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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, April 26, 2018**

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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Thursday, April 26, 2018

• (0845)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** Good morning, everyone, on this lovely rainy morning in Ottawa. This morning in our meeting we are going to continue on with our study of Mercosur and the potential for a Canada-Mercosur trade agreement. It's our fourth meeting, and we've had lots of good dialogue so far with key stakeholders coming forward. We're very appreciative that three more stakeholders have come forward to us this morning.

We have Air Canada, the Canadian Livestock Genetics Association, and the Mining Suppliers Trade Association Canada.

Welcome, gentlemen. Some of you may have been here before. We like to keep the presentations to five minutes or less, if possible, so that we can leave lots of room for dialogue as we go forward.

We'll start off with Air Canada, my most familiar airline.

**Mr. Fittipauld Lourenco (Director, Federal Government Affairs and Ontario, Air Canada):** I'll start by saying thank you for your patronage. I'm sure you all fly Air Canada very often, and I hope you continue to do so.

[Translation]

Hello, Mr. Chair and honourable members of the committee.

My name is Fittipauld Lourenco and I am the Director of Federal Government Affairs and Ontario at Air Canada. I am here to talk about the potential Canada-Mercosur free trade agreement.

[English]

First I'd like to tell you a little about Air Canada and where we are.

In 2017, Air Canada transported just over 48 million customers, averaging nearly 132,000 passengers a day. We now offer direct services to over 200 destinations on six continents. Last year alone we launched over 30 new routes, and our team today is 30,000 people strong with 3,000 individuals hired in the last three years alone.

With a strong team, and \$9 billion invested in a new fleet that will be the youngest and most fuel-efficient in the world once complete, and which includes new Boeing 787 Dreamliners, 737 MAX planes, and Bombardier C Series planes, Air Canada is well positioned to continue growing and strengthening Canada's position relative to business travel, tourism, and trade, well into the future.

With respect to the potential Canada-Mercosur free trade agreement, Air Canada supports such free trade agreements that allow for greater trade and, therefore, increased business travel and cargo opportunities between Canada and another country.

Air Canada has a strong presence in South America and in two of Mercosur's partner countries, namely Brazil and Argentina, as well as in many associate partners in the region. On the continent at large, we currently offer direct routes for passengers and cargo to Cartagena and Bogota in Colombia; Lima, Peru; Santiago, Chile; Sao Paulo, Brazil; and Buenos Aires, Argentina. While passenger volumes to Uruguay and Paraguay do not yet support direct routes, we continue to look at these as options for the future. It is also important to note that Argentina and Chile will have direct services beginning the first week of May 2018. This comes as a result of dedicating one aircraft to each city, creating two new direct routes.

Free trade agreements such as the one being considered by this committee foster the type of business growth and trade opportunities that support business and provide an excellent foundation for expanding air routes. This creates the right climate for sustainable air travel in the future. Ultimately this means better travel and business opportunities for Canadians abroad.

Thank you for your time. I look forward to any questions.

**The Chair:** Thank you, sir

We'll move over to the Canadian Livestock Genetics Association, and we have Mr. Michael Hall, executive director.

Go ahead, sir. You have the floor.

**Mr. Michael Hall (Executive Director, Canadian Livestock Genetics Association):** Good morning, Mr. Chair, and thank you, committee members, for the opportunity to come today to speak to you.

I'll say a little bit about the Canadian Livestock Genetics Association. We're a not-for-profit trade association of genetic exporters. Genetic exporters in this context means live dairy cattle, frozen semen and embryos, and, in the poultry industry, day-old chicks and hatching eggs. It also includes small ruminants, sheep and goats, live ones, semen, and embryos.

Our exports for dairy alone with the frozen semen, live cattle, and embryos are about \$150 million a year worldwide, poultry is about \$100 million a year worldwide, and then small ruminants are at \$100,000.

The Mercosur region is a fairly significant region for our membership. Brazil is probably one of our fourth largest markets, so total trade in dairy genetics from Brazil, Argentina, Uruguay, and Paraguay would be about \$11 million. The associate members would be another \$1.5 million. We've been in this region for a long time, and if anybody knows about the trade in animal genetics, it's very much reliant on animal health discussions, protocols, and negotiations to make this trade happen, because you're dealing in live tissue.

One of the concerns that we have is that we've noticed in the past that individual countries will use either the Mercosur rules or those of their own country, depending on what is more favourable. We see that a lot, and they won't even reply. We get a lot of market access issues around that kind of scenario.

We also have issues with many of these countries having unreasonable demands and a very loose interpretation of the trade guidelines that deal in these animal products. Most of that is stipulated by the OIE, the World Organisation for Animal Health, which has a list of trade principles that most countries follow and interpret rather correctly. Other countries use that same list as a book of trade barriers and just come up with any reason not to trade.

We also see a bit of a membership concern with Mercosur. Venezuela is currently suspended. In the past, they suspended Paraguay. I don't know how you get into trade negotiations when members are in it, members are not in it, and all that stuff happens. Plus, they often utilize bilaterals amongst their own countries beyond their own trading bloc.

I want to comment on FTAs in general and what we see from the livestock genetics part of things. While we're very supportive of trade agreements and bilateral agreements around the world to move Canada more to the forefront, we also have some concerns that we don't see being addressed. That's everything from expedited trade dispute settlement mechanisms.... How do we make sure that we can resolve trade issues? We need committed animal health working groups to solve trade issues and SPS issues.

We often have the most difficulty obtaining market access with some of the countries we have FTAs with. Believe it or not, it's almost possible. We often question.... We get into these FTAs, but does it actually trickle down to more market access for us?

Then, finally, I have a statement. Canada does not have adequate resources at the CFIA in order to put in some of these trade agreements, to negotiate the certificates, or to develop the certificates for new trade. Now a lot of this has been downloaded to industry from these countries. They want to come to Canada to do technical tours and things like that. We fund a lot of that, or co-fund with the government, but at the end of the day, we do not have the people within the Canadian Food Inspection Agency to develop these trade protocols and certificates. If we can't maintain the trade we do have, it's really crazy when we get further along the line and open up new markets, shake hands, and do the photo shoot, but then there's no one left at home to put the package together and make it work.

Those are my concerns. Thank you for your time.

● (0850)

**The Chair:** Thank you, Mr. Hall. That was a very informative presentation.

We're going over to the Mining Suppliers Trade Association Canada. We have Mr. Phil Cancilla.

You have the floor.

**Mr. Phil Cancilla (President of the Board of Directors, Mining Suppliers Trade Association Canada):** Good morning, Mr. Chair and members of the committee. I want to thank you for this opportunity on behalf of the Mining Suppliers Trade Association Canada. I'm Phil Cancilla and I'm the President of the Board of Directors for the association.

My opening statement today will provide a brief overview of our association and its members, highlight some of the key findings from a study that we participated in showing how the mining suppliers are an important part of generating employment in the mining ecosystem, and finally, how Canada's engagement on free trade with the Mercosur free trade agreement is important to the Canadian mining supply and services sector.

MSTA Canada is the national voice for the Canadian mining supply and services sector, and for the past 35 years the association has supported its members in connecting them to opportunities to grow their businesses in the mining industry across Canada and around the world. In terms of government activity and decision-making, we hope to serve our members' interest under two guiding principles. The first principle would be the reduction of complexity and uncertainty in doing business through more efficient processes and a clear understanding of timely outcomes. The second principle is to have an increase in access to opportunities to do business. This can be in the form of opening markets or a reduction in barriers to trade. It is this second principle that aligns with Canada's participating in the Mercosur trade agreement.

Our approximately 280 corporate members are located across the country and supply the entire mining industry spectrum from mining exploration, resource development, mine design and construction, mine operations and refining, to reclamation and closure. Most of these companies are small to medium-sized enterprises. I will elaborate more on the demographics of mining suppliers in the second portion of my remarks. Overall it has been estimated that there are approximately 3,700 companies across Canada that consider themselves mining suppliers.

I would like to highlight one important aspect on our focus as an association, which is export. With Canada representing 0.05% of the global population and 1.4% of the world GDP, we are, by all accounts, a trading nation to ensure economic prosperity. It is with that perspective that there is great opportunity for the Canadian mining supplier network by just following the Canadian exploration and mining activities abroad, let alone international mining customers. In the mining industry, the “made in Canada” brand is recognized around the world for its safe, reliable, environmentally sound, and productive solutions.

I now turn to our study. The Conference Board of Canada characterized the mining services sector as a “multi-billion dollar, widely varied industry in Canada and around the world, yet it is a 'hidden' sector that is not directly measured or tracked.” To help better understand and clarify this hidden sector, MSTA Canada participated in a pan-Ontario mining supply and services sector economic impact study.

There are three key findings from this report that I would like to highlight here today. The first finding is that the mining supply sector is a widely varied group of companies that were grouped into three categories: 58% categorized as mining equipment suppliers and services, and 13% categorized as mining contract services. The two categories are what most people think of as typical mining supply. However, it is the remaining 31% that typically get overlooked. These are, for example, financial services, accounting companies, law firms, environmental services, and information technology firms. The second key finding is that almost 88% of these companies surveyed are categorized as small or medium-sized enterprises, and 70% reported exporting out of Canada, so free trade agreements are meaningful to the mining supply and services sectors.

The final finding I'd like to highlight from the study is in terms of direct employment. The mining supply and services sector represents two and a half times as many jobs as the mining companies employ themselves. This is an important point because, as mining is a great economic developer, the mining supply and services sector across Canada is and will be an important generator of jobs.

