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## **Standing Committee on Natural Resources**

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**EVIDENCE**

**Thursday, February 19, 2015**

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**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

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• (1530)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):**  
Good afternoon, everyone. We're here today to continue our study regarding the renewal of Canada's forest industry.

This study came about as a follow-up for a report this committee did in conjunction with the forest products industry back in 2008. It's meant to see if some of the recommendations from that report have been implemented, to see how the forest industry is doing today, and to see what we expect the forest industry to be doing over the next short period of time.

We have a group of witnesses here today. Actually, this meeting has been divided into two parts. The first part is from 3:30 to 5:00 and we have four witnesses for that part. Then we have a separate section of this meeting—we can suspend the meeting—to hear a witness who will be appearing separately. The reason was that we couldn't deal with language issues, so we are dealing with that by having a separate meeting. That's the way we will proceed. There will be five witnesses today in total.

Today, we have with us from the Canadian Wood Council, Michael Giroux, president. From the United Steelworkers, we have Bob Matters, chair, Steelworkers' Wood Council.

By video conference from Vancouver, British Columbia, we have two witnesses. From the Canada Wood Group, we have Rick Jeffery, president and CEO, and from the Council of Forest Industries, we have James Gorman, president and CEO.

Welcome to all.

We appreciate your taking the time to make presentations. We're looking forward to your presentations. We'll then open it up to questions and comments, as we always do.

We'll have the witnesses make their presentations in the order listed on the agenda, starting with the Canadian Wood Council.

Go ahead, Mr. Giroux, with your presentation.

**Mr. Michael Giroux (President, Canadian Wood Council):**  
Thank you, Mr. Chair.

Good afternoon, everybody. *Bonjour à tous.*

I would like to thank the committee for the opportunity to speak to you today. I know you have already heard from many of my sector colleagues, both from the public service and from industry. What will be different today, I expect, is that what I say here reflects the Canadian Wood Council's area of focus, which is twofold. The first

is maximizing the fair representation of structural wood products and wood building systems in the National Building Code of Canada and the standards related to it. The second area is maximizing market uptake through the education of construction sector stakeholders, including engineers, architects, and builders.

Hopefully, as you think of wood products in this presentation, it will be clear that I don't speak for forestry practices or pulp and paper products, work areas for which both FPAC and FPInnovations speak on the national level.

This being said, I have four topic areas I would like to address today: the building code regulatory framework, education, public work procurement policy, and innovation and investment including demonstration.

The first area is the regulatory framework. In the 2006 timeframe, building codes moved away from being prescriptive solution based to being objective based. This move allowed for the increased uptake of new products and building techniques so long as the opportunity met the health, structural, and fire safety and accessibility provisions of the building code. So those are the key objectives of the building code.

An example of this is the use of firewalls, for which the code went from specifying masonry—using only masonry for firewalls—to specifying a two-hour fire performance requirement. This had the most excellent unintended consequence of allowing for new and innovative construction solutions, in fact, new construction choices, to come forward, allowing for decreased construction costs, whether for materials or for construction time. This translates into increased affordability for homebuyers. It was within this context that the B.C. government and CWC, the Canadian Wood Council, pushed for increased heights in areas, thus allowing five- and six-storey wood mid-rise construction to be moved across Canada.

Now, as our industry looks forward to the increased recognition of science-supported innovative products in building codes, allowing, for example, for the construction of taller buildings and/or increased span wooden bridges, there is recognition that codes must evolve further, from being just objective based to being performance based. Such an opportunity would most certainly allow for the elimination of code language like “combustible” or “non-combustible” in the documents themselves, key discriminants when it comes to what gets built.

In this context, my industry will push forward for performance-based codes; this is for the 2020-25 code, so two code cycles from now. I would like to think that government's role will be to encourage the Canadian Commission on Building and Fire Codes and the National Research Council's codes centre to work on this evolution of the code. I know they are interested; I think it just needs to be supported. This will have the consequence of their taking on or improving on the uptake of innovation in building construction.

The second area I'd like to address, hopefully a little bit more quickly, is education. The success or failure of taller, bigger, better performing and more quickly built wooden buildings is contingent on several factors: codes, materials, locations, and budgets. Successful building requires a design team that understands wood. This has been one of the biggest stumbling blocks to achieving the great potential of wood this century. Architects, engineers, and builders must have a thorough knowledge of the three basic structural materials—wood, concrete, and steel—in order to be able to make the best decisions for the construction of these buildings. In this case, experience is one thing, but it is best served with a foundation of knowledge.

The foundation of knowledge regarding how these materials can be used should be laid early in professional training, preferably at the post-secondary level or earlier. Currently few of the post-secondary architecture or engineering programs that exist in this country have a basis in wood. This kind of training should be a part of the core curriculum for all architects and engineers so they will be as impartial as possible. Times are changing, and these universities are starting to see curriculum drivers. We're starting to see increased height in mid-rise buildings. As far as tall buildings go, we have three tall demo buildings on the block ready or almost ready to go. These will be 13 to 18 storeys. And we are seeing an increased interest in bridges.

● (1535)

From an industry perspective, we're working to develop and fully supply these curricula. From a government perspective, it would be wonderful if you would see ways to encourage the university systems to foster further education in that field. One way to do that might be to link your investment in R and D to the schools.

Public Works' procurement policy is the next one. Government procurement policy can play a big role in enhancing the wood sector, as it need not be a preferred policy. I'm not looking to further an approach that looks at wood first. I'm suggesting that we could very easily go to a "wood equally" place. In this particular case, this would allow for—and I'll give an example here—at the Public Works level we would say when considering Public Works projects, you must equally consider wood along with concrete or steel. That would be a huge gain to our sector all by itself. Given that wood's performance is increasing, and the opportunities we have for better materials, we would be able to compete very easily in that arena. Add to that the environmental performance of our materials.

The next area is innovation and investment in demonstration. Thanks to the great building science brought on by organizations like the National Research Council and FPInnovations, the wood building systems of today perform much better than a generation ago. This improvement in performance capability has been driven by

a desire for higher performance, a reduction in material use, and enabled by the ongoing, mostly focused, innovation.

In this particular case, I would like you to take a look at the way we invest in research and development. In particular, it's not just a matter of participating in research. It's a matter of looking at how we structure that around a vision of the future. That future looks at carbon. It looks at the lower energy performance of these buildings, and in a way it will also look at the resilience of these buildings. I'm suggesting here that we need to invest in that type of future and that the wood products sector should be going along in that area as well. That's investment with a driver in it.

In particular, I'd like to point out that not very much has been done in this country in the area of building science. We certainly support products, but the building science itself is a sore point.

To summarize my four key points:

First, there's a need for fair representation of building materials and codes to ensure their use. CWC, my council, is focused on this area, but ensuring that a performance-based code framework for the 2020-25 code cycle is in place is an area that government can help with.

Second, effective wood education is critical for the uptake of wood building systems in the future. Government can help here by pressuring institutions to provide balanced education through strategic investment in university and college research and development.

Third, Public Works procurement policies can create a level playing field by ensuring that wood is considered equally with other products. This is key to a broader uptake in the private sector.

Fourth and last, investment in innovation, particularly in building science and systems R and D, is key to aligning the sector for the future, but such investment must be aligned with the construction sector drivers for lower operational energy, lower carbon footprint, and resiliency.

On a separate note and a very key point, CWC's partnership with NRCan has been critical to our industry's success in code change. I would like to express my appreciation for this, and trust that such strategic support will continue in the future.

That's my presentation. Thank you very much. *Merci beaucoup.*

● (1540)

**The Chair:** Thank you very much for your presentation, Mr. Giroux.

Before we go to the next presentation, I was going to mention to the committee that today we're dealing with sector and market diversification. I think that's probably obvious from the witnesses we have here. On February 24 we will be dealing with regional development from the west; on February 26, regional development east; on March 10, regional development central; and March 12, regional development north. There will be a little mixing of witnesses just because of when they can attend the meeting. We really tried to accommodate, and I think we've done a good job, but I just wanted to remind members of that. I know the clerk instructed witnesses and there will be very interesting presentations. I'm looking forward to it.

We'll go next to the United Steelworkers, Bob Matters, chair, Steelworkers' Wood Council. Go ahead, please, sir, with your presentation, hopefully up to around seven minutes.

**Mr. Bob Matters (Chair, Steelworkers' Wood Council, United Steelworkers):** Thank you very much for inviting me to make this presentation.

I am Bob Matters. I am formerly a forestry worker who lived and raised a family, or more importantly my wife raised our family, in a rural forest-dependent community.

The United Steelworkers is the largest private sector union in North America with some 250,000 members in Canada and 800,000 continent-wide.

We represent close to 55,000 workers in every aspect of forestry, from growing seedlings, to logging, to the production of lumber and finished products, again in rural, forest-dependent communities.

