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• (1535)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I would like to call to order the sixth meeting of the Standing Committee on International Trade.

Pursuant to the order of reference of Thursday, February 6, 2020, we are studying Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

Before we start with our witnesses, Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Madam Chair, if I may, I'd like to say a few words before we get going. In the audience, we have a group of students from the École nationale d'administration publique, ENAP. They are here with their professor, Rémy Trudel, who used to be a minister in the Quebec government.

Back in the day, I used to teach classes under my friend Rémy. In fact, today's meeting is somewhat of a class that we'll be giving. It's about understanding how our institutions work. Thank you all for being here.

[English]

The Chair: Thank you.

Welcome. We hope you enjoy the meeting. We're always pleased to have visitors here.

Today, for five minutes, we have Philippe Méla, the legislative clerk from the committees and legislative services directorate, and Nathalie Caron, legislative expert. They will give us a few minutes of advice or comment as we are going to be dealing with NAFTA at some point or another in the next few days. They will explain the services they can provide to committee members in drafting amendments and so on.

I will turn it over to you, Mr. Méla.

[Translation]

The Clerk: I'll start by introducing myself.

[English]

My name is Philippe Méla, as Ms. Sgro mentioned. I'm the legislative clerk for Bill C-4.

You adopted a motion yesterday determining the dates for the deadline for amendments and the clause-by-clause consideration of

the bill. I'm going to be here to help you analyze the receivability of amendments, if you have any, and the amendments will be drafted by my colleague, Nathalie Caron.

Since you already know me, being here quite often, I'm going to let my colleague speak.

[Translation]

Mrs. Nathalie Caron: Good afternoon. My name is Nathalie Caron, and I am the senior legislative counsel at the Office of the Law Clerk and Parliamentary Counsel of the House of Commons. I was tasked with drafting the amendments for Bill C-4.

I'd like to start by saying that the work we do for you, always on an individual basis, is confidential and non-partisan. The discussions we have with you about amendments are not shared with anyone without your consent. By the way, when you have amendments, we encourage you to contact us as soon as possible so that we can begin work on the amendments immediately. You don't need to wait until you are fully prepared or you have all your instructions ready. As soon as you're ready to give us instructions for one or two amendments, you can contact us so we can get to work right away.

It can be a lengthy process, depending on how complex the request is—hence the importance of the instructions you give us. It helps us if you can explain the purpose of the measure and your objectives, as well as provide some context. Having that information is very helpful as we draft the amendments. Our role is really to turn your instructions into legislation that does what you want it to. Your explanations and objectives are essential to the analysis we carry out. We perform a legal analysis of your instructions, and if we identify any issues, we let you know. That way, we can try to find you other options. Then, we start drafting.

We produce a draft, which is reviewed and then sent to you for approval. Once approved, it is translated and revised. The process has a number of steps, which is why it's so important that you contact us as quickly as possible.

What I'd like to convey to you today is this: don't hesitate to contact us, even if you're not ready to provide instructions for your amendments. That way, we can at least start the discussion and explore solutions.

• (1540)

[English]

The Chair: Ms. Caron, can you leave business cards and contact information with the members?

Thank you.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you for your presentation. I appreciate the service.

What's the normal turnaround time if we have something we want you to consider? Does it take a day, two days, four days? Just give us an idea what is normal.

Mrs. Nathalie Caron: It always depends on the number of requests we have, and on the complexity of the request. For some amendments, let's say to change a coming into force date, the turnaround time is very quick. But if you're trying to do something complex in fiscal legislation, sometimes there is a lengthy analysis to be done. It's also influenced by volume. Sometimes we get a crunch where we have many requests at the same time, so then it will take longer.

Mr. Randy Hoback: In this situation, where we have a very fixed, short time period to deal with this, if we were to come with an amendment in the middle of next week, how would that impact your ability—

Mrs. Nathalie Caron: We'll do our best to deliver on time. That's always our goal.

Mr. Randy Hoback: Thank you.

The Chair: Are there any further questions or comments?

Thank you both very much for coming. We look forward to seeing more of you as the time passes.

We'll go on to our witnesses. Thank you for your patience.

As an individual, we have Michael Geist, Canada research chair in Internet and e-commerce law, faculty of law, University of Ottawa. From the Canadian Sugar Institute, we have Sandra Marsden, president. From Centro de Investigación Laboral y Asesoría Sindical, by video conference from Mexico City, we have Hector de la Cueva, general coordinator. And, on behalf of Unifor, we have Angelo DiCaro, director of research.

Welcome to all of you today.

Mr. Geist, we'll start with you.

Dr. Michael Geist (Canada Research Chair in Internet and E-Commerce Law, Faculty of Law, University of Ottawa, As an Individual): Thank you, Madam Chair, and good afternoon.

As you heard, my name is Michael Geist. I'm a law professor at the University of Ottawa, where I hold the Canada research chair in Internet and e-commerce law. I'm also a member of the Centre for Law, Technology and Society. My areas of specialty include digital policy, intellectual property, privacy and the Internet. I appear today in a personal capacity, representing only my own views.

As you know, the typical approach before committee on a bill study is to examine the bill and identify provisions to support and

areas for amendment. In this case, however, what really matters is not what is in the bill, but what is not. Indeed, the most notable issues from a digital policy perspective won't be found in Bill C-4. Rather, they are found in the new NAFTA itself, and they typically limit Canada's policy options for future reforms rather than require immediate legislative action. I think this raises a significant challenge, since the flawed aspects of the deal cannot, to my knowledge, be fixed in Bill C-4. Rather, they require change in a trade agreement that has been largely presented as a take-it-or-leave-it deal.

I'd like to briefly discuss four issues along these lines: copyright term extension, the cultural exemption, privacy and data protection, and Internet platform liability.

First is copyright term extension. The intellectual property provisions in the agreement raise some significant concerns, but none more so than the requirement to extend the term of copyright from the international standard of the life of the author plus 50 years to life plus 70. The additional 20 years is a reform that Canada rightly resisted for decades. By caving on the issue, the agreement represents a major windfall that could run into the hundreds of millions of dollars for rights holders and creates the need to recalibrate Canadian copyright law to restore the balance.

The independent data on copyright term extension is unequivocal: It results in less access to works, higher costs for consumers and no incentive for new creativity. In the words of Paul Heald, one of the leading researchers on the effects of term extension, it effectively represents a tax on consumers to the benefit of publishers with no obligation to benefit the public.

The copyright review that was conducted by the industry committee in the last Parliament included an extensive review into the issue and concluded that extension should only occur as part of a trade agreement ratification. In such a circumstance, it recommended establishing a registration requirement to obtain the additional 20 years of protection to mitigate against the disadvantages of term extension and increase the overall transparency of the copyright system.

Copyright term extension does not appear in Bill C-4 because the government, I think, smartly negotiated a 30-month transition period to address the issue. The government has not rushed into term extension, and it should take full advantage of the transition period to follow the copyright review recommendation by establishing the registration requirement for the additional 20 years. That would allow rights holders who want the additional protection to get it, while also ensuring that many other works enter into the public domain after their term has expired, after life plus 50.

Second is the cultural exemption. Now, much like the copyright term extension, there is no reference to the cultural exemption in Bill C-4, and that's because the cultural exemption doesn't require legislative reform. However, I'd argue that the exemption is one of the most poorly understood aspects of the agreement. Consistent with the government claims, the cultural exemption covers a broad range of sectors, with a near complete exemption for Canada.

However, while the government has emphasized its broad scope, it rarely speaks of subarticle 32.6(4), which comes immediately afterward. That provision was the price of the exemption, and it permits the U.S. to levy retaliatory measures of "equivalent commercial effect" where Canada relies upon the exemption. The retaliatory measures provision means that the U.S. is entitled to levy tariffs or other measures that have an equivalent commercial effect in response to Canadian policies that would otherwise violate the new NAFTA if not for the exemption.

Since the provision does not limit the response to the cultural sector, the U.S. can be expected to target sensitive areas in the Canadian economy, such as dairy or steel, in order to discourage the use of the exemption. That was the U.S. strategy when it recently responded to a French plan to levy a new digital tax: The U.S. planned to levy \$2.4 billion in tariffs against French goods such as wine, cheese and handbags.

How could that play out in a Canadian policy context? The recent report of the broadcasting and telecommunications legislative review panel, the so-called Yale report, contains what I view as many ill-advised recommendations on regulating the Internet and online news services, such as news aggregators.

- (1545)

Should the government adopt the broadcast panel recommendations on content, the U.S. would have a strong case for permitting retaliation with measures of equivalent commercial effect. Panel proposals that may violate the new trade agreement include requirements to pay levies to fund Canadian content without full access to the same funding mechanisms enjoyed by Canadians, licensing requirements for Internet services that may violate NAFTA standards, and discoverability requirements that limit the manner in which information is conveyed on websites and services.

I'll emphasize that I think this is bad policy that should be rejected. However, for the purposes of this review of the new NAFTA, note that the policy flexibility to enact reforms in this area is severely limited by the agreement, which establishes the possibility of retaliatory tariffs for cultural policy.

Third is privacy. The limitations of new Canadian policy also arise in the context of privacy and data protection. Unlike the cultural exemption, which permits violations of the treaty subject to potential retaliatory tariffs, on the issue of privacy Canada would run the risk of being offside of its commitment under the new NAFTA.

Note, again, that there is no provision on point in Bill C-4. There is no need for one, since the new NAFTA prohibits certain privacy-related provisions, rather than requiring them.

For example, the new NAFTA includes a provision that prohibits data localization, which refers to measures requiring the data to be stored in Canada. The new NAFTA actually features a more restrictive provision than the one found in the CPTPP. There are some general exceptions that build in GATS-related rules, but the Canadian government will clearly be restricted in its ability to establish localization requirements under the agreement.

The implications of this limitation are far-reaching. With respect to data right now, consider the wide range of policy issues we're grappling with, whether that's Canada's digital charter and the proposals for privacy and data reforms, concerns around data sovereignty, AI-related issues, or fears about the competitiveness of Canadian businesses in relation to Canadian data.

It's notable that the Canadian government itself has established localization requirements as part of its cloud computing policy. Indeed, there is a recognition that data localization may be needed in some circumstances. Yet under this agreement, Canada is severely limited in terms of its ability to implement such requirements.

The same is true on the issue of data transfers, as the new NAFTA limits our ability to restrict them as well. As we enter into discussions with the European Union about the adequacy of Canadian privacy laws, there are concerns that the data transfer provision could put Canada between a proverbial privacy rock and a hard place, with the EU demanding certain restrictions on data transfers and the new NAFTA prohibiting them.

Finally, there is Internet platform liability. A similar dynamic arises in the context of Internet platform liability, which raises the question of what responsibility lies with Internet companies for third party content hosted on their sites. This issue captures large players, such as Google and Facebook, alongside anyone who offers user comments or content. Once again, there is no provision on this issue in Bill C-4. The reason it isn't there is that the new NAFTA restricts policy in the area rather than requiring a new provision.

The new NAFTA includes a legal safe harbour for Internet intermediaries and platforms for content posted by their users. The rule is designed to provide the platforms with immunity from liability both for the removal of content and for the failure to remove content. Contrary to some claims, the rule doesn't mean that "everything goes". Sites and services are still subject to court orders and the enforcement of criminal law. Intellectual property rights enforcement is also exempted.

However, there are some who argue that the responsibility of Internet platforms should go further, with potential liability for failure to act even in cases of harmful, albeit legal, content. That position raises important freedom of expression concerns and questions about how to balance free speech safeguards with protection from harm.

The issue for a review in Bill C-4 is not to debate where Canada should land on the issue. For example, the broadcast panel recommended liability for online harms, even if the content is legal. Others, including myself, would argue that liability should rest with illegal content, but to create liability for legal content is to render Internet companies judge and jury over what remains online, thereby further empowering those large Internet companies, as well as limiting competition and freedom of speech.

• (1550)

The key point here is that there is a policy debate to be had. Under the new NAFTA, Canada has effectively already committed to a position, one that restricts our ability to establish liability for third party content.

I look forward to your questions.

The Chair: Thank you very much, Mr. Geist.

I'll move on to the Canadian Sugar Institute.

Ms. Marsden, please.

Ms. Sandra Marsden (President, Canadian Sugar Institute): Thank you, Madam Chair and members of the committee.

I would like to share the views of Canada's sugar industry on the implementation of the new NAFTA, the Canada-United States-Mexico trade agreement. The Canadian Sugar Institute strongly supports timely ratification of the new agreement but is also seeking assurances from government that vital Canadian export administration procedures are in place when CUSMA enters into force this year.

The CSI represents Canadian refined sugar producers on nutrition and international trade affairs. The industry has three cane sugar refineries, in Vancouver, Toronto and Montreal; a sugar beet processing plant in Taber, Alberta; as well as two further processing, value-added, sugar-containing product operations in Ontario, one in Belleville and one in Scarborough.

Canadian refined sugar and sugar-containing product exports remain constrained by U.S. quotas that were established in the 1980s. These quotas were not liberalized under NAFTA or the WTO. In fact, those agreements further restricted our access to the U.S. market rather than liberalizing it. Our industry suffered the pain of that through the closure of the Winnipeg sugar beet factory in Manitoba, as well as a cane sugar refinery in Saint John, New Brunswick. The CSI strongly supported the renegotiation of NAFTA as a new opportunity to perhaps restore some of that access and gain some new, more flexible rules.

Unfortunately, CUSMA did not achieve the industry's objectives of substantial market access gains, but it did preserve existing access. Of course, during this negotiation we often weren't sure

whether we would lose ground rather than gain it, and it did create two new small quotas.

The existing access that has been maintained includes 10,300 tonnes of beet sugar from Alberta, processed from Alberta sugar beets, and just over 59,000 tonnes of sugar-containing products. These are products high in sugar, such as tea mixes and other drink mixes, hot chocolate, gelatin desserts, those kinds of products. Those products are produced in eastern Canada, with sugar refined in Montreal and Toronto. These quotas are very small in relation to the 11-million-tonne U.S. sugar market, but they are critically important to an industry that's constrained by foreign trade barriers.

The two new U.S. quotas that are in CUSMA include a 9,600-tonne sugar beet quota, which is exceedingly important to southern Alberta, approximately doubling the current access; and a new 9,600-tonne quota for sugar-containing products. That's small in relation to the existing 59,000 tonnes, but it does bring with it more flexible rules that will allow the volume to be fully utilized.

The problem with the existing quota is that their restrictive rules of origin and end-use limitations haven't kept pace with changes in the marketplace. That quota utilization has been reduced by about 25% since 2006. The Canadian sugar refining and sugar-containing product operations in eastern Canada have suffered this loss, in the order of \$11.5 million and 10,000 tonnes.

Coming back to administration, the value of these quotas to Canada depends on the method that Canada chooses to manage the export administration. Export controls are the firmly established method for managing access to restricted high-value markets in NAFTA and, for example, in CETA. They are necessary to provide predictability to enter into supply contracts with U.S. customers, to maintain supply chains and to justify ongoing investment in those further processing sugar-containing product operations.

We have consistently advocated for export controls alongside our market access objectives in CUSMA trade negotiations, as we did in the prior TPP negotiations. We have now received assurances that Canada will implement export controls. The issue will be a question of timing. It's important that these procedures be in place before CUSMA is implemented; otherwise, the value will not transfer to our industry.

A public consultation has been planned. We have been informed that this will be an omnibus consultation that will extend beyond CUSMA quotas to existing U.S. quotas as well as the CETA origin quotas. Of course we support public consultation. Our concern is that this not delay the necessary implementation of export controls and allocation to companies for the new CUSMA quotas.

• (1555)

We're seeking further assurances that there isn't any unnecessary delay, that Canada notify the U.S. immediately upon ratification of CUSMA, and that Canada will use export controls, because there is a requirement in CUSMA that Canada do so 150 days prior to U.S. acceptance of those export permits at entry. There won't be border enforcement this year, but, at the very least, it should be in place by the beginning of the second year, in 2021.