Our final point is directed toward the Mercosur free trade agreement that contains Argentina, Brazil, Paraguay, and Uruguay. Brazil and Argentina are considered the two most important countries that the Canadian mining supply and services sector targets with its exporting and marketing efforts. We also consider Paraguay and Uruguay potential emerging markets for exploration and mining.

● (0855)

To help understand why, our research has shown that the Mercosur free trade agreement hosts over 538 active exploration and mining projects. In addition, there are more than 61 Canadian-based exploration and mining companies active within the Mercosur member countries, which have ownership in 27% of these active projects. This data shows why MSTA Canada encourages Canada to consider being a member of the Mercosur free trade agreement.

Thank you for your attention.

**The Chair:** Thank you, sir, and thank you, witnesses.

We're just going to have to hold for one second. We have a bit of a technical problem here.

Maybe we can just suspend for a minute before we have dialogue with the MPs.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (0900)

**The Chair:** Let's get back on track here.

We're going to start off with five minutes for the Conservatives.

Mr. Hoback, you have the floor.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Thank you for being here this morning.

Of course, I'm going to start off with Air Canada, because if I don't mention the direct route from Saskatoon to Ottawa, my caucus will kill me.

Actually, though, I will say this. When I compare you to other airlines around the world, you're top notch, no question about it. When you added the flight to Rio in Brazil.... I took that flight once. It was brilliant. It's nice to see you looking at those markets a lot more seriously.

**Mr. Fittipauld Lourenco:** Thank you.

**Mr. Randy Hoback:** I am concerned with Rouge though. When I look at Rouge in comparison to Air Canada, it's not the same game. When you're looking to book a flight and you find out you're flying Rouge you say, dang it, I should have booked Copa Airlines.

I ask you to take that back to your management, because Rouge is not Air Canada. If you think you can substitute Rouge, the way you're operating Rouge for Air Canada—it's under the Air Canada brand—it's deceiving. It's disappointing for sure.

Having said that, I'm interested. You don't run into Panama whereas Copa runs into Panama City. Copa uses Panama for a hub all through Central and South America, and it really gives them a lot of opportunities.

Have you looked at doing something similar to that into Panama City and working more closely with Copa and the Star Alliance?

**Mr. Fittipauld Lourenco:** We do work with Copa. The issue, ultimately, is that our interests aren't really aligned. We are trying to hub through our Canadian hubs, YVR, Montreal, and Toronto being the biggest. That's where we see our opportunity.

It's not so easy developing hubs in other countries. Certainly Copa does an excellent job in Panama City. Our entry point into South and Central America really does rely on our hubs in Canada.

**Mr. Randy Hoback:** Why not hub out of Calgary? Why use Vancouver? Why do you force everybody in the Prairies to fly two hours one way in Canada in order to hub into—

**Mr. Fittipauld Lourenco:** It's an issue of passenger volume. In certain parts of the country, it's very difficult to build the necessary volume to make certain flights feasible.

We operate a hub network. We are a network carrier, so smaller regional airports provide feed into our bigger hubs where we can operate and provide over 200 destinations. We wouldn't be able to do that if we were offering more origin-and-destination flying.

**Mr. Randy Hoback:** Okay. That's fair.

Mr. Hall, on one of my first trips down to South America, I was working for a company called Flexi-Coil and it was on a Canadian Airlines plane, believe it or not. There were still ashtrays in the seats, to give you an idea of how long ago that was.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Did you have a cigar?

**Mr. Randy Hoback:** I wasn't smoking cigars back then; otherwise, I probably would have.

I was on the plane. I was basically by myself with these two guys from St. Louis, Saskatchewan who were going down to Brazil to sell semen. I found it so hilarious to talk to these two guys. They were down there doing just that, taking Canadian genetics and doing that. I've run across guys like that selling in Ukraine and other places around the world. They love our genetics.

Do you see Mercosur actually creating a more predictable environment to allow that to happen, so you don't have these non-tariff trade barriers popping up or disputes popping up that you don't have a mechanism to settle?

**Mr. Michael Hall:** It's hard to say. It's always our hope, truthfully, that things will become more stable and more predictable.

I'll give you an example. We wanted to get an agreement with Brazil to export IVF embryos, in vitro-produced embryos. Brazil came back and said they wanted all our data on the health and safety of these embryos and all this stuff, but the problem with all that was that Brazil pioneered IVF embryos. It was just a roadblock.

At the farm level, the farmers in these other countries definitely want our genetics, but then at the government level it becomes a trade issue for this or that. If you take our sugar we'll take.... We get played off a lot on various things. Ideally there would be a common set of rules they would enforce, but I would raise the concern that they'll use that when it suits and they'll use their own country when it suits.

• (0905)

**Mr. Randy Hoback:** But they can do that right now, too.

**Mr. Michael Hall:** They do.

**Mr. Randy Hoback:** How big would that market be for you, though, if it were smoothly operating so that you could get unfettered access?

**Mr. Michael Hall:** Right now, as I said, we're doing about \$11 million, but it's a \$15 million-plus market. It's enough. They have a sales force that networks out through that whole region—we've been in it a long time—and do market development in there on various levels. Even on the small ruminant side, some of the poorer parts of

the different countries are interested in the genetics of sheep or goats to try to enhance the standard of living in rural environments.

We're there. It's a big market.

**Mr. Randy Hoback:** Mr. Cancilla—

**The Chair:** Mr. Hoback, sorry, you're out of time.

**Mr. Randy Hoback:** Did you use up my time?

**The Chair:** No. There's one thing that works here, and it's the clock. It works very well.

**Voices:** Oh, oh!

**The Chair:** We're going to move over to the Liberals.

Ms. Ludwig, you have the floor.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you, Mr. Chair.

Thank you, gentlemen, for being here this morning.

I, too, am going to start off with my pitch to Air Canada. That's no surprise, because we've had this conversation before. Saint John direct to Ottawa, I'm just putting that out there.

**Mr. Fittipauld Lourenco:** I will take that back.

**Ms. Karen Ludwig:** Thank you. That's a consistent answer.

**The Chair:** Let's stick to South America.

**Ms. Karen Ludwig:** Mr. Lourenco, you mentioned that you will have direct services to Brazil and Argentina starting May 1. Are you anticipating full flights out and full flights back?

**Mr. Fittipauld Lourenco:** We are. I obviously can't share the information about our passenger volume. It's commercially sensitive. Our volumes on both the passenger and cargo sides are very strong and increasing year over year, so much so that I would add that we have dedicated two aircraft to Argentina and Santiago instead of connecting through both cities.

**Ms. Karen Ludwig:** In terms of the cargo route, when cargo is being shipped by air, are you familiar with the infrastructure on the ground to accommodate it? Let's say it's fresh cargo that can be perishable.

**Mr. Fittipauld Lourenco:** The infrastructure in Canada or in South America...?

**Ms. Karen Ludwig:** In Brazil and Argentina.

**Mr. Fittipauld Lourenco:** There is probably about equal trade going to South America and to Canada. I think what we find is that most perishable items come into Canada where the infrastructure is very solid. I cannot speak in too much detail because I'm unfamiliar with the infrastructure for cargo in those airports, but I can tell you, if it wasn't adequate, we wouldn't be operating at the levels we are down there. I would say it's safe to assume that they're pretty strong.

**Ms. Karen Ludwig:** Thank you.

Mr. Hall, are you shipping direct or are you using agents and distributors on the ground?

**Mr. Michael Hall:** We use agents. My members use agents and distributors. Some of them go down directly. It just depends on the size of the organization and what resources they have. Then products ship directly from Canada to the destination.

**Ms. Karen Ludwig:** On Tuesday, Paul Lansbergen from the Fisheries Council of Canada commented on the concerns regarding sanitary and phytosanitary challenges. Do you find that as well?

**Mr. Michael Hall:** Yes, and that goes both ways: into those other countries and then back. I mentioned negotiations, certificates, and trade agreements. That's what that boils down to, just getting that done. Sometimes it takes forever for them to respond, but then, as I mentioned, with the lack of resources, Canada is headed the same way.

**Ms. Karen Ludwig:** Thank you for raising the lack of resources. We heard that earlier. We were consulting on TPP across Canada, and people were saying that there was a challenge in terms of not enough CFIA agents, even in terms of customs.

The next question I have is on intellectual property. How do you see the intellectual property on Canadian genetics being more secure?

• (0910)

**Mr. Michael Hall:** Again, that's back to private industry and enterprise. They do a lot of research and development, and then a lot of it's within the genomic world and working with genes. I think that's where most of the intellectual property and copyright items come from. We don't have big concerns with that down there. It hasn't been raised by my membership, anyway.

**Ms. Karen Ludwig:** Thank you.

In terms of the genetics in the industries that you're working within, do you have any familiarity with how much of their final end product is exported back to Canada?

**Mr. Michael Hall:** No.

**Ms. Karen Ludwig:** What do you see in terms of poultry and dairy exports from Brazil and Argentina back to Canada?

**Mr. Michael Hall:** I don't really know what they do. As Canada, we have a limited market, so access back for dairy product is probably around 5% or so. But on the other side of the coin, the genetics usually doesn't come back to Canada just because we are world leaders. I can say that confidently. Between the United States and Canada, we set the pace around the world for genetics, so the odds of their exporting back to us are very rare, unless they have a remarkable animal that has been identified through genomic testing.

The other thing that might come back a bit is some of those indigenous breeds that are common within Brazil and places like that. They will be crossbred with some of the Canadian Holsteins, allowing a different type of animal to be brought back to them that would be a little harder. But there's very little coming back.

