfied with the \$1 billion?

Mr. Avrim Lazar: That's not what I said.

Mr. Claude Gravelle: That's what I heard.

Mr. Avrim Lazar: Well, let me say it again.

We'd much prefer to get far more, and it is not sufficient to allow us to compete with what our American competitors are getting. You didn't even mention what the Europeans are getting, which is also very generous.

So yes, we would like more.

[*Translation*]

The Chair: Thank you, Mr. Gravelle.

[*English*]

Ms. Ambler.

Mrs. Stella Ambler (Mississauga South, CPC): Thank you, Mr. Chair.

Mr. Lazar, my question has to do with the environment. I'd like to know if government programs have helped the industry to maximize the bottom line—jobs, economic growth, the environment, and clean energy initiatives. That's where my interests lie. You mentioned that part of the survival plan was the branding and the environment. Can you give us an example of a program that illustrates this? Would you agree that government programs have helped the industry? If so, which ones?

Mr. Avrim Lazar: The biggest was the green transformation fund—the billion dollars that I was acknowledging. It was a lot, and I want more. Our competitors get more. That billion-dollar program was available only for environmental enhancements. Those environmental enhancements almost all increased economic efficiency. They protect the jobs. In fact, there are many towns where, if it wasn't for the green transformation fund money, it's likely that the mill would not be competitive. It was a social win because the town survived and an economic win because the mill is more economical. It all worked.

There was also the LEAF program, which provides money for environmental reputation. It's nice to be good, but if no one hears how good you are, you don't get the reputational return on it. The LEAF program allowed us to tell the marketplace what we've done environmentally. We're extremely interested in having the LEAF program extended in the next government, and having it amended to make it more flexible so that we can use it in implementing the boreal agreement.

Ms. Catherine Cobden: May I add a comment about the LEAF program? We have been hearing from our U.S. counterparts, our competition. They have been living with their government support on the black liquor subsidy program. They are envious of the work that has been going on in the LEAF program, particularly in China. I think some gains have been made.

Mrs. Stella Ambler: I have a question about market diversification. You said this was part of your four-point survival plan. Could you tell us what the impact of our government's market diversification programs have been?

• (1645)

Mr. Avrim Lazar: I better let Catherine talk or she will never come with me again.

Ms. Catherine Cobden: I think the point I was just making speaks to that quite significantly. Our competition is looking at what we've been doing on market diversification. Not only do they want to know how they can replicate it; they want to know if they can get it. One thing we need to be wary of is that success will bring other parties to the table. We need to look at the Canadian interests.

We spoke about India. There is a huge opportunity to diversify markets in India. Diversification of markets isn't just geography. It's also about how we use the product. Some absolutely transformative things are going on in the world, particularly in China. They don't live in single-family homes; they live in multi-storey dwellings. As they shift to building these dwellings over wood, a tremendous market opportunity emerges for us. Continuing to work on these multi-storey buildings and non-residential applications is a great area we've been working together on that we need to continue to pursue.

Mrs. Stella Ambler: I know Mr. Anderson had one more question he wanted to ask.

The Chair: Okay.

Mr. David Anderson: I was interested in the U.S. subsidization. Have there been job losses in the forestry industry?

Mr. Avrim Lazar: There have been lots.

Mr. David Anderson: How many?

Mr. Avrim Lazar: I don't have the numbers here.

Mr. David Anderson: They spent this massive amount of money. They haven't been able to stop the hemorrhaging in spite of the money they've spent. Mike talked about one of the programs, thinking it was a Cadillac compared with what they were getting down there. They spent all that money, and they still have the same or poorer results because they haven't made the switch to the new climate. Is that a correct analysis?

Mr. Avrim Lazar: It's a little more complex than that.

Certainly our government spent far smarter than the U.S. government, but when you're talking about a ratio of six to one, even a bit of clumsiness still gets you more results. The big difference we've seen is that at a time in which everyone was struggling to stay alive, the Americans were able to pay down their debt. That was a huge advantage for them, but it did not create the incentive for improving efficiency.

An hon. member: They lost jobs?

Mr. Avrim Lazar: They definitely lost lots of jobs.