There is no need to consult on the beet sugar quota, because the only sugar that qualifies for that is produced and processed in Alberta. For the sugar-containing products, which are the key issue for our industry, the quotas should be allocated to those companies that have made and sustained investments in Canada, that have historically and actively participated in those quotas, and that have suffered the volume and financial losses. Essentially, that's the members of the Canadian Sugar Institute who do the sugar refining and the associated sugar-containing product operations. Right now 92% to 95% of the U.S. quota is filled by our members.

Thank you very much.

• (1600)

The Chair: Thank you very much, Ms. Marsden.

We will move on to Mr. de la Cueva, by video conference from Mexico City.

Okay, we're going to go to Mr. DiCaro first.

Mr. Angelo DiCaro (Director of Research, Unifor): Please, I'll explain. When we were first invited, we also asked if Hector could join us and split our time. That's what we've decided to do. We'll do five minutes and five minutes, and that will make up Unifor's time. I only learned about the extra 10 minutes today, so it was too late to fill in the blanks on the comments. I'll go first, if you'll indulge me; then we'll go to Hector.

Good afternoon, Madam Chair and members of the committee. As was said, my name is Angelo DiCaro. I am the national director of research for Unifor.

Unifor is Canada's largest union in the private sector, representing more than 315,000 workers in nearly every industry, from coast to coast to coast.

I want to thank the committee for the invitation to speak today on Bill C-4 and the implementation of CUSMA, and I bring greetings from our national president Jerry Dias and national secretary-treasurer Lana Payne.

I also want to thank the committee for allowing me to share my time with Hector de la Cueva, a friend and an ally of our union, who is with us on video conference from Mexico City. Hector is the general coordinator of Mexico's Labor Research and Trade Union Advisory Center, and he has been a key point of contact for us throughout these NAFTA negotiations.

I want to open my remarks by stating what's probably the obvious. NAFTA has been a very challenging deal for working people, with many negative effects over time.

It was an agreement built to limit democratic controls over trade and investment and tie the hands of government policy-makers. It was one of the first agreements to establish private tribunals that investors could use to challenge Canadian regulations and potentially sue governments for unlimited sums of money. It conceded sovereignty of Canada's energy production to the United States. And despite the obvious competitive pressures that "free trade" would put on workers in all three countries, NAFTA and its negotiators simply paid no mind.

A generation later, we have seen the outcome: a manufacturing trade deficit with Mexico that has ballooned from \$3.5 billion at its onset to more than \$27 billion today—half of that in the auto sector alone, including parts.

We've seen a workforce pressured by wage cuts and threats of job loss to low-wage right-to-work states or Mexican export processing zones. If you want examples, you don't have to look too far, considering the recent struggles we faced at Nemak, in Essex, and of course our fight with General Motors assembly operations in Oshawa.

These job dislocations happen largely because of NAFTA. They happen because businesses have unconditional access to markets. It's why companies can sell here but have no obligation to build here.

In light of that, it's almost impossible for our union to be fully satisfied with the outcomes of CUSMA. Unifor members in Kitimat and in Saguenay, for instance, are rightly upset about the unequal treatment the aluminum sector received regarding aluminum content rules for automobiles. It's a problem that needs addressing.

Our members in the softwood lumber industry are still disadvantaged by unfair duties on exports, deepening our already challenged forest industry.

But while we are paying close attention to these concerns, there are, without a doubt, important advances in this deal, led by Minister Freeland and her team, that deserve support.

In CUSMA, for the first time, tariff-free auto trade is now conditional on high-wage production. It's not a silver bullet, but it is a new tool to help stop the bleeding of investment to low-wage factories and an attempt to incentivize an upward pressure on low-wage production.

In CUSMA, for the first time, Canada has scrapped its investor-state dispute settlement system, or ISDS. This is very good. Frankly, we would encourage the federal government to go one step further in its implementation efforts and direct the removal of ISDS from all other trade agreements that Canada currently has.

CUSMA also reclaims our energy sovereignty. It maintains our cultural carve-out and reverses course on certain bad cultural policies enacted under the Harper government.

Most importantly, it establishes important fixes to pre-existing language and groundbreaking new provisions that address workers' rights—provisions that have been made even stronger, thanks to recent changes outlined in the protocol of amendment.

CUSMA's labour provisions not only exceed the terms of the original NAFTA, but they exceed provisions in any trade agreement negotiated ever since—provisions that I, personally, would have thought impossible to achieve even three years ago.

Now, we are not so naive as to think that CUSMA, by itself, fixes the deeply entrenched anti-worker practices in Mexico. If anyone thinks that, then they don't have a clear read of the problem in Mexico.

The implementation of this agreement must come with clear commitments that Canadian officials will work with their Mexican counterparts to finance rights-based community support projects and fully resource a proactive investigative approach to the rapid response mechanism.

• (1605)

All of this must be done in consultation with trade unions and worker advocacy groups in Mexico, like Hector's.

With that, I will pass the rest of my time over to Hector for his comments.

The Chair: Mr. de la Cueva, it's your time.

Mr. Hector de la Cueva (General Coordinator, Centro de Investigación Laboral y Asesoría Sindical): Thank you, Angelo. Thank you to the chair and members of the committee for having me speak today.

I have travelled to Canada many times, but it is very cold, especially in winter, so I appreciate you allowing me to communicate from Mexico City, where it is much warmer. Spring came early for us.

I have spent much of my life working with the independent trade union movement here in Mexico. I have seen the damage caused by a system of undemocratic trade unionism and fake collective bargaining. In Mexico, under NAFTA, real wages have fallen over 25 years, despite major advances in productivity and trade.

I share the concern raised by Unifor. There is a lot in the new CUSMA that reflects the old NAFTA, an agreement that aimed to exploit my country for its low-wage workers and its natural resources, and reproducing inequalities between the countries and inside the countries. Mexico's relationship to North America is as a low-cost supplier of goods and services. That keeps more than 50% of Mexicans living in poverty. While Mexicans suffer, Canadian workers suffer too, with job losses and threats of low wages.

In NAFTA, workers do not win. I will say, like Angelo, that there are important advances in the new CUSMA on labour rights. This is perhaps its positive aspect. The new agreement has already had an immediate consequence on promoting long-overdue labour reforms in my country. This includes provisions to ensure democratic participation in trade union organizing and collective bargaining.

In Mexico, many workplaces are controlled by so-called “protection contracts”, which are collective agreements established by em-

ployers and supported by unelected unions. In Mexico, these powerful, unelected union officials are installed as worker representatives on tripartite committees, like arbitration boards, guaranteeing that workers have no voice.

The new rapid response mechanism for monitoring compliance is stronger than any measure we have seen before, and we hope it will allow us to better challenge this system of corruption that breeds unfair trade. However, these enforcement tools should not be used only as a weapon to attack Mexico. Instead, they should apply fully to all parties of CUSMA, including Canada.

In Mexico, the main problem we face has not been our national laws or ratification of international agreements. Having strong laws designed to protect workers and preserve human rights means nothing if states or corporations simply ignore them. The new CUSMA enforcement measures include significant penalties for corporations that break the rules. That is encouraging. That is something we have not seen before, but sometimes U.S.- and Canadian-based companies are the ones that ignore their obligations to labour and human rights, and that must stop as well.

To be truly effective, the labour provisions in CUSMA must be used as a tool to attack corporate injustice and social inequality, not simply to attack Mexico.

• (1610)

I was very pleased to come and meet with Canada's chief negotiator and other officials during the negotiation process. If you can believe it, we had an easier time arranging meetings with Canadian officials than with our own trade officials here in Mexico. I want to thank those who spoke to us, and who heard our concerns, for their openness.

Thank you again for allowing me to speak. I would be happy to answer any questions.

Thank you very much.

The Chair: To all of you, thank you very much for your contributions.

We will now go to committee members.

Mr. Lewis, please.

Mr. Chris Lewis (Essex, CPC): Thank you very much, Madam Chair.

Thank you very much to the witnesses for coming here today.

Allow me to open by saying that we are the party of free trade. Not by any stretch of the imagination is it in our interest to hold it up. Families, workers and businesses depend on it. But without all the information at our fingertips, such as an economic impact study, we have to do our due diligence.

Mr. DiCaro, the clause that requires 40% of cars produced in Mexico to be completed by workers making at least \$16 an hour, or \$20 Canadian, on the surface is good news for auto workers in Canada, and obviously for workers in my riding of Essex. The underlying assumption is that automotive manufacturing jobs will migrate to the north. I am concerned, however, about the lack of analysis.

My question is twofold, sir. First, will you have an internal mechanism for tracking this sort of data to ensure that this provision does benefit auto workers in Canada? Second, if the measures are not being properly implemented, is there a means for you to intervene to ensure compliance?

Mr. Angelo DiCaro: Thanks for that question. It's an excellent question.

I'll tell you that one piece of this is that the 40% applies to light cars. The 45% of this new labour value content applies to trucks. There are two different conditions. Mechanisms in the current language of the agreement allow parties to whittle that down to as low as 25% labour value content. It's conditioned on research and development work that can get pumped into the mix that you can shave off some of those percentage obligations, as well as a very strange provision around powertrain operations and how many units you produce in a year. It's not exactly a 40% clean figure. With that, I think compliance will be a little bit easier to meet. In terms of how this works out in practice, a lot of it will be conditioned on the uniform regulations that are still being written. We haven't seen a draft of those yet. We'll have to pay close attention to that. We're hoping to see those soon.

On the question about monitoring, that's something that has been on our minds since day one. It's not just on labour value content. When you look at the new rules that apply to auto, I think it's the one sector that's seen the most significant transformation of the rules of origin. I might be wrong, but to me it seems more significant than others. How these new and very complex rules will be monitored is an open question. We have poked and prodded to try to get information on this, but we are told that these are proprietary bits of information that live and reside with Canada Border Services and the exporters. Until they're willing to disclose that, we're a little bit in the dark, but absolutely, as this rolls out, this is something that will be top of mind for us to poke around in.

Mr. Chris Lewis: Thank you.

I have one more question for you, sir. Yesterday, Brian Kingston, representing the Business Council of Canada, in response to my question about implementation indicated that one of the most complicated elements of this agreement is rules of origin, particularly in the auto sector. He suggested that there's a lot of work to be done to ensure that the implementation phase does not create backlogs at the border.

Do you have any concerns of your own about implementation? Are talks under way to ensure that the labour value content threshold will be properly tracked through the supply chain?

• (1615)

Mr. Angelo DiCaro: I think I answered the second part of your question. Again, there's no tracking mechanism that I'm aware of.

As the regulations come out, these are questions that need to be asked as those are drafted.

In terms of Mr. Kingston's comments, I do agree that there's a lot more to this new package of rules of origin. Is this something that is needed? Yes, given the extensive loopholes that existed in the original NAFTA deal. I guess in some ways, seeing the trend we were facing with the trans-Pacific partnership, for instance, where those rules of origin would have been further watered down, or even in a free trade zone giving tariff preferences to companies doing the trading—basically saying, in the TPP, that half the car doesn't even have to come from the free trade zone but we'll still give you the access—it seemed a little bit ridiculous.

We've moved the other way in CUSMA, with stricter rules to try to maintain the integrity of what is a North American-built car, so that if tariff-free preferences are given, we can say with a straight face that it was actually built on this continent. For that reason, it probably will be complicated to work through this, but I think it is a necessary step.

Mr. Chris Lewis: Thank you, Madam Chair.

The Chair: Thank you very much, Mr. Lewis.

We'll go on to Ms. Bendayan.

Ms. Rachel Bendayan (Outremont, Lib.): Thank you, Madam Chair.

Thank you, Mr. Geist. Thank you, Ms. Marsden and Mr. DiCaro.

My question is for Señor de la Cueva.

[Member spoke in Spanish]

[English]

You discussed a lot the importance of some of the labour provisions that are found in the new NAFTA, and I want to touch on that in greater detail. In particular, as you know, there is a requirement now that almost half of automobile parts be made by workers earning at least \$16 U.S. per hour.

We heard from Mr. Angelo DiCaro just a few minutes ago on that point, but from your perspective in Mexico, does this level to some extent the playing field for auto workers in North America? Do you think this is a good thing for both Canadian workers and Mexican workers?

Mr. Hector de la Cueva: Thank you for your question. I'll try to answer in my very bad English. I apologize for that.

We think, in the auto workers' independent unions in Mexico, that this provision could not help us enough in Mexico. Why? Because less than 1% of the workers in Mexico work in the auto industry, and their salaries are very far from \$16 per hour. It will be a long time before any factory in Mexico will pay \$16 per hour. This provision will not promote a Mexican salary increase. Even the labour chapter is not enough to promote an increase in the Mexican salaries. To put the \$16 per hour, really, that means nothing in Mexico, because we are really far from getting that salary. At least there are regional strategies for motivation to get to the top, the labour conditions and the salaries. It happens exactly to the contrary in NAFTA here, which motivates them to dump Mexican salaries and put pressure on the U.S. and Canada to lower wages.

To answer very concretely, I think this provision for \$16 per hour could affect jobs in Mexico, but certainly would not promote Mexican salary increases. To attack the social dumping, we need other provisions to really guarantee that the Mexican salaries could increase, including in the auto industry. This provision could affect jobs in Mexico, but it will not put pressure to increase the salaries.

I don't know if I was clear.

• (1620)

Ms. Rachel Bendayan: Yes, perfectly clear.

I'm not sure if you have any additional comments from the Canadian perspective.

Mr. Angelo DiCaro: I agree with Hector. We've been consistent in understanding what that \$16 provision will be.

I also want to clarify, so folks aren't left with a misunderstanding. Despite the fact that it signifies in the text of the agreement that this is a minimum wage of \$16 U.S. per hour, that is not what is being promoted in the new agreement. If you read the footnotes to that clause, somehow a minimum magically got turned into an average in the footnotes. We're talking about an average salary of \$16 U.S. per hour, which is about \$21 Canadian, and they're in the uniform regulations. We'll find out exactly who's going to be included in that calculation. There's a lot of strange wiggle room being created in this, and we're paying very close attention to how that's going to shake out.

The intent of that, to be honest, was about creating a fail-safe on more component-part work moving from higher-wage facilities in North America to the low-wage ones. It was never intended to be about Mexican transmission workers or powertrain workers making that amount of money. As we said, the real reforms that are going to have an effect on collective bargaining and freedom of association will provide more of a lift to Mexican workers and independent unions to fight for those stronger wages.

The Chair: Thank you.

I'm sorry, Ms. Bendayan, your time is up.

We'll move on to Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

As is customary, I'll begin by thanking you all for being here. Thank you for coming. We are very glad to have you. Despite your no doubt busy schedules, you've made yourselves available to answer our questions.

Your presentations dealt with very different sectors. They were certainly diverse.

In discussing this agreement, we haven't heard much about the sugar industry or the digital sector. My question, then, is for Mr. Geist. Our interpreters do a great job, but it's not always easy given the fast pace of the discussion in many cases. I'd just like you to clarify something for me.

We've heard about various data collection scandals involving different companies. We know that, despite everything, the trend is towards liberalized digital trade, which is what you talked about in your presentation.

If we take a closer look at digital giants such as Google, Amazon and Facebook, we realize that their workforces are actually quite small, much smaller, in fact, than that of the automobile sector at one point in time. Nevertheless, the digital issue goes way beyond those who work in the digital sector outright. All companies have now made the digital transition.

Given the trend towards data collection and liberalized digital trade, can you tell us whether the current agreement favours increased data collection by big companies?

[English]

Dr. Michael Geist: It's quite clear that the digital trade chapter, in particular, is designed to liberalize digital trade further. It won't come as much of a surprise that the template used in this agreement, which is similar to the template that we saw in the TPP and some other agreements, has its origins largely in the United States. It's the U.S. that has pushed for particular provisions.