The last decade has been a difficult one for Canadian forest workers. Between 2000 and 2013 in Canada, forest industry employment dropped by some 41%, 150,000 jobs. That's 150,000 families, again in rural, resource-based communities which were deeply impacted.

Today there are fewer integrated forest companies that manage the forest resource from harvest to the production of a finished product. Consolidation and rationalization coupled with foreign investment have changed many of the companies operating in our country.

Long-standing firms no longer exist in Canada while Bay Street has become the new employer for many of our members working in—my theme—rural, forest-dependent communities.

Meanwhile there has been little private sector capital investment in new manufacturing in Canada, while some of our Canadian forest companies are, in fact, expanding their footprint in the United States.

There have been a significant number of mill closures over the past decade. Manufacturing capacity remains quite high while fibre supply is shrinking. We're having difficulties.

A highly productive workforce with ongoing technological change suggests further rationalization and job loss will come unless significant steps are taken to encourage the expansion of the forest products manufacturing beyond primary products such as pulp, paper, and of course lumber.

I'll talk briefly about the softwood lumber agreement because that has a huge impact particularly on smaller operations in Canada.

Canada's forest sector has had a long-established trade history with our American neighbours, and that has been and continues to be a vital part of our industry's success. In recent history, much of the relationship has been governed by a managed trade deal, the softwood lumber agreement.

In short, we believe the current softwood lumber agreement is a one-sided capitulation to narrow American interests. The United Steelworkers would encourage the federal government to fully defend our industry, and engage with our allies both in the U.S. and Canada that support free and fair reciprocal trade.

Ownership in the Canadian forest industry today is more diverse than ever with more foreign ownership of forest assets in Canada, and likewise, many Canadian companies have expanded their presence in the United States, primarily through acquisition.

While companies have the ability to mitigate exposure to the softwood lumber agreement by investing in operations on both sides of the border, Canadian forest workers don't have that luxury.

While our union does not support the current softwood lumber agreement, we do believe any export taxes collected by government should be invested in research and innovation to expand both the products we produce and the markets that we serve.

Speaking of those new markets—a common theme—overseas construction markets, like domestic markets, must also respond to the demand for growing housing density. Generally that translates to taller, multi-home, multi-storey structures. If we are not poised to expand the use of wood in the construction of multi-storey buildings in Canada and North America, how can we convince overseas markets to do so?

Federal and provincial governments must lead by example. Ensuring that capital construction of public buildings utilize a wood-first policy is key to demonstrating to foreign customers that we believe in our industry and its potential. We must also profile the innovation in our engineered products and their expanded capacity. From structural beams to cross-laminated timber, they are not only a more green choice both in footprint and carbon storage, but they also offer endless possibilities for design and construction.

● (1545)

An issue we often raise, particularly on the west coast of the country, is that of raw logs. As a result of deregulation and partly in response to the softwood lumber agreement and the growing demand from China, the export of raw logs from British Columbia has increased by some 300% in the last five years, accounting for about 95% of Canada's exports of raw logs. That's enough fibre to supply 10 medium-sized mills and employ an additional 5,000 workers. That's opportunity lost in British Columbia for our Canadian workforce.

Our union is opposed to the export of raw logs and considers it a sell-off of potential Canadian jobs. While most of this wood is, in fact, exported from private land and provincially regulated crown land, there is volume exported from federally regulated lands as well. The United Steelworkers have long called for an export tax on raw logs that would incorporate the difference between the export price and the domestic price. The export of raw logs simply is an affront to the social contract on which the forest industry was built in this country. We believe, as do most Canadians, that access to our timber must generate jobs for British Columbians, for Canadians.

Briefly on capital investment, as the second and third growth forests regenerate for harvest, for which we are thankful, older mills need new technologies. Frankly, the long-term viability of these operations narrows every day as the cost of refits grow. We need to encourage and facilitate investments in our industry. That's a vital role federal policy can make.

With respect to people, whether the industry exists as it does today or shifts to a more innovative, higher-value sector, we know we need skilled workers. While the committee did not specifically ask about job training, we thought we would be remiss if we did not mention it briefly. Today the responsibility for training rests with all of us, but frankly, few of us take advantage of the opportunities. We work with some employers who embrace the responsibility and are creating apprenticeships and investing in the workforce, yet others at the opposite pole are unwilling to invest. Skills training seems to generate a patchwork of responses from employers and all levels of government. We continue to call for expanded Red Seal apprentice training and welcome an opportunity to discuss this with the committee further.

Speaking of working together, there are cynics out there, who we fight every day, who still consider the forest industry as a sunset industry. The United Steelworkers does not. It is our collective self-interest to ensure we are all working together to build a more resilient, more sustainable, more productive, and more profitable forest sector. That requires that we all work together: provincial and federal governments, industry, unions, aboriginal groups, and even our customers. We all have an awful lot at stake here. Yet unfortunately, there is little happening at the national level to bring everybody together to share best practices to maximize our impact on the markets. To achieve this, United Steelworkers supports the reformation of the national forestry council as a place where stakeholders can regularly meet and discuss with whom we build our industry and how we do that into the future.

I'd be happy to answer any questions.

• (1550)

**The Chair:** Thank you very much for your presentation, Mr. Matters.

We go now by video conference to Vancouver.

First, we'll go to Rick Jeffery, president and CEO of Coast Forest Products Association, from the Canada Wood Group.

Go ahead with your presentation, please, sir.

**Mr. Rick Jeffery (President and CEO, Coast Forest Products Association, and President, Canada Wood Group):** Thank you, Mr. Chairman.

As noted I am the CEO of Coast Forest Products—that's my day job—and I am also the president of the Canada Wood Group. By the way, I'm also a director of the Canadian Wood Council.

For committee members, the Canada Wood Group is a pan-Canadian organization that has membership from Coast Forest Products, the Council of Forest Industries, BC Wood, the Western Red Cedar Lumber Association, Ontario Wood Products Export Association, Quebec Wood Export Bureau, the FPAC, and the Maritime Lumber Bureau. We represent firms across the country.

Our primary focus and what I will talk to today is our efforts offshore; that's where we focus. As you heard Mr. Giroux say earlier, they are focused on the domestic and North American markets.

We focus on offshore. We focus on two major areas offshore. One is market access and one is market promotions. Those efforts are entirely dedicated to the topic at hand that you have before you as a committee, which is sector and market diversification.

How Canada Wood Group works is we leverage joint funding from the federal government through NRCan and the Canadian wood export program as well as moneys from the B.C. government and the Alberta government. We match that with money from industry and put together about a \$15 million a year program that operates in Asia, most notably Japan, China, Korea, and just recently India, as well as the U.K. and the European Union. We have boots on the ground in all of those jurisdictions. We also deal with market access and market promotions in some 26 other jurisdictions around the world.

As I said, we work through joint funding partnerships. We work with governments, academia, and research institutions like the forest innovation initiative. They help support our activity.

The second half of what we do is we promote those products in building systems in those offshore markets.

Market access is really all about codes and standards, working with architects, specifiers, developers and builders, working on non-tariff trade barriers and phytosanitary issues to ensure that Canadian products and Canadian building systems and technologies can be used and applied in those marketplaces. I would like to tell you a story about how this works.

Recently Mr. Gorman and I had the pleasure of being in Japan to celebrate the 40th anniversary of the B.C. Council of Forest Industries and Canada Wood's presence in Japan. Forty years ago we went there and started a pioneer market. Today it is an \$800 million to \$900 million marketplace and is one of our most valued markets.

Fifteen years ago we started to pioneer our way through China. We had very little idea of how the supply chain worked. Today, after 15 years of effort spearheaded by Canada Wood and supported by the federal and provincial governments, China has now become our second leading market and represents about \$1.5 billion per year in sales.

I just got back from a 10-day, 20-person mission in India. We have just put a person on the ground in India. Our provincial government, through forestry innovation investment, has put some people on the ground in India. As I said, I spent 10 days there and what I will tell you is that India looks to me like China and Japan looked to us 15 and 40 years ago. There is a demand for our wood there; there is a demand for our technology and our know-how there, so we need to get on with the job of pioneering there.

I think it looks very favourable in India and it is probably the next major market diversification opportunity we have offshore.

Our success has been in being able to create the environments, both regulatory and commercially, for the sale of our building materials. That is underpinned by the high-quality building systems and building technologies that we have in Canada and the export of that expertise and technology to those jurisdictions, along with the accompanying forest products that support it.

● (1555)

To Mr. Matters' point, we have a full-court press here domestically to expand wood's use into non-residential and commercial applications. That also holds true in offshore market applications. We are focusing that kind of effort in both Japan and China today to see if we can not only get wood used in reman applications but also increase the amount of wood that's being used in building and leveraging the greenhouse gas and environmental credentials of Canada and Canada's building materials to sell those products.