The Chair: Thank you, Ms. Ambler and Mr. Anderson.

We go now to Mr. Stewart for five minutes. Go ahead.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thank you, Mr. Chair.

I want to speak a little bit about the mountain pine beetle, if we can. I'm from British Columbia and my brother's a forester, so I've heard lots about this and I've heard first-hand the devastating impact of this insect. I was pretty struck by a map my brother showed me that shows it's like a cancer that spreads from the middle of the province right through. It's very devastating to the entire industry.

I know that the federal government did allocate millions to help with this. All of it, I understand, has been spent by March of this year. I was just reading a report that said it was spent by March.

I'm just wondering, is this job done, or is there more that needs to come from the federal government regarding the pine beetle?

Mr. Avrim Lazar: Certainly, we would like to see more.

There are two types of spending on pine beetle. One is actually dealing with the research and stopping the beetle. I know the folks in Alberta are especially worried that there is insufficient federal money being spent fighting the pine beetle in Alberta, and those in Saskatchewan are beginning to get worried too, because our problem with the pine beetle is that it doesn't stay home.

We see a possibility of it jumping species and moving across the country. There is the need for more aggressive funding for pine beetle control.

The second element is that where the pine beetle has eaten the wood supply, the communities need help with adjustment, and that is not over as well. Although a large part of what had to be done has been done, more could be done.

Mr. Kennedy Stewart: Many observers say the pine beetle epidemic is caused by climate change, and if I can actually just read some of your own words back to you, you said in a March 2007 press release that:

The devastating consequences of the pine beetle epidemic serve as excellent examples of just how vulnerable Canada's environment and economy are to a changed climate.... For this reason, as governments focus on implementing climate change mitigation measures, it is also important for them to undertake strategies that give adaptation measures greater prominence. We are already living in a changed climate and must not only focus on how to reduce Canada's impact on the climate but also put far more emphasis on how Canada can adapt to the impact of a changing climate on us.

I was just wondering—that was 2007—do you still stand by those words?

• (1650)

Mr. Avrim Lazar: Absolutely. If anything, more.

To be fair to the Department of Natural Resources, they have shifted quite a bit of their focus to adaptation and on how growth patterns of the forest are changing. But I would say that overall, Canada and every other developed country are spending far too little attention on how to live successfully with a changed climate.

The huge political drama over how much to mitigate, who's going to reduce greenhouse gases, who isn't, is it fair, is it not fair.... All of that has drawn all the political attention away from the simple fact that the climate has already started to change, and regardless of what we do—if we deal with it, it will change less. If we don't deal with it, it will change more. There's no escaping a changed climate, and we're not ready.

Mr. Kennedy Stewart: That was written in 2007. Do you think things have gotten better or worse since then over the last four years, and if so, maybe you can give us some examples of how things have

Mr. Avrim Lazar: We're not seeing things get much worse in the forest. We've certainly have had drier seasons, and therefore more fires in the drier seasons than what the climate models would predict. Nothing to compare to the failure to kill off the beetle, which we depended upon cold winters for.

But generally speaking in the forest industry, our view is that the changed climate is a threat to the health of the ecosystems on which we depend for our livelihoods and has to be addressed. Because addressing it requires global commitment, which seems to be elusive, we think at minimum there should be far more attention paid to adaptation.

The Chair: You have half a minute.

Mr. Kennedy Stewart: Okay, thanks.

I just want to shift quickly to community forestry, another sector my brother has worked in besides all the other types of forestry you can do. Do you have any comments on that, and perhaps how that might be grown? You have local communities looking after local wood sources and milling it themselves. Do you have any comments on that?

Mr. Avrim Lazar: It's a wonderful idea, and we've seen it work well. It's not a panacea, because the hardships the big companies face in trying to make the economics work, with all their resources and their networks and their supply chains, are just doubled when you....

We have to remember that Canada's forest industry exports more than two-thirds of what we make, so it's not like we can have a local industry—well, we can have local industry for local supply, and it could be relatively self-sufficient. But most of the jobs depend on being part of the global supply chain.

The Chair: Thank you, Mr. Stewart.