What is perhaps most striking to me is that there are certain provisions that are optional, in the sense that all countries profess to say they are trying to move in a certain direction, have a certain amount of privacy protection or consumer protection and the like. However, where you see actual requirements, those are areas, I would argue, where there are some limitations in terms of our ability to establish full data sovereignty, for us to establish some of our own rules.

The best examples are the ones I provided in terms of data localization, requiring the information to be kept local, or restrictions on data transfers. Another interesting one, for example, that ties into your questions around the large companies, must be around algorithms. We've seen a lot of emphasis lately on seeking greater information about the algorithms that are used by Facebook, Google and other companies to determine how they are making some of their choices with respect to advertising and the like. There are restrictions in this agreement on our ability to compel disclosure of algorithms.

On many of these issues, there are good reasons for some of those provisions, but there is no question that Canada's ability to regulate in the digital space will be circumscribed by this agreement. We've effectively agreed to certain provisions in this agreement that will take certain policy options off the table down the road.

• (1625)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: In other words, because the agreement limits the government's policy-making power, the digital giants and big companies could collect data for commercial use.

[*English*]

Dr. Michael Geist: Realistically, those organizations are already collecting, and we already have privacy rules. I think everybody recognizes that those privacy rules are out of date. That's where, in a sense, there is the potential for some friction. We have, on the one hand, Navdeep Bains, the ISED minister, who has made it clear that there is a desire to update Canada's privacy laws. I think there is a general sense that we are in desperate need of that. Part of the problem we may face under this agreement is that some of the policy options that we would have, in terms of trying to upgrade our privacy laws to make them more effective and relevant in the digital space, might be limited by some of the things we have agreed to within this agreement.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

You said that any new rules or laws would be limited, despite the government's pledge to make such changes.

In your research, have you explored ways to limit the damage in the event that the agreement is ratified?

[*English*]

Dr. Michael Geist: It's a great question. I think it depends a little bit on the issue. As I highlighted in my opening remarks, on the issue of facing significant retaliatory tariffs on anything from steel to dairy—or perhaps even sugar, who knows—in theory, the U.S. could target whatever they want to target as retaliation. To me, that sends a strong message about some of the cultural policy proposals we've seen, particularly coming out of the Yale report. Frankly, I think they ought to be avoided. I think they're highly problematic, and they make us very vulnerable in that respect.

On how to address some of the potential privacy concerns that may arise as part of this, I think there is some room to navigate. It's not that we've given up everything with respect to our ability to enact new privacy laws, but it will be unquestionably more challenging if we want to move towards some restrictions on data transfers for highly sensitive information or if we say that very sensitive health information has to remain within Canada. We'd have a very hard time doing those kinds of things under this agreement.

The Chair: Thank you very much.

Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I want to follow up on a couple of those questions. In particular, with respect to data localization, part of our concern when we're talking about the United States is that they have the Patriot Act. One of the incentives for data localization requirements for Canada would be to ensure that Canadians' data isn't covered by the Patriot Act.

I wonder if you want to speak to that a little on the level of individuals, but also on commercial information that we may not want to have stored.

Dr. Michael Geist: It raises an interesting point.

People may recall that this particular issue arose nearly 20 years ago, when the Province of British Columbia was seeking to outsource some of its health information. That health management information was going to go the United States, and there was concern about the applicability of the U.S.A. Patriot Act.

I would say that in the current environment, it speaks to a broader concern. If we think of a spectrum of privacy safeguards around data, with the Europeans and the GDPR having some of the strongest rules, the U.S. in many respects is often viewed as having the most lax rules. They have fairly weak rules. In fact, this agreement builds in the ability for the U.S. to continue to have fairly weak rules without widespread privacy rules. Effectively, as little as telling people what you're going to do with their information, as long as you abide by what you've told them, is good enough. It doesn't set a particularly high floor.

I think there are concerns about the transfer of data into a jurisdiction, notably the United States, where some of those safeguards may not be as strong with respect to privacy. There are questions about the ability of our own Privacy Commissioner to ensure that Canadian privacy rules will be applicable, as well as real doubts among many Canadians about whether their personal information will be appropriately safeguarded in that kind of environment.

• (1630)

Mr. Daniel Blaikie: Thank you very much.

Mr. DiCaro and Mr. de la Cueva, we talked a little about how some of the new provisions may help certify authentic bargaining units in Mexico. I wonder if you can speak to how that might work and what work needs to be on the Canadian end in order to make sure that the potential of those provisions is realized.

There's been some discussion about having an advisory committee for the government here, composed of people such as you who have experience in labour but also from the business side who have had successful labour relations, in order to provide the best advice from our end and to share best practices. That's one example of what we might do in order to ensure that we're getting the most out of this agreement on that front. I'm curious to hear what else we might do or how we might do that better.

Mr. Angelo DiCaro: I can make a few comments, and then Hector can fill in. I feel odd giving you this answer with Hector listening in.

I don't know that anybody is holding their breath. In my remarks, I referred to the language of the text of the agreement as being somehow like the magic wand that's going to fix these problems. There's going to be a lot of work ahead, and it's going to be very complicated. There are two interesting features of the new agreement. One is the annex that sets out all these rules around freedom of association and freedom of collective bargaining. Essentially, the language of the annex says that, within a four-year time period, facilities that have a collective agreement will have to undertake some sort of review and a democratic vote for their agreement, and also for their union executive. As Hector referenced, in the case of these so-called protection contracts, those things just don't happen. Those things are not subject to democratic oversight. In a lot of cases, we've heard that there are workers in Mexico who are members of unions and who can't get access to a collective agreement. That's just the nature of the beast down there. Having that in place is one thing that has to be monitored.

The other interesting thing about it is the rapid response mechanism. Where there is a potential violation, there is a fast, expedited approach to making sure that those rights are being upheld, and they'll send in independent investigators to make sure that they're upheld. To move that along, from Canada's point of view, there is a process of determining what is a good-faith complaint. Anybody could say anything about problems happening in Mexico: "You need to investigate that" or "That's a dispute." Not all of them will be. It is vital to have a clear, streamlined and inclusive approach to getting this information and generating evidence, to make a very specific use of the rapid response mechanism. Canada is obligated under the terms of the revised agreement to do something like that, and we're waiting for details on how it will work. I think that's a good step.

Maybe Hector will have more to add to this.

Mr. Hector de la Cueva: Thank you.

As I said, in Mexico these protection contracts mean that some kind of mafia will have these contracts. In Mexico, there is a lot of mafia. There is not only the mafia from drug cartels; there is also mafia in labour, and that means protection contracts. The mafia is doing business with the companies. Many Mexican workers work for Canadian and U.S. companies, so if the Canadian and U.S. companies refuse to do business with the mafia, it would help a lot. If the governments encourage, through the new treaty, different tools so that the companies don't do business with the mafia, which doesn't represent the workers but has secret contracts with the companies, it could help a lot to make the Mexican workers free.

• (1635)

The Chair: Thank you very much, Mr. de la Cueva. I'm sorry to interrupt, but everybody's on a timeline. Perhaps you can finish that thought with one of the other members as we go forward.

Mr. Carrie.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair. I want to thank the witnesses for being here.

I want to start my questions with Dr. Geist. I remember that back in 2007 you did a lot of work with us on the industry committee for copyright and digital locks and all that stuff. When you look at the issues you're bringing forward, you see that a lot of them went under the radar with this agreement, and these issues are extremely important for Canada's future and our competitiveness.

I believe you've studied in the U.S., the U.K. and all these different parts of the world. Just out of curiosity, did the government use you as an expert when we were dealing with this chapter? Did they consult with you at all for this part of the agreement?

Dr. Michael Geist: The government opened up consultations for all Canadians. I participated by providing a submission, and in fairness, I participated especially around the CPTPP on a couple of occasions, including in a town hall with Minister Freeland, who was the international trade minister, but no, I wasn't working specifically with the government under an NDA or anything like that.

Mr. Colin Carrie: All right. As I said, on the things you brought up, I don't really know where to start in terms of the copyright side of it, and the privacy and data localization, but I do want to delve into the copyright regulations. You said that because of the lack of harmonization between the countries, if we're looking at our future competitiveness.... Are you able to give us an opinion as someone who is an expert in the area?

What kinds of effects do you see this having on us here in Canada when it comes to our competitiveness with other jurisdictions such as the U.S. in terms of their businesses and content creators? Is there anything in this agreement that is going to encourage people to invest in Canada, for example, versus having them say, "You know what? I don't want to deal with it, so I'm just going to go to the States"?

Dr. Michael Geist: That's a really interesting question. I think that especially in the digital environment this touches on a range of different issues, including on the digital trade chapter and on copyright.

On copyright, I would say that the work we did back in 2007 leading up to the Copyright Modernization Act in 2012, as well as the copyright review that was conducted extensively by the industry committee last year and into that period, gives us pretty good sense of where Canada stands. I actually think Canada has been pretty innovative when it comes to some of our copyright rules. They meet international standards, but at the same time many of them have been fairly forward-looking.

The issue around term extension is an interesting one, because it's bipartisan, in the sense that we had successive Conservative governments and, later, Liberal governments that all rejected the notion of extending the term of copyright. The Canadian position was that we needed to meet the minimum international standard that's established through something known as the Berne Convention. This is something that we do.

The U.S. has long pressured us to extend the term of copyright. That extension in the United States is often referred to as the Mickey Mouse term extension, because Disney actively pressured for that term extension to keep Mickey out of the public domain. We took a look at that issue in Canada and said that we wanted to ensure that our artists are well compensated, and we also wanted to ensure that consumers don't overpay. We wanted to ensure that there are appropriate levels of access in trying to strike that balance. Not extending the term of copyright was how we tried to do that.

I can't put myself into the negotiating room to know why it was that after decades of saying no to term extension we finally agreed to it in this agreement. What I do know is that the best way to try to at least salvage a difficult and I think bad situation with respect to term extension is to take advantage of this transition period that the government did negotiate.

At least with respect to some kind of registration requirement, I think it offers up the prospect that for a small number of works, for those works where there are rights holders who say they want to be competitive and want to ensure that they have as long a period of time as possible for protection, they'll make that registration. They'll get the extra 20 years, but for an enormous amount of Canadian heritage, for other works, those will enter into the public domain in accordance with the international standard.

As for what we ought to be doing, I think this committee ought to leave things alone in terms of where we are right now and recommend the registration process in keeping with what the industry committee said in the copyright review. We need to spend the next 30 months developing a registration process, which, much like some of the other issues we dealt with many years ago, other countries may look to and say that Canada provides a good example of how to strike that appropriate balance.

• (1640)

Mr. Colin Carrie: You also mentioned—

The Chair: Your time is up for this round. Thank you very much.

Mr. Sarai, please.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thanks, all of you, for your presentations.

I want to thank Mr. DiCaro. Unifor has a big presence in my riding. I have family members and constituents who are members. You protect workers' rights, and it has not gone unnoticed.

When it comes to particular labour rights, not just the salary of \$16 per hour in Mexico but also gender equality and the protection against abuse and threats, repeated threats or single threats, does it not only affect and benefit the Mexican workers but also uplift the labour industry in North America in general and at the same time protect Canadian workers in the auto sector? I think for my constituents to see that it's not only about improving the rights of workers in Mexico but also the rights of workers in Canada, when they have parity or at least close to parity in workers' rights in North America on the same products that are being processed....

Mr. Angelo DiCaro: I wouldn't go so far as to talk about parity of certain auto rights, but on the other pieces you're absolutely right. We've been talking a lot about the auto rules as they relate to labour, talking a little about the Mexican annex that was negotiated to deal with the issues that Hector raised on protection contracts and all that, but the chapter itself is fundamentally different in a lot of areas from what we had in the previous NAFTA. It's a sea change, covering stronger, wider-reaching obligations for the parties. Those obligations not only refer to core standards like collective bargaining and freedom of association, but freedom of association also has a connection to the right to strike, which is again a remarkable inclusion into this deal that appears as a clarifying footnote.

As you say, there are provisions on gender equality, on worker violence and, for the first time, on migrant workers moving across borders. I think you're seeing an attempt to hear a lot of the concerns on NAFTA's failings that have been raised over the past 30 years and address those in kind.

Do I think it could have gone much further? I think so; I think there are areas. As with anything, we can do that, but when you look at it in isolation, when you look at the labour chapter as it stands now, with its connection to dispute settlement, which we've never had before, and fixing a lot of the terms that have proven to be effectively useless through dispute settlement rulings—because now some of the labour provisions are carbon copies of the trans-Pacific partnership labour terms—this deal corrects about 75% of that. So much of this is better than what we had that I think it's certainly going to bring us down a different path going forward.

Mr. Randeep Sarai: Thank you, Mr. DiCaro.

Mr. Geist, you gave a good analysis, saying we should ratify this but we should work to correct some of the privacy and other provisions in the next 30 months. What would you say are the key provisions that need to be protected for Canadians in this digital age, and what are the foremost ones that need to be done?

Dr. Michael Geist: Let me clarify. The issue of copyright term extension is where there is this 30-month phase-in transition period, and on that issue I think we ought to follow the recommendations we saw from the copyright review.

In terms of moving ahead with ratifying and solving this, the challenge is.... I don't know enough about the sugar industry or the labour practices or about the myriad other issues, but I just want to highlight how difficult it becomes when you're effectively being asked whether to trade your privacy for greater access of beet sugar or better labour standards. I don't know. I know about privacy, and I think one of the challenges we face in the current trading environment, and it is particularly pronounced in this deal, is that many issues are not as obvious up front, in part because we're not required to make any changes. Like many countries, Canada will often negotiate by saying that our starting point is that as long as we don't have to change our existing laws, we're okay.

The problem here is that we have locked ourselves in on a number of different issues, including copyright, privacy, as well as some of the other issues I've highlighted. I have real concerns that as we get into some of those issues—and they're taking up a lot of bandwidth right now for a lot of people—we may find ourselves having essentially given away some of the potential policy solutions, because we are now restricted by virtue of this agreement, and it is not obvious to me that there's a solution in that regard.

• (1645)

The Chair: Thank you very much.

We'll move on to Mr. Kram.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you, Madam Chair.

Thank you to everyone for joining us today.

Mr. Geist, could you elaborate a little on what exactly changed in the new NAFTA compared to the old NAFTA with respect to the cultural exemption, in particular the retaliatory measures that are now available to the U.S.?

Dr. Michael Geist: In fact, not a lot has changed. We added a couple of things within this provision where we talked about broadcasting and some other issues. I raised this to emphasize that this

notion that we've taken culture off the table and that's a big win really doesn't tell the whole story of what it means to regulate in the current cultural environment. In fact, this may be unavoidable. But if we move forward with different kinds of proposals or see the kinds of proposals, let's say, that we saw from the Yale report, which do envision reforms within Canada's digital sector and within Canada's cultural sector, that quite clearly would run afoul of the kinds of things we've now agreed to within this new NAFTA.

What we are doing is, I think, potentially setting ourselves up for the U.S. to say that if we want to do this, they've given us right to do it—or we've negotiated the right to have that policy flexibility—but it's not free. In order for us to be able to take advantage of that, they are entitled to be able to levy measures of equivalent commercial effect, and they're free to pick and choose on what industry they want to have that kind of effect.

For example, you are talking about new kinds of levies on large Internet companies, which is one of the proposals in the Yale report, potentially talking about hundreds of millions of dollars that they will have to pay into that system. If the rules that we have are seen to violate the new NAFTA, that means the U.S. will be entitled to levy against whatever they want to target in Canada, measures of equivalent commercial effect. There is potentially a huge cost involved.

Mr. Michael Kram: Could you describe some of the current cultural programs or policies that Canada has in place that could be put at risk for some of these retaliatory measures from the U.S.?

Dr. Michael Geist: Sure. I will use the Yale report to give you a couple of examples.