It is an innovative industry. We have launched cross-laminated timber, or CLT, in Japan. We are building the largest, tallest wooden building in Japan. It is a non-residential elderly care facility, five storeys high, made out of Midply, which is a building system pioneered here in Canada.

I will not be talking today about the suite of emerging products that we see, such as nanocrystalline cellulose, cellulose fibres, biofuels, and those things. They are all things that are in the lab or in a pre-commercial state. The federal government has a role in trying to get them from the laboratory to commercial reality, but that's for another day.

I will end this part by saying the federal government's role has been critical in creating market diversification and the success we've had offshore, through the Canada wood export program that's managed by Natural Resources Canada. We will also be reaching out to Export Development Canada to see if they can assist us in pioneering work in India.

The last thing I will leave you with is market access issues. I will tell you that we have market access issues that run from Australia to China to the Philippines to the European Union. They are around non-tariff trade barriers. They are around phytosanitary issues. We need to ensure that the federal government, through the Canadian Food Inspection Agency on phytosanitary issues and through

NRCan and the Department of Foreign Affairs, Trade and Development, will help us deal with the non-tariff trade barriers and market access issues. These issues are ongoing. They require diligence and our attention, as well as the federal government's assistance and help. The federal government has been very critical in maintaining market access and will continue to be going into the future.

That concludes my remarks. I look forward to any questions the committee may have.

Thank you very much.

● (1600)

**The Chair:** Thank you very much, Mr. Jeffery, for your presentation.

We will go now to James Gorman, president and CEO of the Council of Forest Industries.

Go ahead, please, Mr. Gorman, with your presentation, hopefully for around seven minutes.

**Mr. James Gorman (President and CEO, Council of Forest Industries):** I will move quickly. Thank you for this opportunity and for accommodating us in this way by video conference

I'm going to talk quickly about three things: the importance of the forest sector to the economy of British Columbia, the industry's view with respect to the softwood lumber agreement and the U.S. market, and the continued importance of market diversification to B.C.-based companies.

First, British Columbia is the country's largest producer of softwood lumber, accounting for about 52% of overall production in this country. B.C. is home to five of the largest forest companies in the world. Certainly, West Fraser, Canfor, Tolko, Interfor, and Western Forest Products are names that are synonymous to you, I'm sure, with the forest industry in this country.

The forest industry in B.C. contributes about \$12 billion annually to provincial gross domestic product. It generates \$2.5 billion worth of revenue directly to three levels of government, federal, provincial, and local. Some 31% of all B.C. manufacturing sales are from the forest industry and 24% of all of British Columbia's manufacturing jobs are in the forest sector.

In terms of jobs in British Columbia, one of every 16 jobs in British Columbia is tied to the forest industry. That's 58,000 direct jobs and about another 100,000 indirect jobs. In fact, 40% of B.C.'s regional economies are dependent on forestry.

We exported \$11.7 billion worth of forest products in 2013. Softwood is B.C.'s second largest export commodity. The United States is still our biggest trading partner with \$2.6 billion in softwood lumber alone in 2013. China would be our second biggest market, as Mr. Jeffery has pointed out, at \$1.5 billion.

It is very important to understand an important contextual piece in British Columbia, and that relates to timber supply. No doubt you are quite familiar with the devastating mountain pine beetle crisis that we have experienced in British Columbia. About 60% of all pine trees in British Columbia were wiped out. That means that the annual allowable cut in British Columbia is now on a steady decline in the interior of the province. This year we generated about 11.6 billion board feet of lumber. We expect that number to be 9.7 billion board feet by 2020, owing to the timber supply challenge that we face as a result of the mountain pine beetle crisis.

A word about the U.S. market and softwood lumber: the U.S. remains the most important wood market destination for B.C. It was about 49.5% of exports in 2013. That's about \$3.8 billion worth of wood exports, softwood lumber, and other products. The softwood lumber agreement, as you know, governs that trade relationship. It was signed in 2006. It was extended in 2012, and it will expire in October 2015. There is a standstill provision in which the U.S. has undertaken not to launch a trade action for a period of one year, which would take us to October 2016.

Industry across British Columbia and across the country is united in its view that the current agreement with the U.S. should be extended. By that we mean it should be renewed in its entirety for another seven-year term with the option to renew for another two years. We've had strong support from the Canadian government in representing that view to the United States. We're of that view because we feel that the softwood lumber agreement has worked. In our view, both countries have benefited from managed trade. Past disputes have certainly been lengthy. They have been very costly.

We think it has created greater certainty for producers on both sides of the border since 2006, and in so doing has brought value and stability to the marketplace, that is, our customers. We believe it has provided a platform for the North American industry to work together with the U.S. to grow the U.S. market. That's through a mechanism called the Softwood Lumber Board, which is a binational group. The duties that have been imposed have helped to protect the U.S. industry in down markets, which was a key objective certainly of the U.S. in participating in that dispute. In fact, Canada's share of the U.S. market in 2006 was 34%. Today it's about 29%, and at the same time, the U.S. share of the lumber market in their own country has grown from about 61% to 71%.

•(1605)

It's important to note that in B.C., as the largest producer in Canada, our interior production is forecast to decline by 17% in 2020 as a result of the mountain pine beetle. It's a very important factor that I'm sure people on both sides of the border will be thinking about as we enter into a new phase on softwood lumber.

I think another very important point to make is to link this to the work of the Canada Wood Group, which Mr. Jeffery has talked about, that we have been doing as an industry in partnership with the federal government and the provincial government in expanding offshore markets. In 2005, British Columbia sent less than 120 million board feet to China. In 2013, that volume had grown to 3.35 billion board feet. The importance of making that market real and strong and a consistent place for us to put product is a very important part of our strategy going forward.

I'll quickly round out with some comments on the importance of China and the offshore. B.C. has become the leading market player in China, and we've gotten that place already with very hard work between provincial and federal governments and industry, and are able to grow demand for our wood products.

In 2010, we became the largest supplier of softwood lumber with a 48.7% market share. China now accounts for 26% of our total volume of exports, worth \$1.5 billion. From my perspective, the growth in offshore markets is a key piece, as we think about the softwood lumber agreement. We've managed to keep our share of the U.S. market at a level well below the thresholds that are built into the agreement at 34%, in the work that we have done in a large part by growing that Asian market. In that respect, the SLA has been a contributor to the growth of those offshore markets. We're there to stay, and it's vitally important that together we continue to work to grow those markets and ensure that, as an industry, we don't become more reliant on the U.S. market. We think we're trending in the right way. We're continuing to be committed as an industry to growing that Asian market, and we would encourage the federal government to continue its support for that for many years to come.

Thank you very much.

•(1610)

**The Chair:** Thank you, Mr. Gorman, for your presentation, as president and CEO of the Council of Forest Industries.

We'll go now to questions and comments. We'll start with Mr. Trost from the government side, followed by Mr. Rafferty from the official opposition and Mr. Regan from the Liberal Party.

Go ahead please, Mr. Trost, for up to seven minutes.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** I'd like to start today by asking what worked when it came to market diversification, particularly looking at China and exports, for the purpose of learning what we could continue and what we could apply toward other countries? India was mentioned, but I'm sure there are others.

I'll put this one maybe first to Mr. Jeffery. What worked? What did the industry do right? What did the Canadian government do right? What really caused the Chinese market to open up?

**Mr. Rick Jeffery:** I'll say that it was a concerted joint effort, so I'll highlight that right off the top.

It was critical to have the federal government funding. The Government of B.C. put funding in, and the industry stepped forward. Having that solid funding base to establish boots on the ground in China was of paramount importance.



We had to do the very unsexy stuff in China around codes and standards in order to be able to have our products and our building systems accepted in that jurisdiction. The blueprint from that, as Mr. Giroux talked about earlier, is around building codes and those kinds of things, and having the science behind us to be able to go into foreign jurisdictions like China and get building codes that use our technologies and our products established in those jurisdictions.

That was the first thing. That was very much a joint effort among academia, government, industry, and our research institutions.

The second thing was promotions. We went there and we established a Canada wood brand. You may or may not know that in China they probably don't know where Vancouver and B.C. are, but they certainly know Canada. Thank you, Dr. Bethune. Running a Canada brand there was very important in terms of differentiating ourselves and establishing a marketplace.

It was just a lot of hard work to keep on top of those codes, to focus geographically, to expand our efforts as we got successes, to keep on with the promotional efforts, and to keep educating the Chinese consumer.

We have great success there, as James has mentioned in terms of stats. What's next for us is that we have to increase the amount of wood used in building there. That means doing exactly the same things there that we're doing here in Canada—learning the lessons we have from WoodWorks and from the Canadian Wood Council, and pushing the tall buildings envelope and the innovation envelopes to say that wood can be used in things other than residential applications.

I'll stop there because I don't want to monopolize time. I could go on for a long time.