We go now to Mr. Seeback, and if there is time left, to Mr. Zimmer.

Mr. Kyle Seeback (Brampton West, CPC): Thank you very much.

I was curious about a couple of your comments on diversifying markets. You made mention of expansion of markets into China, India, and in particular Korea as well. You talked about how free trade negotiations with the EU and India, and potentially China, would be very beneficial.

What are the specific trade impediments that exist now? Are they significant, or are they things you're able to deal with and overcome?

Mr. Avrim Lazar: They are serious irritants; they're not huge impediments.

If you were to ask us what our number one interest is in, for example, India, China, or Korea, it's not getting rid of the trade impediments; it's getting rid of the market resistance and cultural impediments. Most of where the government has been spending its money is in helping those nations understand how to be better customers.

That being said, there are small trade impediments—we've detailed them, and I can send you the list—that these trade agreements will help get us over. I'll give you an example: within the European Union, where you wouldn't expect much trouble, every now and then one of the nations comes up with a requirement that paper or wood must meet a set of standards that makes no sense at all in Canada, because basically it would only happen in the Netherlands.

In the trade agreement being negotiated, we, along with the European industry, have asked for an annex setting out the standards for government procurement so it would be free from these harassing.... They are small things, but sometimes small things are just enough for the production of one mill.

• (1655)

Mr. Kyle Seeback: What are the cultural impediments? I'm not 100% sure of what you're saying. Are you saying there's a desire from these countries not to buy foreign products?

Mr. Avrim Lazar: The Japanese are scared of death of fire, so they're scared of wood. We should be trying to sell them paper houses, I guess. But they've had so many disasters with fire, so we've had to work—this is where government is absolutely essential—with the Japanese government to change the codes and standards so the safety of wood can be seen.

The Chinese are not used to building wood frame houses. We need to work with the government on demonstration projects, but also on making sure the codes and standards to get into China don't bar our entry.

There are many things like that, which are long-term shifts in the market acceptance of our products.

Mr. Kyle Seeback: It was interesting for me to listen to your four objectives: transformation, productivity, diversified markets, and extract more value on the western front.

The Government of Canada came up with a number of programs to support and encourage the industry, especially on the diversification front. You've talked about it a little bit today, but which programs do you think have provided the most value, and which ones would you like to see continue? And please don't just say all of them.

Mr. Avrim Lazar: Yes, I'm going to say all of them.

Voices: Oh, oh!

Mr. Avrim Lazar: I don't want to lie to please you.

If you want to cut money from Natural Resources, go into the A base, because you could sharpen all of those programs. I've made my suggestions to the officials at NRCan on how to make them a little more strategic and a bit sharper. All of those programs are designed to transform the industry. If you want to cut 5% or 10% from Natural Resources—I'm not suggesting you do it, but if you have to—look at their legacy programming, which is not sunsetted.

For some reason, the stuff people dreamed up 20 years ago is protected and the stuff your government designed over the last few years is the most vulnerable. It should be the other way around: the stuff you designed a few years ago, because it's needed today, should be the most protected, and the stuff that's been in the department for the last 20 years should be looked at quite carefully.

We haven't gone through all of their programming, saying “Cut here, cut there.” That's the government's business; if you want to consult with us, we're open. But we know the transformative programs should get priority.

Mr. Kyle Seeback: Of the transformative programs we've talked of today, if you had to choose one that you think is best and has provided the most value to the industry, which one would it be?

Mr. Avrim Lazar: The green transformation program of \$1 billion. We love that the most.

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

It's very rare when someone says they'll leave some time for someone else and they actually do.

Mr. Harris, you have up to five minutes.

Mr. Richard Harris: Thank you, Mr. Chair.

Thanks for your comments today, Catherine and Avrim.

I want to go back to this transformation mode that we've been in. Looking at my riding, I really believe that part of that transformation was due to mills in the industry that hadn't kept up with technology and wouldn't invest in technology. They were soon left far behind, as far as being competitive, even in domestic markets, with the mills that had invested. It's a sad tale but true.