One is this notion that the Yale report recommends having almost any website—certainly the large services like the Netflixes of the world, but potentially it captures many others—paying in through either levies or other sorts of fees. The problem with that system is that we, at the same time, have systems in place that are only available to Canadian businesses. So we say we're going to make it like-for-like. Canadian businesses paid into this; now foreign businesses will have to pay into this. The problem is that the only beneficiaries in some instances are the Canadian businesses. That's not like-for-like. That may well violate some of the services provisions that we have within NAFTA and may lead to retaliatory measures.

We also have, for example, discoverability requirements—the CRTC determining, potentially, what sites news aggregators have to link to. That may violate some of the rules that we have right now in terms of free flow of information. There is a cost there. The U.S. might be entitled to retaliate.

Mr. Michael Kram: Just to be clear, you said that these retaliatory measures would not be limited to the culture sector.

Dr. Michael Geist: That's exactly right. It's measures of equivalent commercial effect. It does not specify that it has to be in the cultural sector. We can expect the United States to target sectors where they think it's going to have the most impact, in an effort to dissuade Canada from violating some of the provisions in the agreement by virtue of relying on the exemption.

• (1650)

Mr. Michael Kram: So, for example, down the road if there was some new online streaming service that was all Canadian, and the U.S. felt that this was crowding them out of the Canadian market to the tune of \$100 million a year, let's say, does that mean the Americans could turn around and slap \$100 million on maple syrup exports or anything else going across the border the other way?

Dr. Michael Geist: Well, I'm not sure that having an all-Canadian service would be a violation. However, if you had a situation where the Canadian government decided they wanted to have an all-Canadian service and they would fully fund it and require others to pay into it, then, yes, foreign services might say it's an unfair advantage to a Canadian-based service, and here is the cost or the commercial effect. The U.S. would be entitled to levy measures of equivalent commercial effect, and they could target whatever sector they like.

The Chair: Thank you very much.

Mr. Dhaliwal.

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

Earlier, Mr. Savard-Tremblay mentioned the great work that our translators do when we speak here, particularly with an accent like mine. Madam Chair, I would like to thank all the support staff who are working with these extended hours, on both sides.

My question is going to Madam Marsden from the Canadian Sugar Institute. I wanted to give you an opportunity to say a few things. You said that CUSMA will preserve the existing sugar and sugar-containing products provisions among Canada, the U.S. and

Mexico, and it will add new access to the U.S. for sugar and sugar-containing products.

Could you tell me what you were hoping to be achieved through this agreement that is not here particularly?

Ms. Sandra Marsden: Well, the volume gains are much lower than we had hoped for. The U.S. is a sugar market of 11 million tonnes. We got another 10,000 tonnes of sugar and sugar-containing products, so the volume gains were very small. The devil is in the details in the sugar market, as in other protected markets.

We wanted to see a change to the current rules around the quota access that we have for sugar-containing products, because we can't utilize that quota. If the U.S. restricts our exports to retail-ready products, we can't ship to food service; we can't ship to institutions, restaurants, bakeries. There were no changes there and on other issues around rules of origin in certain products and so on.

Mr. Sukh Dhaliwal: Thank you.

My next question is for Unifor.

Mr. DiCaro, your president has said this:

NAFTA has been a train-wreck of a trade deal for 25 years, causing great harm to Canada's manufacturing industries and the rights of workers.... The new CUSMA, while far from perfect, provides a road map to implement necessary changes in trade policy to benefit workers. The improvements announced [in this agreement]...are a helpful boost in achieving those objectives.

Does this agreement allow for job security in the industry? How does it create certainty, especially for Canadian workers?

Mr. Angelo DiCaro: I'd say that the fact that this deal is going to get done is probably as much certainty as people have had in the last three years of this roller coaster. In a way, then, it becomes a good thing. Many big investment decisions have been on pause, with people waiting to find out what these final rules are going to look like. I think, then, that having this tumultuous period come to a close is a good thing.

I'm not going to speak for Jerry, but I think that some of the outcomes of the last number of months.... The eventual elimination of the steel and aluminum tariffs has been a big weight lifted off that industry. It's not entirely connected to the deal that's in front of us in Bill C-4, but it's a big thing for our members in those metal sectors. That was very helpful.

As for the auto industry, I've heard many commentators talk about the U.S. FTA with Canada, originally in 1988 and then spilling into NAFTA, as being largely about autos. I think it may be a little myopic for us to think that way, but it's a big component. What we've seen come out of the auto chapter has been a real change in what we've seen with respect to the auto industry in previous trade agreements.

As Dr. Geist was saying, it's always complicated when you're trading things off that you don't fully understand. I'll tell you that from the position of auto workers—and folks in those communities will know—it feels as though they have been the sacrificial lambs put out there for gains in other sectors. This is the first time, it seems, that the intent was to try to create greater certainty for them. For that reason, I think we've done pretty well.

There are still aspects of it that I think could be tightened up, but at this point, just having this thing in place and hoping that investments will now start to smooth out and trickle in is a good thing.

• (1655)

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have two minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I have a question about the rules of origin for Mr. DiCaro and Mr. de la Cueva.

In an era of climate change, is it true that the trend in the auto sector will be towards lighter parts? Is that where the interest will lie?

[English]

Mr. Angelo DiCaro: Yes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Now, on the subject of rules of origin, steel and aluminum are not treated the same under the agreement. That's come up a lot; it's an issue that's been front and centre in the debate.

Do you think that will have any consequences, especially considering the aluminum situation in Mexico? Not being a producer of aluminum, itself, Mexico has to look elsewhere for its supply.

[English]

Mr. Angelo DiCaro: The consequences are not clear about what the disparity between the steel and aluminum provisions are in NAFTA.

One thing that is important to put in perspective—although I'm not going to diminish it—is that the aluminum industry, for instance, is a very big industry in Canada, especially in B.C. and Quebec. What we're talking about in NAFTA are changes that apply to original equipment manufacturers purchasing steel and aluminum and where that comes from, and that's only for the purposes of auto. That's all we're talking about. Yes, it's unfortunate that there is disparity and that this is creating a bit of insecurity among folks.

The bigger picture we see is that there's some broad-based insecurity in the aluminum sector overall. We're seeing growth in ex-

port production and overcapacity from places like China. We're seeing Russian imports, Icelandic imports, imports from all over the world. That's putting greater pressure on Canadian producers and where the supplies are coming from. So when you—

The Chair: Thank you very much, Mr. DiCaro.

Mr. Angelo DiCaro: Oh, I'm sorry. We'll talk after.

The Chair: Mr. Blaikie, you have two minutes.

Mr. Daniel Blaikie: Thanks very much.

Mr. Geist, one philosophical difference, frankly, that the NDP has with free trade agreements is that they don't enshrine a precautionary principle at all. They make it hard to regulate down the road for the things that you couldn't have accounted for when you signed the deal. Some industry experts might have been able to, but the layperson and many people in government, and trade negotiators even, just wouldn't be aware of them.

In the case of something like the auto sector, you can get to a point—and this certainly seems to have happened more than at any other time—where you have companies and a union representing workers, and those are the interests. I mean, there's a consumer interest too.

Who, other than the big data companies, is in the room or could have been in the room to represent the interests of Canadians and their information? That seems, to me, to be one of the deficiencies here. It is very one-sided when you're talking about negotiating these provisions. Facebook and Google are there, but who would be the counterpoint that might have been in the negotiating room?

Dr. Michael Geist: I'm not sure that there was a counterpoint on the digital trade chapter in particular. One gets the sense that these provisions were familiar to negotiators because they are similar to what we agreed to in the TPP. Because there was some familiarity with it, there was a sense that, okay, we've already agreed to these once, so what's the big deal?

I think the reality, though, is that there are some provisions in this agreement that go further than we agreed to even in the TPP. With the extent to which we may have agreed to it a couple of years earlier in a different agreement, some of those issues have become even more salient.

A good example is the Internet platform liability issue. It seems to me that it's there less because some of the large platforms were interested in having Canada create safe harbours for these large companies and more because they were interested in ensuring that these were locked down in the U.S. environment, because the U.S. would be subject to those same provisions.

The problem we face is that while we were negotiating that, that issue really took off as a place where there is much policy debate. Literally, the Justice Department in the United States is holding a hearing today on this same issue. Speaker of the House Pelosi tried to remove this provision at the very last minute, but it was too late.

As I say, I think there are good arguments on both sides about changing some of those rules. I fear that we have now locked ourselves into a provision and given ourselves less flexibility on an issue that just about everybody recognizes is really, really important when we start talking about where responsibility lies in the online environment.

• (1700)

The Chair: Thank you very much.

Thank you to all of our witnesses for that excellent information.

We will suspend in order to change our panel of witnesses.

• (1700)

(Pause)

• (1710)

The Chair: I'm calling the meeting back to order.

Pursuant to the order of reference of Thursday, February 6, 2020, we are studying Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

With us on this panel for the next two hours are the Automotive Parts Manufacturers' Association, Flavio Volpe, president; the Association of Home Appliance Manufacturers Canada, Meagan Hatch, director, government relations, and Kevin Girdharry, manager, policy and data analysis; HTC CO2 Systems, Stephen Beasley, vice-president; IPEX Group of Companies, Veso Sobot; and Teamsters Canada, Phil Benson, and Christopher Monette, director, public affairs.

Thank you all very much for making the time to be here today.

Mr. Volpe, we'll start with your comments, please.

Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association): I think one of your staff took my speech to make copies for everybody. I'll do it extemporaneously, as I always do here.

The Chair: We're copying your notes for the translators, so we're going to hold for a few minutes.

We will begin with Ms. Hatch.

Ms. Meagan Hatch: Good afternoon.

AHAM represents manufacturers of major, portable and floor-care appliances in Canada and the United States. Our membership includes over 150 companies. The industry supports 40,000 jobs in Canada, including manufacturing, sales, distribution and retail. In Canada the economic impact of the appliance industry is close to \$6 billion annually.

AHAM supports the rapid adoption of Bill C-4 and CUSMA.

Canada is a net importer of home appliances, with the U.S. and Mexico being the predominant trading partners. Manufacturers de-

sign appliances for a single North American market. This larger market increases consumer choice, drives down costs and maximizes economies of scale.

We support chapter 11 and chapter 28 of the agreement, which aim to reduce technical barriers to trade and increase regulatory alignment. We also support annex 12-D, which is specific to our industry and calls for energy performance standards and test procedures to be harmonized. It also encourages the use of voluntary programs such as Energy Star, noting that they contribute to improving energy efficiency for a range of products.

This is why we'd like to raise an issue that is of great concern to our members both in Canada and the United States. The Liberal Party has put forward a commitment to make Energy Star certification mandatory for all home appliances by 2022.

If all home appliances are required to be Energy Star, almost half of what's available in the market today will vanish, and in the future that could rise to 75%. Although implementation has not started, this has created great uncertainty in the market for both manufacturers and retailers. If the government moves forward with making Energy Star mandatory, Canada will be going against the intent of CUSMA, but more importantly, Canadians will experience a significant reduction in products available on the market. In fact, a staggering 41% of what is currently sold in Canada today will no longer meet these requirements. Because of the sharply limited model selection, it is likely that low-income Canadians will end up paying more for entry-level models. A price rise could be made worse by the greater cost of manufacturing such products, since more efficient components may be costlier, and in some cases, more fundamental construction changes will be needed. Unfortunately, in certain cases minor energy savings would be achieved.

This is because overall, today's home appliances are very energy efficient, and the cost to further improve efficiency could be significant, depending on maturity of the existing technology.

Both NRCan and the U.S. Department of Energy set mandatory minimum energy efficiency standards that all appliances must meet, and these have become more strict over time. Home appliances have undergone several standards changes. Some products are nearing maximum efficiency under available technology, and in some cases, the basic laws of thermodynamics.

Energy Star is a voluntary program. The purpose is to make it easy for consumers to identify higher energy efficiency products. It is intended to highlight the top 25% to 30%, or best in class, of energy efficiency. This competition motivates manufacturers to find new innovation. Manufacturers, in turn, make significant investments to qualify for the program.

If the Canadian market is limited to Energy Star products, this competition ends and the mark loses meaning. If the government mandates that everything be Energy Star, then it renders the brand meaningless. Article 12.D.5 of CUSMA clearly states its support for voluntary programs such as Energy Star to promote energy efficiency. This is in direct contrast to the government's proposal to make the Energy Star program mandatory.

Another rather significant issue with the Liberal commitment is that the Energy Star brand is not owned by the Canadian government. The brand is owned and trademarked by the U.S. Environmental Protection Agency. The U.S. government administers the program and sets the levels that manufacturers must meet in order to qualify for the designation. The Energy Star brand is highly praised by both NRCan and industry alike. The brand is recognized by 85% of the public, and the logo is used around the world. We want it to continue.

The Energy Star commitment is also inconsistent with the Liberal approach to energy efficiency over the last four years. In Canada the federal, provincial and territorial governments all have important roles to play in setting energy efficiency standards. In 2016 the FPT governments developed a framework encouraging market transformation through collaboration on energy efficiency standards. The framework states that when federal, provincial and territorial governments are not coordinated, manufacturers may have to test an identical product more than once to sell it across Canada. This can lead to unnecessary costs, reduce the product choices available in the market and create barriers to internal trade between provinces.

• (1715)

Making Energy Star levels mandatory is also in stark contrast to the government's approach to energy efficiency harmonization with the United States through the work of the regulatory co-operation council.

In 2018, Canada and the United States signed a memorandum of understanding to formalize the RCC and reaffirm the importance of regulatory co-operation. At the time, the president of the Treasury Board noted that aligning energy efficiency standards through the work of the RCC was the best way forward because it would save Canadians about \$1.8 billion in energy costs by 2030. This is exactly why CUSMA commits to regulatory harmonization and supports voluntary programs like Energy Star.

Canada has historically been slow to adopt the stricter energy efficiency standards introduced in the United States. Since 2016, under this government, the two countries have made significant strides towards harmonization and alignment through the work of the regulatory co-operation council. Canada is now finally aligned with the United States. This process took over 10 years. It would be a shame to throw it all away.

Regulatory alignment is critical to avoid unnecessary double testings and barriers to trade, and it maximizes consumer product choice. Instead of making Energy Star mandatory, the government should continue to adopt the regulatory framework that can more quickly update its standards. Bill C-4 and CUSMA create a structure for this harmonization to thrive.

AHAM has been a strong advocate for advancements in energy efficiency standards, but making Energy Star mandatory will have negative consequences for middle-class Canadians.

Thank you.

• (1720)

The Chair: Thank you very much, Ms. Hatch.

Mr. Beasley.

Mr. Todd Beasley: Thank you very much.

Good evening, ladies and gentlemen and Madam Chair.

I want to thank you very much for giving me the opportunity to appear and give testimony to this committee on behalf of myself and on behalf of Regina's HTC Extraction Systems. They are a superlative carbon capture company that I'll tell you more about in just a second.

It's been my previous honour to testify to the Standing Committee on the Environment regarding Canada's greenhouse gas strategies, and on behalf of the Government of Canada to the U.S. Department of Energy on developing resource energy conservation technologies. I'm considered an expert in a field of science referred to as gas treating. I'm a proud second-generation oilman. I've dedicated my career to creating superb environmental technologies that have been installed on five of the world's continents.

Ladies and gentlemen, I'm absolutely delighted that our Canadian political leaders have expended significant effort to bring this massive potential of continued free trade between Canada and our friends in the United States and Mexico. With this initiative we're truly blessed, but we can never forget that we live next door to the largest, most competitive economy on the planet. They are 10 times our size and their economy exceeds that by an order of magnitude. When it comes down to it, we also have to be very mindful of our Mexican friends. As we heard in the previous testimony, they have a skilled workforce and are prepared to work for wages that are half of what ours are.

If we, the Canadian people, are to truly gain from this free trade relationship, we must think and act strategically. We must reflect on the consideration of public policy and taxation strategies that perhaps our trading partners have no intention of adopting. We must consider the impact on our ability to compete. Our economy, our municipalities and our businesses must be competitive in order to fully benefit from this free trade relationship. We must create foundations so that we can effectively compete.