**Mr. Brad Trost:** If I'm reading you right, what we need to do more in China.... Because the other day, another guest said that China is the next China, in that there still is room for expansion.

For both increasing the Chinese market and looking into the Indian market, you pretty much want to run on the template that we've used in the past with some minor fine-tuning perhaps for local circumstances. Is that a pretty accurate reading?

•(1615)

**Mr. Rick Jeffery:** Yes, we're doing a little bit of a pivot in China now, where we're saying that we want to focus less on.... We've done the ground work around the codes and standards and those kinds of things to get wood accepted in building. We're pivoting now to expanding that to make sure wood is used in building across all segments of the building sector there.

As well, we are now taking a harder look at getting into the reman sector and spending more time and effort there.

One of the things I didn't mention is that we do a great deal of research in those markets, so we're undertaking a new round of research to support that pivot.

But you're essentially right. We have a template. It's a template that works, and it is also a template that is dependent on or enhanced by the federal government's contribution.

**Mr. Brad Trost:** I must say I was struck, Mr. Jeffery, by how much what you're describing in international markets is very similar to what Mr. Giroux was talking about with the principles he's advocating aimed more at the domestic market. Following Mr. Giroux, I think about the comment that the four elements often reinforce each other.

I want to ask about education in particular. As the federal government, we won't go into a university and say, "In your material science class, Mr. Professor, thou shalt have this much wood discussed", etc.

What should be done? What is the industry doing? Are you funding professors, grad students, etc.? How should the federal government be supportive of education, of course without—as you said with procurement—picking favourites or playing favourites for one material versus another? How are we supportive without being discriminatory? What is the industry doing?

**Mr. Michael Giroux:** I wish I had a good answer to that.

Our issue is that, for instance, the engineering schools—the accreditation body is Engineers Canada—set a guideline for these courses or the programs, and the architectural schools do too. At the end, almost every university goes about selecting its program within that context, and they do it according to the drivers they see. If they see cement and steel as being the drivers over time for those programs, they maintain them.

**Mr. Brad Trost:** As someone who's taken his share of engineering and material science courses over the years, these accreditation bodies are influenced by the professors, the Ph.D.s, whom you can fund through grad students. The federal government can put grants through NSERC and various institutions like that. Are there not professors at UBC, Simon Fraser, wherever, who are material science experts with wood, who would then provide input into the professional bodies? Is that a way that education could go forward to promote what you're talking about?

**Mr. Michael Giroux:** In a world where infinite money was available to fund these chairs, that would be one way to do it. The other way is to excite them by the market opportunity, by making them understand that there is new innovation in mid-rise and taller buildings and bridges, and that will get them to engage by themselves. That's where we're going right now as a council: to try to push that, make them understand that. We've run a recent professors conference, where we brought people together to discuss that. There is increased interest, but you can only take a horse to water, you can't make it drink.

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

We go now to the official opposition. Mr. Rafferty, you have up to seven minutes. Go ahead, please.

**Mr. John Rafferty (Thunder Bay—Rainy River, NDP):** Thank you, everyone, for being here.

My first question is for Mr. Matters. If Mr. Gorman would also be interested in talking about this issue, that would be great, and if other witnesses would like to pipe up, that would be welcome of course.

This question is with regard to reforestation in Canada. I realize that forestry management is traditionally a provincial jurisdiction, but given the broad decline in the forestry sector across Canada, and the need for Canada to improve our commitment in support of our international climate change obligations that we have voluntarily taken on, as well as more local environmental concerns, I wonder if you could shed some light on the issue of reforestation in Canada. Specifically, could you tell us about any ongoing reforestation efforts, and what role they can and do play in improving our environment, as well as getting Canadians back to work in the forestry sector? As a supplementary, do you believe there is anything the federal government can and should do to assist the provinces and our forestry industry in their reforestation efforts?

Mr. Matters first, and then Mr. Gorman.

● (1620)

**Mr. Bob Matters:** I think the supplemental is easy to answer first, and the answer is yes. I spent my career in the forest industry. The forest industry traditionally, because we haven't gotten around to diversifying properly, has been a series of good times and bad times. Through some of the "bad times" in the eighties and nineties, the federal government partnered with the Province of British Columbia and invested, if I recall correctly, "b" as in billions to deal with the then not sufficiently restocked lands. They did a great job of doing two things: catching up at that point on what was insufficiently restocked, but it also happened at a point in the downturn when a lot of the workers had lost employment, a lot of curtailments happened at that point, and that kept a lot of people working in their communities doing exactly that.

So, absolutely yes, although it is largely provincial jurisdiction, the federal government has a fantastic role to play. They've shown they can do that.

To Mr. Gorman's point, we all know in British Columbia, particularly in the interior around Quesnel, Williams Lake, up to Prince George, because of the pine beetle he referred to, there's going to be an enormous need for—my green friends don't like me saying this—mowing down what hasn't fallen down yet. Although millions of hectares of dead and dying trees are standing or lying down, that's still prime growing country for our future forests. So absolutely, there's a huge role for the federal government.

**Mr. John Rafferty:** Mr. Gorman.

**Mr. James Gorman:** The total area of the province of British Columbia is about 95 million hectares. The forested land base would be about 55 million hectares, and the land available for harvesting in British Columbia is about 22 million hectares. Less than 1% of that forest is harvested annually.

In British Columbia, forest companies that harvest are required by legislation to replant within a fixed period of time. In British Columbia, for example, that means 200 million trees are planted annually with every hectare that is harvested being replanted.

It's also important to note that 52 million hectares of B.C. forests are covered by third party certification, which is more than any other

single country in the world. We estimate that trees that have been planted in British Columbia capture about two billion tonnes of carbon.

**Mr. John Rafferty:** Mr. Matters indicated that the federal government had a role in the past, and it would be good for the federal government to have a role in the future.

Would you agree with that assessment, Mr. Gorman?

**Mr. James Gorman:** I think this is a matter of provincial jurisdiction, and I think the necessary regulations are in place. I think industry understands that it is responsible for being a steward of the land, and that because it harvests, it is responsible for reforesting. Our companies are the ones that put those 200 million trees in the ground every year, and we think that's an appropriate role.

**Mr. John Rafferty:** Mr. Gorman, you might have a quick answer for this one.

You were talking about raw logs and the percentage of raw logs that are shipped to China. I know Canada and Canadians don't have any say, of course, in how China uses raw logs, but are you concerned or are the industries you represent concerned that perhaps China will be using these raw logs, for example, for pulp and paper, and thereby undercutting some of our own companies in Canada? Is that something we should be concerned about?

**Mr. James Gorman:** I'll defer to Rick Jeffery from the Coast Forest Products Association, because that's primarily an issue from the coast.

**Mr. Rick Jeffery:** John, as you well know, the issue of log exports is contentious. Mr. Matters spoke to it earlier.

We as an industry have a diversified basket of goods we sell across the world that emanates from our forests. That can include anything from salal for floral arrangements, to mushrooms, to logs, to lumber, to pulp and paper, to bioenergy products. It is healthy to have that diversified basket of goods.

The issue is really with the appropriate numbers of logs exported. We have systems in play in British Columbia that ensure those logs don't go offshore if a domestic user requires those logs for their own uses.

So there is a system in place. It's not perfect, but at least it's there.

We promote the use of wood in all jurisdictions. The use of logs in China ultimately ends up increasing the familiarity and acceptance of wood products in building, and that ultimately helps us sell wood in those markets at the end of the day.

I will also note to you that the Chinese...

● (1625)

**Mr. John Rafferty:** I wonder, Mr. Jeffery—

**The Chair:** Mr. Rafferty, you're actually out of time, but I'm going to allow Mr. Giroux to answer that question as well. He had indicated he would like to.

Go ahead, please.

**Mr. Michael Giroux:** I have just a very short comment, and it's a twist on what we're saying here, and it could speak to roles.

Environmental reputation here is very key with regard to the actual access to markets. As you're looking at and analyzing what you need to do in the future, bear in mind who has responsibility for that.

I can't sell or do well in markets if I don't have peace in the forest. That's the only comment I wanted to make.

**The Chair:** Thank you.

Thank you, Mr. Rafferty.

Mr. Regan, go ahead please, for up to seven minutes.

**Hon. Geoff Regan (Halifax West, Lib.):** I have lots of questions and only a few minutes, but I would like to let Mr. Jeffery finish his answer if he wants to.

Did you have more to add?

**Mr. Rick Jeffery:** What was I going to say?

I'll pass at this moment.

**Hon. Geoff Regan:** All right. Fine.

Mr. Gorman, I think you said the U.S. industry's share of the domestic market in the U.S. has risen under the softwood lumber agreement to 71%. I forget what it was originally. Is that correct? Am I right about that number?