We see all over the country where mills that have been simply too labour intensive and haven't done the investments have had to close because they couldn't compete. The other thing was that because of their proximity to the markets they were used to, the U.S. market, and with that in the sewer in the last several years, they simply couldn't take part in the overseas markets that came into being. If your mill was in the west and you prided yourself on being on the leading edge.... You're in that market now.

Mr. Gravelle talked about mills in northern Ontario maybe having to shut down. Maybe a technology deficit or proximity to where their market used to be is more a cause than anything else. That's a reality nobody likes to talk about, but can you comment about just how much of a reality that is?

• (1700)

Mr. Avrim Lazar: We're an exporting industry and we're competing against Brazil, the Scandinavian countries, Russia, and parts of China. If we can't beat them, there isn't enough money in the federal treasury to save our bacon. You simply cannot support us if we can't be competitive. You can help us get competitive, but even there your role is relatively minor.

It used to be the case in B.C.; it's much less now. But in Quebec and Ontario one of the reasons we have many unproductive and non-competitive mills has been provincial policy. In the past the provinces have insisted, because they own the trees and allocate cutting rights, that the mills not consolidate. If you had three mills, each of which were not globally competitive...the companies were willing to invest in one globally competitive mill, but the provinces—to be fair to them, they were looking at communities—said they wouldn't let the wood supply be taken from those three towns and put in one town with one big mill.

This worked really well when the dollar was low and we could get away with that. But the dollar went up, prices went down, and competition went up. All three mills are not competitive now. It's partly due to different owners, but one of the side effects of state ownership of the forests is that the provinces are reluctant to allow

the necessary consolidation—for virtuous, righteous reasons. They don't want to be the ones to say, “These two towns have to close.” But in the end all three mills shut down.

We've seen such devastation over the last little while, not just because markets are bad, competition is hard, and the dollar is high. We also have excess, inefficient capacity throughout the country, but mostly in Ontario and Quebec. B.C. shifted and went through it four years ago. That inefficient capacity couldn't make it through the hard times. If we had gone through a normal process of restructuring over the last 10 years instead of having that inhibited by the provinces, it would not have been as devastating.

Ms. Catherine Cobden: If I can interject, there's another thing that impacts greatly, and where I think there's an awful lot of opportunity for the government to support. This is very relevant to Quebec and Ontario.

We can't access some of the new markets because we are really hindered from a transportation perspective. There's the monopoly we face with rail and getting our products to market. We estimate that has a \$280-million-per-year price tag for just our membership—not looking at the bigger picture. This is a huge cost burden for us in the long haul. This is a huge opportunity for Quebec and Ontario mills to get product to some of the new, emerging markets. The brilliance of it is that it's fairly low cost in terms of implementing change.

The Chair: Thank you, Mr. Harris.

Go ahead, Mr. Caron, for up to five minutes.

[*Translation*]

Mr. Guy Caron: Thank you very much.

I want to come back to the softwood lumber agreement. I agree with you that it was not the ideal solution. Companies ended up accepting it. Those companies, however, did not have much choice given their situation—they were already down. They accepted it reluctantly. I think we can agree on that. That was what you said more or less.

As I see it, there are three negative consequences. You talked about stability, which is indeed a more positive one. But I can see three negative consequences.

First off, I want to point out that, eventually, we usually won against the Coalition for Fair Lumber Imports. I think we had won 20 cases in a row before international courts. We were about to win another the day after the agreement was signed. We will have given the U.S. \$1 billion, a portion of which has gone to the Coalition for Fair Lumber Imports. So there have been negative consequences as well, by virtue of the fact that we have conceded quite a bit.

The first consequence is that, whereas we used to win before international trade courts, we have lost two cases so far, and we may lose a third, involving the mountain pine beetle. So now we are losing our cases when we go before the courts, as opposed to the past, when we used to win them.

The second consequence is this. This year, the *Estey Centre Journal of International Law and Trade Policy* published a study in which it examined a variety of conditions including the economic downturn and the drop-off in housing starts in the U.S. According to the study, the softwood lumber agreement alone was responsible for about 9% of the decrease in Canadian exports to the U.S.