**Ms. Karen Ludwig:** Thank you.

**The Chair:** Good.

We're moving over to the NDP now. Madam Ramsey, you have the floor.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you for being here today, gentlemen.

The Mercosur meetings have been quite unique for us in terms of trade. In the last two meetings, we heard from several witnesses from agriculture, auto, and steel that their sectors don't believe that the

Government of Canada should focus or split the focus away from securing NAFTA negotiations by moving on to Mercosur in an FTA. They really brought the point that they consider there to be no real or substantive growth potential within their industries, and we're hearing that I think today from Mr. Hall.

Also, they raised the reality, and you did this as well, Mr. Hall, about Venezuela being suspended, and Paraguay, for various human rights and labour rights issues. Instability exists in the Mercosur countries, and it's likely to continue under the political climate, and the abuse of human rights would continue.

I want to dig into something that you said, Mr. Hall. You talked about unreasonable demands. We heard this from the agriculture folks who were here previously as well. I wonder if you can expand on what those unreasonable demands are, given the understanding that we have trade agreements with other countries where we possibly don't see those.

**Mr. Michael Hall:** It's more in that sanitary-phytosanitary realm, and it could be anything from asking us to produce the documentation that says a product is safe when they pioneered the document, pioneered the whole thing in the first place. It could be back to just, for example, a testing regime, or what needs to be done, say, on the bulls that are housed in Canada in order to export the frozen semen. There are fairly standard protocols, and there is an AI program across Canada that's administered by the CFIA. Everything is to enact a standard that meets EU and China's demands, and everywhere else around the world. Suddenly they might want that plus 10, just as an example, so then you end up with basically a trade barrier until you get that settled.

Those are some of the things that we see, as it's a region that's prone to demands that can go beyond what's normal in the world trading environment, and they can also hold up based on a lack of understanding of animal health issues and what certain diseases really mean.

**Ms. Tracey Ramsey:** I'd like to ask if you can submit something to the committee following this meeting that has some of those concrete examples for us so that we can have that in our report when we prepare it.

You mentioned the CFIA. I come from an agriculture region and I can tell you that the CFIA is severely understaffed in agriculture communities, and with marijuana on the horizon it will be even more so because they have a CFIA component. I wonder if you can speak to what you see with the CFIA, the needs that you see, or what you think the CFIA should do to staff up to be able to realize the potential.

• (0915)

**Mr. Michael Hall:** Quite quickly, CFIA plant and animal health needs to get away from human health. It needs to get back in the realm of agriculture. Signing free trade agreements, and this kind of stuff, has no bearing on the Minister of Health, so if the Minister of Agriculture is out doing that, then the work falls to the CFIA. I know there's been some restructuring right now going on within that, but at the same time there's been an extraordinary amount of cutting on the animal-plant side of things when there have been budget cuts in the past.

For example, if the CFIA got a 40% budget cut overall, then the meat inspectors maybe saw 5% of that, and the people putting together the trade agreements and negotiating the certificates, who are generally veterinarians—and the CVO might be part of that too—that whole group has been whittled down to nothing. It's at the point where we are becoming one of the countries we used to make fun of for not getting back to people: "Don't worry about Peru. You might hear from them in another six months." That's where Canada is at right now. It pains me to say it, but we're at the point where we cannot respond to simple trade issues that happen and arise over these negotiated trade health agreements for a live product like this. Then what happens is that it gets addressed when they finally close the market. So that other country may close the market, and then we'll be sitting there and we have to scramble and light fires and try to get it reopened, instead of answering their questions in a timely manner when they come in.

It comes right down to resources. There's just not enough.

**Ms. Tracey Ramsey:** Lastly, just very quickly, on the dispute settlement, what needs to happen in trade agreements to make that functional?

**Mr. Michael Hall:** I'm going to leave that to the experts, but if you're going to do a FTA, I would assume that some of the benefits of an agreement with another country or a group or trading bloc is that you have mechanisms in place to expedite, to resolve trade issues as quickly as possible, because other than that, what's the point? We can talk about market access and everything, but as soon as they close the door for one reason or another, be it BSE or avian influenza, or something that happens within the world environment, if you don't have the proper means of settling those disputes, you're stuck again.

It's something that I would like to see a little more thought put into, and I'll leave that to the experts who know a lot more than I do.

**The Chair:** Thank you, sir.

The time is up and we're going to move over to the Liberals.

Madam Lapointe, you have the floor.

[Translation]

**Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.):** Thank you very much.

Mr. Cancilla, I have a question regarding mining industry products.

In my lovely riding of Rivière-des-Mille-Îles, there is a company called Matériaux King et Compagnie. They make cementitious products that are primarily used in subway tunnels and in underground mines.

Are those products exported to Argentina and Brazil?

I am not referring just to machinery, but also to cementitious products.

[English]

**Mr. Phil Cancilla:** The tunnelling machines right now are not exported for the cement industry. They are for mining.

[Translation]

**Ms. Linda Lapointe:** Okay. So you have to make cementitious products for openings, for instance.

Do the companies that want to export their products face transportation constraints when they want to ship their products?

[English]

**Mr. Phil Cancilla:** That's one of the areas in which we have some challenges in transportation lanes and getting those machines to the ports and out of the country in a timely manner. From your part of the world, it's probably not a problem, but across the country, the farther away you are from the port, the harder it is for us to get the product to the port.

● (0920)

[Translation]

**Ms. Linda Lapointe:** Is it easier to ship products from a port to South America?

[English]

**Mr. Phil Cancilla:** Yes. From eastern Canada, it's easier.

[Translation]

**Ms. Linda Lapointe:** Thank you.

Mr. Lourenco, I have some questions about Air Canada.

My riding is north of Montreal and south of the Bombardier and Bell Helicopter sites, so you can see what I am getting at. In Brazil, Embraer makes airplanes.

If Canada were to sign a free trade agreement with Mercosur, might Air Canada decide to purchase more aircraft from Embraer or would you continue to purchase C Series aircraft?

[English]

**Mr. Fittipauld Lourenco:** If you don't mind, I'll answer in English.

[Translation]

**Ms. Linda Lapointe:** That's fine.

[English]

**Mr. Fittipauld Lourenco:** Air Canada has made a substantial investment in Bombardier, in particular in the C Series, and not only in the C Series but I think we operate probably the largest Bombardier fleet in the world between us and our partners at Jazz. We are not walking away from Bombardier. We do operate some Embraer aircraft.

We have moved some of those aircraft to other partners, but currently, Air Canada is not considering returning to the Embraer or in any way exchanging that for the C Series. The C Series is an incredible plane. Our CEO gives it very high praise. It was a great decision by Air Canada, and you will see Air Canada with the Bombardier C Series.

[Translation]

**Ms. Linda Lapointe:** I like your answer.

Does Air Canada transport a lot of merchandise to South America?



I know Canada imports a lot of small fruit from Chile in the winter.

What is the ratio of passengers to merchandise that is transported?  
[English]

**Mr. Fittipauld Lourenco:** I can't tell you specifically what the ratio is. Again, it is a little commercially sensitive. What I can tell you is that our cargo operations, because we don't operate dedicated freighters anymore, are pretty much limited by the remaining space in the belly of the aircraft, so I'll leave that to you. We carry enough passengers that it leaves us enough room for a cargo operation. We would like to have more space, but I can't give you an exact percentage or ratio.

[Translation]

**Ms. Linda Lapointe:** So I gather that works well.

I am a member of another committee, the Standing Committee on Official Languages. We have met with Air Canada officials a few times.

You said earlier that you had hired 3,000 people in the past three years. Is it hard for you to find people to hire?

If you increased the frequency of flights to South America, if the Mercosur countries increased their use of this kind of transportation, and if you added airlines, would you have trouble finding qualified employees?

[English]

**Mr. Fittipauld Lourenco:** Do you mean to find bilingual staff?

[Translation]

**Ms. Linda Lapointe:** Yes.

[English]

**Mr. Fittipauld Lourenco:** We have our challenges finding staff across Canada to the capacity that we need, because we are legislated in the Air Canada Public Participation Act to be bilingual. But we have very robust programs to ensure that our front-line staff, our operating staff, are almost fully bilingual across our operation.

[Translation]

**Ms. Linda Lapointe:** Thank you.

[English]

**The Chair:** We're going to move over to Mr. Dhaliwal.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** Thank you.

Thank you to the presenters. My questions start with Mr. Phil Cancilla.

The way I see it, as Tracey raised, there is the issue of human rights in some of the countries. If we sign agreements like this, does it help to improve human rights situations in Colombia, for example, where there is a lot mining activity happening?

**Mr. Phil Cancilla:** Canada's position on human rights is well known all around the world, and any way we can sway people on the proper way of treating each other goes a long way. When you're doing business with people.... The way we do business, and why people want to do business with Canadians, is that we're friends first and sellers and customers second. That's why we are so successful

around the world, especially in the mining industry, which is a small but big industry. Everyone knows a Canadian company around the world. If you have a product that you're selling everywhere, that product will be known, and if it's a Canadian product, they want to talk to you and you become friends. You know their families.

I think we can sway people's minds when we're closer to them in business.

• (0925)

**Mr. Sukh Dhaliwal:** Thank you.

My next question is for Mr. Lourenco.

You said there is not enough volume to Uruguay and Paraguay. How do you determine that? I have seen over the past.... I have to commend you, just like my colleagues on the other side commended having flights, for example, to Delhi, flights from Vancouver to Delhi and Toronto to Delhi.