**Mr. James Gorman:** Yes. Back in 2006 the U.S. share of the U.S. market was 61%. That market share the United States has of its own market today is at about 71%. The Canadian share of the U.S. market over that period of time, which the agreement capped at 34%, is now at about 29%. In many respects that is the softwood lumber agreement doing what it was intended to do. It was intended from the United States perspective to protect their market and to protect the amount of share that could come. British Columbia and this country have done well by diversifying their markets in order to respect that.

**Hon. Geoff Regan:** Where do you see it going? Are you satisfied that we are going to stay at 29%, or is that trend going to continue? We don't know what's going to happen with our dollar, obviously, at the moment. We know that our dollar has dropped but not nearly as much as the Brazilian real or the Russian ruble. Where do you see it going?

**Mr. James Gorman:** Sir, I think there are two really important factors that are going to be the key determinants of where this goes.

In our view our share of the U.S. market is going to remain flat or potentially slightly decline. There are really two reasons for that. One is much of what this discussion has been about today, which is a sustained commitment to the expansion and diversification of our markets. We really see the tremendous potential that continues to exist in Asia. We do subscribe to the view that China is the new China, that there is a tremendous opportunity there to continue to expand our footprint and the range, diversity, and use of our products there. That's one thing that will keep the percentage down.

The second one, and perhaps this is much more crucial, is British Columbia is at 52% of softwood lumber production in this province and we are facing a timber supply crisis. You only have to get into a helicopter and fly over British Columbia to see the extent of the devastation and what that has meant. We are coming through the end of what is a 10-year period that has been the greatest salvage effort in

the history of this province to try to salvage some economic value from dead timber. We are going to watch the annual allowable cut, which in the interior part of the province was traditionally around 55 million cubic metres, come down to around 42 million cubic metres and it is going to stay there for the better part of a century. We see about a 17% decline in our production between now and 2020.

• (1630)

**Hon. Geoff Regan:** Some might argue that what we've seen over the past year is that Russia is the old Russia in some respects.

Considering the cheap fibre that Russia can supply to China, considering the advanced technology and the ability of the Chinese engineers and so forth to develop, and adapt, and borrow technologies, when you look at the U.S. and other markets but especially when we think of market diversification, what is Canada's competitive advantage?

**Mr. Rick Jeffery:** We have several competitive advantages. First, we have high-quality fibre. Second, we have great people. Third, we have great technology, building systems, and a network of professionals and research and science that make Canadian products the pre-eminent wood products in the world and Canadian building systems and technologies world leaders. Those are the things that we will play on as we move up the value chain in China, because that's the game there, to move up that value chain. It's not a volume game anymore, as James has said; it is a value game. We'll move up the value chain there. We'll move up the value chain in Japan, and at home, through the efforts of the Canadian Wood Council and others to move up the value chain here, and diversify into places like India, which is looking at high-value products for doors and windows for their domestic markets.

So our focus won't be volume; it will be value, and we're well situated in that regard as Canada.

**Hon. Geoff Regan:** Are there others among the witnesses who would like to answer that question about competitive advantage?

Second, aside from the stage of development of the markets, what differences do you see in the market in India versus China? Are there any other different challenges that exist?

**The Chair:** Would anyone else like to answer that?

**Hon. Geoff Regan:** Nobody wants to answer that at all, apparently. I'll go on to my next question.

Mr. Matters, you talked about the challenge of recruiting skilled workers. What has changed in the past six to eight years in terms of how the industry recruits skilled workers? What role does your union play in that regard?

**Mr. Bob Matters:** The timeframe you pose is rather tricky.

**Hon. Geoff Regan:** I'll let you choose the timeframe. How's that?

**Mr. Bob Matters:** No, I'll answer your question. I want to explain my answer.

Our industry, particularly in rural areas, whether they be in British Columbia or northern Ontario, has been fighting in that time period with natural resources who've had much deeper pockets to, frankly, bribe and steal our good hard-working members whom I think James or Rick referenced. That's been a problem. There was a huge shortage there for a while. That's being slightly corrected right now, particularly with what's going on with resource prices. Again, we're talking about northern Ontario, British Columbia, Alberta, and Saskatchewan.

One of the things that I took out of my original presentation, because I didn't want to be too critical of the world, was training and retraining. Governments—and I'll just say "governments"—have a history of packaging training opportunities and retraining opportunities to what they think is most efficient, which usually means partnering with an institution that has a different agenda, frankly, and that's making sure the cash comes in and the cash goes out.

We struck a unique partnership with the Government of British Columbia to do a one-off training program in Prince George, as a result of some of the downsizing we've seen. I use this stat because I think it's really telling. We also have apprenticeship training programs in our industry in British Columbia. In order to get access to these training programs, you have to pass a series of tests that are already established. The average pass rate was just north of 60%, which isn't great for a whole lot of our members, obviously. When this crunch happened and we set up this unique training program in Prince George, we took those folks who were losing their jobs and we actually got them upgraded, employable, and with those who then went on to take the apprenticeship test, our success rate went to 89%. We're talking about the same workforce, but just making sure we get them the immediate skills they need to get themselves employable in their communities, because again, far too often many of our training programs are for jobs that are, frankly, not available to those in rural areas.

That was a unique effort. It's still evolving a little bit, but it doesn't fit any of the normal government tick boxes to establish a program. That's why I wanted to raise that.

• (1635)

**The Chair:** Thank you.

We go now to the five-minute round. We'll start with Mr. Leef, followed by Ms. Perkins, then Monsieur Caron, and then Ms. Crockatt.

Go ahead, please, Mr. Leef.

**Mr. Ryan Leef (Yukon, CPC):** Thank you to all our witnesses today.

Mr. Gorman, my first question will be for you. I represent Yukon. In comparison to British Columbia, we're pretty small scale in terms of our timber market potential, but we do periodically fund timber inventory studies through the Canadian Northern Economic Development Agency. One of the things you touched on was the dead timber issue in B.C. We're seeing a bit more of that up north as well. When we did some of the timber inventory studies there, the biomass potential was very much there from a forest use perspective. What we started hearing back, though, was that the consumer base wasn't there.

Could you talk a bit about the consumer-based R and D that might be needed? How do we create that consumer interest? How do we create the technology at the consumer end? This is one thing we've heard clearly here today, that we could invest in the forest sector directly. However, you can have all the product in the world, but if you don't have the people prepared to consume it, it becomes a little bit more challenging. We haven't heard a lot about that domestic market diversification in terms of consumers, B.C. being a fairly significant player. Maybe you could provide some insight for us.

**Mr. James Gorman:** I think there are a couple of issues to talk about with respect to biomass.

The first problem that we face collectively from that perspective is an economic problem. It's about how to get that timber out of the woods, and how you make that biomass economic, how you make it pay for itself to bring it out.

At the moment, and British Columbia is not unique in this regard, a sawlog business pays to bring wood out. It is the highest value you can generate. We have two sets of residuals. We have residuals that are created at the mill and we have residuals that are piled in the bush.

In British Columbia we are doing a lot of thinking about how we can make those bush residuals more economic. I'll tell you a very important consideration that's under way here in British Columbia as we are watching our cut come down quite dramatically is the amount of residuals that sawmills are creating is necessarily going to decrease. At the moment we use the sawmill residual biomass for everything from the pulp and paper industry. We generate pellets and we generate electricity with it to power our kilns, our mills, and to sell back to the grid.

I think there is growing concern in British Columbia as the sawmill side has to consolidate and shrink as a result of the timber supply. The worry is that a lot of that residual fibre, that residual biomass, is going to be scarcer, particularly from the milling side. Does that change the economics as our folks need to go back to the bush and be able to pull out some of the roadside debris that we've left?

I think some of the programs that the federal government has in place like IFIT, for example, that allow us to try to understand and bring together near commercial-ready technologies to be able to find some higher value economic uses for them are very important programs that can really help this industry in the long term.

• (1640)

**Mr. Rick Jeffery:** If I could just jump in on that, work is being done through FPInnovations around taking things like nanocrystalline cellulose and cellulose fibres and those kinds of new age materials that can be extracted from the biomass. We've got to the point where we can produce the stuff and now we are reaching out to the automotive industry and 3M and places like that to say that we've got the stuff, now where is the commercial application for it. That work is ongoing and that is the work to try to create the consumers you're talking about.

**Mr. Ryan Leef:** Thank you for that.

This isn't so much about the market diversification piece, but if you look at British Columbia and other places that have a considerable amount of dead timber, some of that is still continuing to support pine beetle.

As we figure this out, how long do we let that sit waiting for the things you just talked about to advance themselves? This is obviously a provincial question, but do we get to the point of triggering things like prescribed burns where you lose the timber resource value but it starts forest regrowth and regeneration, maybe helps stop some of that proliferation of beetle kill or other diseases that are coming along? How does that question factor into the speed of innovation versus speed of action?

**The Chair:** Mr. Leef, unfortunately you are out of time, so we'll have to take that as a comment and food for thought. If that could be fit in to a later answer, that would be great.