The third consequence of the softwood lumber agreement that can be categorized as more negative is that it convinced a number of companies, including those in British Columbia, to export raw lumber to Asian markets especially, and even to the U.S.

Would you agree that these are three negative consequences that have affected the industry rather significantly?

•(1705)

Mr. Avrim Lazar: Yes, I would agree, of course.

I was quite clear: most of the industry hates the softwood lumber agreement. It is just that it's

[English]

it's a lot better than not having it. Yes, we're suffering from it. We don't believe in it. We believe in free trade.

Even when we were winning cases we weren't winning, because U.S. law puts so many instruments in the hands of private interests to take action. The U.S. Commerce Department—and I'm not sure what is the politically correct way of saying this, so I'm just going to say it—is so responsive to narrow commercial interests in the U.S. that they can basically harass us to death, even when we're winning. They get so much advantage, even when they lose a case, because until they lose it the tariff is in and they have all this market advantage. It's just a very sorry situation.

[Translation]

Mr. Guy Caron: Whenever we negotiate agreements like the softwood lumber agreement, we are always working from a position of weakness, and ultimately, we end up giving the United States what it wants. Do you agree?

That being said, I want to raise another point. I probably have a minute and a half or two minutes left.

[English]

The Chair: You have two minutes.

Mr. Guy Caron: Thank you.

[Translation]

I can give you 30 seconds to answer that.

No? Okay, I'll go on then.

[English]

We're always negotiating in a weak position with the U.S., for example, in the softwood lumber agreement. That's what we've done, basically.

Mr. Avrim Lazar: It's their marketplace. We're the seller, they're the buyer. They control the rules under which they let our stuff in.

You talked about the cost of housing. We used to mobilize the U.S. housing lobby by saying this was causing house prices to go up. But the distribution of power in the U.S. means that the places where housing costs matter a lot, which are the populous states, have less power than places that grow trees, which are the non-populous states, because of the structure of the Senate. So even though we could mobilize the U.S. lobby by saying, "Give us cheap houses and let the Canadian wood in", we'd always lose in the Senate. Sorry.

Mr. Guy Caron: That's perfect, because it leads to my following question. In March 2011, in *The Economist*, Pat Bell, the forestry minister for B.C., was quoted as saying that "the time is past when we pretty well had to take what the Americans offered." That was in response to the trade dispute regarding the pine beetle wood and salvage-grade exports. He was also referring to the growing Asian export market as an alternative to the U.S. market.

Do you think that will give us a reversal of the marketing power that might actually lead us to be able to renegotiate the negative aspects of the softwood lumber agreement?

Mr. Avrim Lazar: It's quite possible. We would be less dependent.

If markets return, with the pine beetle reduction in our fibre availability, with the exports to other countries, the United States may be more in a position of asking for our stuff than trying to control it. Time will tell, but it's a valid hope.

[Translation]

The Chair: Thank you, Mr. Caron.

[English]

Mr. McGuinty, you have up to five minutes, please.

Go ahead.

Mr. David McGuinty: Thank you, Mr. Chair.

I'd like to go back to maybe a higher perspective from both you, Ms. Cobden, and Mr. Lazar, and get your insight.

Mr. Lazar, I recall when you took on this position. I worked for years with your predecessor. I remember having heard you earlier when you were talking about the transformation you were going to bring to this industry association in terms of the kind of cooperative approach that you've elucidated here today. For example, the boreal forests initiative reflects the reality that there is one boreal forest and there are many parties benefiting from it and many folks with different competing interests.

You've managed to design a process and a structure that has had some success, I think, in reconciling those competing interests. I want you to do us a favour, if you could, as a person who has extensive government and public service and now as a person who is conquering worldwide markets. How important is it for either individual trade associations and industrial sectors or even for this nation-state called Canada to have a brand that we can put in the window in a meaningful way that says we are working at solving environmental issues and we believe we can be economically very profitable in our natural resources sector as we do so?

If you could, just take a second. I was not in Durban. Even had I been invited to attend in Durban, I would not have gone, because I don't think the process was worth the greenhouse gases it took to get there.