**Mr. Fittipauld Lourenco:** Thank you.

**Mr. Sukh Dhaliwal:** This is perfect, but you were too late the way I see it—

**Mr. Fittipauld Lourenco:** Into Delhi...?

**Mr. Sukh Dhaliwal:** Yes, into Delhi, because the way I see it, in British Columbia, British Airways and your partner Lufthansa were the leaders, and even now when you go there, I don't think you have direct flights every day from Vancouver, even though there is still a demand. I just want to know why Air Canada is that far behind.

**Mr. Fittipauld Lourenco:** With respect to Delhi, Air Canada was operating to Delhi a long time ago. That flight unfortunately proved not to be feasible at that time. It was cancelled and I'm talking about years and years ago.

Air Canada is in a position now where a decision to enter into a market requires a number of things to be right. First of all, you need the right aircraft. The market conditions need to be right. You have to have the right types of passengers willing to purchase your fare at your operational requirement, your profit levels. That happened when we started purchasing the 787 Dreamliner. That aircraft provided us with the fuel efficiency and the savings necessary to do those long commissions in markets that are very price-sensitive.

With respect to Uruguay and Paraguay, we actually do carry quite a few passengers whose final destination is those countries. On their own, either through São Paulo or Santiago, and then onwards on another partner or other aircraft, we do carry a lot of those passengers to those countries.

Right now, however, there's not a sufficient amount of volume to dedicate an aircraft to cities in those countries, but as I said earlier, we do see passenger volumes increasing to those countries. Again, this is why these agreements are critical to that. When you foster that kind of growth in business and trade, travel and tourism follows naturally and that's where we would see the opportunity.

**Mr. Sukh Dhaliwal:** To a certain extent I would not agree with you on that particular issue. I can only talk about the routes that I have travelled on with Air Canada, even though we are all frequent flyers with Air Canada.

I'll take a particular example of flying to Delhi. The final destination of 95% of your passengers is Punjab.

**Mr. Fittipauld Lourenco:** Yes.

**Mr. Sukh Dhaliwal:** Amritsar is an airport. It comes before Delhi.

Why would you not consider going to Amritsar over Delhi?

**The Chair:** We're almost out of time. It's going to have to be a short answer.

**Mr. Fittipauld Lourenco:** It's a good question. Okay, I can make that short.

I think it's baby steps. We're in Delhi. We've fostered that market. That market's doing well. Then we're into Mumbai. Then we'll look at other destinations if the market can withstand that.

**Mr. Sukh Dhaliwal:** Thank you.

**The Chair:** We have time for one more MP.

Mr. Allison, you have the floor.

**Mr. Dean Allison (Niagara West, CPC):** I had no idea how tough it was to be Air Canada.

**Voices:** Oh, oh!

**Mr. Dean Allison:** I'm lobbying for a Niagara flight, but I don't know if there's an airport that's big enough to deal with it.

Mr. Hall, from some of the other witnesses we've had, they're saying that Mercosur is probably not a priority. We obviously have the regulatory co-operation council with the U.S., which is obviously a program we continue to work on, knocking down these trade irritants. I hear from farmers saying that even with CETA, we have some non-tariff stuff we have to figure out.

I hear your CFIA.... It always seems like they're protecting us from the world versus the other way around. They're protecting us to make sure that all the stuff we get out in terms of timeline, in terms of what they're doing, obviously in terms of resources....

I guess what I'm hearing you say is that maybe we should be shoring up some of the things we're doing right now, because we have a lot of great agreements around the world. We hit most of the world in terms of markets. Am I hearing you say that maybe we should spend a little more time shoring up or working out the irritants that we presently have?

**Mr. Michael Hall:** It's a big issue that the day-to-day trade issues that happen between Canada and other countries that we're involved with aren't being addressed on the level that needs to be done. Whether that precludes you from moving on in FTAs in other countries...but I do think that if we're going to be a seriously exporting nation, then we need to put the resources toward that to make sure it happens.

And we are. That's what we do: we export.

**Mr. Dean Allison:** We've certainly heard from witnesses previously that it's challenging enough to deal with these countries

themselves—and you alluded to that—let alone trying to trade as a bloc.

Mr. Cancilla, just talk about some of the frustrations you have had to deal with, because I know Argentina has a whole different set of rules around the mining sector and profits that can flow or not flow out of the country. How does that affect you?

• (0930)

**Mr. Phil Cancilla:** It holds up a lot of business. The banking systems don't work very well, between ours and the country's we're trying to get to. There's always new taxation that you haven't heard about. All these things come up after you've made a deal, so it's coming off your bottom line. You think actually the project's going to have a profit margin of this, and then when you're finally there, you're down here somewhere else.

Streamlining up there, making sure that everybody's on the same page on the way we're going to do business will make it a lot easier when business actually happens.

**Mr. Dean Allison:** Good. Like I said, I think we agree with our friends across the way that trade deals are important, but I think we always need to be re-looking in terms of how to reduce irritants.

You guys have now worked on a couple of routes. How's it been? I mean, obviously, a trade deal would help facilitate more bodies and people, which would always be good for Air Canada as it relates to the routes, but how is the negotiation? Have you experienced the same kinds of challenges that some of these guys are talking about? Has it been difficult? You obviously have to do this around the world. This is not your first rodeo. What are your thoughts on the complexity or the ease of doing business in those countries?

**Mr. Fittipauld Lourenco:** Air transportation agreements are negotiated by Transport Canada outside of trade agreements. We have had some issues. There was a case in Venezuela. We stopped our service to Venezuela due to safety concerns for our crew and our aircraft. Aside from that extreme example, in Colombia we have an issue where there is a fee for scheduled carriers operating in Colombia. Air Canada is scheduled carrier versus, for example, Air Transat, which operates charters.

We are working out an issue with them, but I would encourage the committee to also put some time to it, if you can find the time, because we are charged a fee per passenger that Air Transat doesn't face, simply because they're considered a charter and we're a scheduled carrier. We have to have dedicated staff in Colombia as a scheduled carrier, and that hits our bottom line. Our competitors don't face that. That's not a knock against Air Transat. That's just a rule that exists in Colombia that we have to deal with and that we're trying to change through diplomatic channels.

**Mr. Dean Allison:** Perfect. That's good.

**The Chair:** That wraps up our time.

Thank you, gentlemen, for coming. It's going to take us a while before we finish this report. We're also going to be potentially travelling to South America in the fall. We'll be wrapping up this report in the fall. You guys are welcome to have a copy of it, and we'll get back to you.

Thank you for coming. It was a really good dialogue and good presentations.

Colleagues, we're going to suspend for one or two minutes. Then we're going to go in camera to do some business for five minutes, and then we're hoping to get back on track for our next group of witnesses.

*[Proceedings continue in camera]*

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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*[Public proceedings resume]*

• (0945)

**The Vice-Chair (Mr. Dean Allison (Niagara West, CPC)):** Good morning, ladies and gentlemen. We're going to get started with our second round.

Joining us from the Canadian Association of Moldmakers, we have Jonathan Azzopardi, who is the Chairman, and Tim Galbraith, who is one of the Directors. As an individual, we have Pamela Palmater, who is the Chair in Indigenous Governance at the Department of Politics and Public Administration at Ryerson University.

Welcome. We're glad to have you here. We'll start with your testimonies.

First up is the Canadian Association of Moldmakers. If you can keep it to around five minutes, that it would be great. Will only one or both of you be speaking?

**Mr. Jonathan Azzopardi (Chairman, Canadian Association of Moldmakers):** It will be a combination of both of us.

**The Vice-Chair (Mr. Dean Allison):** Perfect. We'll turn over the floor to you guys to get started, and then we'll turn it over to Ms. Palmater. Thanks.

**Mr. Jonathan Azzopardi:** I bring tidings and greetings from beautiful, sunny Windsor. I'm from the Canadian Association of Moldmakers. Thank you for the opportunity today to be able to speak on behalf of our association to all of you. It's quite the honour to be able to weigh in on the free trade agreements and we appreciate the opportunity.

Most people don't know what a mould is or how important it is to the manufacturing industry, so if you don't mind, I'll take a few minutes to give you a brief overview of what mould-making is and how important it is to Canada.

The mould-making industry in Canada is approximately \$2 billion in GDP. It's highly concentrated between Toronto and Windsor, with about 80% of our members being in that region, in that corridor. We have about 170 individual shops, which means we're quite clustered,

but we're also fragmented, which is good and bad. Our average shop has about 60 employees. There are 11,000 employees directly related to the mould-making industry. It is heavily dependent on the automotive industry; about 70% of what we make lands in the automotive industry. The group is part of a larger group of about 1,400 companies. Basically, the entire infrastructure is about 1,400 companies and about \$25 billion in GDP. That's what we service just in Canada.

What we've been able to establish is that there's no manufacturing industry in the world that does not have a mould-making industry, primarily because everything you touch—and I assume you've all touched something plastic today—has the mould-making industry affiliated or associated with it. That's why we're so heavily sought after. We're very highly technical, and not necessarily expensive but not easily replaceable because of the experience that it requires.

We've been in the industry for about 70 years in Canada. During those 70 years, we have grown into super shops and small shops, so it's very dynamic but a very large part of the manufacturing community.

I'll let Tim explain to you briefly what a mould is, because I assume most of you have neither experienced nor been in the mould industry.

**Mr. Timothy Galbraith (Director, Canadian Association of Moldmakers):** Thank you, Jon.

Again, thank you for the opportunity today.

In terms of whether you've touched something plastic, you can look around the room and see lots of stuff. We basically take two raw pieces of steel, carve out two halves, put them together and squirt liquid plastic in between, and the components come out. We don't do the squirting. We build the moulds. As Jon indicated, it's very elementary. We buy components from around the world to incorporate into our moulds, and we're a very important part of the automotive industry.