Ladies and gentlemen, we need to talk about the elephant in the room, which of course is Canada's global warming concerns and our nation's strategies and their potential impact to this competitiveness. We must find an effective balance; indeed, I know we can. Prime Minister Trudeau and Deputy Prime Minister Chrystia Freeland have recently stated publicly that even if we eliminate all sources of carbon from coast to coast in this country, we will not move the dial internationally. I believe they're both absolutely right. I believe that the best Canada can do is to develop and fully perfect technologies that the rest of the world can confidently adopt.

Canada has provided this leadership before and it was a glorious success in both our environmental and our trade relationship with the Americans. There's some grey hair in this room and there's some not-so-grey hair, but some of us will remember yet another existential threat to our well-being and the environment. It was the threat of acid rain. In the 1970s, this environmental threat was truly horrific and it was immediate. In essence, pollution from industrial factories was causing acidified rain, which was rapidly killing North America's lakes and water bodies. At that time, the Canadian government, together with the United States, created public policy through clean air legislation, which mandated industry to fix this problem. They did fix the problem. They turned this environmental threat into a technical and entrepreneurial success story. Most importantly, this was accomplished rapidly and without punitive harmful policies that harmed society's competitiveness. Our free trade agreement must consider this.

The analogy then is the exact analogy today, in terms of solving these problems. At the end of the day, as a society, I know we can do it.

Bear with me. On February 12, a press release announced that the United States led the world in carbon dioxide reduction while, at the same time, it became the world's leading hydrocarbon-producing nation. They accomplished this environmental miracle without punitive taxation. We must consider similar strategies.

If Canada were to focus its efforts on the creation of public policy that would unlock the technical and entrepreneurial capacity of our nation, there is nothing that we could not accomplish. We could cure cancer. We cured polio. We could cure Alzheimer's and we could most certainly create superlative environmental technologies to solve the environmental challenges without harming our economy. As a result, we could be competitive in this North American free trade agreement that we're considering today.

I also believe that we cannot solve these problems at the household level. In the same manner by which acid rain was solved, we must look at this from an industrial perspective and we must engage our free trade partners in the pursuit. Indeed, we can profit

from this under free trade and we can lead the world in environmental technologies.

• (1725)

This is one example of many. On December 2, 2017, the Saskatchewan government signed an accord with the governors of Montana, Wyoming, North Dakota and South Dakota for the further development of its CCS EOR initiative. This initiative has removed three million tonnes of carbon dioxide, which is the equivalent of taking 750,000 automobiles off the road. President Trump referenced this in his 2018 state of the union address.

With respect to free trade and our environmental commitments, it was announced on November 8, 2019, that United States shale oil production has peaked. That production miracle had allowed them to become the world's largest crude oil producer. They are now in decline. What that means is that Canada's oil and gas are about to become strategic to the United States again, and that will happen sooner rather than later.

Our oil and gas resources represent one of the greatest sources of wealth our country has ever been blessed with, and we must embrace this for the benefit of all Canadians. We understand that there are some in society who feel this is directly opposed to our environmental commitments. Ladies and gentlemen, nothing could be further from the truth. We've shown leadership before. We can do it again and we should do it again.

I previously worked with SaskPower on the CCS EOR project, and I'm currently working with Regina's HTC technologies. Our team has some of the most dedicated individuals you'll ever meet. We are creating superlative technologies that capture CO₂ at an industrial level. We've been selected by the Alberta government in its quest for the world's best carbon-capture technology, and we're proud to be part of the team that is vying for the environmental XPRIZE.

Free trade between Canada, the United States and Mexico truly represents a glorious opportunity for all regions of Canada, but for it to truly work for all of us, we must think and we must act strategically.

Ladies and gentlemen, I want to thank you very much. I would be remiss if I didn't mention this. We must—while we're looking at North American free trade—have a commitment to fully ratifying section 121 of the Canadian Constitution, which, of course, is dedicated to interprovincial free trade. This is a major strategic problem for Canada that must be fixed. I would say that this should be the first priority, rather than a free trade deal with the United States and Mexico. We have to get our own house in order so we can compete in the world.

Ladies and gentlemen, thank you very much for your time.

The Chair: Thank you very much, Mr. Beasley.

Now, we will go back over to Mr. Volpe.

Mr. Flavio Volpe: Thank you. It's a pleasure to be back here, Madam Chair and members.

Where are we, and how did we get here?

We're discussing the attributes of the new NAFTA, having negotiated at an unprecedented speed and with a heretofore unseen belligerent and belligerent trading partner. This partner, our celebrated best friend, the United States, was bent on disrupting the global trading order with little regard for precedent or consequence.

It's important to understand context. We're not debating an academic study written in a vacuum to be picked apart by subject matter experts. We're here to discuss what happened in the real world from 2015 to 2019 to get us to where we are today. Members of this committee will be among the only ones tasked with voting to ratify the new agreement, or not. There is no vehicle for renegotiation, adjustment or request for discussions with the two other trading partners. You are faced with an up or down vote through no fault of your own or of the government that negotiated it.

It is what it is, and there are no surprises in it. The text of the agreement signed in October 2018 has been available online since November 2018. The text of the revisions negotiated between parties as a condition of U.S. congressional support was signed in November 2019 and available online since December 2019.

From August 2017 through September 2018, parties met in Washington, Ottawa, Montreal and Mexico City repeatedly, and I was present at every single round, including the December 2017 "this isn't really a round" round. I met with officials before, during and after every single round, and I did more than 600 on-the-record media hits on what we were looking for and what we needed to see. There were no surprises.

For the third time in the lifespan of these negotiations, I'm here again at committee to share candid thoughts and positions that probably every one of you knows I hold.

In June of 2015 at the infamous Trump Tower escalator speech where he announced his candidacy for Republican nominee for President of the United States, Donald Trump said this about the Ford Motor Company investment in Mexico:

...every car and every truck and every part manufactured that comes across the border, we're going to charge you a 35-percent tax...and that tax is going to be paid simultaneously with the transaction, and that's it.

We were in the middle of exhausting TPP negotiations that resulted in a flawed document in October later that year. In a New York Times piece that described the TPP as "subject of future political battles in the United States and elsewhere", I was quoted as saying, "Anybody who is championing gains or who is forecasting losses is way ahead of themselves."

In February 2016, Donald Trump declared that, if he won, he would extract the U.S. from it and its status as the defacto NAFTA update was put into question. In July of 2016, when challenged that his tariff plans would not pass WTO muster and his TPP withdrawal threat would be costly, candidate Trump said, "Then we're going to renegotiate or we're going to pull out". Lumping in NAFTA he

said, "These trade deals are a disaster. You know, the World Trade Organization is a disaster."

We were warned in plain sight what a President Trump would do and mean for our trading relationship. Still, no one thought he would win at that point, thinking he was at best an ill-informed soon to be former candidate.

I took his election threat seriously. In September 2016, I led a delegation of Canadian automotive suppliers to Capitol Hill in Washington to speak to senior senators and staffers about the implications of a Trumpian reset on trade. I met with the USTR on his threat to pull out of TPP, which I had hoped for because it reduced the regional value content on automotive suppliers to as low as 35%, from NAFTA's 60%.

At an event at the prestigious Press Club on September 28, 2016, a month before the election, I delivered an address that said Canada was the smallest of the three NAFTA partners and that it needed to clearly target large, new, advanced manufacturing commitments from foreign automakers to keep pace with Mexican and U.S. growth.

All the tariff threats and angst were clearly on the minds of the industry and were the central focus of our pre-election activity that year.

In September 2016, in an Automotive News piece on the tariff threat, I said that Canada and other countries look to the U.S. to set an example, and that recklessness on the part of the U.S. would encourage other countries to disregard world trade rules.

My quote conceded that there was some merit to the Trumpian complaints, but cautioned that a U.S. overresponse would even be more harmful:

Some of the rest of the world does cheat on these obligations.... But the solution isn't for the global trading leader to drop its standards in response.

It's a tough spot to be in. But you're there for a reason. It's like Superman getting into a bar fight. Why?

● (1730)

Canada, its largest trading partner the United States, and Mexico have agreed to the CUSMA to replace the existing NAFTA. This is the first trade deal between major auto-producing nations since the original NAFTA that sees the regional value content for automotive production go up in the region. A higher RVC in vehicles means that, if an automaker wants to sell to a consumer in the three countries, it needs to source more of its content in those three countries.

Since the original NAFTA moved RVC on vehicles up from the Canada-U.S. Free Trade Agreement from 50% to 62.5%, we've seen a succession of trade deals where Canadian governments have progressively negotiated Canadian automotive suppliers' considerations downwards: Canada-Korea is 55%; CETA RVC is 50%; CPTPP is 45%.

In the CUSMA, the vehicle RVC level rises from 62.5% to 75%, a 20% notional increase. That means more local activity and jobs. To get to the NAFTA RVC, an automaker has to track local content in 29 parts categories. To be eligible, the RVC of those automotive parts must only be 60%. The CUSMA expands the list of categories by almost double and raises the automotive parts RVC as high as 75%, an increase in some cases of 25% notionally through the supply chain.

The North American automotive market is approximately 21 million units annually and is the most sought-after consumer market in the automotive world. Raising the thresholds to access it benefits companies that have invested in plants and in people within the CUSMA.

While the cost of an automobile may increase marginally if the manufacturers are required to source supplies from within the NAFTA region rather than from the cheapest global sources, the benefit will be more investment in Ontario, Quebec, B.C. and in many U.S. and Mexican states, and less in the places that sell to us but do not buy from us, like the members of the CPTPP, CETA and Korea.

In automotive, the CUSMA addresses the protectionist needs of the U.S. administration but wraps in its purview Canada and Mexico as primary partners.

Side agreements for exemptions on tariff threats were a major challenge, but Canada and Mexico achieved an insurance policy on this that's worth noting. As detractors here at home decried the side agreements, I told *The Economist* magazine that, normally, trade agreements are self-reinforcing but that this one is being held together with threats. This is the context that we are working in, not some respectful bargaining between partners with equal leverage.

All vehicles in the CUSMA will now need to meet a minimum threshold of 40% being made by workers making at least \$16 an hour. Canada will benefit; Mexico may suffer.

This provision was created during the final course of the negotiations in bilateral U.S. and Mexican discussions that caused a stir with Canadian commentators who said Canada has no role in those talks. Meeting frequently with U.S. and Mexican negotiators during that period, I didn't share that opinion. I told a *Wall Street Journal* front page report that the labour value content proposal "disproportionately affects Mexico" and that we were "advising Canada not to comment or take a position until the Mexicans do." That's what Canada's negotiators did.

The U.S. is committed to raising the cost of importing automotive goods from overseas. In June 2019, I told this committee that the U.S. was using the section 232 steel and aluminum tariff threat to bully its partners and intended to use the WTO process to raise the 2.5% most favoured nation tariff dramatically. On February 12 this year, Bloomberg reported from Washington that the Trump ad-

ministration is mulling a plan to increase those long-standing tariff rates at WTO. This is a move that is aimed at rewriting its relationships with major trading partners.

Importantly, Canada negotiated section 232 exemptions from the U.S. at production levels that materially outpace export growth models to the U.S. over the next five to 10 years. Specifically, Canada will be permitted to ship 2.6 million vehicles annually and \$32 billion in automotive parts to the United States tariff-free, up 40% from today.

Ending the fraught negotiation process with a deal that increases investment and more competitive market access for Canada is extraordinary. Unlike the Houston Astros hitters, nobody hit the garbage bins for us. We had to react to pitches on skill with no warning, and we won.

We enjoyed unprecedented access to the Canadian negotiating team. In addition to this, I sought and received in-person access to the White House, USTR and the Mexican president and his negotiation team.

• (1735)

I will write a book one day chronicling the behind-the-scenes actions. Chapter one may be the USTR reaction to my November 2017 *Canadian Press* headline lampooning their silly materials-tracing proposals: Do we need to know where the dinosaurs died?

Today I want to give full credit for our success on CUSMA to Chrystia Freeland, Steve Verheul and their team of tireless officials who consulted constantly with the Canadian automotive industry all over the continent. They deserve specific credit: Martin Thornell, Karen LaHay, Andrei Marinescu, Aaron Fowler, all of team Canada and the Government of Canada. It was a non-partisan, public-private effort and it was amazing. I was proud to be a footnote in this history's chapter.

Thank you.

The Chair: Thank you very much, Mr. Volpe.

Mr. Sobot.

Mr. Veso Sobot (Director, Corporate Affairs, IPEX Group of Companies): Thank you.

My name is Veso Sobot. I am an engineer with IPEX. We manufacture plastic pipe for construction. If you take a look under your sink when you go home tonight, late at night—my goodness, you guys have stamina—you'll see black pipe under there. It's probably our stuff. We make the grey electrical pipe at the side of your house, the blue water main pipe out in the streets and the green sewer pipe.

We were founded in 1949 in Toronto. Our founders escaped Estonia and got to Toronto. They started making hula hoops at night and selling them during the day. Within three years, they made their first million dollars. Our founder said, look, this hula hoop thing might be a fad, so we'd better diversify. They straightened out the hula hoop, and that's how we got into the pipe business. Today we've made enough pipe to go around the world about 200 times.

Of course, very important to us is the U.S. trade relationship. We have 15 plants in Canada, five in Ontario. We now have 10 plants in the United States. In 2009, when President Obama signed the American Recovery and Reinvestment Act, which called for “buy America”, we were shut out of the U.S. market for probably 12 months. It was devastating to us. We lost long-standing customers. We've never been able to regain them. We also lost some logistical chains that we had access to. It took about 12 months for Canada to negotiate a Canadian exemption to buy America.

Here's my bottom-line recommendation to the group: Please pass USMCA, or CUSMA, as soon as possible. Lock in the gains that we have, but please understand that there are no protections in CUSMA against America doing buy American again. They can cut us off tomorrow and we won't be able to ship into the United States tomorrow. You might say, well, you have 10 plants in the States, so you should be okay, but the truth is that a lot of those plants have specialties. We ship product amongst ourselves. Product that's made in Chicago or in Michigan comes back to Toronto for certain products. Products that are made in North Carolina come back to Toronto and vice versa. Although we have some flexibility, we don't have huge flexibility.

My bottom line there, Madam Chair, is that if your folks could consider some sort of fund just in case America cuts us off again, some sort of fund that would help Canadian manufacturers if they were injured because America decided to implement buy America again, that would be wonderful—sort of like how you did for steel and aluminum, which was very effective and appropriate. It gave a little bit more security to Canadian industry.

I would add one more thing. In the new NAFTA, article 32.11 talks about Mexico's exemption to certain buy America issues. We don't know exactly how this will all play out. It would be wise of us to take a close look at article 32.11 and check to see whether Mexico has a bit of an advantage on us or not. If the article doesn't give them an exemption on buy America, that's great. It will prevent Canadian companies from moving their plants to Mexico and shipping back into the U.S.A.

As our bottom line, please pass USMCA as fast as you can. Let's lock in the gains, but let's also continue to work to see if we can make this better as time moves on.

• (1740)

The Chair: Thank you very much.

We'll move on to Teamsters Canada with Mr. Benson.

Mr. Phil Benson (Lobbyist, Teamsters Canada): Good evening. Thanks for having us here.

My name is Phil Benson. I'm a lobbyist with Teamsters Canada. With me is Christopher Monette, director of public affairs.

Teamsters Canada is Canada's supply chain union, representing more than 125,000 workers in all sectors of the transportation industry, and in all sectors of the economy, from film and food and beverage to dairy. The International Brotherhood of Teamsters represents 1.4 million workers.

Teamsters Canada supports CUSMA and Bill C-4's timely passage. It is not the best deal, but it is a deal, an achievement, given America's approach of bargaining in the best interests of its businesses, predicated on national security interests. Gains were made. However, not understanding that the fundamental nature and substance of negotiating trade agreements have changed left opportunity off the table.