The government wouldn't take anyone along on this trip. No opposition members were permitted to attend as official delegates, for example. You have tracked this, I'm sure, very carefully. Could you weave into your answer maybe some insight as to what you think happened in Durban and whether what we put in the window in Durban was good, bad, indifferent, or irrelevant? Just help us understand what this all means.

• (1710)

Mr. Avrim Lazar: I'll answer from two perspectives, one from the forest industry's perspective. We can't speak for others, but I will talk more largely as a nation.

From a forest industry perspective, our good name is very important to us. Conducting ourselves in a way that tells the world they can trust us to take care of the environment when they're buying our products is very important. We've put our actions where our mouth is. Our actions embody that.

Canada, as a nation, makes a living by exporting natural resources. Whether that's energy or wood, it's the backbone of our economic story. If you look around the world, we're not going to make a living by out-innovating the Chinese. We have to be innovative. They're just as smart and work harder than we do, as do many other countries. So our competitive advantage as a nation is natural resources.

To achieve that competitive advantage, to sustain our ability to translate natural resources into quality of life for Canadians, we need to (a) be brilliant at extracting them and (b) be demonstrably responsible in extracting them. The efforts we are putting into the forest industry, and I know are being put into the energy industry—there have been huge improvements in environmental performance—are all part of sustaining and enhancing Canada's basic economic advantage, which is being the world's most sophisticated and, I hope eventually, the most environmentally responsible promulgator of natural resources. That's how we're going to maintain our health

care, our salaries, and our quality of life. That's what we've got, and we've got to do it right.

I could go on forever on international treaties and Durban and all that. My views on what's wrong with the international or public or last four or five speeches that have been posted by the association on YouTube are pretty clear. I can summarize it by saying somehow or other those international negotiations have demonstrated more tribalism and self-interest by all parties than global problem-solving, which is what's needed. We've got a global commons that we have to take care of. Instead of behaving like a global community, we come to those meetings with our self-interest. The Europeans do it, and so do the Americans, the Chinese, and the South Africans. We Canadians do it too. Everybody comes to those meetings thinking of their national self-interest, so we have no forum to deal with the global interest. That's a real shame, but I don't know what the solution is.

• (1715)

The Chair: Thank you, Mr. McGuinty.

Mr. Zimmer, up to five minutes.

Go ahead, please.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thanks for coming, Avrim.

I had a question specifically about the boreal forest agreement.

In earlier comments you justified the federal government funding environmental groups such as the David Suzuki Foundation, Greenpeace, etc., within the agreement. What's the logic of that? Why should the federal government be funding these deep-pocket organizations, as I would call them?

Mr. Avrim Lazar: I don't think you should fund them any more than you should fund us. What we need help with is (a) the science, so we're using government science as a basis of agreement, and (b) the solution space, convening the process. Working with maps and doing the actual land use planning is very intensive work, so we should go there and do our work with no one paying our way. We think the proper spot for government is bringing it all together.

The interesting thing about the boreal agreement—and it's not talked about this way very often—is that it is a civil society solution. It's not the environmental group saying it's government's job to regulate this and stop it and it's not our going to government saying they should stop these environmental groups from beating us up. For Canada, at least, it's a strangely government-free solution. Two parts of civil society have come together and said they wanted to do business and solve something.

The only place we would like to see government involvement is in creating the meeting place and using government's convening power. You should be telling the industry to stop bickering and the environmental groups to come with solutions because you don't want to hear their complaints any more, and then you should invite us both to the same place and ask if we can solve this. In this case we will.

Mr. Bob Zimmer: Thanks. I also had another question about pulp. You mentioned that pulp seemed to be the good story in terms of forestry, especially in India and emerging markets such as China and that sort of thing.

I wanted to know what the industry's plan is with this. Is it ramping up for an expansion of the pulp markets internationally? If not, why not? And if so, where specifically are you expanding?