With lightweighting, being driven from steel to plastic, there is more and more plastic being used in the world. That's our niche. Once upon a time, a mould-maker was a tradesman, an artist. It's now technical. It's done on multi-million dollar machines: five-, seven-, and nine-axis machines that remove the metal precisely. It's all computerized and is very highly technical. That's basically the nature of our business.

There were more moulds built in the world last year than the year before, and there will be more moulds built in the world next year than there are this year. It's a growing business and we are looking for opportunities. As Jon so well put it, we're one of a few areas in the world where there's a concentration of that, and our supply chain build-up has allowed us to be very good at what we do.

**The Vice-Chair (Mr. Dean Allison):** That's it? Great. Thank you.

**Dr. Pamela D. Palmater (Chair in Indigenous Governance, Department of Politics & Public Administration, Ryerson University, As an Individual):** Good morning.

*[Witness speaks in Mi'kmaq]*

I'm Pam Palmater. I am from the sovereign Mi'kmaq nation on unceded territories of the Mi'kma'ki, which is most of the eastern provinces. It is an honour to be here on sovereign Algonquin territory having this discussion. Thank you for including an indigenous woman's voice on the issues of trade.

Keep in mind that in 1994, when the North American Free Trade Agreement was signed, it inspired a Mayan uprising in southern Mexico led by the Zapatista National Liberation Army for the specific purposes of the failure to address indigenous rights, land rights, and the protection of their women. They said it would be the death of them.

Sure enough, to this day, free trade agreements in which Canada has been involved show a huge divide between who benefits, largely transnational corporations, and who pays the ultimate price in terms of the environment, women, and indigenous peoples.

What I want to talk to you about today is indigenous peoples and their support of trade, but trade in a fair way, a safe way, and a sustainable way that does not cause harm to them or indigenous peoples in other countries. Given that you're considering this free trade agreement, there's a large number of indigenous peoples with the four member states, particularly in Brazil, which has particular sensitivities around some of their groups that are no-contact groups. Given the high levels of violence experienced by indigenous peoples in those countries from transnational corporations that are involved in trade, Canada should really take a step back and consider how it is not only impacting indigenous peoples in Canada but also indigenous peoples in that territory.

That being said, this country was founded on trade. It was founded on trade with indigenous nations and colonial settlers. That was something that was very important. In fact, the Supreme Court of Canada has acknowledged that there would not have been able to be peace or settlement in this country without specific trade protections for indigenous nations in our treaties. Those treaties are now constitutionally protected, and that means that indigenous peoples share jurisdiction over trade and trade management, unlike provinces and territories. That is a shared jurisdiction, and it's something indigenous peoples have been specifically left out of any say.

In addition to the failure to recognize the shared trade jurisdiction, there are also legal obligations. Section 35 of the Constitution Act protects inherent aboriginal rights, treaty rights, land rights, and all of the corresponding rights that go along with that. It requires, at a bare minimum, consultation, accommodation, and consent in the domestic context. In the international context, since this is an international trade agreement, it requires free, prior, and informed consent of the indigenous nations.

The fact that Canada is even considering another free trade agreement without any process in place to consult with indigenous peoples on the ways in which they want to be represented, and I would strongly suggest that indigenous women should factor very strongly in here, means that it violates Canada's Constitution and is

legally challengeable. It's something that we have been working with indigenous peoples on in those member states, about coming up with another joint declaration to make sure that their rights are also protected.

In addition, Canada is made up of a large segment of aboriginal title lands. The Supreme Court of Canada has said very definitely that aboriginal title lands aren't about having the ability to go pick apples on a piece of territory. It is in fact exclusive ownership. That means indigenous peoples get to decide what happens on their territory, when it happens, and who benefits. If they want to get all of the benefit, then it is their legal right to do so. All the free trade agreements to date simply don't recognize that.

I will also mention, very quickly because time is limited, that all of the international United Nations experts and special rapporteurs on things like food, water, housing, democracy, judicial independence, peace and security, indigenous peoples, and women's rights have all collectively said that all of these free trade and investment agreements violate both domestic and international human rights law principles. They don't take into account protections for indigenous rights. In fact, they put them at greater risk.

I'll go through my recommendations very quickly, if you'll allow me just a few seconds.

• (0950)

This agreement shouldn't go ahead until there is a fair, open, and democratic process of consultation with indigenous peoples. Free, prior, and informed consent has to be the basis.

Human rights have to be the fundamental framework of all of these agreements, not a side chapter, not a mention. There must be specific and binding legal protections for indigenous rights throughout all of these agreements, not in a side chapter.

ISDS must be eliminated and not replaced with investor-court mechanisms that do the exact same thing as ISDS.

There has to be a rights-based, benefit-sharing formula with indigenous peoples. If resources and lands are going to be taken for the purpose of investing in free trade, then indigenous peoples should benefit first and foremost.

Finally, there must be a fulsome monitoring, research, and evaluation mechanism conducted by external parties to ensure that these free trade agreements, including this one under study, is fair, safe, sustainable, and outs human rights and indigenous rights first and foremost.

Thank you.

• (0955)

**The Vice-Chair (Mr. Dean Allison):** Thank you, Ms. Palmater.

We're going to start with our first round. We'll turn it over to the Conservatives for five minutes.

Mr. Carrie, the floor is yours.

**Mr. Colin Carrie (Oshawa, CPC):** Thank you very much, Mr. Chair.

I want to thank the mould-makers for being here. My first job was in fibreglass moulds with Oshawa Glass Fibre Products. I think I was 14 years old. I got to appreciate a little about the trade and the art.

I want to ask you a question about potential for this agreement. According to your association, you stated that 50% of the moulds sold in Brazil are imported, and these imports are valued at between \$500 million and \$700 million annually. How would this potential trade agreement affect the value of Canadian mould exports to the Mercosur countries?

**Mr. Jonathan Azzopardi:** We see the whole Mercosur agreement as a potential for us to be able to export to Brazil. Brazil is probably the one partner that we're very interested in doing business with.

We see Brazil as similar to what we have seen in Mexico. If we're able to establish a beachhead early on in their growth cycle, we will be able to establish an industry that we will be able to export to on a regular basis. It's similar to Mexico, which is probably our number-two trading partner for moulds, so we'll greatly be able to improve our opportunities there.

To date, we have not been able to penetrate that market because of protectionism, because of tariffs. We believe that the opportunity is there. We don't believe that it's going to happen overnight. We will encounter protectionism continually. Trade barriers will continue to exist. We'll have to do education.

We do not believe that we'll be able to establish there early on, but it will be about exporting. Luckily for us, our product is very export-friendly. As I said before, it's normally very expensive and it's highly technical. We stand to take great advantage of that market because it's in its infancy in the manufacturing life cycle. The other partners that we see in the agreement don't necessarily pose as much of a threat at this point because they're not as technical. We believe that the opportunity is actually very good for us to continue to export to that market.

**Mr. Colin Carrie:** How big is the market growing? I think, Mr. Galbraith, you said there are more moulds this year than last year, and then next year the potential is just growing and growing. How is our domestic market growing for mould-making?

**Mr. Timothy Galbraith:** Eighty per cent of what we do is not used domestically. Eighty per cent of the product that's made by our members is exported. The world is getting smaller, and we're exporting to more and more countries.

As Jon mentioned, we don't have a great foot in South America at this point, but we see it as an opportunity, because there are mature economies down there as opposed to emerging economies, which are typically not clientele of our industry.

**Mr. Colin Carrie:** Okay.

I was trying to get an idea of the growth domestically. I know that in my riding of Oshawa there's a lot of automotive. During the last election, the Prime Minister said he wanted to transition away from manufacturing, and that sent a bit of a chill to our community. I just want to get your opinion on how important it is with our domestic

market to maintain a certain amount here so that we do have the opportunity.

Is more of the growth going to be international, or is it going to be domestic? How do you see this playing out over the next 10 years?

**Mr. Jonathan Azzopardi:** I'll be totally honest, and hopefully you can appreciate my candour. The opportunity in Canada to grow our market here is very slim to none. We see the manufacturing role in Canada continue to shrink internally, domestically. We've seen this over the years. We feel the same chill that we felt from some of the words that have been used when it comes to manufacturing.

Being chairman of the association, I have been promoting very heavily that all manufacturers, and specifically very highly technical ones, as mould-makers are, must have a global footprint outside Canada if they're going to survive into the next generation. It is essential to us to continue to be able to export our products. If it weren't for Mexico and their life cycle in manufacturing, I don't believe the manufacturing world in Canada would be the same, because as they grow, we've been able to grow with them.

I believe we are one of the industries that deserves a certain level of protection, because we are very export-friendly and not easily duplicated in other countries. If I can use the example of my own company that I manage, 90% of what I make is exported: 40% goes to the United States and 50% will land in Mexico. That is not unique. I believe that is typical for most manufacturers in our industry.

By your being able to make this free trade agreement work with Brazil, we believe that will improve our opportunities abroad. Contrary to some other agreements we've seen, such as the CPTPP, we believe this is the total opposite. We believe CPTPP is high risk and has low potential. Mercosur is, for us, low risk and high potential.

• (1000)

**The Vice-Chair (Mr. Dean Allison):** Thank you very much, Mr. Carrie.

We're now going to move over to Mr. Fonseca, please, for five minutes.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Thank you, Mr. Chair, and thank you to our presenters.

It's very enlightening. It's interesting to hear about an industry such as moulds that is highly specialized, and about the success you're having in terms of exports. We often hear about a race to the bottom, but our government believes in a race to the top.