Trade is important for many teamsters' jobs. It is a reason why Teamsters Canada participated in every bargaining round during CUSMA's negotiation. The Liberal government made the right decision to include labour unions, NGOs and civil society in the process. The practice of negotiating trade deals in secret is a factor in the growing disaffection of workers. Opening the door let in new perspectives, leading to a better outcome. Unfortunately, some departments did not get the memo. We were not a “client” in their mind, and they often treated us as an afterthought. We anticipate that this will change and will not happen again.

The minister clearly appreciated and encouraged our activities in building support and consensus in Washington and Mexico City. Working with our colleagues and allies was helpful in achieving gains. It helped build support for a deal. Our International Brotherhood of Teamsters colleagues in Washington led the fight to make the improvements that led to a successful conclusion of the process in the United States. Those changes and the elimination of ISDS provisions are a win.

During the Mexican round, we joined a civil society conference at the Mexican Senate and met with independent trade unions. Workers in the auto supply chain, in a closed-door session, told of unhygienic, inexcusable working conditions and gave testimony of violence and sexual assaults. I am proud of how teamsters and labour are fighting for workers rights everywhere and of a government that got it. Trade agreements must include protection of workers, women, the environment and indigenous peoples, and Bill C-4 is a start in the right direction.

The negotiators' liberalization trade-bargaining blinders in seeking "ambition" lost the opportunity to protect Canadian jobs—for example, some jobs in rail and road transportation. It's a loss. Buy American and the imposition at whim of tariffs left unchecked is a push bet. The six-year review and sunset clause is counter to why trade deals are entered, a confirmation that negotiating trade is no longer all about "ambition" and does offer potential future risk and opportunity.

The provisions of NAFTA are not used by many sectors. The rules of origin are more expensive to comply with than paying the cost of low or zero-based tariffs. We do not believe that will change. As such, the NAFTA negotiations were driven by the goal of the United States to protect American-based auto manufacturing and to dismantle Canada's supply-side management system.

• (1745)

[*Translation*]

Mr. Christopher Monette (Director, Public Affairs, Teamsters Canada): Good afternoon, ladies and gentlemen.

While many may know the Teamsters as Canada's largest transportation union, it is less well known that we are also Canada's largest dairy workers' union.

We represent 5,000 workers in dairies across the country and more than 500 workers involved in bulk milk and dairy transportation from Vancouver Island to Newfoundland and Labrador.

As such, our union supports supply management, and we recognize our government's efforts to protect the supply management system. It is a win to repel the American push to dismantle supply management. It is a loss that greater foreign access to Canada's dairy market was granted.

[*English*]

One cannot examine CUSMA's potential impact on dairy workers in isolation. Canada has repeatedly tossed the dairy sector under the bus in an effort to secure trade agreements. The impact on the sector of CETA, the CPTPP and CUSMA is cumulative and severe. Close to 10% of the Canadian dairy market has been sacrificed on the altar of these free trade agreements—this, at a time when domestic demand for milk has been steadily falling.

As a result the government recognized the need to compensate the dairy industry. Let me be clear: We are in complete solidarity with dairy farmers, and we are not opposed to companies in the dairy processing sector receiving money either. The problem we call to your attention is that actual dairy workers are getting nothing—no money for training or skills upgrading, no enhanced EI or severance for workers who lose their jobs.

[*Translation*]

They are getting absolutely zero.

[*English*]

This year Saputo announced it will lay off 300 workers, after receiving \$7 million from the dairy processing investment fund. These laid-off workers will receive nothing from a government that has seen fit in recent years to give billions to literally every other player in the industry. Worse still, the government's subsidies might not even create or secure other jobs in the sector, as the funds can be used to automate production lines, potentially causing even more job losses.

Trade agreements are viewed as one cause in the rise of the disaffection of workers. What do you think dairy workers and everyday working-class Canadians in general might think when industry is given billions and workers get nothing?

Our thinking at this stage is that a program for the 25,000 workers employed in the dairy processing sector could cost less than 1% of the \$3.9 billion earmarked in the spring 2019 federal budget for sectors affected by recent trade agreements. The good news is that Teamsters Canada has held some discussions at the departmental level. They are at an early stage and came only after years of effort.

We ask that the committee support our initiative. As a matter of policy, we should no longer assume money given to an industry will magically trickle down to workers. It is a sound position that when a government decides it must compensate an industry due to the effects of entering into a trade agreement, compensation must include a package for actual workers.

That said, we'd welcome any questions the committee might have.

Thank you very much.

The Chair: Thank you very much.

I'll move on to Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Madam Chair.

Thank you to the witnesses for being here. I really appreciate your being here on short notice. This is such an important agreement.

Mr. Sobot, when you said we should pass this quickly, I think everybody around the table wants to make sure this does pass, but we want to make sure we do our due diligence. With any of these agreements, some families, some businesses and some sectors are negatively affected. You even mentioned the challenges with the buy American situation. Mr. Benson mentioned some lost opportunities. We've heard from other sectors, whether softwood lumber, buy American.... By signing on to this, we are losing some leverage we could have had, and that's a concern.

You mentioned that Mexico may have an exemption to buy American in article 32.11. That concerns me, particularly when it seems that in the past we were able to negotiate an exemption.

I was wondering how that can be. What have you seen or heard from other industry colleagues regarding why we weren't able to get those exemptions? Was it a priority for the negotiators? What exactly happened? Did you hear anything?

• (1750)

Mr. Veso Sobot: That's a very good question.

I recall that back in 2009 and 2010 the government was very interested in getting industry's input on buy American. We participated very fully in that initiative, and Canada did get an exemption. I think that was February 2010.

This time out we didn't hear very much. When we went to one of our associations, Canadian Manufacturers & Exporters, they said buy American wasn't on the table essentially, because the Americans had, they'd seen, an outrageous request that they'd only allow Canadian companies to access procurement for the month of January. From February to December we weren't allowed.

Our negotiating team thought they'd better not talk about that and focus on other things. Thankfully, at least that whole notion of only having January as an opportunity went by the wayside. When the papers came back, it was a checklist—you asked for this, we gave you this. They compared the checklist. What essentially happened is that Mexico, I think, was in the driver's seat in negotiations, and we had to agree at the last minute.

Mr. Colin Carrie: Yes, well, that's a problem. I had the opportunity. I was in Washington and we had five premiers down there. Basically, they were talking about infrastructure and the importance of having access on both sides, because many of these businesses, such as yours, are very integrated. For cost-effectiveness, like you said, some things are made in the American factory and some in the Canadian. I just see this as a lost opportunity, unfortunately. I think the premiers are taking a leadership role, trying to get down there and reduce some of those barriers. When we're looking at our overall competitiveness, we see, I think, that everybody is happy that we have an agreement in place and we have some rules.

I think it was Ms. Hatch who talked about some unique Canadian regulations relative to the United States. I come from Oshawa, and we just lost our plant. Regardless of certainty with this agreement, unfortunately, we weren't able to keep that plant operating as an assembly plant. We may have some parts and things along those lines. You mention this Energy Star rating that is unique to Canada. If the government goes ahead and says all appliances have to have this

rating, it's not going to be the same rules as in the United States and Mexico.

I was wondering how that is going to affect manufacturers. I remember, years ago, there was intention for all these unique automotive regulations in Canada, and some manufacturers, basically, said to me, "Look, if we can't sell it in Canada, we're not building it in Canada, so you guys better get it together."

What's it like with your association? If we get these unique Canadian environmental regulations in that may not even make that much of a difference, what does it do to the jobs and the ability to be competitive in North America?

Ms. Meagan Hatch: It will potentially have an impact on affordability and it will significantly reduce the consumer choices here in Canada because around 41% to 75% of the appliances that are on the market right now just won't be available, and that's in less than two years. That's significant.

I just want to go back—

Mr. Colin Carrie: Do you have numbers, too, on what percentage of appliances are made in Canada that would not be able to fulfill any of these new requirements unique to Canada?

Mr. Kevin Girdharry (Manager, Policy and Data Analysis, Association of Home Appliance Manufacturers Canada): We don't have the specific numbers of products. Most manufacturing is done either in the U.S. and Mexico and then brought into Canada. Just to what Meagan was speaking about, it's the 41% that won't comply with Energy Star, and those are usually the entry-level products, so it's like your refrigerators with the freezer on the top, your top-load washers where you open the door at the top. Those are usually the entry-level products that everyday middle-class or lower-income Canadians will purchase. Those are not necessarily Energy Star. Those would be non-compliant right away.

• (1755)

Mr. Colin Carrie: You mentioned the regulatory co-operation council—

The Chair: Make it very short, Mr. Carrie. You have eight seconds.

Mr. Colin Carrie: I'll give it to Sukh, then.

The Chair: Mr. Arya is next.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Mr. Volpe, you mentioned the increase in local content and that the \$16 average or minimum wage will increase investment in Canada. Yesterday we had the association of steel producers and the association of aluminum producers. They, too, used the words, “increased investment”, but when you dig deeper, the aluminum industry has not seen any new smelter investments in the last 15 years. The steel industry, 20 years back, was producing 16 million tonnes. Now they are producing 15 million tonnes.

When they talk about increasing investment they don't usually mean increasing investment to increase the capacity. When you use the words “increasing investment”, are you referring to the increase in capacity?

Mr. Flavio Volpe: Yes. The current NAFTA rules say, if you want to sell a car to a consumer in any of the three countries, 62.5% of that car and 60% of the qualifying parts have to come from that region. The way we do it is that we track 29 parts components.

Mr. Chandra Arya: Basically, you're saying that we are going to increase the capacity to manufacture those additional products that are required. Is that correct?

Mr. Flavio Volpe: I'm saying \$6 billion to \$8 billion of incremental purchases in automotive supplies manufactured in Canada annually, at full transition, from a baseline of \$35 billion.

Mr. Chandra Arya: Thank you.

Mr. Sobot, the pipe manufacturing, because of the nature of this product, which is voluminous, I don't think you export outside the North American market. Is that correct?

Mr. Veso Sobot: No, we export to 66 countries.

Mr. Chandra Arya: Good. Whenever the buy American model comes in, you want us to have a fund ready to help, which is a good thing. Why don't we focus on more diversification of the markets?

Mr. Veso Sobot: No amount of exports will replace the American market.

Mr. Chandra Arya: What about the growing market in Asia and other countries?

Mr. Veso Sobot: They're taken care of by companies that are there already.

Mr. Chandra Arya: Good.

Mr. Benson, this agreement, will it lead to an increase in the number of your members?

Mr. Phil Benson: It would be—

Mr. Chandra Arya: The union membership, if I'm not wrong, is actually decreasing.

Mr. Phil Benson: Actually, this is not true for the teamsters. We're constantly maintaining or growing, and we're one of the few unions in this position, partly because we are in the transportation sector. Without market studies, it's hard to really understand what's going on.

In all trade agreements there are wins and losses. Often, when an agreement is done, it's only at a later date that you find out if it was successful. One of the confusing things—if you look at dairy, it's something that comes up—is this: Just because a company can't do something under CUSMA doesn't mean they can't do it under

CPTPP. In negotiating Mercosur and free trade of the Americas, we could end up with countries like Mexico with perhaps three or four trade agreements. The answer is that we don't really know because it is becoming so complicated, but we will grow.

Mr. Chandra Arya: I have a comment, not a question, although maybe it's a question too.

If we don't allow other countries to export into our market, how can we ask other countries to open their market for our products?

Mr. Phil Benson: We have a supply management system, and America has their subsidy—

Mr. Chandra Arya: It's not just the American market.

Mr. Phil Benson: I'll give you one thing we raised, just for a moment. The suggestion was that if they got rid of their subsidies we'd get rid of ours, and their answer was no.

Mr. Chandra Arya: It's not just with America. Whether it is Europe or Asia-Pacific, the question always remains—

• (1800)

Mr. Phil Benson: I know.

Mr. Chandra Arya: —that you don't export to our market but we want you to open your markets to us.

Ms. Hatch, in your talk it almost appeared that going for Energy Star is bad. I have to disagree. I think we should focus on more of our products going to Energy Star. I look forward to information on what percentage of those products that will not be available are actually manufactured in Canada. You said you don't have it but you could always send it to us later.

Amongst the manufacturers based in Canada, what percentage of their products are qualified under Energy Star?

Ms. Meagan Hatch: Canada is a net importer of appliances.

Mr. Chandra Arya: I'm just talking about the items manufactured here.

Ms. Meagan Hatch: Nothing is manufactured in Canada.

Mr. Chandra Arya: I'm sorry...?

Ms. Meagan Hatch: Nothing is actually manufactured in Canada.

Mr. Chandra Arya: Then what is the point in having “manufacturers” in your name?

Ms. Meagan Hatch: We still have a huge industry here. All of our companies are located in the 905 area. I'm not going to name them but we have 50 companies that I represent here in Canada.

Mr. Chandra Arya: Are you basically distributors?

Ms. Meagan Hatch: It also affects retail. We have distribution centres across the country. They're sold in every store. They're in every home. It's a huge industry.

Mr. Chandra Arya: The point is that there are no manufacturers in Canada that will be affected by Canada going for Energy Star.

Ms. Meagan Hatch: No, but consumer choice will be affected.

Mr. Chandra Arya: In terms of consumer choice and energy requirements, a lower consumption of energy is important too.

Ms. Meagan Hatch: It's very strange that a ministerial mandate letter is tied to a program run by the American government. That just doesn't make sense. It doesn't make any sense whatsoever to our industry.

The Chair: Thank you very much.

We'll move on to Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Good afternoon. Thank you all for coming today.

My first question is for you, Mr. Beasley. Your presentation focused on the intersection between trade and new environmental and ecological challenges.

Do you or your association support the Paris agreement or see it as positive?

[English]

Mr. Todd Beasley: I believe fundamentally the answer to a good portion of our environmental challenges that may or may not be the issues that they are in how they are being presented....

We have pollution problems that need to be dealt with. As a society, we must be competitive. We must have public policy that encourages those technologies to be able to be proliferated. As I mentioned in my presentation, I believe fundamentally the best that Canada can do is to develop superb environmental technologies that the rest of the world can confidently adopt. That leadership, rather than punitive taxation, is the leadership that Canada can, and should, show.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: In all cases, CUSMA is not subject to the Paris agreement.

Given what you've talked about today, do you think it's possible for a dynamic to emerge, not a problematic dynamic, but one that could put a signatory to the Paris agreement like Canada and a non-signatory like the United States on unequal footing?

[English]

Mr. Todd Beasley: What I'm referring to in my presentation is the need for Canada to be strategic in this discussion of free trade. What we need to recognize is who we are relative to who the Americans are. We're dealing with the elephant in the room. If Canada just straight-up adopts carbon taxation, which our Prime Minister and our Deputy Prime Minister have acknowledged is not going to accomplish anything for us environmentally, that is only going to cause harm to the competitiveness of our households, our

municipalities and our businesses. I believe history has shown that there's a better way, potentially, to solve this environmental challenge.

If it is truly an environmental challenge that we believe society has, if we truly believe it's an existential threat to society, if we were to look back using the acid rain example of an accord between the United States and Canada, and perhaps using the free trade agreement to be able to foster that, great things environmentally were accomplished.

Canada must be competitive. We must look at this from a strategic perspective, and at the end of the day, to hobble our society with taxation that the Americans have no intention of adopting, we're already behind the eight ball in terms of our manufacturers, our municipalities and our households, and quite frankly, society in general. We must look at this in an entirely different way, and I believe it's crucial that we do.

• (1805)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Where you stand is quite clear. Thank you.

My next question is for Mr. Monette, from Teamsters Canada. It's on an altogether different topic.

If I understood correctly, you don't represent farmers, who have other associations, but you represent workers in the dairy processing sector.

Mr. Christopher Monette: That's correct. We represent the workers at Agropur, Saputo and all the others.