Mr. Avrim Lazar: There are no big cash investments right now, so what we're doing is shutting down less pulp. There's no big capital. We haven't got that kind of big cash infusion, and for a pulp mill you're talking upwards of \$800 million. But that's certainly where the investments for modernization are going. Interestingly, we're not just chasing the emerging market, because markets go up and down; we're also finding ways of using those mills for various things. You can use pulp for paper; you can also use it for rayon. We've got quite a few mills now where they're being changed instead of just being ramped up, so when the cotton crops fail, we can produce pulp to replace cotton in the production of fabric. When cotton prices are very low, we'll be using pulp for paper, and these mills can go back and forth, as well as producing bioenergy.

In fact one of our mills now, a northern Ontario mill, Tembec, is producing three-dimensional pulp. Paper is made out of pulp. It's really strong in two dimensions and useless in the third. Well, Tembec is producing three-dimensional pulp, with government support to get from the research to the commercial stage, and we'll be able to use that for car parts and airplane parts. It's completely biodegradable, right out of nature, and the best strength-to-weight ratio you can hope for, because that's what tree fibres are all about.

That's one of the innovations. We used to use the pulp just to make paper, but we are now using it—and Tembec does this as well—to make rayon fabrics and three-dimensional pulp. And for some of that stuff we're extracting the nano-fibres, which are very tiny fibres that have huge strength, and we're using them in additives in building material, to add great strength, or for plasma TV screens.

So it's not just ramping up, because in the old days we used to see an increase in price and we'd just chase it like crazy, build too much capacity, and all go broke. It has taken a long time, but now we're just a bit smarter.

● (1720)

The Chair: You're out of time, Mr. Zimmer.

We'll go to Mr. Allen and Mr. Anderson.

Mr. Mike Allen: Thank you very much, Chair.

Avrim, I would like to pick up on one of the comments you made before, that we'd be better off investing in some of the new programs as opposed to the A base. Can you give me two or three examples of A-base funding that you think could be directed a little bit more or actually eliminated?

Mr. Avrim Lazar: I'm not in a position to do that because I haven't done a study of them, and they're not as visible to us because we never asked for them. We'd be very happy to be consulted by Natural Resources if it is doing a review, and to be part of the process, but it would be irresponsible of me to point here and there without actually doing the due diligence.

Mr. Mike Allen: I took by your comment that you might have given some suggestions on that.

Mr. Avrim Lazar: I just want to be respectful of the people doing it.

Mr. Mike Allen: Fair enough.

You talked about the capital stock, and I do know that in Atlantic Canada we've had some challenges, and some of our mills that went down, of course, did not update at the time and did not invest when they were making huge money on the exchange rate, as opposed to some that did and are still operating.

Can you talk about the transformation of the capital stock of the industry in the last five years? How has that changed in the last five or six years, and in your view, where does the effort need to be placed?

Mr. Avrim Lazar: For a while, there was very little upgrading of the capital stock, because everybody was trying to preserve cash. So at a time when prices were below the cost of production, you either shut down or you went through your savings. Either way, you weren't bringing in investment for upgrading.

In the last couple of years, there has been significant investment. Most of the investment has been by the billion-dollar green transformation fund, which people have used to upgrade and make all sorts of efficiencies, not just bioenergy. It has been a huge boon to the industry, but in addition to that we're beginning to see individual companies having their own private sources of capital. A lot of that right now has been going to delayed improvements that would have been done in the normal course of upgrading over time. Certainly in the pulp business we are seeing people going to dissolving pulp, looking at new applications, and going into more pulp and power.

We've seen modifications on the west coast in the lumber industry to allow them to process more pine-beetle-killed wood efficiently. So it's happening, but we'd love to see more of it happen.

Mr. Mike Allen: Do you think we still have a fair ways to go in Ontario, Quebec, and the Atlantic provinces, especially on the sawed lumber side?

Mr. Avrim Lazar: Huge.

One of the sawmill owners told me that a lot of his competitors are only in business because they haven't done the math yet. It's....

Voices: Oh, oh!

Mr. Mike Allen: You've talked a little about how some of the challenges we have obviously at the federal level are because these resources are a provincial jurisdiction and decision, especially when it comes to timber policy and wood allocations and those types of things. What are some of the best practices and some of the...? I've always worried about this: that we may not be getting the optimum value out of every log. Which of the areas that you're seeing are really doing a great job at optimizing the value of those logs?