Ms. Perkins, go ahead, please, for up to five minutes.

**Mrs. Pat Perkins (Whitby—Oshawa, CPC):** Thank you all for your comments today and your input. I found it fascinating.

Mr. Jeffery, we were listening to you talk about the focus being offshore and the two big points being access and promotion. I'd like to understand a little more about what the challenges are on the access side, because that sounds like where the big challenge is.

You spoke a little about codes and those sorts of things, but what are the major access issues?

**Mr. Rick Jeffery:** Access issues take their form in regulatory issues, market acceptance issues, in a commercial sense, and then there are trade issues, to give you three main groups.

In the market access issues, we focus a lot on codes and standards: fire codes, lumber properties, strength values, and those kinds of things.

It is an art to take the science and research that we have here in Canada and get it accepted and used in foreign jurisdictions. For instance, we got the Shanghai government to adopt a wood building code. We had to work with them to do research and development that was acceptable to the Chinese and Shanghai governments. We couldn't just say, "Here's our code; use it". We have the same thing going on in Korea right now, where we have lumber properties and grading systems for our lumber. It's talking about wanting to create its own grading systems. We have to take all of this research that we have here and put it in a form that's useable by a foreign government. At that level, that's one thing.

In commercial acceptance, you have to go to the specifiers—the architects, the engineers, the developers, and the builders—and convince them that wood is a cost-effective, environmentally preferred building system, and then teach them how to use it, if they don't. The Chinese don't build non-residential multi-storey buildings out of wood. They don't know how to do it. We have a Canada Wood College there. We're training carpenters on how to build with wood.

There are a bunch of things that you have to do in a commercial sense to get people to say, "Hey, I want to use wood".

On the trade side, there are all manner of things that go on. We have phyto issues. For instance, in China, they're worried about pests coming in on our lumber and in our logs. We've had technical issues in India around phyto stuff. The European Union introduces all manner of regulation around construction products, dry grade marketing, and these kinds of issues that are essentially non-tariff trade barriers. Generally what happens is our trade posts alert us that something's coming down the pike. We work very closely with the consulates, embassies, high commissions, DFATD, and NRCan to head those things off at the pass, to make sure jurisdictions aren't introducing regulations that will prohibit the use of our products in those jurisdictions.

Those are the three big buckets of things that we are focusing on in a market acceptance role.

• (1645)

**Mrs. Pat Perkins:** Thank you so very much for that.

Taking some of what Mr. Jeffery has said over to Mr. Giroux, you had indicated that research and development were going to be key issues that had to be dealt with for the building sciences, that this is a piece that was deficient, and you thought that needed to be bolstered in some fashion.

Do you see the research and development piece that we were just talking about here having any benefit to the industry that you're talking about, in trying to expand the wood use outside of just the residential use? If they've done all this research and development, and they're selling the whole concept to foreign governments, how does that assist you? Is there a piece in it for you?

**Mr. Michael Giroux:** I think we always can learn, in a sense, from the innovation that happens in other countries, and bring it here, and we—

**Mrs. Pat Perkins:** No, but I'm talking about what we are taking to other countries.

**Mr. Michael Giroux:** Oh, well, in that case, what we need to do is demonstrate here in order to accelerate there. That's what this is about.

**Mrs. Pat Perkins:** I've been getting a really good education on all of this over the last few meetings. I do understand that there is a move to change from the four-storey maximum on our buildings, and that there have been some precedents now and some great innovation. What I'm hearing is that there has been a tremendous amount of success in taking the methods that we're proposing offshore over to Asia, and that they're accepting them. Where are our barriers to seeing that transformation here?

**Mr. Michael Giroux:** We have a long way to go in terms of the fair recognition of wood products in building codes. If I understand your question correctly, what that really means is that we need to take our game to the next level here. That's why I was mentioning performance-based codes as an example.

**The Chair:** Thank you, Ms. Perkins. Your time is up.

We go now to Monsieur Caron. You have up to five minutes, please.

[Translation]

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

I would first like to touch on what I spoke about two days ago.

Mr. Gorman, you spoke briefly about the Softwood Lumber Agreement between Canada and the United States, which is set to expire in 2015. The agreement provides for a one-year standstill on any actions the U.S. could launch in Canada.

You are in favour of this agreement, and you hope that it will be renewed. We want that too, but what do the Americans want? Do you know if they would like to water down the agreement, change it or make it very different from what it is now?

[English]

**Mr. James Gorman:** What we're hearing from Canadian officials is that the Office of the United States Trade Representative is not in a position at the moment to formally engage Canada with respect to softwood lumber discussions. I think they have been very clear with Canada over the past many months that the priority of the Obama administration is the Trans-Pacific Partnership discussions and negotiations. They intend to focus their time and their resources on TPP, and likely, TPP will need to conclude from a U.S. perspective prior to their really engaging with Canada.

We're also to understand that they have not completed the consultation that they would do normally with stakeholders, including the U.S. Lumber Coalition, in the United States. Canada has not received an official position from the United States with respect to their view on the agreement going forward, nor do I think that we really expect to until TPP concludes.

• (1650)

**Mr. Guy Caron:** On the other side, if the TPP negotiations get extended by two, three, or four years, we will be faced with the same situation we were in back in 2006.

Does that concern you?

**Mr. James Gorman:** I think the official position of Canada, and it's very much supported by the industry, is that the agreement should be extended in its entirety, or it should be allowed to end and there should be free trade.

Over the better part of the last two years, 16 months over the last two years, because lumber prices have been higher than the trigger points identified in the agreement, we have enjoyed free trade between Canada and the United States in softwood lumber. We would remark on the fact that during this period of time, Canada's market share has not increased in the United States owing to the reasons that I discussed in an earlier question. Were the agreement to expire and we continued in a free trade position, that's certainly what we would be prepared to live with.

[Translation]

**Mr. Guy Caron:** Thank you very much, Mr. Gorman.

My next question is for Mr. Matters.

I believe your position on the agreement is very different from the industry's. Whether it's Mr. Gorman or the Quebec Forest Industry Council, the opinion is that this is not necessarily the best agreement

we could have, but not having this agreement would have been worse.

You still oppose this kind of agreement, and I want to know why. What solution do you think we should favour instead?

[English]

**Mr. Bob Matters:** Again, some provinces have different applications with respect to the agreement. That being said, it's somewhat ironic—and I'm not trying to take a shot at my friend Mr. Gorman—that the U.S. would prefer to deal with a trade agreement relaxing barriers and get that out of the way before it would deal with a trade barrier issue with Canada. It just doesn't make any sense. If the world is going towards freer access and freer markets for everybody with fewer barriers, then why the heck would we be signing a barrier when, theoretically, we already have free trade that imposes restrictions?

I think one of the speakers made the comment that recently we have enjoyed no tariffs. Lumber prices are, thankfully, doing reasonably well. I think they're a little bit softer than some thought they might be, but we're not very far from the thresholds that would in fact impose new barriers. With trade being the issue, somebody talked about currency and Russia. The U.S. is enacting new regulations for trade cases to go after countries that impose currency manipulations.

There are some, particularly those on the U.S. side, who would want restrictions and who would use Canada's dollar and what has happened to it to accuse Canada of currency manipulation.

Very clearly, the deal was not a good deal for Canada in the long term. It got us over a hurdle. It got us some certainty, which the industry liked. It also got the Americans \$1 billion to play with. It also gave our major companies some money back, which many of them promptly invested in the U.S., which didn't do anything for Canada.

I'm very happy to see that the industry would be content if the deal just faded away. That's what should happen.

**The Chair:** Thank you.

*Merci, Monsieur Caron.*

Ms. Crockatt, you have up to five minutes. Go ahead, please.

**Ms. Joan Crockatt (Calgary Centre, CPC):** This is a fascinating discussion we're having today. I want to thank the witnesses for being here.

It is hard when you're on a video conference link, but thank you, gentlemen. You've been active players in this and I appreciate it.

Michael Giroux, you talked about the excitement of the markets that can be generated as being one of the things that are going to convince people to utilize wood in more innovative ways. I just want to give you an opportunity to give us some examples of specific products which the general public might not be aware of that are really causing some excitement. I wouldn't mind if you focused on some of the things we have helped advance at a federal level so that we know the success stories and best practices, and what's working there. Could you start with that, please? Then maybe we'll go to a couple of the other gentlemen if they'd like to respond.

•(1655)

**Mr. Michael Giroux:** There are a lot of questions there.

In mid-rise markets—buildings of five and six storeys—the code change was championed or supported by NRCan through the National Research Council. That was absolutely critical to making that market work. That code change was promoted by British Columbia first and then dragged across the country by the Canadian Wood Council.

We're seeing significant uptake in that. In B.C. as an example, there are over 300 buildings now under construction, built, or in design. Even last week at a seminar in Ontario, there were 400 participants all trying to figure out how to build these buildings.