When we have people who are highly trained and skilled, who are able to now compete globally, one of the things we've been working on very actively through our agreements, be it with CETA or CPTPP, is progressive trade agreements where we push towards looking at lifting all boats and bringing in higher standards. That means higher standards when it comes to the environment, to labour, and to increasing the participation of women and indigenous, marginalized communities.

One of the things we also do heavily is consult on these agreements, and that's why you're here today. In terms of the competitive advantage for moulds, you look as though you're doing great. You're increasing your trade globally. Where does your competitive advantage come from here in Canada? It sounds as though you're doing really well.

**Mr. Timothy Galbraith:** In terms of our competitive advantage, I'll give a bit of a quick history lesson. Our industry grew out of European immigrants in the post-Second World War era. It was artists who migrated to southwestern Ontario.

That said, when the dollar went even and we had the 2008 crash, Canadians lost their advantage for export. They looked internally and said, "We're not going to quit." We grasped technology, and that was really the saviour. We said we're going to turn this from an artistic to a technological entity, and by following that path, we have elevated our product into a premier product in the world.

There are primarily three centres of manufacture of the quality that we have, and southwestern Ontario is one of them. We've done a very good job. We are growing, and we're growing primarily because of exports.

**Mr. Peter Fonseca:** Mr. Galbraith, that's an amazing story with the innovation, the entrepreneurial spirit of Canadians who have come here, rolled up their sleeves, and got the job done. We want to make sure they have a level playing field globally. What are your thoughts in terms of being able to deal with, around the world, the countries they've come from, from European countries, or now with the Mercosur? Do you think we should work on raising those standards?

At times you'll find that some jurisdictions go to the lowest common denominator. They're trying to lower standards so they can get that competitive advantage. We don't believe that's the right way. What are your thoughts?

**Mr. Timothy Galbraith:** We don't believe that's the right way either, and we don't cater to that market. There are countries in the world that do cater to that market. That's not something we address. In terms of what we're looking for, as I mentioned earlier, more developed markets, or markets where the level has been raised, would typically be our customers, the markets we seek out.

**Mr. Peter Fonseca:** Congratulations.

Ms. Palmater, did you participate in GATT's public consultations, when it came to Canada and Mercosur in a potential FTA?

**Dr. Pamela D. Palmater:** There were no first nation consultations at all on NAFTA, TPP, CETA, or Mercosur. First nations have specific, particular rights and different consultation standards separate from the public consultations.

**Mr. Peter Fonseca:** I know, Ms. Palmater, at our committee we have had many indigenous groups that have been able to participate and come, consult, and bring their points of view, etc., and their priorities with the agreements that you've brought up.

You're here today, actually, consulting and talking about this potential FTA with Mercosur.

●(1005)

**Dr. Pamela D. Palmater:** Yes, I've been given a five-minute public presentation in a committee consultation, which, as you know, is exceptionally restrained and limited. First nations' leaders and their communities have not been consulted on any of these by the federal government, including Mercosur. None of them even knows what the content of these agreements are. It's impossible for them to have free, prior, and informed consent without the federal government taking on their legal and fiduciary obligation to consult directly with first nations, which have different legal interests and constitutional rights than the general public.

**Mr. Peter Fonseca:** With your opportunity right now, would you prioritize the top two or three priorities that you would like to see in a potential FTA. What would they be?

**Dr. Pamela D. Palmater:** One is that it's not negotiated or signed without first nations at the negotiating table.

Two is that indigenous rights are paramount, that first nations have a direct benefit from all of these, and not just jobs and contracts, which is the usual throw-away that they offer first nations. I mean a direct percentage of what comes from their lands and resources, for any of those free trade agreements, and protections from things like mining companies.

Canadian mining companies, contrary to what you heard in the previous panel, are the worst, most dangerous, and lethal companies in this country. Those are the kinds of things that we need protections from because wherever there is development that feeds free trade, like the extractive industry, or what have you, there are higher rates of murdered and missing indigenous women, higher rates of sexual assault, and of course environmental contamination. None of that is costed into these free trade agreements, or accounted for.

**The Vice-Chair (Mr. Dean Allison):** Thank you very much. That's all the time we have.

We're going to move over to the NDP and Ms. Ramsey. The floor is yours.

**Ms. Tracey Ramsey:** First of all, I don't think that my colleague means to mischaracterize the fact that this is not a government consultation. This is a committee. We operate independently of the government. I want that to be clear.

We view the government's obligation to consult with indigenous people very seriously. I want to ask you specifically about some criteria for what you think a full consultation would look like for indigenous people in Canada.

**Dr. Pamela D. Palmater:** First off, it literally has to be the federal government going to first nations, not the Assembly of First Nations, not political organizations, but the rights holders themselves, and providing information on what's potentially in these agreements, who benefits, and what the potential negative impacts are, so that they can make informed decisions about whether they want to be in or out.

In order to be out, there needs to be opt-out provisions for people with aboriginal title, for example, who don't want timber or minerals taken from their territory for the purposes of any of these free trade agreements. They need to be able to opt out if, after all their free and prior consultation process, their answer is no. The current Prime Minister said specifically, before he was elected, that no means no for first nations, and we expect him to live up to that. Nowhere is that more important than in these international free trade agreements.

There are first nation experts who work on international trade issues, who work on the legal issues, who would be more than able to do this. Certainly, doing a token political appointment of the national chief of the Assembly of First Nations on an advisory committee to a minister who doesn't even attend the free trade negotiations is not what we're talking about when we're talking about direct participation and decision-making.

**Ms. Tracey Ramsey:** Thank you.

I also want to correct the.... I'm not sure what my colleague meant by "many", but I can tell you that it's been less than 10 that we've seen across all the agreements that you mentioned, so it certainly hasn't been a huge proportion of representation.

So, welcome to the trade committee where we often have very different witnesses before us, as we do today. You can see how wide and diverse the issues are that we have to face when we're looking at these trade agreements.

I want to thank Jonathan, with Laval International, and Tim, with Cavalier. These are major companies. These are local job creators for us in Windsor-Essex, and I want to congratulate you on how you've been able to sustain the downturn in our economy. You've diversified. I think you're an example going forward.

I want to talk more broadly about trade agreements. We're here about Mercosur, where I hear you say that you have this potential. You see some potential going forward. I wonder if you could speak a bit to TPP and NAFTA, and what it is in trade agreements that you need to see for your future success in our region.

• (1010)

**Mr. Jonathan Azzopardi:** I would like to thank you for those kind words. It hasn't always been easy to try to be a manufacturer in Canada. We've had good times and we've had bad times.

We face a strong headwind with the sentiment towards manufacturing in Canada, which we do feel very strongly. I will say that, for us, regarding all of the free trade agreements, we still believe that NAFTA is the key. Mercosur is a good move. CETA is a good move. We believe CPTPP will show very little benefit to the small to medium-sized businesses, which is almost our entire industry, if not all manufacturing in Canada. We definitely say that, if you do not negotiate a good NAFTA agreement, all of the free trade agreements that we rely on, CETA, CPTPP, and Mercosur, will be for nothing. We do not see it changing our dependency on the U.S.

Currently Canada exports about 76% to the United States. We don't believe that any of these agreements will show any great move to moving the needle away from that. Whatever we continue to make, more than likely at least 60% to 70% of it will live and die by the United States. We don't see that changing.

We have spoken to the PMO's office. We could give you some advice. We need a good agreement in NAFTA. We could live with bad agreements in the rest of the world, but we need a good agreement in NAFTA for us to be able to prosper as a nation, and I won't change that sentiment.

**The Vice-Chair (Mr. Dean Allison):** Thank you very much.

We're going to complete the round back over to the Liberals.

Mr. Peterson, sir, you have five minutes. The floor is yours.

**Mr. Kyle Peterson:** Thank you, Chair.

Thank you to our witnesses for being here.

I appreciate your sentiment there, but I don't think it will come as a surprise that you're not the only one saying that. I think most people agree with that, for sure. Canada's economy, I think, will float or sink because of what's going on in the U.S., and NAFTA has a key role. I think we all agree. At least all the witnesses we've heard from who have ranked the trade agreements have all ranked NAFTA as number one, so we appreciate that sentiment.

I want to talk a little about your industry. We've had good representation of automotive people around the table. Of course, Ms. Ramsey is from Windsor, Mr. Carrie is from Oshawa, and I'm from Newmarket—Aurora, the home of Magna. It's good to see this. We always like to hear from stakeholders in the automotive industry like you.

I want to talk a little about advanced manufacturing. It seems to me that you guys are clearly embracing technology, but do you see changes such as 3-D printing, robotics, and things like that? Are you able to embrace that? Is that a threat to you or an opportunity? How do you see these technological changes, which are inevitable, as you know?

**Mr. Timothy Galbraith:** We've already embraced them. It's part of our manufacturing process now, and 3-D printing and additive manufacturing is a very large and increasingly growing segment of our business. We work pretty closely with a number of places such as Fraunhofer, for example.

In our big trade show coming up in Florida in a couple of weeks, we'll have an entire area designated to us, to that technology. As far as robotics goes, Jon has it and we have it. If you don't have it in your plant, you're not going forward. If you have not embraced technology, that's our advantage. Labour is not cheap and we employ lots of people, but they're highly skilled, highly technical people.

**Mr. Kyle Peterson:** I think that highlights exactly the achievements of your industry, the growing number of innovative and well-trained people. The people working for you are usually IT people or robotics engineers, which are great-paying jobs. I think it's great for your association and for our communities that your members have facilities and obviously great-paying jobs.