Mr. Avrim Lazar: Well, it varies by company. Some of the companies figured out a little earlier that pulp and paper and lumber are not going to be enough and got into the bioenergy and biomaterials game earlier, but now even the ones who were a bit slower are looking at it.

By province, I can't say that one province is ahead of the other. Each has entered into this transformation game from different points.

I can say that B.C....I'll say they came into this too late, but B.C. stopped trying to keep every mill open sooner, before Alberta, and then Alberta came in very soon after that. Then it was Ontario. Quebec has been the slowest to do it. That is because of different social policies in these provinces and because of different economic circumstances. The absolute collapse of the coastal industry in B.C. forced that government to face the music faster than others have had to.

You've got to have a lot of sympathy for the provincial governments. If you're being asked to pull the plug on a town, I don't know how many people would volunteer for that job. But unfortunately, the workers suffer more because of the hesitation than they would have if we had gone to a faster restructuring.

•(1725)

The Chair: Thank you, Mr. Allen.

Mr. Anderson, for one question.

Mr. David Anderson: Okay. This is in response to two things. One is that when you talk about a solution space and bringing it together, it sounds like you're talking about a decent regulatory regime. We've heard a lot over the last month in our other study about a regulatory regime. We never touched on it a whole lot in the report or the recommendation; I'm just wondering if you have any comments on that.

Secondly, we were talking about China and the development there when Brad had his questions. Are we doing well there because we're competitive or because we're the first people there?

Mr. Avrim Lazar: Both.

Mr. David Anderson: Okay.

Mr. Avrim Lazar: In China, relationship is part of competition: being there with your government. They don't just do sales, they do relationships, and sales are inside the relationship. Being there with your government gives you a huge advantage.

Can you forever sell stuff that's more expensive? No. But our wood sector is competitive. We're not competitive into the States because we're so competitive they have to put up barriers for us to jump over.

Mr. David Anderson: Regulatory regime....

Mr. Avrim Lazar: Yes. There are still quite a few improvements that can be done. We know the government has been thinking about air regulations. We have challenged Environment Canada, and I'll do it more publicly now, to let us do a voluntary regime, which we would negotiate with environmental groups. In other words—

The Chair: Thank you. I have to cut you off at that point.

Thank you, Mr. Allen and Mr. Anderson.

Monsieur Gravelle, you can have just one or two short questions for about two minutes.

Mr. Claude Gravelle: I just have one question. That's all.

Earlier in your testimony you said that radical groups were hindering the development of the forestry industry. I'm not sure if you used the word "hindering" exactly, but can you identify these radical groups for us?

Mr. Avrim Lazar: Well, we were in a very difficult relationship with Greenpeace, the David Suzuki Foundation, Canadian Parks and Wilderness....all the environmental groups that are now part of our agreement.

Mr. Claude Gravelle: So the environmental groups are the radicals...?

Mr. Avrim Lazar: If you ask Greenpeace, they will say, "Yes, we are radicals and proud of it."

Voices: Oh, oh!

[Translation]

The Chair: Thank you, Mr. Gravelle.

[English]

Thank you, everybody, for your participation.

I'll remind you that we have the committee meeting on Wednesday on future business of the committee. This will determine what this committee will be doing in the months ahead, after Christmas, so it's a very important meeting.

Thank you, Mr. Lazar and Ms. Cobden, for being here today, for your presentations, and for answering the questions.

Thank you very much.

Mr. Claude Gravelle: Mr. Chair, I have a point of order.

I'd like to thank the witnesses for being here today. We've heard from the witness that the communities need help, so I'd like to hear from the workers, the unions, the communities, and the mayors. I'd like to add that to our schedule.

The Chair: You can suggest that on Wednesday.

Mr. Claude Gravelle: I'm suggesting it today, sir.

The Chair: You can bring it up on Wednesday when we discuss future business. We're not doing that today.

Mr. Claude Gravelle: It's a point of order.

The Chair: It's not a point of order. We will deal with all future business of the committee on Wednesday.

Mr. Claude Gravelle: Okay.

The Chair: Thank you very much, Monsieur Gravelle.

The meeting is adjourned.

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