The federal government has invested significantly in the tall building program. We have a demonstration project. It's a roughly \$5 million initiative. The Wood Council is leading that, or at least managing that with the federal government.

We have three tall buildings on the books right now. One in Quebec City is 13 storeys. Here in Ottawa we have one coming along. The Quebec City one is residential and the Ottawa one is commercial. There's one in British Columbia at UBC that is 18 storeys. Those are a few things.

In the products area, things are going to get us fascinated and excited. We're talking about wood fibre supply, not particularly in my area, but I have examples of wood fibre insulation used for buildings. This is an innovation that comes from Europe that FPInnovations is looking at. We have some very interesting things that could excite markets.

We're looking at bridges. We have a concrete with wood fibre opportunity out of the NRC, National Research Council, that could revolutionize the way we look at bridge decks. It would provide up to 70% wood fibre and the concrete would allow for increased spans.

There are some really cool things coming that should excite people, and that's why I say that we have an opportunity to excite markets.

I'll stop there.

**Ms. Joan Crockatt:** These are all exciting projects. Are any of them going to be artistically architecturally unique? Are they going to attract a lot of attention? How can we utilize those advancements of these amazing buildings and new products to tell that story?

**Mr. Michael Giroux:** It depends on who builds them. If it's non-resin and the federal government's, there's probably going to be an artistic element to it. If it is private industry, they'll be as efficient as they want to be to get to their goal. There's no reason that they couldn't be. In fact, durability by design, by appearance, makes more sense. That's why you see a lot of pagodas in China still: because they're appealing to the eye, they're not torn down.

**Ms. Joan Crockatt:** It looks like Mr. Gorman wants to speak.

**Mr. James Gorman:** Perhaps I could jump in quickly here.

In British Columbia they adopted a build with wood strategy prior to bringing the 2010 Olympic Games to Vancouver. One of the things that the Government of British Columbia did here with support from the federal government was to develop the Olympic

facilities and the various public facilities including the Vancouver Convention Centre as showcases for wood and wood products, so that we could demonstrate both what British Columbia produces and what this country is famous for, which is wood innovation and the beauty of wood.

Anyone who visits Vancouver for a conference, anyone who visits a recreational facility or any of the legacy facilities in both Whistler and Vancouver will be hit between the eyes, if you will, with some of the beauty of the wood products that we've used here. It's hard to travel around British Columbia without coming face to face with wood. That's been part of an important policy regime that's been in place in British Columbia for some years.

**Mr. Rick Jeffery:** I'd also say that Wood WORKS!, which is an offshoot of the Canadian Wood Council, runs competitions every year and a Wood WORKS! gala in B.C., Alberta, and Ontario in which they showcase buildings that have wood in them. They are the most amazing buildings, and I'm going to, as a director on Mr. Giroux's board, ask him to ensure that the committee get copies of the Wood WORKS! gala books so that you can all see the art of the possible in building with wood.

•(1700)

**The Chair:** Thank you, Ms. Crockatt, very much for your questions and comments.

I ask the witnesses who are here in this room to leave the table so we can get to our next segment, which will be by video conference from Quebec City with Luc Bouthillier, who we will introduce more fully later.

I want to thank all of you very much for your presentations and for your excellent answers to the questions. We will suspend and come back with our last witness.

•(1700)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1700)

**The Chair:** We'll resume the committee with a witness by video conference from Quebec City. We have, as an individual, Luc Bouthillier, full professor, department of wood and forestry science, faculty of forestry, geography and geomatics, Université Laval.

Thank you very much, sir, for being with us today. We'll get right to your presentation for up to seven minutes and then we'll go to questions and comments from members of the committee.

**Mr. Luc Bouthillier (Full Professor, Department of Wood and Forestry Science, Faculty of Forestry, Geography and Geomatics, Laval University, As an Individual):** Thank you, Mr. Chairman.

[*Translation*]

Members of the committee, I would like to thank you for your invitation, and especially for having me appear live by videoconference.

I would first like to stress one fact that you have probably been reminded of frequently: Canada is a forest nation with considerable wealth. Just one figure is needed to establish this: 348 million hectares. That is the same as 700 million football fields. That is our ultimate wealth in a green economy. But are we making the most of it?

One figure bothers me. I have been a forester for almost 40 years now. Ten years ago, Canada had 360,000 direct jobs related to this industry. Today, that number is 215,000 jobs. So, we have lost 115,000 jobs while we are sitting on this wealth. Obviously, these are significant job losses because they affect regional Canada—Skeena, Kapuskasing, Shawinigan and Corner Brook. Regional Canada is affected by this forestry crisis and this loss of 115,000 jobs.

It is important to do something. Ten years ago, the pulp and paper industry generated sales of \$40 billion, while today, that amount is \$25 billion. Fortunately, things are a little better on the wood products side of things. Still, in both cases, the profit margins rarely exceed a few percentage points, which doesn't give much leeway. For pulp and paper, this is calculated in fractions of a percentage point. So there is even less leeway.

However, there is a possibility of recovering our primary market. In Canada, forestry is first of all an export industry, with the main client being the American market. This market has improved: it needs much more softwood lumber, among others.

For all wood products, residential and non-residential construction in the United States offers very good prospects that have been taking shape for the past 24 months. Interesting things are on the horizon. This prospect of the American market, which is going well for fine paper used in offices may be extremely appealing. Obviously, fine paper may be the last chance we have to make money. As well, the exchange rate is a real advantage for us. Every dollar in revenue that we earn in the United States is worth more in Canadian dollars.

In the very short term, there is a market that could earn us revenue and enable us to change this attitude of considering resources in a somewhat predatory way. That attitude served us well in the 20th century. We were happy to harvest the forest at the lowest possible cost, but now we need to take advantage of the coming years to move toward something else and realize that the future of the forestry industry depends on the ability of the industry, of academia and of those people responsible for public policy to take the forestry industry into a green economy.

What do I mean by “green economy”? It is an economy that aims to create the most wealth possible with the explicit intention of being concerned about the distribution of this wealth and the secondary intention of minimizing the environmental impact, the risks, and avoiding the breakdown of ecosystems.

● (1705)

All of that may seem very theoretical and very strange.

However, if we look at the most recent Davos forum, Paul Polman, the president of Unilever, explained that the company, which manufactures detergents, soaps and personal hygiene products, has set for itself a vision of doubling the economic impact from a green economy perspective, while reducing by half the environmental footprint of the company's various activities. I think that it is perhaps time that a number of leaders in the forestry industry and the governments form this partnership to adopt such a vision.

A small research project I'm working on makes me think that this is possible. In eastern Canada, specifically eastern Quebec, we are trying to see how the development of forestry bioenergy can galvanize disadvantaged communities and diversify employment.

What do we mean by that? It is in its very early stages, but we are seeing that when we give up petroleum products for forestry energy, where we used to employ one person a year, we could employ up to seven people a year by diversifying the forest production chain toward community heat generating units.

That is something to explore, especially since we realize that it is possible when leaders of the various communities decide to play their role in the context of a green economy. What this does is galvanize their communities because we are creating local jobs and because we need people who are better trained to fill these jobs, since remaining efficient is important.

We also realize that technological innovations are needed. We need systems that use this bioenergy in a way that maximizes heat performance while decreasing the environmental footprint. Organizational innovations are necessary because this forestry bioenergy must be part of the value creation chain for the entire forestry industry. Social innovations are needed because the way communities are organized must take this kind of innovation into consideration.

If this is possible on such a small scale, with a category of specific products, such as forestry bioenergy, I think we could imagine green construction in the same way. We could probably adopt that as an objective in the space of 15 to 20 years, to double the wealth from the manufacture of wood products while decreasing the environmental footprint by half.

● (1710)

[*English*]

**The Chair:** Professor, excuse me. We want to make sure we give members a chance to ask you questions. Could you end your presentation here? If you have other things to add, you can add them as you're answering the questions.

Let's get to the questions and comments now. Each party will have seven minutes. You can divide that time as you choose.

I'll start with the government side. Mr. Trost, you have up to seven minutes. If you'd like to divide it or split it, go ahead and do that.

**Mr. Brad Trost:** Mr. Chair, if I don't finish the time with my questions, I will share it with my colleagues.



In the beginning of your presentation, you talked about the United States being our primary market. This is predominantly an export market. I found it interesting that, in comparison to other witnesses we've heard from on the other two days, you didn't talk about the growth in Asia. I understand that the Quebec and Ontario forestry industries are in a very different market, naturally, from British Columbia. China is not quite as close to Quebec as it is to British Columbia. But where they've had their great success is diversification of their markets overseas.

Has the forest industry particularly in Quebec looked for international markets in the same way that British Columbia has? If so, where? If not, why not? What fundamentally would make the more eastern Canadian market different from the western Canadian market in driving for new markets, possibly Europe or somewhere in the east? What's the difference between the two sides of our country in looking for diversification of international markets?