Mr. Simon-Pierre Savard-Tremblay: When the diafiltered milk debate was raging, processors spent a long time discussing the issue. Some decided very early on to prohibit it, well before it became a political issue, while others did the opposite, finding it somewhat convenient.

Where does your association stand on the elimination of class 7?

Mr. Christopher Monette: I'll let my colleague answer that.

[English]

Mr. Phil Benson: Just to be clear, are you talking about the diafiltered milk?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Yes.

[English]

Mr. Phil Benson: Yes, the issue with that was that America had used the diafiltered milk as a way to get around importation of milk into Canada, because it wasn't in NAFTA. The government put in a plan and a process so it would work. That was really what set the Americans off: There was no countervail, just using our product at home. I think was a good idea that was supported and both the producers and the industry got some value out of it, especially the dairy farmers.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: As you know, the agreement was referred to as class 7, but this agreement does away with class 7.

[English]

Mr. Phil Benson: I think the TRQs were just done, and the difference is that, for most of the imported dairy milk, we have the 10% cap now, so it has changed. As I understand it, most of the TRQs will be given to dairies, which helps dairies but does not help dairy farmers.

We can talk later. We'll give you a written answer directly from our dairy division.

The Chair: Thank you very much.

The time is up for Mr. Savard-Tremblay. Let's move on to Mr. Blaikie.

Mr. Daniel Blaikie: Thank you.

Mr. Sobot from IPEX, I have to say, as a construction electrician by trade, that I've installed a lot of your product in the Winnipeg area. I wanted to follow up with you on some of your comments about the buy America provisions.

I know we've had a bit of discussion about this already, but we have a bus manufacturer in my riding called New Flyer Industries. A lot of their production goes to the United States. Over 90% of their sales are with American municipalities. It's not going to happen in this agreement because it didn't. What are some of the instruments or some of the things you think we need to pursue in order to gain some kind of protection from the buy America policy shifting jobs to the U.S.?

I know there was a meeting of governors recently. Unfortunately, Manitoba's premiere, Brian Pallister, chose to stay home and not send anybody on his behalf. Are there opportunities at the province-to-state level or Canada-to-state level to have agreements that would allow Canadian companies to compete for that work?

Mr. Veso Sobot: Mr. Blaikie, that's a perfect question. In fact, that's what some of the provinces are doing.

There is an opportunity for every province to have an agreement with the states. There are 37 states that are most crucial to us. Ontario is doing that right now. Quebec is doing that. A lot of the products that we make in Quebec we actually ship into the United States. There are seismic-resistant pipes there for earthquake areas. It's hard to believe, but pipe made in Quebec is being shipped to California because it's unique, new to the world, all that sort of stuff.

There are many opportunities for province-to-state agreements, and we're hoping that might alleviate some of the problem. However, we should always be looking for ways to work with our biggest customer, America, in order to see what they want and need. Maybe we can come up with some sort of agreements in the future, as well, federally.

• (1810)

Mr. Daniel Blaikie: Thank you very much.

To the teamsters, you've mentioned the word "ambition". I know that's sometimes a word used to characterize Canadian trade policy. When it comes to dairy, there are some pretty explicit, first-of-their-kind bans on the export of dairy products out of Canada, not just to the trading partners that are covered by the agreement but to anywhere in the world.

How do you think that squares with an ambitious export agenda?

Mr. Phil Benson: It certainly isn't ambitious.

One of the problems is that dairy was thrown down the tubes. It's not a trading issue. The government decided to pony up \$3.9 billion, and according to the minister, if I heard her right, listening to her testimony when she was here, she said that they're going to do that for CUSMA as well. It's just the workers who are left behind.

The problem with ambition is that, working with our partners and allies in Mexico and the United States, we're working on a deal between Mexico and the United States that Canada can sign on to. Some are on rail issues, some are roads, some minor, some larger, but Canada wouldn't go there because it wasn't ambitious. We're negotiating with somebody who is looking after their own interests and the interests of their nation.

I talked about the blinders. We're just asking that they take those blinders off and realize that we're not negotiating under some theoretical construct of a university professor in an ivory tower. These are real issues dealing with real jobs, real people. To discount things and ignore things because it doesn't fit into your theoretical notion of ambition in this modern world that we're moving into is just sad.

Somebody asked a question about fear. I've done a bit of bargaining, and I smelled fear. The fear was—at least at some level—the negotiators did not want to raise issues because they did not want in any way to upset the apple cart to get a deal. Congratulations, they got a deal. We need a deal. We support the deal. All in, it's a good deal, but these are lessons we have to learn. It's a message to Global Affairs and a message about how people bargain these deals, to realize that if you like the old way of doing things in secret, in silence, for 30 years....

I started with FTA. In that time, we had full access to everything. It was amazing. This is a little bit better. We're cracking the door, but just look what happened. I support Hassan Yussuff's statement yesterday. That's why we didn't go over all of that again.

You have people coming here from labour, and NGOs and others, saying that, all in all, it's a deal. Maybe in six years we get to review it with somebody else. Maybe we can clean some of these things up and get a better one. The risk is having it there. That's what ambition is all about. It's not an insult or slam. It's just that the world has changed. Please take the blinders off.

We're working on Mercosur now and FTA. There are a few others we're actually working on. It's the same thing. Some I think might be very exciting, very supportable. Sometimes you have to take them off and make sure that people like Mr. Sobot here, and other companies.... Maybe don't be scared to stand up, or stand up for us in labour to protect our interests. It's okay to do it. Everybody else is doing it, especially America. Why shouldn't we too?

Mr. Daniel Blaikie: Thank you very much.

If I have a little more time, I'll use it.

The Chair: You have 40 seconds.

Mr. Daniel Blaikie: Okay.

Ms. Hatch, just really quickly—maybe we'll get a chance to follow up—you started talking about where the manufacturing happens, whether in Canada, the U.S. or Mexico. We've talked a little at the committee about some better labour provisions, and particularly labour oversight in Mexico.

Could you speak to how that might affect your members and what they think. Is there an opportunity for any of that work to come to Canada, or is Mexico such a low-wage economy that most of the manufacturing is going to stay there?

The Chair: Give a short answer, please.

Mr. Kevin Girdharry: Yes, there's definitely an opportunity for manufacturers to come back to Canada. A couple of companies are moving some of their manufacturing back to Canada, into the Guelph area. It is definitely an opportunity, and that's one reason we definitely support CUSMA and the labour provisions there as well.

The Chair: Thank you all very much.

We move on to Mr. Shields.

Welcome to our committee today.

Mr. Martin Shields (Bow River, CPC): Thank you, Madam Chair. I'll be sharing my time with Mr. Hoback.

Thank you, panellists, for being here today; I really appreciate it. I always learn a lot from panellists who come.

Mr. Beasley, you talked about an across-the-border agreement that I think very few of us know much about. When you talked about carbon sequestration, you also talked about the deal between Saskatchewan and U.S. states. Could you explain that a little more? That's "cross-border". This is what we're talking about in this agreement.

• (1815)

Mr. Todd Beasley: Absolutely, Mr. Shields, and thank you very much for the question.

It was on February 12, 2017, that there was an accord between the Saskatchewan government—SaskPower—and the governors of Wyoming, North and South Dakota and Montana to proliferate technology that was actually within the Quebec pension plan, technology called Cansolv. It was the first attempt at massive carbon capture from a coal-fired power plant. At the end of the day, this became very interesting to the world, because they took that CO₂ and injected it into depleted oil reservoirs. They were thus not only removing massive amounts of CO₂ from our environment but were turning it into enormous wealth.

As I mentioned in my presentation, they set a record late last year and have captured three million tonnes, which is the equivalent, ladies and gentlemen, one more time, of removing 750,000 vehicles from the road. This isn't putting a 40-watt light bulb in your house. This is major step change in terms of improvements to our environment and to airborne emissions.

The United States are not going to adopt Paris. They have no intention of doing so. They've made that clear. This does not mean, though, that they have any less commitment to the environment. What I'm trying to get across to this panel today is that perhaps what we should look at is following the Americans' example. Let's work on this from a technological perspective. Let's perhaps expand these types of relationships into other areas. Let these be the directions we're going to go in to solve the environmental problems we believe we have in society.

Mr. Shields, with that announcement—Donald Trump apparently referenced that agreement in 2018 in his state of the union address—they also put \$2 billion from the U.S. EPA into this strategic initiative. The Americans are now embarking upon some of the largest carbon capture projects in the world by far.

Canada originally had that. It was originally developed at Suncor Energy up in Fort McMurray, Alberta, and by golly, that's the leadership that Canada can show.

Carbon taxation...? All it does is hobble us. Let's look at the examples of the past: acid rain. Let's look at public policy that deals with this at the megatonne level, rather than at the level of a 40-watt light bulb in your home.

Does that answer your question?

Mr. Martin Shields: Yes. That's why working with the relationship with the U.S. and why this agreement we're talking about is important—building those relationships, as you say, with the biggest economy in the world.

Mr. Todd Beasley: As Prime Minister Trudeau and Deputy Prime Minister Chrystia Freeland have said, it does not matter. We could shut Canada down and we will accomplish nothing for the world's environment—nothing. We need to realize that we must look at this from a strategic perspective. We must show the leadership. We have really smart people in Canada. If we were to unlock that economic, technical and entrepreneurial spirit through public policy, we would show incredible leadership to the world.

Mr. Martin Shields: Thank you, Mr. Beasley.

Mr. Hoback, go ahead.

Mr. Randy Hoback: Thank you.

I'm an electronics geek. One of my happiest days was down in Vegas at CES, the consumer electronics show, looking at all the new Internet of things appliances.

I'm curious. In this new agreement, Ms. Hatch, do we have the foundations to have regulatory harmonization, for lack of a better word, so that we can actually have products being built right across North America that can be used right across North America?

Ms. Meagan Hatch: Regulatory harmonization is our number one issue. It took Canada 10 years to catch up to the United States in terms of energy efficiency levels, which I mentioned earlier in my presentation.

This government has worked through the regulatory co-operation council. They put in a lot of effort. Essentially NRCan and the Department of Energy get together and they look at ways in which they can make harmonization matter.

It's through that process that you're going to get more energy efficiency standards. There's continuous improvement. Each government can set stricter energy efficiency standards, and they will do that over time. We've seen this. A lot of our products have gone through many iterations of this process and now we have products that are very energy efficient. For example, a modern refrigerator uses less energy than a 60-watt light bulb for an entire year.

This has been a huge success. The Energy Star program is separate from that process, and I want to make sure that's clear and that people understand that today. That is a competition that manufacturers go through to try to be the best, the top 20% to 25%, and that also moves over time. Through increasingly strict minimum energy efficiency standards and this Energy Star thing, you get more energy efficiency savings.

• (1820)

Mr. Randy Hoback: Okay.

The Chair: Thank you very much.

Mr. Randy Hoback: I have just one quick question.

Mr. Sobot, I understand you had to lay some people off because of the blockades. I want you to know they are in our thoughts and prayers.

Mr. Veso Sobot: Yes, they are not laid off yet. However, there are four plants that are going down because we don't have any raw material: Langley, Clarkson, Pharmacy in Toronto and.... I have up-to-the-minute emails on that right now.

The Chair: Thank you very much, Mr. Sobot.

Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): First of all, I want to thank Sukh for thanking the staff. They play a very important role. We talk about team Canada all the time. We've been down to Washington a number of times. Our staff have been down there as well.

We talk about the unions, industry and the NGOs working together. I also want to recognize that.

Also, Sukh's son turned 16 today, so I want to thank him for being here.

Mr. Sukh Dhaliwal: Thank you.

Mr. Terry Sheehan: We all have family that we think about every now and then. Arjan is 16, so he might be driving a car right now.

That's a little segue into my first question.

We've been thinking a lot about things. We heard a lot when we were down in Washington. We talked about the 232 steel and aluminum tariffs. I'm co-chair of the all-party steel caucus, and I was there prior to the 232s and after. I remember talking with a Democrat. I won't name him and name names since we're not naming names. That was around 26 years ago. He said, "I voted against the free trade agreement. I voted against it." I remember it too. I was much younger then. My hair was a little darker. I had noticed there was a lot of trepidation, fear, if you will, about job losses in Canada, including around the auto sector.

That same Democrat said he voted against it then. Now he says, "I'm voting for it this time because I see how important it is and see the integration of the market." Algoma Steel ships 60% of its steel into the manufacturing sector, into appliances and into auto. They source all the materials from about four or five states, coal and steel.

I'll start with you. What's different today from it was then, in people not having the fear? How does this agreement secure Canadian jobs?

Mr. Flavio Volpe: I think I know who you're talking about.

The original agreement happened at a time when about 80% of the vehicles made in North America were made in the Great Lakes region. There was the idea that for Great Lakes states, if we opened the door to Mexico or Canada, there was going to be some erosion. That's why he voted against it.

This time, the agreement raises the regional value content but also turns around specifically on vehicle parts, on a section called core parts, and says—and these are the six most added-value parts, the ones you think they are: engines, transmissions, suspensions—if you're going to use steel to make those parts, or you're going to use aluminum to make those parts, 70% of that has to be sourced regionally.

Simply put, if he is representing a district that's in the automotive-manufacturing sector or in steel, this agreement favours those regions. Specifically with the provision for labour value content, if you make a car in a facility that pays less than \$16 an hour—that's the wage, not the fully-loaded cost of labour—then 40% of that car has to come from parts facilities that pay \$16 an hour. Presumably, if they're making those core parts, they're making them with 70% local steel.

It's a really simple binary decision for anybody who is in a manufacturing district or riding. For automotive steel and aluminum, this agreement guarantees more content than the one it replaces. For any of the three signatory countries, it is the first one in 25 years that raises that number.

Mr. Terry Sheehan: Thank you.

To the teamsters, I have the same question.

Mr. Phil Benson: The teamsters have always supported free trade. As a union, we have grown. There's an awful lot of our members who, quite bluntly, live and die by trade—our railroads, etc.

The dairy issue is an exception. It's because, in this case, the only reason they'll potentially be losing work isn't because of regular trade. It's because the government has decided to allow access, such that it's giving \$3.9 billion-plus to business, etc.

All we're saying is that if a worker loses a job in that sector, which we're concerned about, that there be some compensation for them. We're not asking for compensation for everybody. Whether it's transportation, many of the other jobs, some jobs will be lost and some jobs will be won. Hopefully, we'll win more than we lose, and we'll continue to grow.

It's a unique situation, a special situation, building a fence around it only for those industries when a government chooses to subsidize because of the trade.... They know it hurts so bad. I can only think of one case where this has happened, and it's this one.

We think it's fair to have something there just in case, as an insurance program or a program for workers, so they have a little bit taken care of. Otherwise, trust me that we'll look after ourselves.

• (1825)

Mr. Terry Sheehan: No doubt.

The Chair: Thank you very much.

I'm sorry, Mr. Sheehan. Your time is up.

Mr. Terry Sheehan: Okay.

The Chair: We'll go on to Mr. Lewis, for five minutes.

Mr. Chris Lewis: Thank you very much, Madam Chair, and to all of our witnesses.

I'm going to address this to Mr. Volpe.

Sir, I listened very keenly to your opening remarks. They were very well done. You had a lot of quotes and a lot of dates.

In my riding down by Essex—of course, I continue to say it—we're so entrenched in the automotive industry. It is very close to our border, the busiest international border in North America. I was listening, again with keen interest.

One quick date that I would bring to your attention, sir, was back in April of 2019. That was a date that the United States lawmakers received an economic impact study to help them make decisions with their new NAFTA trade agreement. That's one study that at least this side of the table has not seen as yet. We're very sure it's coming, but we haven't seen it as yet. I just want to bring that one date to your attention as well as a couple of quick quotes. I got this from the CBSA website.

The CBSA website currently states, “The CBSA, at this time, will not be seeking additional resources to implement and administer the CUSMA.”