I know NAFTA is key, and the other ones are good, but talk a little about the supply chain of your members, especially 3-D printing and additives in manufacturing, which are new. Where do you guys source that? Is that internationally sourced, or are you able to source the inputs from Canadian suppliers?

**Mr. Timothy Galbraith:** Yes to both. There are local sources for it. Because of our proximity to the U.S. and Michigan, it's obviously an area for us, because, as Jon alluded, our business has grown up.

In 75 years, we've built a very strong supply chain, geographically local as well as in the near area, that supports all aspects of our business. It's what makes us successful, that supply chain, but the world is getting smaller. We're bringing things from overseas. We incorporate components from many different nations. It's easy to do business around the world right now, and we're looking to do that.

•(1015)

**Mr. Kyle Peterson:** Okay, that's good to hear. Diversification is good.

Ms. Palmater, I only have a short period of time, and I don't think you're going to be able to do my question justice, but I want to put it out there anyway.

What would you see as an ideal trade deal? I don't just mean the outcome. I mean the process as well. What would be an ideal situation? For negotiations, who's at the table? Whose voices are heard? In the ideal world, what would that look like?

**Dr. Pamela D. Palmater:** Before negotiations even start, the federal government has already consulted with first nations and gotten their perspectives and their consent on things like the annex list of what's a tradeable good. What should be on there? Most first nations would say water shouldn't be a tradeable good, so these are the kinds of things that can be dealt with long before you get to the negotiating table. That way you're not in a position of going back and forth.

The other thing is making sure you have consent or opt-outs for very specific regions, and they're going to differ. Different regions have different concerns. Some are fish, some are timber, and some are land. At a bare minimum, each of these has to go through an indigenous rights analysis and a gender-based analysis as part of that consultation process.

Then you're far more likely to get agreement, fewer legal challenges, and a trade agreement that respects a whole host of issues addressed by other groups. Indigenous peoples raise environmental issues, workers' rights, and safety. All of those things would be addressed and go a long way to addressing all of the social impacts of free trade agreements. As we know, NAFTA has been the worst for indigenous peoples in Canada, the United States, and Mexico.

**Mr. Kyle Peterson:** I appreciate your input.

Thank you.

**The Vice-Chair (Mr. Dean Allison):** Thank you, Mr. Peterson.

We're going to start our second round. I think we're going to get another three questioners in.

We'll start with Madame Lapointe.

You have five minutes.

[*Translation*]

**Ms. Linda Lapointe:** Thank you very much.

Welcome. My questions are for both of you.

The moldmaking industry is very interesting. You talked about high technology. Where does the machinery you use to make your products come from primarily?

**Mr. Jonathan Azzopardi:** I speak French, but I will answer in English.

[*English*]

The machinery that we use for our industry, is that what the question is?

It's very highly technical and highly expensive. I'll add to what Tim said before about our investments. Our industry is one of the only industries that I know of that expenses approximately 10% to 30% of their revenue per year back into their business in machinery. It's very expensive.

It's normally imported. It's not normally made in Canada, but there are CNC machines, presses, and EDMs. All of this equipment is very highly precise, and it's very expensive.

[*Translation*]

**Ms. Linda Lapointe:** What country does that machinery come from?

[*English*]

**Mr. Jonathan Azzopardi:** It's very diverse. I would say that it's Italy, Taiwan, France, Germany, and the United States, but primarily not Canada.

[*Translation*]

**Ms. Linda Lapointe:** Okay.

For the machinery from Germany, for instance, have you seen a change in tariffs as a result of the European free trade agreement?

[*English*]

**Mr. Jonathan Azzopardi:** You're asking if there's a difference in price in Germany.

It's very expensive.

[*Translation*]

**Ms. Linda Lapointe:** I am referring to any changes in tariffs since the new free trade agreement.

[*English*]

**Mr. Jonathan Azzopardi:** With CETA...?

[*Translation*]

**Ms. Linda Lapointe:** Yes, CETA.

[*English*]

**Mr. Jonathan Azzopardi:** No, to be honest with you, most of it doesn't have high tariffs already. I don't see that it would be a big advantage.

[*Translation*]

**Ms. Linda Lapointe:** Okay.

I will change subjects.



You use plastic. You have a 3D printer and everything the moldmaking industry produces. A movement has begun recently to reduce plastic waste. You have certainly heard that there is plastic waste in the oceans and in the Great Lakes.

Is this movement affecting your industry?

[English]

**Mr. Jonathan Azzopardi:** Are you concentrating more on the environmental side, that you believe there's an impact?

I will be honest with you. We deal in an industry that is very progressive, very highly technical, but also moving forward very quickly. From an environmental standpoint, we believe that our impact is greatly reducing. We believe that the chemical plants that produce the plastic are probably far more detrimental to the environment than the users of our moulds who produce the parts. Brazil as a country is the seventh highest user of plastics. We believe that they're a user of plastics, so they will continue to be a user of plastics, which makes parts. We make the moulds for those parts.

Environmentally, I don't believe that there will be any further impact to Canada, because we believe that plastic is not necessarily made in Canada from our users, our customers. Your concentration needs to be on the chemical facilities.

• (1020)

[Translation]

**Ms. Linda Lapointe:** Thank you.

You mentioned employees earlier. You said that your industry started up after World War II. Do you have trouble recruiting people? Are you able to recruit the people you need with the training offered?

[English]

**Mr. Jonathan Azzopardi:** I will definitely agree with you 100%.

The average employee in our industry is between 52 and 55 years of age. Within 10 years, we believe we will lose between 20% and 30% of our workforce. It is obviously a demographic cliff that we have our eyes on constantly, but it doesn't mean that we don't have things we're doing right now to change that.

I'll take an example from our own business. The average age in my business is 40 to 44. There are ways to work around that, but you have to take a very progressive and a very proactive approach by integrating women into the workforce and by penetrating the poverty barrier to be able to educate, to be able to move people out of poverty into highly skilled, high-paying jobs. Our industry is one that is very much reward-driven. By that I mean that an employee could, within a very short period of time, be making a lot more, and it's not based on time or experience but on their performance.

I'll give you an example. I have an employee in my plant who, within three years, was making the same as somebody who has been in my plant for 20 years, because it's performance-based.

We can take somebody with a short amount of education and turn them into a highly experienced and highly valuable asset to all these businesses, and highly paid.

[Translation]

**Ms. Linda Lapointe:** You mentioned women. What is the percentage of women working in production in your industry?

[English]

**Mr. Jonathan Azzopardi:** Women in our industry are a great opportunity. They're only about 3% of our industry, but they're 50% of our population. We believe that between youth, being able to convert people who are in lower-paid incomes, and women, we can get past the skilled trades gap. But women are essential. They are totally essential to our success here in Canada.

[Translation]

**Ms. Linda Lapointe:** I agree.

In your industry, what is the average salary for factory production workers?

[English]

**Mr. Jonathan Azzopardi:** It's a very difficult question to answer, but it's approximately \$48,000 per year.

[Translation]

**Ms. Linda Lapointe:** That is a very good job.

**Mr. Jonathan Azzopardi:** I think so too.

**Ms. Linda Lapointe:** Thank you.

**Mr. Jonathan Azzopardi:** Thank you.

[English]

**The Vice-Chair (Mr. Dean Allison):** Thank you very much.

We're going to turn it back over to the Conservatives. Mr. Hoback, the floor is yours for five minutes.

**Mr. Randy Hoback:** Thank you, Chair.

Ms. Palmater, thank you for being here. Please, I'm just going to try to flesh out some of the things that you're saying, some of the ideas, and some of the confusions that I and a lot of my constituents have.

I'll use Ms. Ludwig as an example because I know she's a good colleague. In the last general election, first nations and non-first nations voted. They participated in the election. They decided who they wanted to represent them here in Ottawa. Now when we get to Ottawa here and we're dealing with trade agreements, she's representing not only non-first nations but first nations people. How do we square that with what you're saying?

When I go back to my reserves, or she goes back to her reserves and she asks, "Do you have any concerns about Mercosur?", you don't get any comment. You don't see that as a highlight of the issues that they want to talk about.

How do I square that? How does that work? How do you see that working?

**Dr. Pamela D. Palmater:** Not all indigenous peoples vote. A record number did vote in the last election, but you're still looking at less than half the population voting in federal or provincial elections, because they don't feel that federal or provincial governments represent them and their particular and unique interests.

Section 35 constitutional rights are unique to first nations, and we don't see a lot of federal and provincial governments championing that versus fighting that in court.

On the one hand, there's a lack of trust that you bring forward. Secondly, I've yet to see an MP go into any first nation, do a comprehensive presentation about what's in NAFTA, the current problems, what's being suggested, how negotiations are going, do economic cost-benefit analysis, and ask anybody what their opinion is.

**Mr. Randy Hoback:** That's a good point, because when you look at elections, the turnout was approximately 50%. Right across first nations and non-first nations, a lot of people would probably say the same thing.

We do the best we can based on the mandate we're given. We do present a mandate of policies going into elections, so we actually say, "Okay, this is what I believe, this is what I represent, and you can agree or disagree with me as you check the ballot."

You talk about going in and consulting with first nations, and I agree with you. We need to do a better job of that. However, in the same breath, when I do a consultation in my riding, or when Ms. Ludwig does one in her riding, she makes it open to everybody.

We don't see first nations coming out to talk to us. Then we find out later that we've missed something or groups such as yourselves come forward and say, "You've neglected us; you didn't talk to us." Wait a minute. The opportunity was there for you to come forward if you had a concern.

• (1025)

**Dr. Pamela D. Palmater:** That's assuming that they knew about the opportunity. Don't forget that the legal obligation is on the federal and provincial governments, not the other way around. It's not for first nations to try to chase committees or meetings or public consultations and say, "Hey, listen to me."