**Mr. Luc Bouthillier:** Of course, British Columbia is closer to Asia than eastern Canada is and the forest industry in British Columbia was very keen on developing the Chinese market and it was done very successfully. For the Quebec industry, we are further away from the Asian market, and I've mentioned—

• (1715)

**Mr. Brad Trost:** Is there potential in other places like Europe?

**Mr. Luc Bouthillier:** Yes.

**Mr. Brad Trost:** Is there potential for the unique products? You were talking about some of the bioenergy products. Europe loves green products relatively more than Asia does. Are there some synergies there?

**Mr. Luc Bouthillier:** Of course, there are synergies there. With the free trade agreement with the European community there is an opportunity that eastern Canada should seize for green construction, for bioenergy with pellets and briquettes and things like that. Actually, right down here in Quebec City there is a huge port development in order to allow wood pellets from Ontario and Quebec to be directed to the United Kingdom as soon as possible. We are speaking about hundreds of thousands of tonnes of pellets. There is something to do, and it's being done.

In terms of green construction, we are a bit behind our friends from Scandinavia. Finnish and Swedish companies are ahead of us in terms of green construction. It's a ball game in which we have to make progress very soon.

**Mr. Brad Trost:** I'd like to follow up on some of the remarks you made about technological innovation. Other witnesses have made similar sorts of remarks, but they also paired them with the concept the we need to improve education.

Can you comment on how those two elements need to work together? I'm presupposing they do need to work together, but if they do, how do they need to work together, and do we need to increase our educational component in implementing some of these technological innovations you and some of your colleagues are coming up with in the lab?

• (1720)

**Mr. Luc Bouthillier:** Yes, it's another challenge we are facing. It's rather easy to develop new recipes in the lab. The idea is to export

those new products and new recipes from the lab to the processing plant, and we are facing a tremendous.... If I compare what is going on in Sweden, for instance, with eastern Canada—I have in mind New Brunswick, Quebec, and Ontario—most of our workers in wood processing plants have minimal computer knowledge. If we are really serious about the automatization and development of processing plants that are more productive, we have to rely on workers who have computer knowledge, who have a feeling for participating in organizational innovation.

When you try to achieve a better product at the lowest cost, you need to rely on the guy on the floor who knows exactly what is going on, but he has to have the words to express himself. That is the main challenge we are facing in terms of training if we want to be successful with regard to technological innovation.

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

We will go now to the New Democrats, to Monsieur Aubin and Monsieur Caron. You are splitting your time. Go ahead, please, for up to seven minutes.

[*Translation*]

**Mr. Robert Aubin (Trois-Rivières, NDP):** Thank you, Mr. Chair.

Good afternoon, Mr. Bouthillier. Thank you for being part of our meeting.

It is a pleasure to see you, especially since you were often my forestry reference when I was teaching geography.

I live in Trois-Rivières, where many absolutely extraordinary projects are under way, particularly at the Université du Québec à Trois-Rivières. You must surely know Mr. Mangin. There is also Kruger, which is involved in a project on cellulose fibre and biofuels. You also spoke about the project that you are developing in Laval.

Compared to Germany, Switzerland or other European competitors, do you think Canada is “in the game” when it comes to the continuum between basic and applied research leading to concrete application on the job market?

**Mr. Luc Bouthillier:** We have no reason to be ashamed when we are comparing our research labs, be they in British Columbia, Ontario or Quebec, to those in Sweden, Finland, Germany or Austria, the main locations.

Moreover, you need to see the French and British laboratories. The Université de Bordeaux, like Oxford, is developing research partnerships. In fact, we are absolutely “in the game”. Perhaps at the practical implementation stage—and in my opinion this is not a public policy issue—our manufacturers seem a little more timid. It is important to say that it is hard to be innovative and responsive when we don't have any financial leeway—

**Mr. Robert Aubin:** I'm interrupting you because time is flying by.

**Mr. Luc Bouthillier:** Go ahead.

**Mr. Robert Aubin:** In terms of research, is your public funding comparable to what is found elsewhere?

**Mr. Luc Bouthillier:** The forestry sector is complex. In terms of industrial innovation, if we are talking about wood products and new processes, I think our funding is fairly competitive. There is also the whole resource development side of things. The cost of wood for a sawmill, for example, is about 70% of its operating costs. For pulp and paper, that percentage varies between 40% and 60%, depending on the channels. Land planning actions need to be taken because it is not normal for the cost of wood to skyrocket in Canada.

**Mr. Guy Caron:** Good afternoon, Mr. Bouthillier.

Innovation in the pellet market is something that intrigues and interests me a great deal. There are projects in eastern Canada, including in Saint-Jean-de-Dieu in my riding, where a Belgian company is running a project to produce torrefied pellets. We are also hearing about a Finnish company that is currently working in New Brunswick. However, there does not seem to be progress in Quebec. In fact, all the pellets currently being produced are intended for export. Nothing is being produced for the domestic market.

Yesterday, I asked Mr. Lapointe from FPInnovations the question. He thought that one of the problems for wood pellets in Canada, especially in eastern Canada, is the cost of the pellets, which makes competitiveness difficult because these companies are subsidized on the European market. However, that is not the situation in western Canada.

Is that also your analysis of the situation?

How do you think we could ensure that pellets are something to be promoted for the Canadian industry?

**Mr. Luc Bouthillier:** Canada is a very big country. I will answer your question from the Quebec perspective.

Wood pellets are not finding their niche on the domestic Quebec market for the simple reason that hydroelectricity is a challenge. Being competitive is extremely difficult. That's why we need to focus on the European export market, among others.

I think we need to prove ourselves in Quebec. We need to keep in mind that we need to offer a good product that is energy efficient and inexpensive. Competition from Hydro-Québec is strong. However, we can win points if we operate through the regional government. We need to prove the value of boiler rooms and heat generating networks, sort of like in Rivière-du-Loup, Amqui and the Gaspé Peninsula.

Yes, we can make more people from our regions work, while promoting forestry products considered as waste and prove that forestry bioenergy can play a role in Quebec and Canadian energy portfolios. In doing so, we might be able to develop the boiler industry, for example. We know how we have been burning wood since the Neolithic age. It isn't a great source of added value.

From a transitional perspective, there really is something to be done, especially since we need jobs in our rural communities. Developing this channel will allow us to benefit from an export market that we have, here and now.

● (1725)

[English]

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

Mr. Regan, go ahead, please. You have about six minutes.

[Translation]

**Hon. Geoff Regan:** Thank you very much, Mr. Chair.

I would also like to thank the professor.

I would like to speak briefly about the added value that bioenergy may provide. It isn't an ideal situation with respect to added value, but it is something transitional that may help create jobs in the regions.

I would like to speak about the issue of distance. Before developing new products for the market, what are the obstacles or limits to commercialization? What does the government need to do to help with this?

**Mr. Luc Bouthillier:** Take green construction, for example. In this construction system, the amount of intrinsic energy is decreased to reduce the impact and, above all, to create a very energy efficient building.

The United Nations Environment Programme includes a component on construction standards within the climate change initiative. As far as I know, Canada is virtually absent from the negotiations, while it should be very sensitive to this in order to develop the same kind of construction standards here.

In recent years, we have focused a lot on examples. If we favour wood construction, people in the aluminum, plaster or other industries immediately rear their heads and say that wood construction is not better than the others. I think we need to have an operations framework, as well as environmental and performance standards that will force our manufacturers to provide the best product at a competitive price.

Unlike the Scandinavians, we haven't developed any skill in design and architecture to produce the best wood products that are good, environmentally. Wood has an advantage, and it isn't at the political level that we'll make that advantage known. Rather, we need to put it in competition with other materials. We need to offer competitive wood products, in other words "cheap and cheerful".

I think that we could develop typically Canadian products by drawing on the United Nations Environment Programme's construction standards within the climate change initiative. This would enable visionaries of the Canadian forestry industry to hold a much greater place than they currently do, particularly when it comes to institutional construction.

● (1730)

**Hon. Geoff Regan:** Canada was virtually absent from the UN negotiations. Have you already mentioned that to the Government of Canada? If so, how?

**Mr. Luc Bouthillier:** No. This is the first time that the Canadian authorities have asked me about Canada's possible contribution to the UN bodies. I would not say here that Canada is absent. All I want to say is that, when those things are examined in United Nations forums, including matters relating to construction standards, Canada's presence is not obvious.

*[English]*

**The Chair:** Thank you very much, Professor Bouthillier, for your presentation today, and for your answers to the questions. They were very much appreciated.

To all members, I appreciate your input into this meeting as well.

With that, I wish everybody a good weekend in the constituencies. We'll see you on Tuesday to continue the study.

Thank you, again, Professor.

The meeting is adjourned.

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