It goes on to read as follows:

The CBSA will have to update policy and standard operating procedures, as well as identify new system and operational requirements. Should the implementation of new CUSMA benefits to the trade community add pressure on CBSA operations, resources needs will be reassessed to inform future recommendations to the Minister, as appropriate.

It sounds to me as though it's a little bit after the fact.

I acknowledge your enthusiastic support for the new NAFTA, sir. There certainly does appear to be good news for the auto sector, and that, of course, is good news for workers and businesses in my riding of Essex.

The focus of my questioning has not been on whether to ratify, but rather on implementation, the concern being that there is a very short 90-day window between ratification and implementation, which will be handled by the CBSA. The committee was advised that one of the most complicated elements of this agreement are the rules of origin, particularly in the auto sector. There are much more stringent rules in terms of content, as well as the labour value content threshold, which companies will now have to track throughout their supply chain.

In your opinion, sir, does the CBSA have the tools and the training to make sure they're ready to go on their front, and, further, that our Canadian businesses and manufacturers, the ones who literally feed our families, aren't interrupted along the way? I suppose in your opinion, have those tough questions been asked of our businesses and the government?

Mr. Flavio Volpe: The short answer is yes, but there is a longer answer.

The timing is dictated by Washington. Washington has been in an absolute hurry, because of course there's an election season and the president would very much like to take credit for gains on the USMCA.

We've asked the same questions to the CBSA. We have a standing committee of members with the CBSA that meets regularly.

It's a two-part question. What's the excess capacity available at the CBSA to process...? They're not operating at 100% here, so there is some excess capacity. The second part is that even though the rules come into play at enforcement, which is the first day of the third month after ratification by this House, there's a three-year ramp-up on content levels. You're going to have to track new product, but the level of that product, the volume of that product, is going to be stepped up over the course of three years. It's a question, a real operating question, that we've engaged in with the CBSA, but the CBSA, fortunately, has engaged industry rather directly on it.

• (1830)

Mr. Chris Lewis: You spoke about the first day of the third month. Do you have any concerns with the CBSA being ready for the first day of the third month? Have you heard any concerns about whether it is going to be ready to implement, be it for businesses or any other stakeholders?

Mr. Flavio Volpe: We work in a just-in-time business and on very thin margins, so we're always concerned. That's a matter of concern every day, whether the CBSA from day to day, year to year, is ready. The question will be this: When the uniform regulations get released with the description of parts in those agreements, will they match HS codes that are easily processed? If so, then it will be a swifter process.

In the end, a product has to get into a vehicle, into a truck or a railcar, and it has to go across a border. There is a finite amount of product that can go through, because there's a finite number of hours in a day. The border is manned, so to speak, 24 hours a day.

We don't see that as the primary concern. It's a prudent question, especially given your riding. I spend a lot of time in your riding. I have a lot of members in your riding, and they're all asking similar questions. If we get access to about 25% more volume orders, can we ship them and can we fill them? I think the second question is the most important one, but the first one is prudent to ask.

The Chair: Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair, and thank you, Terry, for bringing up my son's 16th birthday. Even though I miss him, we are doing very important historic work right here in Ottawa, and I feel very proud.

My first question is to my friend, Phil. Over the last many years, we have constructively worked together, and I want to thank the teamster members in my part of the world as they've helped me in the past, and we have always had very important dialogue.

You mentioned that teamsters are big when it comes to the transport industry. Yesterday, we had the president of the Canadian Truckers Alliance here, and he mentioned that this is very positive for the trucking industry. Would you agree, or could you tell me

how this will help those teamster members who are in the transport industry?

Mr. Phil Benson: It's a fairly simple formula. We do trains, railroad, airports, ports and couriers. If you look at the modern world, the more dollar volume there is, the faster it has to move. It means work and it means jobs.

Mr. Sukh Dhaliwal: Do you agree that it will create jobs?

Mr. Phil Benson: Absolutely, in that haul. Somewhere else, we're not sure. That's why I keep saying we're going to be fine, because in the modern world, if a union must be located somewhere, that's excellent. Of course, we do other things. As you know, there is British Columbia film. We're doing very well in film, and free trade helps film. It helps all our members who are in film to go through all the different.... As you know, we do everything from ice wine to breweries, beverages, fruit juice and tomato sauce. All of these things, when they move, they cross borders. People want them. It means work for us. It is the same for trade. The more our pulses sell, the more grain sells, it means work for us because we have to move it.

In all those aspects, it's a very good thing for many teamsters' jobs.

Mr. Sukh Dhaliwal: My next question is to Mr. Beasley. You mentioned that Canada has very smart and intelligent people. Could you tell me how Canada can remain a leader and advocate for the environment while pursuing all these trade deals?

Mr. Todd Beasley: When we look at the analogy of how we solved the acid rain problem, as a government we created public policy that stated to industry that there were guidelines they must meet. We gave industry the appropriate amount of time to work on the problem to solve it, and we gave them the patience of our understanding that, along that technological development way, failure will happen.

When goals are worthwhile, we use the lessons learned of failure and we continue to go forward and march forward, and eventually those failures will lead to success. This is exactly what happened when we had a very serious existential threat to our well-being within North America, which was acid rain. What we created were tax policies. I believe government has no business making technological decisions. I believe that those with the best bona fide interest are industry and the technical representations of those industries, together with universities and trade associations.

What we would be able to do is.... If we were to create public policy that unlocked that, unleashed that and encouraged industry, I'm comfortable saying that great things would happen. If I use the analogy of the west, some people may have the impression that oilmen don't care very much about the environment, that we care about drilling wells and perhaps producing oil and gas. Nothing could be further from the truth. For the last 30 or 40 years, some of the best oilmen have been working on both sides, improving the ways to improve our energy intensity per barrel produced.

Back to your direct question, the best thing we should do from a public policy perspective is to create the playing field, not make technological decisions. We don't need to make these investments. The investments that industry would make would be investments that would make them money together with solving those problems.

I guess what I would suggest, if you were to ask me specifically, is an expansion of the scientific research and experimental development potential. If we had generous status that industry could count on.... Let them make the decision, but let them be able to monetize their losses on the way to success. Great things would be accomplished in our society. I have no doubt about that.

• (1835)

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you very much.

We'll go to Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'm going to pick up where I left off when I ran out of time earlier.

Mr. Monette, you brought up the matter of compensation not just for dairy farmers, but also for dairy workers. That idea isn't nearly as talked about as compensation for farmers, so it's good that you brought it up because we can discuss it here.

What form would that compensation take?

Mr. Christopher Monette: I would say it should come in two forms, mainly.

First, before dairy workers lose their jobs, it's important to make money available for training and skills upgrading so they are familiar with the latest technology and able to meet all of the industry's needs.

Take, for example, a warehouse worker who loses their job in a dairy processing plant because their employer needs to find other types of workers elsewhere. Given the current labour shortage, especially in Quebec, finding those workers will be a challenge. If, however, funding were available, the employer could re-train the worker and keep them.

Granted, it probably won't be possible to save every job, so when layoffs have to be made, funding for enhanced employment insurance benefits and severance is a must. Some workers have family members who are diabetic or have other serious illnesses, and it's not as expensive as you might think to extend coverage under the employer's group insurance plan to make sure those families don't fall through the cracks.

Lastly, older workers should be able to buy a few years of pensionable service so they can retire earlier. Buying a year or two of pensionable service isn't as expensive as you might think either. Across the sector, the cost varies between \$5,000 and \$10,000.

[*English*]

The Chair: Thank you very much.

Mr. Blaikie.

Mr. Daniel Blaikie: I want to ask Ms. Hatch and Mr. Girdharry.... We've been talking a bit about some of the data provisions in NAFTA today. I know that with smart home technology there's a lot of data collection that goes on. Obviously, some of that data is to the benefit of the consumers in terms of things that they can do in their homes, but there's another side to that data. Sometimes it's sold and commercialized by the industry.

Have you given any thought to some of the data localization provisions and other kinds of IT provisions or digital provisions in NAFTA? Has your industry done any thinking about the potential cost and benefit to industry, as well as the potential cost and benefit to consumers?

• (1840)

Mr. Kevin Girdharry: Yes. Our industry is definitely looking at it because appliances are more smart with IoT. Our issue is definitely trying to be proactive in terms of what data is being collected—it's data privacy—and following standard processes that are out there currently. NIST is one that comes to mind for me.

We've formed a manufacturers' task force within our association to look at that and to adopt the latest standards.

Mr. Daniel Blaikie: Does the localization of data figure into your industry's plan for the future at all? Is that something that you see as important for the protection of the privacy of your consumers, or is it something that you're not interested in?

Mr. Kevin Girdharry: It's definitely on the table. It's definitely something that we're looking at, and it's definitely something that's very important to our manufacturers as well.

Mr. Daniel Blaikie: Does that data tend to live where the product is manufactured? Would a lot of Canadian consumers who purchase appliances from your companies have their data stored in the U.S. or Mexico already, or does that data tend to live here in Canada?

Mr. Kevin Girdharry: That's something I could get back to you on.

Mr. Daniel Blaikie: If you would follow up with the committee in writing, that would be great.

Mr. Kevin Girdharry: Sure.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you very much.

We have finished this round. Do the members have any additional questions?

Mr. Dhaliwal.

Any additional questions?

Mr. Michael Kram: May I get a few in if there is time?

The Chair: There is time.

If members have a few additional questions, please go ahead.

Mr. Michael Kram: Thank you, although Mr. Dhaliwal spoke up first, so if he wants to go first, that's fine.

The Chair: Do you have a question?

Mr. Sukh Dhaliwal: I have a question, but you can go ahead.

Mr. Michael Kram: I have a couple of questions for Ms. Hatch.

Imagine for a minute that you're standing in a new Canadian home, complete with new appliances. Can you give us an idea of which of those appliances would disappear if the Energy Star became mandatory?

Ms. Meagan Hatch: It targets all appliances. Actually, "appliance" is not defined in it, so it could go beyond home appliances to electronics and anything under the Energy Star program right now.

Mr. Michael Kram: Which appliances typically are under Energy Star?

Mr. Kevin Girdharry: It's refrigerators, freezers, room air conditioners, clothes washers, clothes dryers, air cleaners and things like that.

Mr. Michael Kram: It's practically everything then.

Mr. Kevin Girdharry: Yes.

Mr. Michael Kram: Okay.

I believe one of you said earlier that this would primarily affect the lower-cost appliances. Is that correct?

Mr. Kevin Girdharry: Yes. It's usually what we will call entry-level products: top-mount refrigerators, freezers and top-load washers.

Mr. Michael Kram: Maybe richer people who buy the most expensive, top-of-the-line appliances wouldn't be affected as much, but it would affect the working-class folk who are living paycheque to paycheque the most.

Mr. Kevin Girdharry: It's a consumer choice. There will be more options available. Energy Star comes at a premium, so yes, it's usually the entry-level models that are not Energy Star.

Mr. Michael Kram: I believe one of you mentioned that Energy Star is a trademark of the U.S. Environmental Protection Agency. Is that correct? If the Canadian government made Energy Star mandatory, is it the U.S. government that sets the requirements for Energy Star as well, for qualifying?

Ms. Meagan Hatch: Yes, that's right. If you made everything Energy Star, it would be the end of the Energy Star program here in Canada.

Mr. Michael Kram: Okay. Can you see any challenges in having a Canadian program comply with standards established entirely by a U.S. government department?

Mr. Kevin Girdharry: Yes. It's a voluntary program. It's run by the U.S. EPA. Currently, they go through their whole standards process there. Depending on what happens to the program.... It's voluntary and it's operated by the U.S. government.

Mr. Michael Kram: Okay. If the U.S. government changes it at any time, Canada would have to follow in lockstep without any input. Is that accurate?

Ms. Meagan Hatch: Yes. If we're going to tie our regulations to Energy Star, then yes, that would be very strange, because they could change them in the United States and I guess we'd have to follow. It just doesn't make any sense.

• (1845)

Mr. Michael Kram: Thank you.

The Chair: Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

I want to thank each and every one of you for coming today and for staying for a late evening.

My question is for all of you. How does this agreement create fairness for workers and small businesses when it comes to gender equality, particularly when you see that a lot of businesses are owned by women?

Would you like to start, Phil?

Mr. Phil Benson: Thank you. You always give me the hard questions.

I want to say that in this agreement it's the first.... I credit the government for this. Trade deals have to get away from just being so-called neutral in trade. The government put labour issues forward and wanted to go farther, and women's issues forward and wanted to go farther, and in terms of indigenous, etc., as well. Hopefully, as we move forward, this will become the trend and will become more important. We must have that balance in an agreement. Where it goes from there, I'm not sure, but I give full credit for fighting for it. I know that we tried our best to push for it, but full credit goes to the government for bringing it.

On where it goes with industry, as you know, we're fighting for pay equity and all these other things. It's a separate field. Trade can't do everything, but thank goodness it was looked at and became a partial in the trade deal. Congratulations to the government for running with it. It's the only government that I know of in the country—and in the world—that has pushed that, so good for you.

Mr. Sukh Dhaliwal: Is there anyone else? Mr. Volpe?

Mr. Flavio Volpe: Currently, all automakers have mandates for sourcing from women-run suppliers. Past agreements have reduced the regional value content and reduced supplies and volumes that are bought from Canadian base supply. This one increases them, so indirectly here, it's a wider opportunity, with more content coming from Canada and more women-run suppliers able to bid into those carmakers' purchases.

Let me say one more thing, Mr. Dhaliwal. We spoke of your son, who is 16 years old. Happy Birthday to him.

Mr. Sukh Dhaliwal: Thank you.

Mr. Flavio Volpe: Some of you served here with my father.

Mr. Sukh Dhaliwal: I did.

Mr. Flavio Volpe: That's right. I spent my 16th birthday with him up here in Ottawa. My mother, who was going to university at the time—she went back to university—came home and made me a tiramisu. We knew that my father was doing honourable work, and it's a pleasure to be with some of his colleagues here. Thank you for calling me up time and again.

Mr. Sukh Dhaliwal: Do you want to add something, Mr. Girdharry?

Mr. Kevin Girdharry: With regard to CUSMA, with the sectoral annexes and the others, it levels the playing field for energy efficiency regulations. Regardless of the business, everyone has to follow the same rules to meet the standards. With regard to businesses and gender equality, it just levels the playing for all.

Ms. Meagan Hatch: Yes. Affordability can be tied into gender equality for sure. We're saying that making everything Energy Star is going to affect affordability.

Mr. Sukh Dhaliwal: Mr. Beasley.

Mr. Todd Beasley: I'm really proud to say this. As someone who has 40 years in the oil and gas industry, gender has never been an issue. For some of the brightest, most exceptional people I've met

in my career throughout the world, gender had nothing to do with it.

Ladies were as intelligent and as capable, and they were treated that way. They rose to the top of the ivory tower. Some of them chose not to, for family reasons, and that's up to them, but the bottom line is that I don't believe we've ever been.... You're not going to see a gal out on a drilling rig spinning chain or flipping pipe or something like that. It's physically different, but as far as engineering goes, and the legal services, the accounting and all of those services, gender never did have anything to do with it. I'm proud to say that.

Mr. Sukh Dhaliwal: Mr. Sobot.

Mr. Veso Sobot: I'm an engineer. It's very tough for me—

Mr. Sukh Dhaliwal: I'm an engineer too.

Mr. Veso Sobot: —to straddle that. All I can say is that buy American is the biggest threat to us. I think men and women will lose their jobs if buy American is implemented.

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you very much.

Are there any further questions?

Mr. Sukh Dhaliwal: Maybe ask them if they have anything to add that they haven't said already.

Mr. Terry Sheehan: Sukh is on fire today.

The Chair: You've had dinner and some of us haven't. I would think at this point that maybe people, including the witnesses, would like to go to dinner.

Thank you sincerely, to the witnesses, for coming and spending the time with us and for all your valuable comments.

The meeting is adjourned.

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