**Mr. Randy Hoback:** Okay, that's fair.

**Dr. Pamela D. Palmater:** It's not dedicated. It's a legal responsibility. Also, relying on votes and representative government ignores the fact that first nations are no less than a third order of government in this country, with their own jurisdiction, their own mandates, and their own laws that are not covered by federal or provincial elections.

**Mr. Randy Hoback:** How do I take that scenario, where I go and deal with first nations, and then find out, in talking to individuals in the first nations, that they say, "Well, I don't have anybody to represent me. I don't even believe my chief represents me because I didn't vote for him either. I don't believe the chief because he selected the leaders to represent him here in Ottawa. They don't necessarily represent all the best?"

When you have first nations not agreeing on how to move forward on a certain topic or issue, how do we react? We still have to move forward. We still have to make decisions.

**Dr. Pamela D. Palmater:** How does Canada react to the fact that Canadians don't all agree with Prime Minister Trudeau, or provincial residents don't all agree with him? The requirement isn't that every individual agrees. We're talking about government-to-government negotiations on constitutional rights.

There are inevitably going to be individuals who don't agree, but we're talking about government, who this government should be talking to—our first nation governments—in the way that they want to be talked to. It could be as a treaty group. It could be as the entire Mi'kmaq nation. It could be as a province, all the first nations in Manitoba, but it's up to them to decide how they want to negotiate on that nation-to-nation, government-to-government basis, and it's not happening.

**Mr. Randy Hoback:** Is there any continuity? Is there any process? What's the right word? Maybe I'll go back to "continuity". When the government looks at it and asks who they should talk to now, who they should consult, what's the hierarchy? Who are the appropriate people to talk to? Then you talk to them, and then you find out another group comes back and says, "Well, you forgot to talk to us."

How do you know if they're actually legitimately representing the people they claim to represent, or if they're just playing politics and saying, "No, we just don't want a trade deal", and they haven't even done their proper consultations themselves with their own individuals?

**Dr. Pamela D. Palmater:** Well, I guess you could ask all those questions of the federal, provincial, and municipal governments.

**Mr. Randy Hoback:** It's the same thing.

**Dr. Pamela D. Palmater:** Politics is politics. However, Canada hasn't done the job of asking. They haven't done the job of saying, "Okay, we've pronounced nation-to-nation. We've cried tears and made apologies, but we haven't got down to the actual mechanics of it. How are we going to engage on a nation-to-nation basis?"

We've been saying all across the country how we want to. You could read books from 1970, the Red Paper, "Wahbung", and all of these responses to the White Paper about what we want and who to talk to, but no one does it. We get presented with questions around, "We don't know who to talk to." Well, ask us and we'll tell you.

**The Vice-Chair (Mr. Dean Allison):** Thank you. That's a good dialogue.

**Mr. Randy Hoback:** Thank you.

**The Vice-Chair (Mr. Dean Allison):** We're going to move now to Ms. Ludwig to wrap up, for five minutes.

**Ms. Karen Ludwig:** Thank you, all, for being here today.

I'm going to start my questions with the Canadian Association of Moldmakers. What is the training that's required? Is that a college diploma or a college degree? Is it an apprenticeship program?

**Mr. Timothy Galbraith:** High school and the skilled trades are the two things that we're looking for. You can get a job in our industry, like many, without much of an education, but if you wish to rise in the levels of technology, skilled trades, CNC machinist and mould-maker are two of the skilled trades that we are looking desperately to fill.

Jon and I both work very closely with the colleges to help promote that. We have a lot of tours from high schools and grade schools coming through our plants to tell them what the technology looks like. Modern manufacturing is not the sweatshop that they think it is, and we're actively encouraging anyone to come and have a look and see what we're about.

The government's been very good in providing opportunities to bring people who are disenfranchised into the learning stream and fulfilling the requirements that we have, because, honestly, people are our limitation right now. We'd grow faster and bigger if we had people, plain and simple.

**Ms. Karen Ludwig:** Okay, great. Thank you.

Are you having discussions with the Association of Canadian Community Colleges as well?

**Mr. Timothy Galbraith:** Yes, absolutely.

**Ms. Karen Ludwig:** Okay, excellent.

**Mr. Jonathan Azzopardi:** I'd like to add that we believe that working with the colleges is the key to our future. We need to continue to bring in good assets. We are highly educated and highly prepared. The faster they come to our plants and they're able to integrate into our systems, the faster they become an asset and become valuable and make us money.

I'd like to add to what Tim said. We also have high potential for growth within our company. Tim and I both come from the shop floor, which means you can start out with a college education, and with a low investment. We can actually show that these people are making six figures, because it's so performance-based and experience-based.

Contrary to somebody who has to get an education to be a doctor, we have shown that when people are coming out of school in our own industry, they're \$180,000 ahead within year number two of somebody coming out with a university degree. That's \$180,000, in our industry.

•(1030)

**Ms. Karen Ludwig:** That's really interesting, the opportunity cost of education. That's a whole other topic, but I fully understand that.

I'm wondering about the hours of work. Are they regular eight- to 12-hour schedules, or is it more shift work?

**Mr. Jonathan Azzopardi:** At our own plant, we run 24-7. As there is a lack of available labour, we take our efficiencies and move them as far as we possibly can.

That being said, we're actually as flexible as possible. We have introduced flex schedules into our own facility because these people are so personally driven. There's a high level of self-confidence and pride, so we allow flex schedules. I actually have people who start at 4:00, 6:00, and 7:00 in the morning who work till 2:00 or 3:30 in the afternoon, so there's a high level of flexibility. Yes, there's a high demand and there are many hours, but we're able to give flexibility.

We run 24-7, so we run what we call a weekend shift. Basically, we run three days and pay 48 hours and they only work 36 hours, which is great for single mothers who are trying to raise a family while also trying to pursue a career. We're able to give them five days

off, when their children are normally in school, and then they work on the weekends, when they have better support structures. Our industry is highly technical, but highly experienced. It's able to flex with people's schedules.

**Ms. Karen Ludwig:** Thank you for sharing that because I was just wondering about the 3% of women in your field. When I had the opportunity to sit on the status of women committee, we learned that the greatest deterrent for women in trades and areas like yours is actually the hours of work and the unavailability of child care in the outside hours. I think that's an important way of increasing that.

My next question is for Ms. Palmater. In terms of consultation, I'm just going to go back to Mr. Hoback's question. Specifically, could you define what consultation means within the first nations community? Even in my riding, I heard that there was a really important project and the local government thought that they had consulted. The first nation chief came back and said, "That's not how we consult". If you could help clarify what consultation, in a broader sense, means for first nations, that would be very helpful.

**Dr. Pamela D. Palmater:** I think the most important point is that there is no one-size-fits-all. How they want to be consulted is a question that has to be asked to the Mi'kmaq nation and Treaty 4 and the Assembly of Manitoba Chiefs. In fact, there are many first nations or aggregate groups of first nations across the country that actually have their own consultation protocols that say, "Here's how we actually want to work with you on a wide range of issues. Send us your information and we'll set up meetings." The problem is that it doesn't happen. It's not for lack of trying and if you want to know how first nation consultations should take place in the different groups across the country, you should ask them.

The reality is, though, that it's been asked and answered and asked and answered and asked and answered, but the local officials don't abide by that. They abide by the default federal government position, which is to do the minimal and just have information sessions or not even that, in some cases. On free trade, it's been zero.

**The Vice-Chair (Mr. Dean Allison):** Thank you.

Just before we wrap up, I wanted to ask our friends from the mould-makers association a question. You talked about the difficulty in accessing the Brazilian market, but also the high potential. Talk to us about trade versus non-trade barriers. Are they mostly non-trade or are they around tariffs right now, in terms of the challenge of access?

Obviously, you would see those things being worked out to help you get access. As you said, you had access to a market like Mexico, which typically may have had lower wages. I would have thought that it would have been tougher to compete. Before we wrap up, can you talk about where you see the ability? Is it around non-tariff or tariff barriers for Brazil, for example, because that was one of the countries?

**Mr. Timothy Galbraith:** We expect to see both tariff and non-tariff barriers, but I would throw out the challenge that, if you get rid of the tariff barriers, we'll work on the other ones.

•(1035)

**The Vice-Chair (Mr. Dean Allison):** Is the biggest challenge right now the tariffs, though?

**Mr. Timothy Galbraith:** It's prohibiting us from entering the market right now.

**The Vice-Chair (Mr. Dean Allison):** What are they like? Are they 30% or 40%?

**Mr. Timothy Galbraith:** They're a little less, but close.

**Mr. Jonathan Azzopardi:** We're experiencing about 35% tariffs. That's what we expect on manufactured goods. When that goes to zero, we will be able to compete at a different level and then, like Tim said, we'll need boots on the ground.

I'll be honest with you that we don't necessarily expect that we'll be establishing factories there, but we will be employing representatives and we will be going down there ourselves. If I were to give the government advice as a second step on this, we are going to need opportunities to do delegations and trade missions

both ways—going there, coming here. We'll be looking forward to that and we'll be participating in that, so that we can actually create that education and awareness. Once we do that.... Tim was being quite honest. We are in the top three. We're the third, if not in the top two, for quality, which means we're competing with them and they will need our services because there are only two other countries to compete with.

If we are the first and we establish that beachhead, we'll be able to take full advantage of it.

**The Vice-Chair (Mr. Dean Allison):** Great.

To our witnesses, thank you very much for being here today.

With that, the meeting is adjourned.

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